




NUCLEUS
SOFTWARE



Driving Innovation

in financial services



FinnOne Neo™ made available in the cloud

Launched PaySe™, the world's first offline digital cash solution

Won the Model Bank Vendor 2016 Award by Celent

10 time winner - world's best-selling lending solution

Recognized as one of the five most significant mobile banking solution vendors by Forrester

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Cautionary statement regarding forward-looking statements

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

// CHAIRMAN'S MESSAGE

Janki Ballabh

Chairman



Dear Shareholders,

Since the dawn of the information technology age, computers have largely been used to make existing processes and procedures faster, easier and more streamlined. In short, computers have been mostly used in evolutionary rather than revolutionary ways. However, the world has now entered a new era – where technology advances in multiple fields are being combined to create truly new opportunities. The sharing economy – as demonstrated by companies such as Airbnb and Uber – is an example. But before we get caught up in the hype, we need to remember that to be successful, these companies must fulfill their customers' needs, i.e. if their customers don't value their offerings, the companies won't be successful. We, at Nucleus Software, remain committed as ever in our focus to provide the best products and services to our customers.

THE YEAR GONE BY

For three decades our mission has been to help our customers succeed by leveraging the latest technologies, and in the last year too, we continued to execute that mission. We launched new versions of our products – FinnOne Neo™ and FinnAxia™. We created FinnOne Neo™ for Mutuals and FinnOne Neo™ for NBFCs – solutions that are designed to meet the needs of specific business verticals. To deliver more agility and flexibility at a lower cost; we made our flagship solution FinnOne Neo™ available in the cloud. We released FinnAxia™ 3.0, which has been designed to address the ever changing needs of banks' corporate customers. Today, the world is moving towards the complete digitization of payment transactions to deliver increased customer convenience, more security and higher speed. We brought an innovative twist to the world of digital payments by introducing the world's first offline digital cash solution PaySe™. It has been designed to mimic cash transactions with easy to use, one press 'Pay' and 'Receive' functions. PaySe™ will result in a "Less Cash" ecosystem eventually leading to a "Cash-Less" ecosystem for the majority of low value financial transactions. By bringing the cost of cash down, the solution will facilitate the cost effective delivery of small loans.

With our deep experience in banking and financial services we know how to help our customers transform to the next level. We regularly share our expertise and experiences on how to shape the future of finance in prominent business forums, events and seminars worldwide. We continued to raise our profile as a market leader in lending and transaction banking space. Adding to our long list of awards and recognitions, we were included among the world's top 5 mobile banking solution providers by Forrester Research and we were honored with the Celent Model Bank Vendor award for adding value to our customers.

However, in today's fast-paced world, no company can rest on its laurels, and so we need to be cognizant of the transformation happening around us, and importantly how we can take advantage of these changes.

CHANGING CUSTOMERS, CHANGING NEEDS

In many parts of the world, particularly Europe and the United States, Generation Y or Millennials are having an impact as they move into the workforce – by 2050 they will make up half of the

global workforce. They grew up during a severe financial crisis and are more accustomed to a technology powered global network than any previous generation. There are many misconceptions about millennials but it is clear that their demands from financial services providers are creating serious challenges. They want to be treated as individuals, with personalized products and services. They would like their bank to understand their needs, ideally before they know they need them. They expect digitized banking, easy access to real-time information and a relationship based approach. Delivering on these capabilities while keeping the costs low enough to drive profits, is clearly a challenge for banks today.

As Albert Einstein said “in the middle of difficulty lies opportunity”, so the key challenge for financial services providers is to deliver what their customers need and, when and where they need it. We believe that this creates tremendous opportunities for Nucleus Software, as the key enabler will be the use of innovative technology solutions.

INCREASING VOLATILITY

In FY2016 it became clear that one of the features of the business world after the financial crisis is the increasing volatility. A number of factors weighed on the global economy, including potential Grexit and Brexit, market corrections in the Eurozone and the crash of the Chinese stock market. These factors and many more combine to increase volatility, and when “news” is shared world-wide in a matter of seconds with the increased speed of global communications, the result is even more volatility.

This seems to be the new normal and so business must adapt to it, as George Bernard Shaw said “progress is impossible without change, and those who cannot change their minds cannot change anything”. From a business perspective, the keys to success are to be close to the market, close to customers’ needs and to be willing and able to change rapidly to meet those needs. Again, we believe this creates tremendous opportunities for us as technology plays a fundamental role in delivering business agility.

DISRUPTIVE INNOVATION

We are undergoing an intense period of disruption – barely a day goes by without another story of a long established company restructuring its operations or going out of business. In the United Kingdom, articles such as “10 High Street stores of 1976 that have disappeared” are being written. In the United States, organizations as diverse as McDonald’s, Office Depot, Barnes & Noble, Walgreens, Aeropostale and American Eagle Outfitters are shutting many of their stores, and some are shutting all of their stores.

While numerous factors are at play, including changing demographics reducing the profitability of stores in certain locations, the effect of online retailers and fast-fashion stores such as H&M and Zara cannot be overstated. These new champions have adapted to the changed dynamic and have built their business models around agility, powered by innovative technology.

IS FINANCIAL SERVICES NEXT?

A decade ago, many retail bankers were trying to make their businesses more like the retail industry, in effect trying to turn retail banking into bank retailing. Concept stores were created – including co-locating with coffee bars and putting financial products into boxes which customers brought to the checkout to buy. While these were concepts that indicated the thinking at the time, they clearly didn’t deliver the answer to the problem at the time. Today, that problem is set to get worse.

When these challenges are combined with technologies such as blockchain, many are predicting a very bleak future for financial services. However, as Bill Gates once said “we always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten.” At Nucleus Software, we believe that banks and other financial services providers have a set of unique advantages over their potential disrupters. The key to unleashing these advantages is to combine a strong vision for the future with the technologies needed to deliver that vision.

WHAT'S NEXT FOR NUCLEUS SOFTWARE ?

To keep ahead of these challenges, banks and other financial institutions need to have the right strategies, business models and technologies. Not only must they execute on today's initiatives, but also radically innovate and transform themselves for the future. Innovation and technological advancement are inextricably linked with the very essence of banking. We believe that developing a customer-centric business model, simplifying business and operating models, enabling innovation, and proactively managing risk, regulations and capital are some of the key elements, which, if handled carefully, can help banks win customers and generate long-term growth. As a pioneer in providing solutions to the banking and financial services industry, we are committed to helping our customers achieve this and do much, much more.

ACKNOWLEDGEMENTS

Before I conclude, I would like to sincerely thank the various officials of the Central and State Governments, and our bankers and financial institutions for their continued support and assistance. I would also like to thank our customers – who place their trust in us and our partners, vendors and suppliers for their consistent support.

I would also like to convey sincere thanks to the entire team at Nucleus Software for their dedication and contribution to our endeavour. My thanks also go to my fellow Board members and business associates for their invaluable assistance and advice throughout the year.

Finally, I would like to express my deepest thanks to you, our shareholders, for your commitment, belief and trust in our Company.

I am very confident that our Company will do better in the years to come.

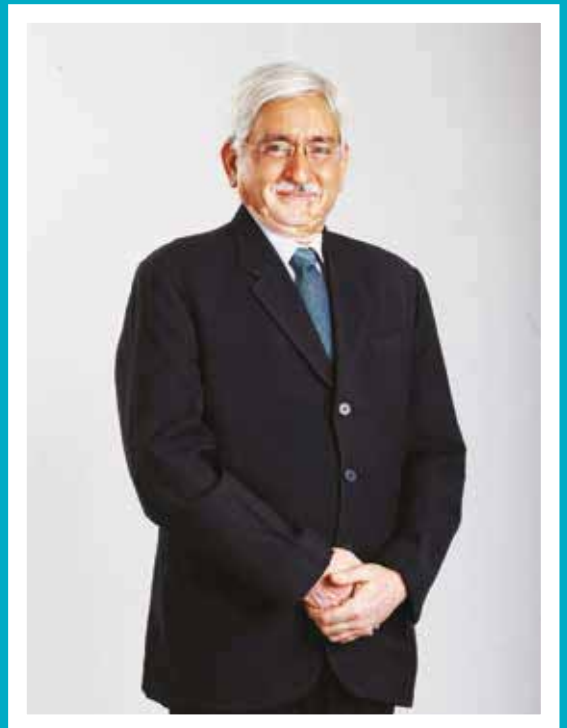
Janki Ballabh
Chairman

May 4, 2016

// CEO'S MESSAGE

Vishnu R Dusad

Managing Director & CEO



Dear Shareholders,

It has been an exciting year for our Company. We continued to make good progress on our transformation journey, and as I look back, I am both proud and humbled by what we have achieved through the year. Working together as a team, more than 1500 passionate, dedicated and talented individuals combined to deliver our success.

This teamwork and the resulting success continue a long term trend. For the last three decades, we have been working with some of the world's most innovative banks and financial service companies. We have built up a wealth of knowledge about global best practices - we know what works and what doesn't. And of course we know how technology can help as well. I am delighted to share that every day in 50 countries, 150,000 people working for 150 companies use our systems to process 26 million transactions and manage loans with a total value of \$147 billion. In transaction banking, just one of our customers uses our systems to process over \$3 trillion worth of transactions each year in 16 countries.

BUSINESS HIGHLIGHTS

In FY2016, we launched the world's first offline digital cash solution PaySe™, to empower the bottom of the pyramid and to reduce the cost of cash. We have ensured that our solutions' comprehensive functional coverage can be deployed quickly and cost effectively in the cloud. Our solutions can be deployed on a wide range of industry standard cloud platforms, including Microsoft® Azure and Amazon Web Services (AWS).

We also announced our collaboration with Red Hat, the world's leading provider of open source solutions. We launched new versions of our award winning lending solution FinnOne Neo™ and our sophisticated transaction banking solution FinnAxia™. The new releases have been designed to meet the needs of specific customer segments, for example the Mutuals sector in Australia and the Non-Banking Financial Company sector in India. As a part of the Company's strategic growth initiatives, the Board approved a proposal to acquire a mobile technology solutions company.

We continued to build our customer base by adding 6 new customers, winning 13 new product orders and implementing 28 product modules worldwide. It was interesting to see that this included organizations across the value chain – from our traditional banking market to new market entrants such as the FinTech companies and NBFCs. As a part of our transformation journey, we increased our focus on Australia and Japan with the appointment of senior sales leaders

in those markets. I am glad to share that we demonstrated how we help customers achieve their business goals while participating in 30 industry forums in 5 continents. This includes: 11th Annual Loan Origination Excellence Summit 2016 in Australia, ENG's Automotive Finance Summit in Europe, Sibos 2015 in Singapore, the 7th Annual Retail Banking Africa 2015 in Africa, ABTEC 2015 in the Middle East and FIBAC 2015 in India. We also shared our expertise and experience in an exclusive webinar on Loan Collections Technology: Accelerating Digital Transformation and Minimizing Loan Delinquencies, organized in association with CEB TowerGroup.

CHANGING PERCEPTIONS

We are delighted to see that the difference we make and the value we continue to bring to our customers is being acknowledged by leading industry analysts. This year, we have been recognized as one of the five most significant mobile banking solution vendors by Forrester Research, Inc. in The Forrester Wave™: Mobile Banking Solutions, Q4 2015. We also won the inaugural Celent Model Bank Vendor 2016 Award for helping multiple clients achieve technology or implementation excellence.

A large number of our customers, including Bank of Queensland, bob Finance and Bussan Auto Finance have chosen to speak in public on the value they attribute to our partnership. This shows how prominently we are aligned with our customer needs and our commitment to deliver world class services.

CONTINUING OUR TRANSFORMATION JOURNEY

Powerful forces are reshaping the financial services landscape. The dramatic increase in technological capabilities, changing customer expectations, and rising regulatory requirements are creating an imperative to change. To get ahead of these challenges, banks need to retool their operations. Not only must they execute on initiatives today, but they must also radically innovate and transform themselves for the future. More than ever before, technology is shaping the next evolution in banking.

I believe that banks should be able to deliver more customer centric products, offer services anytime, anywhere, over the channels that customers want, take advantage of digital technologies and leverage analytical capabilities to win customers and sustain growth in the future. We will continue to ensure that our solutions are ready to cater to these evolving needs, so that our customers can take advantage of the opportunities presented.

FINANCIAL PERFORMANCE

In FY2016, we recorded annual revenues for the year of ₹ 348.7 crore against ₹ 353.1 crore for the previous year. Overall Revenue in foreign currency including India Rupee revenue for the year is US\$ 53.4 Million, against US\$ 57.1 Million for the previous year. Product revenue for the Year was up and it now represents 75% of total revenue at ₹ 261.7 crore, against 72% of total revenue at ₹ 255.6 crore for the previous year.

We increased our investment in strategic initiatives in product, marketing, sales and people. In FY2016 this led to a drop in margins to 8.7% compared to 18.5% in the previous year. We expect margins to now increase in the coming years as the investments yield results. Consolidated net profit after tax (PAT) stood at ₹ 32.5 crore in comparison to ₹ 64.7 crore in the previous year. Earnings per share (EPS) for the year at ₹ 10.03 in comparison to ₹ 19.98 in the previous year. Cash and cash equivalents, including investments in debt schemes of mutual funds, fixed deposits with banks and tax free PSU bonds are at ₹ 368.5 crore as on 31st March, 2016, as against ₹ 348.3 crore on 31st March, 2015.

Finally, as we get into the new fiscal year, I would like to take this opportunity to thank all of you for your outstanding support and great work.

Vishnu R Dusad,
Managing Director & CEO

May 4, 2016



Driving Innovation in financial services



The financial services industry is changing fast. New competitors, powered by agile business models and advanced technologies are rising. Customer expectations, increasing levels of impatience and declining levels of loyalty are threatening. Disruption is coming.

To survive and thrive, traditional players face a stark choice: they can either risk being disintermediated or they can proactively disrupt their own business models.

THE FINTECH THREAT

Unencumbered by legacy infrastructures, not restricted by complex regulations and not limited by high cost bases, FinTechs are using agile business models powered by sophisticated new technologies to capitalize on rapidly changing customer needs. McKinsey's report "The Fight for the Customer: Global Banking Annual Review 2015" reveals that as much as 40% of revenues and up to 60% of profits in retail banking are at risk from a combination of factors including dwindling margins and competition from FinTech startups. According to a March 2016 research report by PricewaterhouseCoopers (PwC) titled "How FinTech is Shaping Financial Services", top banking executives fear that more than 20% of the financial services business will be at risk to FinTechs by 2020. With this transformation in the industry, banks and financial institutions have realized the need to align themselves to the customer demands.

We recognized that the market was changing, long before the challenge became the big news it is today. That is why we created a range of solutions with a unique combination of deep business expertise and the latest, proven technologies. The result is solutions that are uniquely placed to support agile business models.



Strategic initiatives

Translating expertise into
value for customers

For the three decades, we have been working with some of the world's most innovative financial institutions. We have built up a wealth of knowledge about global best practices. We offer a unique blend of domain and technology expertise in lending and transaction banking to define the future of financial services. We work with our customers, to understand their business and help them achieve their business goals. Our vision is to help our customers deliver world class products and unique experiences to their customers, and in doing so to run their businesses more efficiently and more profitably.

As the market landscape continues to change, we know that product innovation can deliver the competitive edge our customers need. We have launched a number of **strategic initiatives** to help our customers strengthen their operational processes, improve customer centricity and address new market opportunities.

MODEL BANK VENDOR AWARD

Won the 'Model Bank Vendor 2016'
Award by Celent





FinnOne NeoTM
made available in the cloud

The growth of cloud technology is emerging as a key driver for change, allowing established players and new competitors alike to rapidly respond to customer needs with innovative products and services while dramatically reducing upfront investments. During the year, we made our best-selling lending software, **FinnOne Neo™**, available in the cloud providing banks and finance companies with a much needed lending platform that is secure, scalable and responsive to the changing customer demands.

FinnOne Neo™ on cloud offers the advantage of having the best in class lending solution without high upfront capital expenditure and associated operational expenses. FinnOne Neo™ is platform agnostic and provides flexibility in scale while optimizing costs by supporting a wide range of pricing models. With the business focus now on shrinking timelines, it is available as an off the shelf offering that can be deployed quickly in partnership with leading cloud providers.

FINNONE™ - BEST SELLING LENDING SOLUTION

FinnOne™ is 10 time winner -
World's Best Selling Lending
Solution





FinnAxiaTM 3.0,

the latest version of our
integrated transaction
banking solution

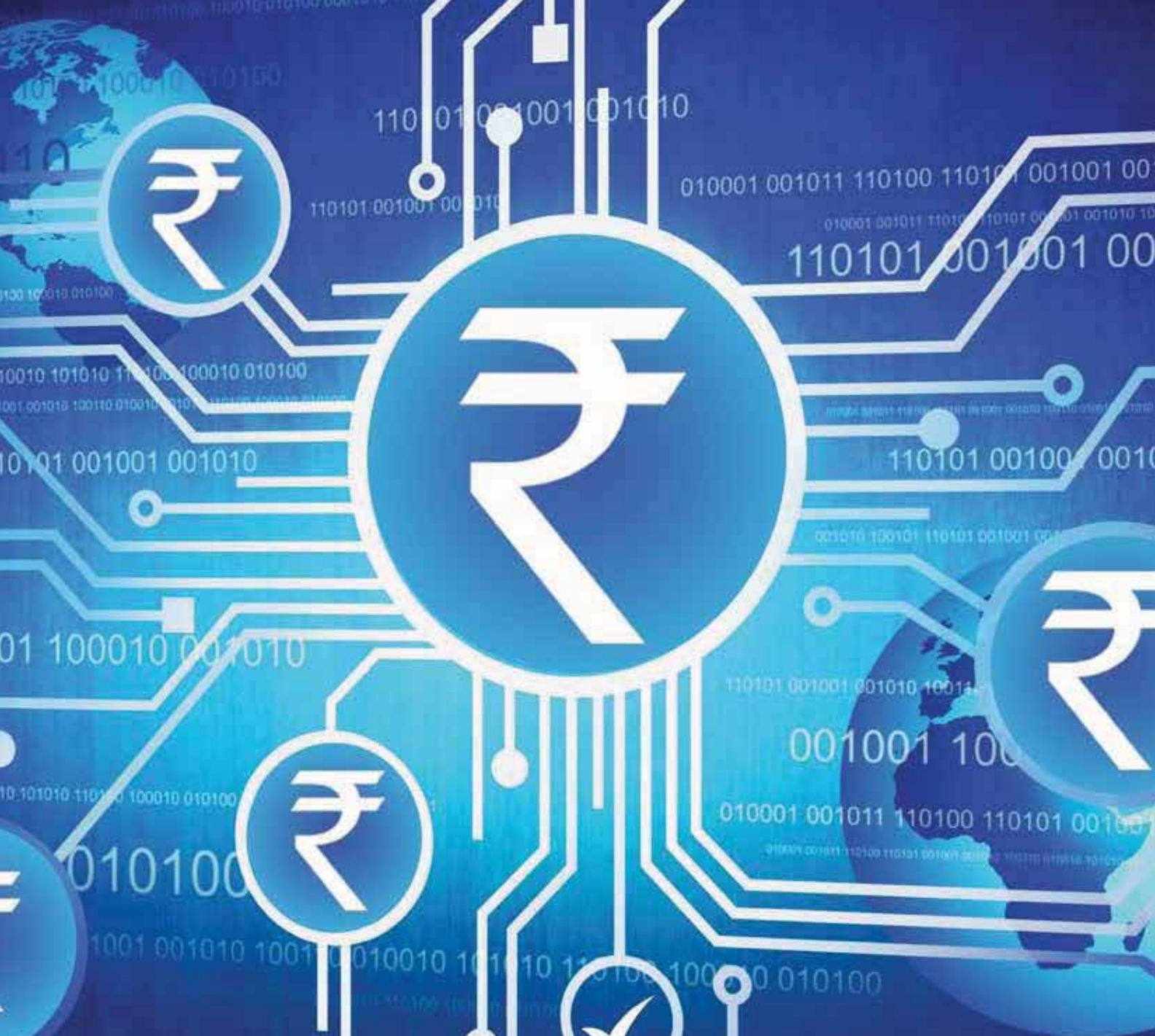
FinnAxia™ 3.0, the latest release of FinnAxia™ builds on our global experience in transaction banking and empowers financial institutions to rapidly respond to evolving market requirements along with transforming their customers' treasury functions from transactional units to strategic profit centers. FinnAxia™ 3.0 includes a Direct Debit solution based on the internationally accepted ISO20022 messaging standards which makes it compliant with the major payments and settlement systems across the globe including the SEPA Direct Debit Mandate (SDD) in Europe and National Automated Clearing House (NACH) in India. The Direct Debit solution, with its robust and scalable platform and comprehensive security features, helps banks to tap in to the growing business potential around e-collections & payables and offer an ISO20022-compliant end-to-end direct debit processing platform to their customers.

With comprehensive channel support covering all aspects of Cash Management - from Payments and Receivables to Liquidity Management and Financial supply chain management – FinnAxia™ 3.0 enables banks, financial institutions, corporate and government departments to establish and maintain a market-leading presence through flexible, speedy and efficient execution of transaction banking processes. The solution also comes with sophisticated cash forecasting capability which allows the banks to make better- informed decisions and ensure availability of the right amount of funds at right time and right place thus enhancing its working capital management.

CORPORATE GOVERNANCE AWARD

Won the 9th Social and Corporate Governance Award by World CSR Congress.





PaySe™,

the world's first offline
digital cash solution

With a vision of making a 100 Rupee loan possible and profitable, we launched **PaySe™**, the world's first offline digital cash solution designed with an aim to democratize money. Along with PaySe™, we have introduced PURSE™, a mobile to carry money, and PalmATM™ a bank teller application to democratize money. PaySe™ utilizes the latest advances in mobility, big data, open source and crypto currency (primarily tokenization) to deliver the world's first secure offline peer to peer payment solution.

PaySe™ will reduce and offset the costs associated with cash by replacing physical cash notes with digital currency. With fewer notes in circulation, the cost of storing, transporting and processing cash will reduce dramatically. It will revolutionize the way money is saved, carried and spent. PaySe™ helps address the access challenges faced by banks, micro finance institutions (MFIs) and non-banking finance companies (NBFCs) by making basic banking services accessible to the unbanked. It enables offline digital cash and digital banking access to millions of citizens across the globe who do not own a mobile phone.

WORLD'S FIRST OFFLINE DIGITAL CASH SOLUTION

Launched PaySe™ world's first offline digital cash solution designed and created with an aim to democratize money





Lending Analytics,

the lending-focused predictive analytics solution

With the exponential growth and availability of data, big data can be combined with historical, transactional data to uncover new opportunities and bring down costs. Lending decisions by financial institutions have been proven to be more effective when they are made based on predictive insights powered by real time data. With our **Lending Analytics** solution, financial institutions can gain a competitive edge by making data driven decisions seamlessly throughout the lending value chain. The solution enables banks to:

- Reach the right customers with the right products
- Deliver a superior customer experience through faster on-boarding
- Identify, target and retain the most profitable customers
- Drive up recovery rates while driving down collection costs

Leveraging the power of predictive analytics to create actionable insights, Nucleus lending analytics helps banks adjust rapidly to fast changing market conditions and steer their portfolios through uncertain times.

FINTECH EXCELLENCE AWARD 2015

Won Corporate LiveWire – FinTech Excellence Award 2015 in the category “Excellence in Providing Banking Products”





mApply,
the mobile loan
self-sourcing solution

With access to common services at their fingertips, bank's customers are less likely to visit a bank branch in the future and providing access to loan services over mobile has become a priority for banks. In view of this shift in customer behavior, banks need solutions to digitize banking services for anytime, anywhere access across the channels which customers want.

mApply is the latest addition in Nucleus Software's portfolio, aimed at empowering banks in digitizing their complete loan lifecycle. mApply enables the bank's customers to select the best offer and submit a paperless loan application within minutes. This process can be easily completed on mobile without any need to visit the bank branch. mApply will not only send intimation of application submission but also help the customers track their loan application through conditional and full approval phases.

After customers have availed the loan, they can use the same solution to access re-payment schedules, account statements and transaction reports on-the-go. With mApply, banks can easily enhance their business reach, cut down their time to market, cross sell new products and drastically reduce the cost of loan origination.

MOBILE BANKING SOLUTION VENDOR AWARD

Recognized as one of the five most significant mobile banking solution vendors by Forrester Research, Inc.



// Board of Directors



Top: Standing Left to right : Mr. Vishnu R Dusad (Managing Director and CEO), Prof. Trilochan Sastry (Non-Executive, Independent Director), Mr. R.P. Singh (Executive Director), Mr. N Subramaniam (Non-Executive, Independent Director)

Bottom: Sitting Left to right : Mr. S.M. Acharya (Non-Executive, Independent Director), Mr. Janki Ballabh (Chairman, Non-Executive, Independent Director), Mr. Prithvi Haldea (Non-Executive, Independent Director), Mrs. Elaine Mathias (Non-Executive, Independent Director)

Board of Directors

Mr. Janki Ballabh
Chairman,
Non-Executive, Independent Director

Mr. Vishnu R Dusad
Managing Director & CEO

Mr. S. M. Acharya
Non-Executive, Independent Director

Mr. Prithvi Haldea
Non-Executive, Independent Director

Mrs. Elaine Mathias
Non-Executive, Independent Director

Prof. Trilochan Sastry
Non-Executive, Independent Director

Mr. R. P. Singh
Executive Director

Mr. N. Subramaniam
Non-Executive, Independent Director

Board Committees

Audit Committee

- Mr. N. Subramaniam, Committee Chairman
- Mr. S. M. Acharya
- Mr. Prithvi Haldea
- Mrs. Elaine Mathias
- Prof. Trilochan Sastry

Nomination & Remuneration Committee

- Mr. Prithvi Haldea, Committee Chairman
- Mr. Janki Ballabh
- Mrs. Elaine Mathias
- Prof. Trilochan Sastry

Stakeholder Relationship Committee

- Mr. Prithvi Haldea, Committee Chairman
- Mr. Vishnu R Dusad
- Prof. Trilochan Sastry

Corporate Governance Committee

- Mr. Janki Ballabh, Committee Chairman
- Mr. Vishnu R Dusad
- Mr. S. M. Acharya
- Mr. Prithvi Haldea
- Mrs. Elaine Mathias
- Prof. Trilochan Sastry
- Mr. N. Subramaniam

Compensation Committee

- Mr. Prithvi Haldea, Committee Chairman
- Mr. Vishnu R Dusad
- Prof. Trilochan Sastry

Corporate Social Responsibility Committee

- Mr. Prof. Trilochan Sastry, Committee Chairman
- Mr. Vishnu R Dusad
- Mr. S. M. Acharya
- Mr. Prithvi Haldea

Offices

Registered Office

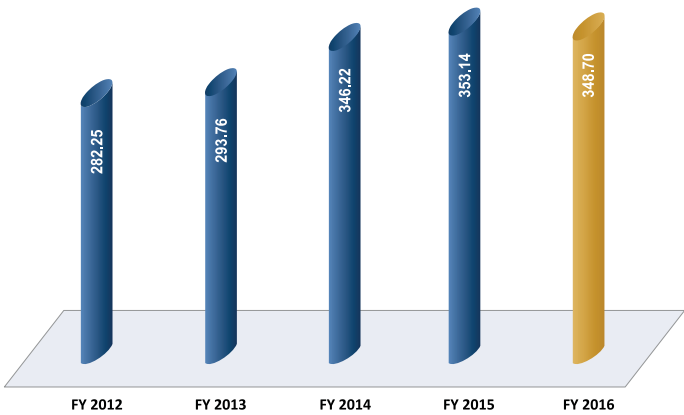
Nucleus Software Exports Ltd.
CIN : L74899DL1989PLC034594
33-35 Thyagraj Market, New Delhi - 110 003, INDIA
Tel: +91 - 11 - 24627552. Fax: +91 - 11 - 24620872

Corporate Office

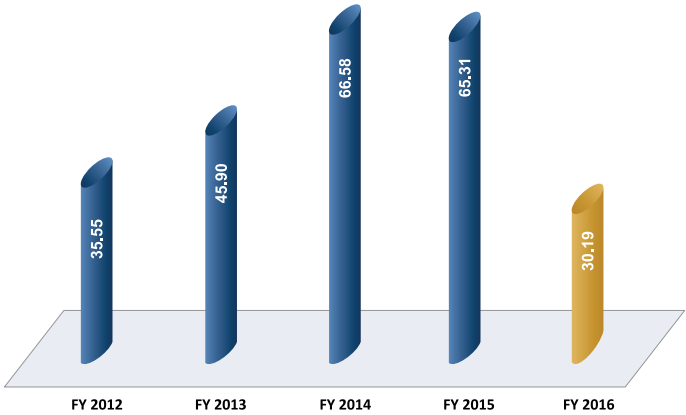
Nucleus Software Exports Ltd.
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Tel: +91-120-4031400. Fax: +91-120-4031672
Email: investorrelations@nucleussoftware.com
Website: www.nucleussoftware.com

Graphical Representation

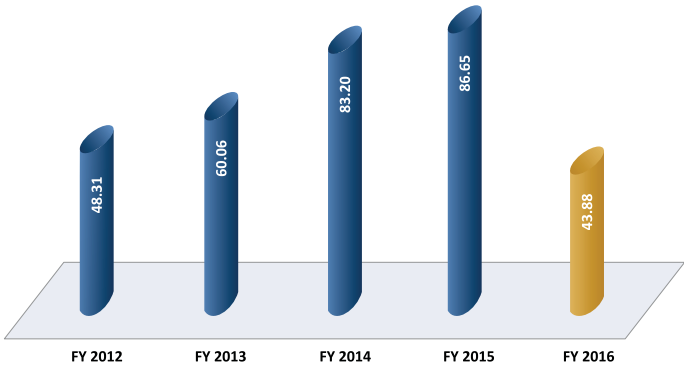
Revenue (in ₹ crore)



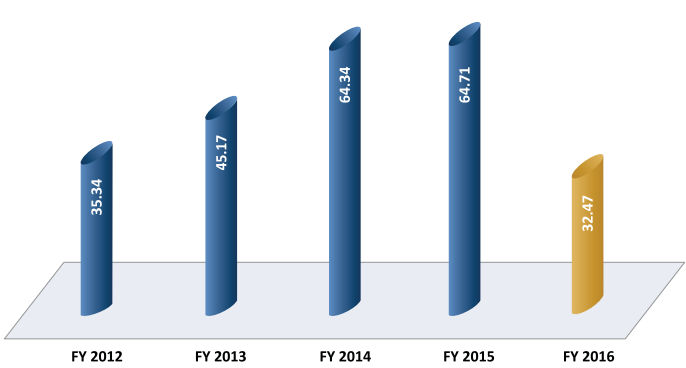
Operating Profit (EBITDA) (in ₹ crore)



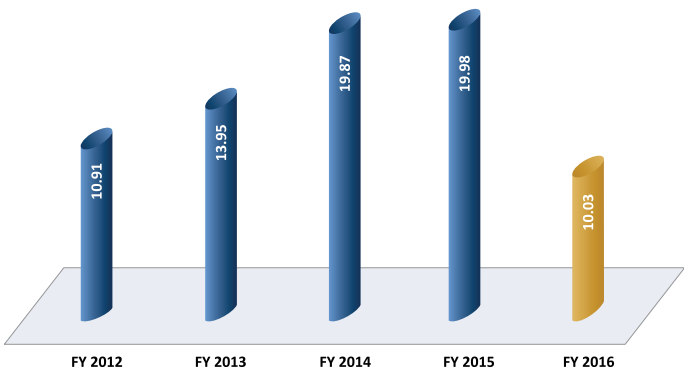
Profit Before Tax (PBT) (in ₹ crore)



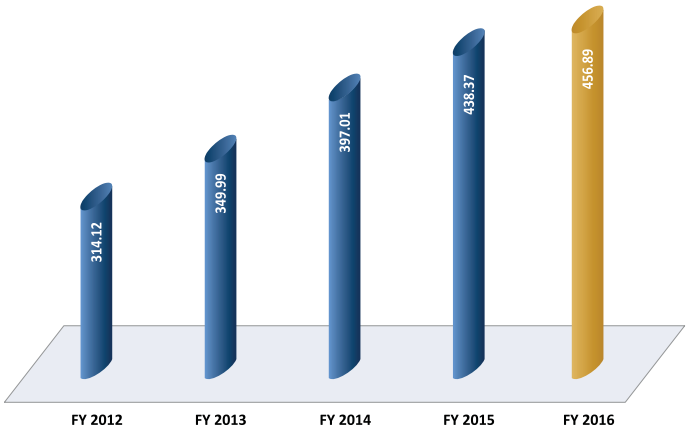
Profit After Tax (PAT) (in ₹ crore)



Earning Per Share (in ₹)



Net Worth (in ₹ crore)



Years at a Glance

(All figures in ` crore, except per share data)

Consolidated Performance

| For the Year Ended March 31, | 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------------------------------------------------------------|------------|------------|------------|------------|------------|
| Revenue from Operations | 348.70 | 353.14 | 346.22 | 293.76 | 282.25 |
| Operating Profit (EBITDA) | 30.19 | 65.31 | 66.58 | 45.90 | 35.55 |
| Depreciation | 12.22 | 11.97 | 7.93 | 6.09 | 7.45 |
| Other Income inclusive of foreign exchange gain/loss | 25.91 | 33.31 | 24.55 | 20.25 | 20.21 |
| Tax expense | 11.41 | 21.94 | 18.86 | 14.89 | 12.96 |
| Profit After Tax (PAT) | 32.47 | 64.71 | 64.34 | 45.17 | 35.34 |
| EBITDA as a % of Revenue from Operations | 8.66 | 18.49 | 19.23 | 15.63 | 12.60 |
| PAT as a % of Revenue from Operations | 9.31 | 18.32 | 18.58 | 15.38 | 12.52 |
| Return on Average Capital Employed (PBIT/Average Capital Employed) (%) | 9.80 | 20.75 | 22.28 | 18.09 | 16.05 |
| Return on Average Networth (%) | 7.25 | 15.49 | 17.23 | 13.60 | 11.74 |
| As at March 31, | 2016 | 2015 | 2014 | 2013 | 2012 |
| Share Capital | 32.39 | 32.39 | 32.39 | 32.39 | 32.38 |
| Reserves and Surplus | 424.51 | 405.98 | 364.62 | 317.60 | 281.74 |
| Net Worth | 456.89 | 438.37 | 397.01 | 349.99 | 314.12 |
| Net Fixed Assets | 52.41 | 58.95 | 61.90 | 50.69 | 48.91 |
| Cash & Cash Equivalents including Current Investments | 249.00 | 281.25 | 298.02 | 266.72 | 196.16 |
| Working Capital | 256.96 | 294.68 | 293.73 | 282.18 | 249.21 |
| No. of Shares (Face Value of ` 10.00) | 32,383,724 | 32,383,724 | 32,383,724 | 32,383,634 | 32,383,454 |
| Market Capitalisation | 626.14 | 547.61 | 705.64 | 234.78 | 200.29 |
| No. of Shareholders | 17,257 | 16,589 | 15,008 | 16,336 | 17,953 |
| Per Share data | | | | | |
| Earning Per Share (in `) | 10.03 | 19.98 | 19.87 | 13.95 | 10.91 |
| Dividend Per Share (in `) | 5.00 | 5.00 | 6.00 | 3.00 | 2.50 |
| Book Value Per Share (In `) | 141.09 | 135.37 | 122.60 | 108.08 | 97.00 |

Notes:

1. While calculating figures of group, intergroup transactions have been ignored.
2. Previous year figures have been regrouped/ reclassified wherever necessary.

Years at a Glance

(All figures in USD'000 except per share data)

Consolidated Performance

| For the Year Ended March 31, | 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------------------------------------------------------------|------------|------------|------------|------------|------------|
| Revenue from Operations | 53,367 | 57,087 | 57,742 | 54,049 | 58,999 |
| Operating Profit (EBITDA) | 4,621 | 10,558 | 11,104 | 8,444 | 7,431 |
| Depreciation | 1,871 | 1,935 | 1,323 | 1,121 | 1,557 |
| Other Income (inclusive of foreign exchange gain/loss) | 3,965 | 5,385 | 4,094 | 3,726 | 4,224 |
| Tax Expense | 1,746 | 3,547 | 3,145 | 2,739 | 2,709 |
| Profit After Tax (PAT) | 4,969 | 10,461 | 10,730 | 8,311 | 7,387 |
| EBITDA as a % of Revenue from Operations | 8.66 | 18.49 | 19.23 | 15.63 | 12.60 |
| PAT as a % of Revenue from Operations | 9.31 | 18.32 | 18.58 | 15.38 | 12.52 |
| Return on Average Capital Employed (PBIT/Average Capital Employed) (%) | 9.80 | 20.75 | 22.28 | 18.09 | 16.05 |
| Return on Average Networth (%) | 7.25 | 15.49 | 17.23 | 13.60 | 11.74 |
| US\$ Exchange Rate (In `)* | 65.34 | 61.86 | 59.96 | 54.35 | 47.84 |
| As at March 31, | 2016 | 2015 | 2014 | 2013 | 2012 |
| Share Capital | 4,888 | 5,182 | 5,409 | 5,967 | 6,364 |
| Reserves and Surplus | 64,067 | 64,957 | 60,892 | 58,511 | 55,373 |
| Net Worth | 68,954 | 70,139 | 66,301 | 64,479 | 61,737 |
| Net Fixed Assets | 7,910 | 9,432 | 10,337 | 9,339 | 9,613 |
| Cash Equivalents & Current Investments | 37,580 | 45,000 | 49,770 | 49,138 | 38,553 |
| Working Capital | 38,780 | 47,149 | 49,053 | 51,986 | 48,980 |
| No. of Shares (Face Value of ` 10.00) | 32,383,724 | 32,383,724 | 32,383,724 | 32,383,634 | 32,383,454 |
| Market Capitalisation | 94,497 | 87,617 | 117,843 | 43,254 | 39,365 |
| US\$ Exchange Rate (In `)# | 66.26 | 62.50 | 59.88 | 54.28 | 50.88 |
| Ratios - per share | | | | | |
| Earning Per Share | 0.15 | 0.32 | 0.33 | 0.26 | 0.23 |
| Dividend Per Share | 0.08 | 0.08 | 0.10 | 0.06 | 0.05 |
| Book Value Per Share | 2.13 | 2.17 | 2.05 | 1.99 | 1.91 |

Notes:

1. While calculating figures of group, intergroup transactions have been ignored.
2. Previous year figures have been regrouped/ reclassified wherever necessary.
3. *Revenue and expenditure items have been translated at the average US\$/` rate, mentioned here for the respective years.
4. #Balance Sheet items have been translated at year end US\$/` rate, mentioned here for the respective years.

DIRECTORS' REPORT

Directors' Report

Dear Members,

We are pleased to present your Company's Twenty Seventh Annual Report, together with the Audited Statement of Accounts, for the year ended March 31, 2016.

1. RESULTS OF OPERATIONS - Financial Results

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 ("2013 Act"), as applicable and guidelines issued by the Securities and Exchange Board of India ("SEBI"). Accounting policies have been consistently applied except where a newly issued accounting standard, if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis. The Company

has nine subsidiary companies across the globe. The Company discloses stand-alone audited financial results on a quarterly and annual basis, consolidated un-audited financial results on a quarterly basis and consolidated audited financial results on an annual basis.

a) Consolidated Operations

Revenue from consolidated operations for the year was ` 348.70 crore, as compared to ` 353.14 crore in the previous year. As the Company continued its focus on strategic initiatives for new products, sales and market development and high level people to help drive transformation, the overall operational expense for the year continued to be high at ` 318.51 crore, against ` 287.83 crore in the previous year. This impacted the Operating Profit (EBITDA) which was at ` 30.19 crore, 9% of revenue, against ` 65.31 crore, 18% of revenue, in the previous year.

Profit after Tax for the year was at ` 32.47 crore, 9% of revenue, against ` 64.71 crore, 18% of revenue, in the previous year.

The consolidated financial results are as below:

(` in crore)

| For the Year Ended March 31, | 2016 | % of Revenue | 2015 | % of Revenue |
|---------------------------------------------------------|---------------|---------------|---------------|---------------|
| Revenue From Operations | 348.70 | 100.00 | 353.14 | 100.00 |
| Expenses | | | | |
| a) Employee benefit expense | 226.84 | 65.05 | 201.44 | 57.04 |
| b) Travel expense | 20.99 | 6.02 | 20.01 | 5.67 |
| c) Finance costs (Bank charges) | 0.62 | 0.18 | 0.54 | 0.15 |
| d) Other expenses | 70.06 | 20.09 | 65.84 | 18.64 |
| Total Expenses | 318.51 | 91.34 | 287.83 | 81.51 |
| Operating Profit (EBITDA) | 30.19 | 8.66 | 65.31 | 18.49 |
| Depreciation | 12.22 | 3.50 | 11.97 | 3.39 |
| Operating Profit after Interest and Depreciation | 17.97 | 5.15 | 53.34 | 15.10 |
| Other Income | 25.08 | 7.19 | 31.64 | 8.96 |
| Foreign Exchange Gain/ (Loss) | 0.83 | 0.24 | 1.67 | 0.47 |
| Profit Before Tax | 43.88 | 12.58 | 86.65 | 24.54 |
| Taxation | 11.41 | 3.27 | 21.94 | 6.21 |
| Profit After Tax | 32.47 | 9.31 | 64.71 | 18.32 |

b) Standalone Operations

Revenue from the standalone operations of your Company for the year was ` 278.17 crore against ` 279.04 crore in the previous year. Total operational expense for the year was ` 265.24 crore against ` 218.06 crore in the previous year, an increase of 22%. Our planned expenditure on strategic initiatives

in product, marketing and sales and people resulted in a lower Operating Profit (EBITDA) of ` 12.93 crore, 5% of revenue, against ` 60.98 crore, 22% of revenue, in the previous year.

Profit after Tax for the year was at ` 44.66 crore, 16% of revenue, against ` 60.74 crore, 22% of revenue in the previous year.

Directors' Report

Standalone financial results are as below:

(` in crore)

| For the Year Ended March 31, | 2016 | % of Revenue | 2015 | % of Revenue |
|---------------------------------------------------------|---------------|---------------|---------------|---------------|
| Revenue from Operations | 278.17 | 100.00 | 279.04 | 100.00 |
| Expenses | | | | |
| a) Employee benefit expense | 166.02 | 59.68 | 145.95 | 52.30 |
| b) Travel expense | 17.04 | 6.13 | 16.91 | 6.06 |
| c) Finance costs (Bank charges) | 0.43 | 0.15 | 0.40 | 0.14 |
| d) Other expenses | 81.75 | 29.39 | 54.80 | 19.64 |
| Total Expenses | 265.24 | 95.35 | 218.06 | 78.15 |
| Operating Profit (EBITDA) | 12.93 | 4.65 | 60.98 | 21.85 |
| Depreciation | 10.91 | 3.92 | 10.66 | 3.82 |
| Operating Profit after Interest and Depreciation | 2.02 | 0.73 | 50.32 | 18.03 |
| Other Income | 50.40 | 18.12 | 29.26 | 10.49 |
| Foreign Exchange Gain/ (Loss) | 0.33 | 0.12 | 0.12 | 0.04 |
| Profit Before Tax | 52.75 | 18.96 | 79.70 | 28.56 |
| Taxation | 8.09 | 2.91 | 18.96 | 6.79 |
| Profit After Tax | 44.66 | 16.05 | 60.74 | 21.77 |

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

2. SHARE CAPITAL

Issued and Paid-up Share Capital

The paid-up share capital of the Company, as on March 31, 2016, is 32,383,724 equity shares of ` 10 each similar to the paid-up share capital as on March 31, 2015.

Shares under Compulsory Dematerialization

The shares of the Company are under compulsory dematerialization ("Demat") category and are available for trading on both the depositories in India viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Of the entire paid up shares, 32,246,178 shares or 99%, are in dematerialized form as at March 31, 2016. The International Securities Identification Number (ISIN) allotted to the Company's shares is INE096B01018.

3. LISTING

Your Company is listed at National Stock Exchange of India Ltd. and BSE Ltd.

| Stock Exchange where Nucleus shares are listed | Scrip Symbol / Code |
|----------------------------------------------------------------------|---------------------|
| National Stock Exchange of India Ltd. (NSE) w.e.f. December 19, 2002 | NUCLEUS |
| BSE Ltd. (BSE) w.e.f. November 6, 1995 | 531209 |

4. LIQUIDITY AND CASH EQUIVALENTS

Your Company continues to retain its debt-free status and maintains sufficient cash and cash equivalents to meet future strategic initiatives. The Company has been conservative in its investment policy over the years, maintaining a reasonably high

level of cash and cash equivalents which enable the Company to completely eliminate short and medium term liquidity risks, at the same time also help scale up operations at a short notice. The goal of cash management at Nucleus is to:

- Use cash to provide sufficient working capital to manage business operations of the Company to be able to add value to all our stakeholders and continuously enhance the same.
- Maintain sufficient cash as reserves that will aid the Company in capturing meaningful business opportunities, including acquisitions.
- Invest surplus funds in low-risk bank deposits, debt schemes of mutual fund and tax free secured bonds of Public Sector Enterprises.

Cash and cash equivalents including current investments at a consolidated level of ` 249.00 crore, constitute 54% of the shareholders' funds at the year end, against ` 281.25 crore, 64% of the shareholders' funds at the close of the previous year. In addition, the Company holds tax free bonds issued by public sector enterprise on a 'hold to maturity' basis of a face value of ` 77.74 crore against ` 53.63 crore in the previous year, long-term fixed maturity plans of mutual funds of ` 27 crore against ` 15 crore last year and preference shares of ` 14.91 crore against ` Nil last year.

5. DIVIDEND

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

Directors' Report

- a) Provisions of The Companies Act, 2013 and other applicable laws, and
- b) Cash flows of the Company

We are pleased to state that for the 16th consecutive year, your Company has paid dividend. During the year, the Board of Directors had declared an interim dividend of 50% (₹ 5.00 per equity share of ₹ 10 each). Last year, the dividend declared (final) and approved by shareholders was also 50% (₹ 5.00 per equity share of ₹ 10 each). During the year, the Company paid a total dividend of ₹ 32.38 crore, of which ₹ 16.19 crore was paid as final dividend for FY14-15 in July 2015 and ₹ 16.19 crore was paid as interim dividend for the FY15-16 in March 2016. The total payout of Dividend for FY 2015-16 is 36% of standalone profits for the year. No amount was carried to reserves.

6. FIXED DEPOSITS

Your Company has not accepted any fixed deposits covered under Chapter V of the Companies Act, 2013 and, as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

7. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The Company policy for determining 'Material Subsidiaries' and on 'Related Party Transactions', as approved by the Board can be accessed on the Company website link: <http://www.nucleussoftware.com/investors>.

Particulars of contracts or arrangements with related parties in the prescribed Form AOC-2, is provided as Annexure A to this Directors' Report.

8. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are provided in the notes to the Financial Statements.

9. MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION OF THE COMPANY BETWEEN THE END OF FINANCIAL YEAR 2016 AND DATE OF THIS REPORT

No material changes and commitments have occurred after the close of the year till the date of this Report, which affect the financial position of the Company.

10. CHANGE IN THE NATURE OF BUSINESS

There has been no change in the nature of business of the Company.

11. MANAGEMENT DISCUSSION & ANALYSIS

As per requirements of Regulation 34 of Securities and Exchange Board of India (Listing Obligations and Disclosure) Regulations 2015, Management's Discussion and Analysis of the financial condition and results of both standalone and consolidated operations have been provided separately in this Annual Report.

12. REVIEW OF BUSINESS & OUTLOOK

Your Company continues its journey as a preferred partner for banking and financial organizations worldwide, providing

innovative and pioneering products, services and solutions. Continuing the relentless focus on customer success, your Company launched a range of innovative solutions during the year.

Due to the increasing demand for real-time solutions among customers, many retail banks are focusing on moving to agile technology architectures. Mobile technology and analytical inputs based on social media are providing an increasing number of sources for real-time data that can be leveraged to gain a competitive advantage. Delivering great customer experiences and living up to the needs of digital banking are some of the business challenges that banks face today. The pace of technological change will not slow down and the tech sector as a whole must continue to seek the answer to achieving seamless integration and communication between products and platforms. According to the research consultancy IDC, the global information technology (IT) market surpassed \$3.7 trillion in 2015 and is on track to reach \$3.8 trillion in 2016 (constant currency).

The software industry body-National Association of Software and Services Companies (Nasscom) expects the country's information technology (IT) industry to grow at 12-14% during 2016-17.

13. NEW PRODUCT LAUNCHES

Your Company soft launched during the year, the world's first offline digital cash solution, PaySe™, designed and created with an aim to democratize money. Along with PaySe™, we have introduced PURSE™, a mobile to carry money, and PalmATM™ a bank teller application to democratize money.

PaySe™ utilizes the latest advances in mobility, big data, open source and crypto currency (primarily tokenization) to deliver the world's first secure offline peer to peer payment solution. PaySe™ helps to reduce and offset the costs associated with cash by replacing physical cash notes with digital currency. With fewer notes in circulation, the cost of storing, transporting and processing cash will reduce dramatically. This will also increase the velocity of money.

PaySe™ helps address the access challenges faced by banks, micro finance institutions (MFIs) and non banking finance companies (NBFCs) by making basic banking services accessible to the unbanked such as direct benefit transfers (DBT), micro pension, saving deposits, loans, recurring deposits etc. while delivering financial services.

Your Company's flagship product FinnOne Neo™ was launched on cloud and is already a success in the domestic market. By providing FinnOne Neo™ on cloud, we are making one of the best lending software more affordable, quickly deployable and scalable as per our customer's business requirements.

Your Company also launched a Lending Analytics product during the year. With cutting edge statistical and data analysis capabilities, Nucleus's Lending Analytics is a powerful and user-friendly solution enabling informed decision making through data visualization and business insight generation. The solution uses sophisticated predictive scoring models to allow various financial institution stakeholders to create scorecards that span the entire loan management life cycle.

Directors' Report

Your Company also unveiled a new mobility product module, mApply, as part of the FinnOne Neo™ mobility suite. This mobility app is meant for end customers / prospects who can apply for a loan, track the status, check offers from the comfort of their home or office, or even when they are on the move. The product is a key offering helping banks to digitize their loan sourcing business process.

As a part of ongoing development program, your Company also launched FinnAxia™ 3.0, the latest version of its next-generation integrated transaction banking product suite. The new product suite includes extended compliance with global and regional regulations and payment standards, increased capabilities for 'payments on behalf of' and additional features to support bank customers running corporate shared service centres and outsourced receivables management.

Your Company remains committed to providing its existing and potential customers with competitive and cutting-edge products and will continue to focus on investments in product innovation and business expansion.

The following table provides a list of all these subsidiaries as on March 31, 2016:

| Name of Subsidiary | Location | Date of Incorporation/ Acquisition | Percentage of Shareholding |
|-----------------------------------------|--------------|-----------------------------------------|-------------------------------|
| Nucleus Software Solutions Pte. Ltd. | Singapore | February 25, 1994 | 100% |
| Nucleus Software Inc. | USA | August 5, 1997 | 100% |
| Nucleus Software Japan Kabushiki Kaisha | Japan | November 2, 2001 | 100% |
| VirStra i- Technology Services Ltd. | India | May 6, 2004 | 100% |
| Nucleus Software Netherlands B.V. | Netherlands | February 3, 2006 | 100% |
| Nucleus Software Ltd. | India | April 21, 2008 | 100% |
| Nucleus Software Australia Pty. Ltd. | Australia | February 3, 2014 | 100% |
| Nucleus Software South Africa Pty. Ltd. | South Africa | February 10, 2015 | 100% |
| Avon Mobility Solutions Pvt. Ltd. | India | March 17, 2016 (Date of Acquisition) | 96% |

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

A statement containing the salient features of the financial statement of our subsidiaries in the prescribed Form AOC-1 is attached at the end of consolidated financial statements of the Company. The statement also provides the details of performance, financial position of each of the subsidiaries.

Further, pursuant to the provisions of Section 136 of the Act, the financial statements of the Company, consolidated financial statements along with relevant documents and separate audited accounts in respect of subsidiaries, are available on the website of the Company.

a) Nucleus Software Solutions Pte. Ltd.

Nucleus Software Solutions Pte. Ltd. (NSS) is based in Singapore. It was incorporated in 1994 to expand the Company's business in South East Asia. Currently, it is the central entity for Asia-Pacific excluding Japan and Australia with responsibility for business development, sales and software development services for customers in the region.

14. NOTABLE ACCOLADES RECEIVED DURING THE YEAR

- Named as a '**Model Bank Vendor 2016**' Award by **Celent** for helping multiple clients achieve technology or implementation excellence.
- Recognized amongst the '**World's top 5 Mobile Banking Solution Providers**' by **Forrester Research, Inc.** in The Forrester Wave™: Mobile Banking Solutions, Q4 2015.
- Corporate LiveWire – FinTech Excellence Awards 2015 in the category "**Excellence in Providing Banking Products**"

15. SUBSIDIARY COMPANIES

Your Company has nine subsidiaries across the globe. There are no associate companies or joint venture companies within the meaning of Section 2(6) of the Companies Act, 2013 ("Act").

During the year your Company made a beginning in the direction of acquiring new technologies through acquisitions. The Company acquired 96% stake in Avon Mobility Solutions Pvt. Ltd., a Company based in Chennai, with very good experience in logistics domain and expertise in developing mobile applications. Avon Mobility Solutions Pvt. Ltd. is now a Subsidiary of Nucleus.

b) Nucleus Software Inc.

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

c) Nucleus Software Japan Kabushiki Kaisha

Nucleus Software Japan Kabushiki Kaisha (NSJKK) is based in Tokyo, Japan. It was incorporated in 2001 to expand business in the country. NSJKK operates as a business development and sales hub for Japan. Additionally the subsidiary provides software development services, to the local customers in Japan.

d) VirStra i- Technology Services Ltd.

VirStra i- Technology Services Ltd. is based in Pune, India. It was incorporated in 2004 to provide software development services, targeted at the Japanese market.

Directors' Report

e) Nucleus Software Netherlands B.V.

Nucleus Software Netherlands B.V. (NSBV) is based in Amsterdam, The Netherlands. It was incorporated in 2006 for enlarging business presence in the European market. NSBV is a business development and sales hub for Nucleus in Europe.

f) Nucleus Software Ltd.

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

g) Nucleus Software Australia Pty. Ltd.

Nucleus Software Australia Pty. Ltd. (NSA) is based in Sydney, Australia. It was incorporated in 2014 for tapping the growing business opportunities in ANZ region. NSA operates as a business development and sales hub for the region. Additionally the subsidiary provides software development services, to the local customers in Australia.

h) Nucleus Software South Africa Pty. Ltd.

Nucleus Software South Africa Pty. Ltd. (NSSA) is based in Johannesburg, South Africa. It was incorporated in 2015 for tapping the growing business opportunities in South African region. NSSA operates as a business development and sales hub for the region.

i) Avon Mobility Solutions Pvt. Ltd.

Avon Mobility Solutions Pvt. Ltd. is based in Chennai and has very good experience in logistics domain and expertise in developing mobile applications.

Avon Mobility Solutions Pvt. Ltd. became subsidiary of your Company on March 17, 2016.

16. INFRASTRUCTURE

Your Company along with its subsidiaries has offices at several locations across the globe. The office space and seating capacity of these offices as on March 31, 2016 is detailed below:

| Office Location | Area in Sq. ft. | Seating Capacity - No. of Persons |
|----------------------------|-----------------|-----------------------------------|
| India | | |
| Noida | 208,122 | 1,677 |
| Jaipur | 22,312 | 250 |
| Pune | 9,573 | 114 |
| Chennai | 4,500 | 48 |
| New Delhi | 4,200 | 40 |
| Mumbai | 3,250 | 31 |
| Overseas | | |
| Singapore | 4,807 | 61 |
| Dubai, UAE | 1,290 | 17 |
| Tokyo, Japan | 735 | 15 |
| Amsterdam, Netherlands | 561 | 15 |
| Johannesburg, South Africa | 1,609 | 8 |
| Manila, Philippines | 194 | 5 |

| Office Location | Area in Sq. ft. | Seating Capacity - No. of Persons |
|-------------------|-----------------|-----------------------------------|
| London, UK | 100 | 2 |
| Sydney, Australia | 140 | 2 |
| California, USA | 100 | 1 |
| Total | 261,493 | 2,286 |

NOIDA, New Delhi and Jaipur premises are owned by the Company and its subsidiaries.

17. QUALITY PROCESSES

Your Company is committed to ensure the highest level of quality for its products and services. The key focus for this year was to synchronize the quality processes with the transformational journey of the organisation and optimize the cost of quality. Process improvement initiatives were centred on 'Process Optimization'. The FinnEdge implementation methodology has been successfully implemented in multiple projects and has started to pay dividends. FinnEdge covers various aspects of the project from 'Value Creation to Value Realization' and from 'Project Discovery' to 'Project Implementation' to 'Project Upgrade'.

A dedicated Quality Assurance team handles the process change management, implementation and it's adherence across the organization. Quality assurance team monitors quality and productivity improvements through audits and dashboard reporting.

18. BRAND VISIBILITY

In FY 2016, your Company continued to grow its marketing operations and activities in support of the strategic aspirations of the Company.

During the year, the Company moved forward on its agenda of growth into new markets around the world by establishing brand awareness and generating demand from focused target segments. Your Company is continually investing in marketing mandated with the below objectives:

- Ensure that your Company is known to provide high quality, innovative lending and transaction banking solutions to the target markets.
- Establish your Company as the Industry Thought Leader.
- Equip the sales team fully with the material and tools required to sell the product or service they represent.

Industry interactions

Your Company continued to participate in the leading industry events and business forums. The Company demonstrated how it can help customers achieve their business goals while sharing thoughts on industry best practices in 30 industry forums across 5 continents. These include 11th Annual Loan Origination Excellence Summit 2016 in Australia, ENG's Automotive Finance Summit in Europe, Sibos 2015 in Singapore, 7th Annual Retail Banking Africa 2015 in Africa, ABTEC 2015 in the Middle East and FIBAC 2015 in India. The Company also showcased its expertise in an exclusive webinar on Loan Collections Technology: Accelerating Digital Transformation and Minimizing Loan Delinquencies, organized in association with CEB TowerGroup. Road shows and meetings with Industry leaders were organized to discuss the business opportunities for the Company.

Directors' Report

Digital Presence & Visibility

Your Company continued to also build its presence in traditional media as well as on social media channels. Media activities continued with interactions with worldwide media including television, print, wires and online portals and source excellent media opportunities in various geographies such as Australia, Africa, Middle East and India. Social media has been a focus area, covering a wide range of brand activities and our successes. The Company used social media primarily for activities involving thought leadership blogs, articles, customer video testimonials and other business content marketing purposes.

19. HUMAN RESOURCE MANAGEMENT

Your Company is determined to accelerate its growth story by corresponding to the changing needs of diverse workgroup by fostering an engaging work environment, to constantly build the unique capabilities and skills of the people.

The global employee strength of the Company, at the end of FY 2016, was 1,565.

During the year, there were launches of various organization-wide HR initiatives to ensure high-performing and engaged workforce like:

- Creation of a diverse and inclusive work environment through functional leadership and investments in newer markets to ensure global presence.
- 2016 Recruitment drive for Talent Pipeline and Leadership Building:
 - Campus to Corporate - Software Engineer Trainee & Graduate Internship Programs (from premier Indian Engineering institutes) for inducting fresh talent from the campuses
 - Talent hiring across all geographies at Leadership level
- Nucleus Global Internship Program (NGIP) – Phase 2 of JAPTEL (Japanese Trainees Engagement & Learning) was launched which was a 3-week program dotted with project internship, various industrial & cultural visits – to foster a multicultural work environment and build sustainable partnership with Nucleus and Top Educational Campuses around the world.
- Week of Innovative Ideation – Innofest – was launched for participants to come up with innovative ideas on how to 'Uberize Lending' i.e. creating the lending experience of tomorrow.
- Strengthening capability through trainings/workshops on Project Management & Technology through Functional/Behavioral & Technical trainings, YLP (Young Leaders' Program) and LEAD (Leadership @ Engagement, Action and Development) programs

Going forward, your Company's focus lies in creating an enviable workplace, driven by high performance culture and a clear career development plan for each employee. The HR roadmap will also focus on 'Collaboration & Acceleration' to stimulate our strategic growth through employee empowerment via employee councils.

20. CORPORATE GOVERNANCE

We, at Nucleus, believe that good and effective Corporate Governance is critical to achieve corporate vision and mission of the organization; it is more of an organizational culture than a mere adherence to rules and regulations. Law alone cannot bring changes and transformation, and voluntary compliance both in form and in substance plays an important role in developing good Corporate Governance.

Your Company has established and maintained a strong ethical environment, overseen by a fiercely independent Board of Directors, where 6 out of 8 Directors are independent. The Company practices and policies reflect true spirit of Corporate Governance initiatives.

Your Company is in compliance of all mandatory requirements of Corporate Governance as stipulated as per Securities and Exchange Board of India (Listing Obligations and Disclosure) Regulations 2015. Compliance status is provided in the Corporate Governance section of the Annual Report. A certificate issued by the Statutory Auditors of the Company under Regulation 34 of Securities and Exchange Board of India (Listing Obligations and Disclosure) Regulations 2015, confirming compliance of the conditions of Corporate Governance, is provided as Annexure C to this Directors' Report. The auditors' certificate for fiscal 2016 does not contain any qualifications, reservations or adverse remark.

21. DIRECTORS AND KEY MANAGERIAL PERSONNEL (KMP)

In accordance with the provisions of the Companies Act 2013("Act") and the Articles of Association of the Company, Mr. R P Singh, Executive Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible has offered himself for re-appointment.

Mr. Janki Ballabh, Mr. Prithvi Haldea, Prof. Trilochan Sastry, Mr. N. Subramaniam and Mrs. Elaine Mathias are Independent Directors as per the Companies Act, 2013, not liable to retire by rotation, to hold office for five consecutive years. They have submitted a declaration that each of them meets the criteria of independence as provided in Section 149(6) of the Act and there has been no change in the circumstances which may affect their status as Independent Director during the year.

During the year, the Board of Directors on the recommendation of Nomination and Remuneration Committee, appointed Mr. S.M. Acharya as a Non-Executive Director (Additional Independent Director) of the Company on March 19, 2016. Mr. S. M. Acharya is a retired IAS officer of the Karnataka cadre. He has held various senior positions in both State and Central Governments in his long and distinguished career and retired as Secretary to the Government of India in the Ministry of Defence in 2009.

The resolution seeking approval of the Members for the appointment of Mr. S. M. Acharya as an Independent Director has been incorporated in the notice of the forthcoming Annual General Meeting of the Company along with brief details about him. The Company has received a notice under Section 160 of the Act along with the requisite deposit proposing the appointment of Mr. S. M. Acharya.

Directors' Report

Mr. Vishnu R. Dusad, CEO and Managing Director had been reappointed as Managing Director w.e.f January 1, 2012 for a period of 5 years. His present term expires on December 31, 2016. The resolution seeking approval of the Members for the reappointment of Mr. Vishnu R. Dusad as CEO and Managing Director has been incorporated in the notice of the forthcoming Annual General Meeting of the Company along with brief details about him. The Company has received a notice under Section 160 of the Act along with the requisite deposit proposing the appointment of Mr. Vishnu R. Dusad.

During the year, as per the provisions of Companies Act 2013, Mr. Ashish Nanda was appointed as the Chief Financial Officer and a Key Managerial Person of the Company.

Pursuant to provisions of Section 203 of the Companies Act, 2013, Mr. Vishnu R. Dusad, CEO and Managing Director, Mr. Ashish Nanda, Chief Financial Officer and Ms. Poonam Bhasin, Company Secretary are the Key Managerial Personnel of the Company as on March 31, 2016.

22. BOARD EVALUATION

The Board of Directors has carried out an annual evaluation of its own performance and performance of the Chairman, Board committees and individual Directors pursuant to the provisions of the Companies Act 2013 and the Corporate Governance requirements under Regulation 25 (4) of Securities and Exchange Board of India (Listing Obligations and Disclosure) Regulations 2015.

The Board, along with the Nomination and Remuneration Committee, developed and adopted the criteria and framework for the evaluation of each of the Directors and of the Board and its Committees.

The evaluation was then conducted as per the approved process (explained in detail in the Report on Corporate Governance of this Annual report). The Chairman of the Committee also had interactions with each of the Directors and sought their feedback and suggestions on the overall Board Effectiveness and Directors performance.

In addition, pursuant to the provisions of Schedule IV to the Companies Act, 2013 the Independent Directors reviewed the performance of the Non-Independent Directors and of the Board as a whole, performance of the Chairman of the Board taking into account the views of all the Directors, and the quality, quantity and timeliness of flow of information between the Company management and the Board and its sufficiency for the Board to effectively perform its duties.

The Chairman placed the Evaluation Summary before the committee members. The same was discussed in detail, and the Members recorded their overall satisfaction

23. COMPANY'S POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION

The primary responsibility of the Nomination and Remuneration Committee (NRC) is to identify and nominate suitable candidates for Board membership. The Committee also formulate policies relating to the remuneration of Directors, Key Managerial

Personnel and other senior employees of the Company.

The Committee, while evaluating potential candidates for Board membership, considers a variety of personal attributes, including experience, intellect, foresight, judgment and transparency, and match these with the requirements set out by the Board. The basic responsibilities of NRC with regard to Directors' appointment, are as follows:

- Recommending desirable changes in Board size, composition, Committee structure and processes, and other aspects of the Board's functioning.
- Formulating criteria for determining qualifications, positive attributes and Independence of a Director.
- Conducting search and recommending new Board members in light of resignation of current members or a planned expansion of the Board.
- Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.

The policy of the Company for selection of Directors is provided as Annexure D and Remuneration Policy for Directors, Key Managerial Personnel and other employees is provided as Annexure E to this Directors' Report.

24. DECLARATION BY INDEPENDENT DIRECTORS

The Company has received declarations from all the Independent Directors that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 25 of Securities and Exchange Board of India (Listing Obligations and Disclosure) Regulations 2015.

25. FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTOR'S

The details of programmes for familiarisation of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters can be accessed on the Company website link : <http://www.nucleussoftware.com/investors>.

26. MEETINGS OF THE BOARD OF DIRECTORS

The Board met 9 times during the year. The details are provided in the Report on Corporate Governance, a part of this Annual Report.

27. COMMITTEES OF THE BOARD

There are currently six Committees of the Board, as follows:

- Audit Committee
- Compensation Committee
- Corporate Governance Committee
- Nomination and Remuneration Committee
- Stakeholder Relationship Committee
- Corporate Social Responsibility Committee

Directors' Report

Details of all the Committees along with their charters, composition and meetings held during the year, are provided in the Report on Corporate Governance, a part of this Annual Report.

The Composition of Board Committees as on March 31, 2016 is as follows:

| Memberships across Board Committees | | | | | | |
|-------------------------------------|-----------------|--------------------------------|-------------------------------------|------------------------|------------------------------------|-------------------------------------------|
| | Audit Committee | Corporate Governance Committee | Nomination & Remuneration Committee | Compensation Committee | Stakeholder Relationship Committee | Corporate Social Responsibility Committee |
| Mr. Janki Ballabh | | √ | √ | | | |
| Mr. Vishnu R Dusad | | √ | | √ | √ | √ |
| Mr. S. M. Acharya | √ | √ | | | | √ |
| Mr. Prithvi Haldea | √ | √ | √ | √ | √ | √ |
| Mrs. Elaine Mathias | √ | √ | √ | | | |
| Prof. Trilochan Sastry | √ | √ | √ | √ | √ | √ |
| Mr. R P Singh | | | | | | |
| Mr. N. Subramaniam | √ | √ | | | | |

28. VIGIL MECHANISM

The Company has a well established whistle blower policy as part of vigil mechanism for Directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of conduct or ethics policy. This mechanism also provides for adequate safeguards against victimization of Director(s)/employee(s) who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee in exceptional cases.

29. SIGNIFICANT AND MATERIAL ORDERS

No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

30. RISK MANAGEMENT POLICY

The Company has developed and implemented a 'Risk Management Policy' that includes identification of elements of risk, which in the opinion of the Board may threaten the existence of the Company. Risk Management Report forms a part of this Annual Report.

31. ADDITIONAL INFORMATION TO SHAREHOLDERS

Detailed information to the shareholders is provided in the Shareholders' Referencer, a part of this Annual Report.

32. AUDITORS

Statutory Auditors

M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, the Statutory Auditors of your Company, hold office upto the conclusion of the forthcoming Annual General Meeting of the Company.

In line with the requirement of Sec 139 (1) of the Companies Act, 2013 and Company's Policy for Rotation of Auditors, the Audit Committee considering the qualifications and experience of M/s BSR and Associates, LLP, Chartered Accountants, recommended their appointment as Statutory Auditors of the Company, to the Board. The Board further recommends their appointment as Statutory Auditors to hold office from the

conclusion of this Annual General Meeting (AGM) until the conclusion of Annual General Meeting of the Company to be held in Calendar year 2021, to the shareholders' for approval in this AGM. In terms of proviso one of Section 139 of the Companies Act 2013, the appointment of Auditors shall be placed for ratification at every general meeting.

M/s BSR and Associates, LLP, Chartered Accountants have furnished a certificate of their eligibility as per Section 141 of the Companies Act, 2013 and have provided their consent for appointment as Statutory Auditors of the Company.

Secretarial Auditor

As per the Companies Act 2013, Secretarial Audit by a practicing Company Secretary has become mandatory for prescribed companies, and they are required to annex the Secretarial Audit report with their Board Report in the Annual Report. We are pleased to inform that your Company, as a voluntary practice, has been getting Secretarial Audit done for the past several years and also reporting it in the Annual Report.

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board appointed, Sanjay Grover & Associates, Practising Company Secretaries to undertake the Secretarial Audit of the Company. Secretarial Audit Report in the prescribed Form MR 3, is provided as Annexure F to this Directors' Report. The Secretarial Auditors' Report does not contain any qualification, reservation or adverse remark.

The Company also adheres to the various Secretarial Standards issued by the Institute of Companies Secretaries of India.

33. INTERNAL FINANCIAL CONTROLS

Your Company has in place adequate internal financial controls with reference to the financial statements. During the year, in order to further strengthen the internal financial controls, a renowned professional consultant firm was hired to conduct an assessment of the existent internal financial controls and advise on best practices for adoption.

Directors' Report

Deloitte Haskins & Sells, the statutory auditors of the Company, have audited the financial statements included in this annual report and have issued unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

34. CORPORATE SOCIAL RESPONSIBILITY (CSR)

Inclusive growth and sustainable development are strong pillars of your Company's responsible corporate citizenship and are a part of the core values and driving force for many of its initiatives. The Company believes that responsible investments in this regard will generate long term value for all the stakeholders.

In accordance with requirements of the Companies Act 2013, the Company has a Corporate Social Responsibility Committee comprising of a majority of Independent Directors and chaired by an Independent Director. Prof. Trilochan Sastry is the Chairman of the Committee and Mr. Vishnu R Dusad, Mr. Prithvi Haldea and Mr. S. M. Acharya are the other members. The Committee framed and recommended a CSR Policy to the Board for adoption and instituted a transparent monitoring mechanism for ensuring implementation of the projects / activities to be undertaken by the Company.

The CSR Policy may be accessed on the Company website link: <http://www.nucleussoftware.com/investors>.

Your Company has set up Nucleus Software Foundation, a Trust for the purposes of undertaking CSR activities of the Company.

Nucleus Software Foundation, the CSR arm of the Company, established in 2014, works towards a stated mission: "Empowering underprivileged with essence of education and thereby better livelihood and better life".

During the year under review, the Foundation worked towards its aim to take technology aid for enabling Quality Education at the bottom of pyramid. It undertook a project to support the education for the underprivileged children by use of digital

games in app format for better engagement and assessments.

The schools which were selected for the pilot run were for underprivileged children, managed by NGO's and located in NCR area.

The other CSR initiatives undertaken by the Foundation during the year are:

- Sponsor of college and hostel fees of two students of IIT Roorkee.
- Funding for watershed projects
- Donation for flood relief in Chennai

During the year, the Company contributed ` 1.20 crore towards CSR activities to the Foundation. Out of the total funds received, the Foundation expended ` 1.12 crore towards CSR activities. The Foundation is in the process of stabilizing the initiative of digital education for making it a longterm project and thus there is a shortfall in the expenditure done on CSR activities by the Foundation, with regard to the amount mandated as per law. The Annual Report on CSR activities is provided as Annexure G to this Directors' Report.

35. EMPLOYEE STOCK OPTION PLAN (ESOP)

Currently, there is only one ESOP scheme prevalent in the Company; ESOP scheme - 2015 (instituted in 2015). As per ESOP scheme 2015, equity shares would be transferred to eligible employees on exercise of options through Nucleus Software Employee Welfare Trust, which is established to carry out activities for the benefit and welfare of its Employees by launching various Schemes in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.

During the year, the Board of Directors at the recommendation of Compensation Committee terminated the ESOP scheme 1999, ESOP scheme 2002, ESOP scheme 2005 and ESOP scheme 2006.

Details of ESOP as per the provisions of Companies Act, 2013 and Rules made there under are as follows:

| Particulars | 2015 Plan |
|----------------------------------------------------------------------------------------------|---------------------------------------------------|
| (a) Total number of options under the Plan | 500,000 |
| (b) Pricing formula | 100% of the Fair Market Price as on date of grant |
| (c) Options granted during the year | — |
| (d) Options vested as of March 31, 2016 | — |
| (e) (i) Options exercised during the year | — |
| (ii) Total number of shares arising as a result of exercise of above options during the year | — |
| (f) Options forfeited during the year | — |
| (g) Option lapsed during the year | — |
| (h) Variation of terms of options during the year | — |
| (i) Amount realized by exercise of options during the year | — |
| (j) Total number of options in force as on March 31, 2016 | — |

Directors' Report

During the year, no stock options were granted to any employee under the above-mentioned ESOP plan and therefore no calculations are required to be made or reported regarding difference between intrinsic value and fair market value of ESOPs granted.

36. PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 197 (12) of the Companies Act, 2013 read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules are provided in the Annual Report.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in the Annual Report.

Having regard to the provisions of the first proviso to Section 136(1) of the Companies Act, 2013 and as advised, the Annual Report excluding the aforesaid information is being sent to the members of the Company. The said information is available for inspection at the registered office of the Company during working hours and any member interested in obtaining such information may write to the Company Secretary and the same will be furnished on request. The full Annual Report including the aforesaid information is available on the Company's website.

37. DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Sec 134 (5) of the Companies Act, 2013, the Directors confirm that:

- (a) in the preparation of the annual accounts for the financial year ended March 31, 2016, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- (c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance

with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- (d) the Directors had prepared the annual accounts on a going concern basis;
- (e) the Directors, had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory and secretarial auditors, including audit of internal financial controls over financial reporting by the statutory auditors, and the reviews performed by management, the Board is of the opinion that the Company's internal financial controls were adequate and effective during FY 2015-16.

38. EXTRACT OF ANNUAL RETURN

Extract of Annual Return of the Company in the prescribed Form MGT-9, is provided as Annexure H to this Directors' Report.

39. ACKNOWLEDGEMENTS

Your Directors would like to place on record their gratitude for the co-operation received from the Government of India, State Governments of Delhi, Uttar Pradesh and Rajasthan, Customs and Excise Departments, Department of Scientific and Industrial Research (Ministry of Science and Technology), Software Technology Park-Noida, Software Technology Park-Pune, Special Economic Zone authorities and other government agencies.

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

For and on behalf of the Board of Directors

**New Delhi
June 2, 2016**

**Janki Ballabh
Chairman**

ANNEXURES TO THE DIRECTORS' REPORT

- Annexure A** Particulars of contracts or arrangements with related parties in Form AOC-2
- Annexure B** Salient features of the financial statement of subsidiaries in Form AOC-1
- Annexure C** Certificate by Statutory Auditors confirming compliance of the conditions of Corporate Governance
- Annexure D** Policy for selection of Directors
- Annexure E** Remuneration Policy for Directors, Key Managerial Personnel and other employees
- Annexure F** Secretarial Audit Report in Form MR 3
- Annexure G** Annual Report on CSR activities
- Annexure H** Extract of Annual Return of the Company in the prescribed Form MGT-9
- Annexure I** Conservation of Energy, Research and Development, Technology Absorption and Foreign Exchange Earnings and Outgo

FORM - AOC - 2

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

1. Details of contracts or arrangements or transactions not at arm's length basis-

There were no contracts or arrangements entered by the Company during FY 2015-16 which were not at arm's length.

2. Details of material contracts or arrangement or transactions at arm's length basis-

The transactions /entered into by the Company with related parties were at arm's length but were not material.

- (a) Name(s) of the related party and nature of relationship: N.A
- (b) Nature of contracts/arrangements/transactions: N.A
- (c) Duration of the contracts/arrangements/transactions: N.A
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any: N.A
- (e) Date(s) of approval by the Board, if any: N.A
- (f) Amount paid as advances, if any: N.A

For and on behalf of the Board of Directors

**New Delhi
June 2, 2016**

**Janki Ballabh
Chairman**

FORM AOC -1

Statement containing salient features of the financial statement of subsidiaries

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

A statement containing the salient features of the financial statement of our subsidiaries in the prescribed Form AOC-1 is attached at the end of consolidated financial statements of the Company.

INDEPENDENT AUDITOR'S CERTIFICATE

To the Members of
Nucleus Software Exports Limited

1. We have examined the compliance of conditions of Corporate Governance by NUCLEUS SOFTWARE EXPORTS LIMITED ("the Company"), for the year ended on 31 March, 2016, as stipulated in:
 - Clause 49 (excluding clause 49(VII)(E)) of the Listing Agreements of the Company with stock exchange(s) for the period from April 01, 2015 to November 30, 2015;
 - Clause 49(VII)(E) of the Listing Agreements of the Company with the stock exchange(s) for the period from April 01, 2015 to September 01, 2015;
 - Regulation 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations) for the period from September 02, 2015 to March 31, 2016 and
 - Regulations 17 to 27 (excluding regulation 23(4)) and clauses (b) to (i) of regulation 46(2) and para C, D and E of Schedule V of the Listing Regulations for the period from December 01, 2015 to March 31, 2016.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. We have examined the relevant records of the Company in accordance with the Generally Accepted Auditing Standards in India, to the extent relevant, and as per the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India.
4. In our opinion and to the best of our information and according to our examination of the relevant records and the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement and regulation 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C, D and E of Schedule V of the Listing Regulations for the respective periods of applicability as specified under paragraph 1 above, during the year ended March 31, 2016.
5. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Registration No. 015125N)

Sd/-
SAMEER ROHATGI
Partner
(Membership No. 094039)

Noida
May 4, 2016

POLICY FOR SELECTION OF DIRECTORS

A. OBJECTIVE

The objective of this Policy is to promote an optimal structure of the Board of Directors of Nucleus Software Exports Ltd. (the Company), to encompass varied expertise, diversity and independence .

B. DEFINITIONS

1. **"The Policy"** means Policy for selection of Directors of the Company.
2. **"The Board"** means Board of Directors of the Company.
3. **"The Act"** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
4. **"The Committee"** means the Nomination and Remuneration Committee of the Company as constituted by the Board, in accordance with the Act and applicable listing agreements and/or regulations.
5. **"Directors"** means Directors of the Company
6. **"Independent Director"** means a Director appointed as such in accordance with the requirements laid down by the Companies Act, 2013 and applicable rules and regulations of Clause 49 of the Listing Agreement, including amendments thereto.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Companies Act, 2013 and Rules made there under as amended from time to time shall have the meaning respectively assigned to them therein.

C. RESPONSIBILITY FOR SELECTION

The Board has established a Nomination and Remuneration Committee (the Committee) to assist in fulfilling its responsibilities relating to the size and composition of the Board. The Committee is responsible for evaluating suitable candidates, for making appropriate recommendations to the Board and to determine the independence of Directors , in case of their appointment as Independent Directors of the Company.

D. PROCEDURE FOR NOMINATION, SELECTION AND APPOINTMENT OF DIRECTORS

1. Board Initiation

The Board shall continuously assess its current and requisite strengths and enumerate the desired composition of the Board in line with the Company's strategic priorities. The Board shall interact with the Committee when ever there is a need for induction of new Director/s and shall highlight the attributes of the desirable candidate.

2. Selection Procedure

The Committee shall follow the process as outlined below for shortlisting suitable candidates for appointment as new Directors on the Board:

- a. The Chairman of the Committee, in consultation with its members, shall prepare the candidate profile.
- b. The Board members may suggest some potential candidates. The Chairman of the Committee may seek external professional advice for developing a list of potential candidates for Directorship.
- c. Profiles of the shortlisted potential candidates shall then be examined by the Committee. The Committee, while evaluating the potential candidates, shall consider a variety of personal attributes, including experience, intellect, foresight, judgment and transparency, and match these with the requirements set out by the Board. While screening the potential candidates, the Committee shall necessarily consider the following:
 - (i) Qualifications, skills and experience
 - (ii) Potential contribution of the candidate to the Board /Company
 - (iii) Time commitment that the candidate can provide
 - (iv) Independence of the candidate in case he/she is being appointed as an Independent Director.
- d. After review and interviews, the Committee shall recommend a candidate/s to the Board for its approval
- e. The Board shall discuss the Committee's proposal and either approve the same or request it to find some more candidates.
- f. Before final appointment, the final shortlisted candidates may also be requested to come for a meeting with the Board members.
- g. The proposed candidate shall also be required to fulfill the requirements as may be prescribed under the Act, Listing Agreement and other relevant laws.

- h. The selected candidate shall then be appointed as an Additional Director, subject to ratification by the shareholders.
- i. A formal appointment letter shall be issued by the Company to each new Director, which shall set out the key terms of appointment

E. TERM/TENURE OF A DIRECTOR

1. Managing Director/Whole-Time Director

The Board shall appoint any person as a Managing Director and CEO or Whole-Time Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of the term

2. Independent Director

An Independent Director shall hold office for a term upto five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly

F. Policy Review

This Policy is purely at the discretion of the Nomination and Remuneration Committee and it reserves its right to recommend modifications in this Policy to the Board, as per applicable laws and regulations, at any time without assigning any reason whatsoever.

Remuneration Policy for Board Members, Key Managerial Personnel and other Employees

A. OBJECTIVE

Nomination and Remuneration Committee of the Board, shall recommend this Policy to the Board, relating to the remuneration of the Directors, Key Managerial Personnel and other employees. The objective of this policy is to ensure that :

1. The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors
2. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
3. Remuneration to Directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

B. DEFINITIONS

1. **"The Policy"** means Remuneration Policy For Board Members , Key Managerial Personnel and other Employees
2. **"The Board"** means Board of Directors of the Company.
3. **"The Act"** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
4. **"The Committee"** means the Nomination and Remuneration Committee of the Company as constituted by the Board, in accordance with the Act and applicable listing agreements and/or regulations.
5. **"Directors"** means Directors of the Company
6. **"Independent Director"** means a Director appointed as such in accordance with the requirements laid down by the Companies Act, 2013 and applicable rules and regulations of Clause 49 of the Listing Agreement, including amendments thereto.
7. **"Key Managerial Person"** means key managerial personnel as defined under Section 2(55) of the Companies Act, 2013 and amendments made from time to time and includes the following personnel in the Company :
 - (i) the Chief Executive Officer or the Managing Director or the Manager;
 - (ii) the Company Secretary and
 - (iii) the Chief Financial Officer;
7. **"Senior Management"** means personnel of the Company who are members of its management team members excluding the Board of Directors.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Companies Act, 2013 and Rules made there under as amended from time to time shall have the meaning respectively assigned to them therein.

C. REMUNERATION TO EXECUTIVE DIRECTORS

The Remuneration to be paid to Executive Directors shall be governed as per provisions of the Companies Act, 2013 and Rules made there under. The same shall be determined by the Committee and recommended to Board for approval.

1. Remuneration structure of the Executive Directors shall include following components:
 - a. Fixed Pay
 - b. Perquisites and allowances
 - c. Commission
 - d. Stock options
2. The Committee may recommend an increase in existing remuneration structure to the Board, within the limits as approved by shareholders.
3. Minimum Remuneration: If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Executive Directors in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

D. REMUNERATION TO NON-EXECUTIVE/INDEPENDENT DIRECTORS

The Remuneration to be paid to Non-Executive/Independent Directors shall be governed as per provisions of the Companies Act, 2013 and Rules made there under. The same shall be determined by the Committee and recommended to Board for approval.

1. Commission-based payment

Non-Executive / Independent Directors of the Company may be paid an amount not exceeding one percent of the net profits of the Company in terms of provisions of the Companies Act, 2013 and Rules made thereunder as amended from time to time, and as approved by the shareholders.

2. Sitting fee

Non-Executive / Independent Directors of the Company shall be paid a sitting fee for attending the Board as well as the Committee meetings as per the Companies Act, 2013 and Rules made thereunder as amended from time to time

3. Employee Stock Options (ESOP)

An Independent Director shall not be entitled to any stock option of the Company

4. Pension

The Board of Directors of the Company are not covered by any pension scheme or any defined benefit pension scheme.

5. Reimbursement of expenses

The Company shall reimburse the Directors all traveling, hotel, and other incidental expenses properly and reasonably incurred by them in the performance of duties as per provisions of the Companies Act, 2013 in conjunction with the Company rules and policies.

E. REMUNERATION OF KEY MANAGERIAL PERSONNEL (KMP) AND SENIOR MANAGEMENT PERSONNEL

Remuneration of KMP's (excluding the Managing Director and Executive Director, which is already covered above) and Senior management personnel, shall be reviewed /decided on an annual basis, or earlier if deemed necessary, by the Nomination and Remuneration Committee.

The Remuneration shall consist of the following components:

- Fixed remuneration
- Variable pay
- Incentives if any
- Employee Stock Options (ESOP)
- Reimbursement of expenses

F. Policy Review

This Policy is purely at the discretion of the Nomination and Remuneration Committee and it reserves its right to recommend modifications in this Policy to the Board, as per applicable laws and regulations, at any time without assigning any reason whatsoever.

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2016

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Nucleus Software Exports Limited
(CIN: L74899DL1989PLC034594)
33-35, Thyagraj Market,
New Delhi- 110003

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Nucleus Software Exports Limited** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

We report that-

- a) Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
- b) We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
- c) We have not verified the correctness and appropriateness of the financial statements of the Company.
- d) Wherever required, we have obtained the Management representation about the compliances of laws, rules and regulations and happening of events etc.
- e) The compliance of the provisions of the Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of procedures on test basis.
- f) The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2016 ("Audit Period") complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015/ the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - (c) *The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) *The Securities and Exchange Board of India (Share based Employee Benefits) Regulations, 2014;
 - (e) *The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993;

- (g) *The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
- (h) *The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- (i) The Securities and Exchange Board of India (Listing obligations and Disclosures requirements) Regulations, 2015 applicable w.e.f. December 1, 2015;

* No event took place under these regulations during the Audit period.

We have also examined compliance with the applicable clauses of the following-

- (i) Secretarial Standard on Meetings of the Board of Directors (SS-1) and Secretarial Standard on General Meetings (SS-2) issued by The Institute of Company Secretaries of India w.e.f. 01st July, 2015 .
- (ii) Listing Agreements entered into by the Company with BSE Limited and the National Stock Exchange of India Limited (applicable upto 30th November, 2015).

During the Audit period, the Company has complied with the provisions of the Act, Rules, Regulations and Guidelines.

- (vi) The Company is engaged in the business of Development and Marketing of software product and software services for business entities in the Banking and Financial Services (BFS) vertical having its operating unit(s) located in Noida, Uttar Pradesh which is under the Software Technology Park scheme of the Government of India and in Special Economic Zone in Jaipur, Rajasthan. Further, following are some of the laws which are specifically applicable to the Company, viz.:-

- The Special Economic Zone Act, 2005 and Rules made;
- Information Technology Act, 2000 and Rules made;
- Compliances related to Software Technology Parks of India {an autonomous society registered under the Societies Registration Act 1860};
- Foreign Trade Policy as formulated under Foreign Trade (Development and Regulation) Act, 1992 and Rules made thereunder;

We have checked the compliance management system of the Company to obtain reasonable assurance about the adequacy of systems in place to ensure compliance of specifically applicable laws and this verification was done on test basis. We believe that the Audit evidence which we have obtained is sufficient and appropriate to provide a basis for our audit opinion. In our opinion and to the best of our information and according to explanations given to us, we believe that the compliance management system of the Company is adequate to ensure compliance of laws specifically applicable to it.

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notices were given to all Directors of the Board Meetings. Agenda and detailed notes on agenda are sent in advance of the meetings and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting for meaningful participation at the meeting.

Board decisions are carried out with unanimous consent and therefore, no dissenting views were required to be captured and recorded as part of the minutes.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, the shareholders of the Company in its Annual General Meeting held on 08th July, 2015 passed the following Special Resolutions;

- for adoption of new set of Articles of Association (AOA) of the Company inter alia for aligning the AOA in line with the provisions of the Act;
- for adoption of new set of Memorandum of Association (MOA) of the Company inter alia for aligning the MOA in line with the provisions of the Act.

**For Sanjay Grover & Associates
Company Secretaries**

**New Delhi
May 4, 2016**

**Sanjay Grover
Managing Partner
FCS no. 4223
CP No.: 3850**

ANNUAL REPORT ON CSR ACTIVITIES

Brief outline of the company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes:

Corporate Social Responsibility (CSR) is a means to balance economic, social and environmental objectives while addressing stakeholder expectations and enhancing shareholder value. It is a responsible way of doing business.

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

The CSR Policy may be accessed on the Company website link: <http://www.nucleussoftware.com/investors>.

As per the CSR Policy, the objective of CSR will be achieved through concentrated and dedicated initiatives/projects encompassing the following identified core areas:

Education –

- o To encourage the development of human capital of the country by expanding human capabilities through skills development, vocational training etc. and by promoting excellence in identified cultural fields.
- o Including special education and employment enhancing vocation skills specially among children, women, elderly, and differently abled and livelihood enhancement projects
- o Providing basic computer based literacy programs for unprivileged children in nearby villages
- o Assisting in providing better infrastructural facilities to schools for construction/renovation/repair of hostels, school buildings, classrooms etc.

Health & MedicalCare –

- o Promoting preventive health care measures
- o Assisting in providing better infrastructural facilities to MedicalCentres/Hospitals/Dispensaries etc.
- o Actively supporting healthcare programmes of nearby localities.

Community at large –

- o Setting up homes and hostels for women, orphans, setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.
- o Promote employment opportunities for differently abled persons.
- o Development of rural based projects

Environment

- o Promote ecological balance, protection of flora and fauna, animal welfare, conservation of natural resources and maintaining quality of soil, air and water.
- o Promoting recycling waste for energy production and installation of solar panels.

CSR committee:

In accordance with the requirements of Companies Act 2013, the Company has a Corporate Social Responsibility Committee comprising of a majority of Independent Directors and chaired by an Independent Director. The CSR Committee comprises of Prof. Trilochan Sastry- Chairman of Committee, Mr. Vishnu R Dusad , Mr. Prithvi Haldea and Mr. S. M. Acharya.

Focus areas:

Your Company has set up Nucleus Software Foundation (Foundation), a Trust for the purposes of undertaking CSR activities of the Company.

During the year under review, the Foundation worked towards its aim to take technology aid for enabling Quality Education at the bottom of pyramid. It undertook a project to support the education for the underprivileged children by use of digital games in app format for better engagement and assessments.

The schools which were selected for the pilot run were for underprivileged children, managed by NGO's and located in NCR area.

The other CSR initiatives undertaken by the foundation during the year are:

- Sponsor of college and hostel fees of two students of IIT Roorkee.
- Funding for watershed projects
- Donation for flood relief in Chennai

Average net profit of the Company for last three financial years for the purpose of computation of CSR:

As per the Section 135 of the Companies Act, 2013 and Rules made thereunder, the Company is required to mandatorily spend at least two per cent of the average net profits of the Company made during the three immediately preceding financial years, on prescribed CSR activities.

| Particulars | Amount in ` crore |
|-------------------------------------------------------------------------------------|-------------------|
| a Average net profits of the Company for the last three financial years (FY 14-16) | 69.52 |
| b Prescribed CSR expenditure (2% of average net profits as above) | 1.39 |
| Details of CSR expenditure during the financial year (FY 16) | |
| c Amount contributed to Nucleus Software Foundation by the Company | 1.20 |
| d Amount spent by Nucleus Software Foundation | 1.12 |
| e Amount unspent for financial year (FY 16) (b-c) | 0.19 |

The manner in which the amount was spent during the financial year is detailed as below:

| CSR project or activity | Sector in which the project is covered | Location of the Projects / programs | (budget) (in ` crore) | Amount spent on the projects or programs (in ` crore) | Cumulative expenditure upto the reporting period (in ` Crore) | Amount spent: Direct or through implementing agency |
|---------------------------------------------|----------------------------------------|-------------------------------------------|-----------------------|-------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------|
| i. Expenditure on Project /Programme | | | | | | |
| Enabling Quality Education | Promoting education | Delhi and surrounding areas in Noida (UP) | 0.49 | 0.49 | 0.49 | Through Nucleus Software Foundation |
| Educational assistance | Promoting education | I IT Roorkee | 0.01 | 0.01 | 0.01 | Through Nucleus Software Foundation |
| Educational assistance | Promoting education | Noida, Uttar Pradesh | 0.06 | 0.06 | 0.06 | Through Nucleus Software Foundation |
| Educational assistance | Promoting education | Ghaziabad, Uttar Pradesh | 0.05 | 0.05 | 0.05 | Through Nucleus Software Foundation |
| Watershed management | Making available safe drinking water | Maharashtra and Rajasthan | 0.42 | 0.42 | 0.42 | Through Nucleus Software Foundation |
| Flood relief | Chennai Flood relief | Chennai | 0.07 | 0.07 | 0.07 | Through Nucleus Software Foundation |
| Administration expenses | Overheads | | 0.02 | 0.02 | 0.02 | Through Nucleus Software Foundation |
| Total | | | 1.12 | 1.12 | 1.12 | |

Reasons for not spending the prescribed amount

The Foundation is in the process of stabilizing the initiative of digital education and this being a longterm project, there was a shortfall of Rs.0.19 crore in the expenditure done on CSR activities with regard to the amount mandated as per law.

Responsibility statement of the CSR committee

We hereby declare that implementation and monitoring of the CSR policy are in compliance with CSR objectives and policy of the Company.

We thank the Trustees of the Foundation who devoted their time and efforts in planning, guiding and monitoring the CSR activities.

Sd/-

Vishnu R Dusad
(Chief Executive Officer /Managing Director)

Sd/-

Prof. Trilochan Sastry
(Chairman CSR Committee)

EXTRACT OF ANNUAL RETURN FORM - MGT 9

As on the financial year ended on 31st March 2016

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

| | |
|--------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| I. REGISTRATION AND OTHER DETAILS: | |
| (i) CIN | L74899DL1989PLC034594 |
| (ii) Registration Date | January 9, 1989 |
| (iii) Name of the Company | Nucleus Software Exports Limited |
| (iv) Category / Sub-Category of the Company | Category - Public Limited Company / Company Limited by Shares Sub-Category – Indian Non- Government Company |
| (v) Address of the Registered office and contact details | 33- 35, Thyagraj Market, New Delhi – 110003 Tel :- 011 – 24627552 |
| (vi) Whether listed company Yes / No | Yes |
| (vii) Name, Address and Contact details of Registrar and Transfer Agent, if any | Karvy Computer Share Pvt. Ltd. Karvy Selenium Tower B, Plot number 31 & 32, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad – 500032, India Tel: 040-23420815-18 Fax: 040-23420814 mailmanager@karvy.com |
| II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY | |
| All the business activities contributing 10 % or more of the total turnover of the company shall be stated | As per Annexure H 1 |
| III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES | As per Annexure H 2 |
| IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity) | |
| i) Category-wise Share Holding | As per Annexure H 3 |
| ii) Shareholding of Promoters | As per Annexure H 4 |
| iii) Change in Promoters' Shareholding | As per Annexure H 5 |
| iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) | As per Annexure H 6 |
| v) Shareholding of Directors and Key Managerial Personnel | As per Annexure H 7 |
| V. INDEBTEDNESS | |
| Indebtedness of the Company including interest outstanding/accrued but not due for payment | As per Annexure H 8 |
| VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL | |
| i) Remuneration to Managing Director, Whole-time Directors and/or Manager: | As per Annexure H 9 |
| ii) Remuneration to other Directors | As per Annexure H 10 |
| iii) Remuneration to Key Managerial Personnel other than MD/Manager/WTM | As per Annexure H 11 |
| VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES | As per Annexure H 12 |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

| Sl. No. | Name and Description of main products/services | NIC Code of the Product/service | % to total turnover of the company |
|---------|------------------------------------------------|---------------------------------|------------------------------------|
| 1 | Products | 620 | 92% |
| 2 | Projects & Services | 620 | 08% |

Annexure H 2**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

| S. No. | Name and address of the Company | CIN/GLN | HOLDING/ SUBSIDIARY/ ASSOCIATE | % of shares held | Applicable Section |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------------------------|---------------------|-----------------------|
| 1 | Nucleus Software Limited 33-35, Thyagraj Market, New Delhi – 110003 | U74120DL2008PLC176975 | Subsidiary | 100% | 2(87) (ii) |
| 2 | Virstra i-Technology Services Limited 33-35, Thyagraj Market, New Delhi – 110003 | U72200DL2004PLC126213 | Subsidiary | 100% | 2(87) (ii) |
| 3 | Nucleus Software Solutions Pte. Ltd. 300, Tampines Avenue-5 # 04-06, Tampines Junction, Singapore-529653 | N. A | Subsidiary | 100% | 2(87) (ii) |
| 4 | Nucleus Software Japan Kabushiki Kaisha Mitsubishi Building 11F, 5-2 Marunouchi, 2 Chome Chiyoda Ku Tokyo 100-0005 Japan | N. A | Subsidiary | 100% | 2(87) (ii) |
| 5 | Nucleus Software Inc. 505, Thornall State, Suite 401, Edison, NJ 08837 USA | N. A | Subsidiary | 100% | 2(87) (ii) |
| 6 | Nucleus Software Netherlands B.V. Strawinskylaan 921 Tower A (World Trade Center) 1077 XX Amsterdam Netherlands | N. A | Subsidiary | 100% | 2(87) (ii) |
| 7 | Nucleus Software Australia Pty. Ltd. Suite 4, 96-98 Wigram Street Harris Park, NSW 2150, Australia | N. A | Subsidiary | 100% | 2(87) (ii) |
| 8 | Nucleus Software South Africa (Pty) Ltd. 1st Floor, Longpoint Office Park Cnr Montecasino Blvd & Witkoppen Rd Fourways Johannesburg, 2191, South Africa | N. A | Subsidiary | 100% | 2(87) (ii) |
| 9 | Avon Mobility Solutions Private Limited No:07, M V Naidu Street, Ground and First Floor, Chetpet, Chennai-600031 | U72900TN2007PTC063505 | Subsidiary | 96% | 2(87) (ii) |

IV SHARE HOLDING PATTERN

(Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

| Category of Shareholder | No. of shares held at the beginning of the year (as on April 01, 2015) | | | | No. of shares at the end of the year (as on March 31, 2016) | | | | % change during the year |
|------------------------------------------------------------------------------------------|------------------------------------------------------------------------|----------------|-------------------|-------------------|-------------------------------------------------------------|----------------|-------------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of total shares | Demat | Physical | Total | % of total shares | |
| (A) PROMOTER AND PROMOTER GROUP | | | | | | | | | |
| (1) INDIAN | | | | | | | | | |
| (a) Individual /HUF | 7,633,984 | — | 7,633,984 | 23.57 | 7,633,984 | — | 7,633,984 | 23.57 | — |
| (b) Central Government/State Government(s) | — | — | — | — | — | — | — | — | — |
| (c) Bodies Corporate | 11,997,882 | — | 11,997,882 | 37.05 | 11,997,882 | — | 11,997,882 | 37.05 | — |
| (d) Financial Institutions / Banks | — | — | — | — | — | — | — | — | — |
| (e) Others | — | — | — | — | — | — | — | — | — |
| Sub-Total A(1) : | 19,631,866 | — | 19,631,866 | 60.62 | 19,631,866 | — | 19,631,866 | 60.62 | — |
| (2) FOREIGN | | | | | | | | | |
| (a) Individuals (NRIs/Foreign Individuals) | — | — | — | — | — | — | — | — | — |
| (b) Bodies Corporate | — | — | — | — | — | — | — | — | — |
| (c) Institutions | — | — | — | — | — | — | — | — | — |
| (d) Qualified Foreign Investor | — | — | — | — | — | — | — | — | — |
| (e) Others | — | — | — | — | — | — | — | — | — |
| Sub-Total A(2) : | — | — | — | — | — | — | — | — | — |
| Total A=A(1)+A(2) | 19,631,866 | — | 19,631,866 | 60.62 | 19,631,866 | — | 19,631,866 | 60.62 | — |
| (B) PUBLIC SHAREHOLDING | | | | | | | | | |
| (1) INSTITUTIONS | | | | | | | | | |
| (a) Mutual Funds /UTI | 763,284 | 1,000 | 764,284 | 2.36 | 407,507 | 1,000 | 408,507 | 1.26 | (1.10) |
| (b) Financial Institutions /Banks | 35,689 | — | 35,689 | 0.11 | 93,134 | — | 93,134 | 0.29 | 0.18 |
| (c) Central Government / State Government(s) | — | — | — | — | — | — | — | — | — |
| (d) Venture Capital Funds | — | — | — | — | — | — | — | — | — |
| (e) Insurance Companies | — | — | — | — | — | — | — | — | — |
| (f) Foreign Institutional Investors | 2,777,999 | — | 2,777,999 | 8.58 | 2,863,669 | — | 2,863,669 | 8.84 | 0.26 |
| (g) Foreign Venture Capital Investors | — | — | — | — | — | — | — | — | — |
| (h) Qualified Foreign Investor | — | — | — | — | — | — | — | — | — |
| (i) Others | — | — | — | — | — | — | — | — | — |
| Sub-Total B(1) : | 3,576,972 | 1,000 | 3,577,972 | 11.05 | 3,364,310 | 1,000 | 3,365,310 | 10.39 | (0.66) |
| (2) NON-INSTITUTIONS | | | | | | | | | |
| (a) Bodies Corporate (Indian) | 772,410 | 1,400 | 773,810 | 2.39 | 881,068 | 1,400 | 882,468 | 2.73 | 0.34 |
| Bodies Corporate (overseas) | — | — | — | — | — | — | — | — | — |
| (b) Individuals | | | | | | | | | |
| (i) Individuals holding nominal share capital upto Rs.1 lakh | 4,287,950 | 118,720 | 4,406,670 | 13.61 | 4,569,935 | 115,146 | 4,685,081 | 14.47 | 0.86 |
| (ii) Individuals holding nominal share capital in excess of Rs.1 lakh | 3,293,061 | 12,000 | 3,305,061 | 10.21 | 3,103,635 | 12,000 | 3,115,635 | 9.62 | (0.59) |
| (c) Others | | | | | | | | | |
| CLEARING MEMBERS | 38,564 | — | 38,564 | 0.12 | 58,404 | — | 58,404 | 0.18 | 0.06 |
| NON RESIDENT INDIANS | 637,681 | 8,000 | 645,681 | 1.99 | 628,360 | 8,000 | 636,360 | 1.96 | (0.03) |
| TRUSTS | 4,100 | — | 4,100 | 0.01 | 8,600 | — | 8,600 | 0.03 | 0.00 |
| (d) Qualified Foreign Investor | — | — | — | — | — | — | — | — | — |
| Sub-Total B(2) : | 9,033,766 | 140,120 | 9,173,886 | 28.33 | 9,250,002 | 136,546 | 9,386,548 | 28.99 | 0.66 |
| Total B=B(1)+B(2) : | 12,610,738 | 141,120 | 12,751,858 | 39.38 | 12,614,312 | 137,546 | 12,751,858 | 39.38 | 0.00 |
| Total (A+B) : | 32,242,604 | 141,120 | 32,383,724 | 100.00 | 32,246,178 | 137,546 | 32,383,724 | 100.00 | 0.00 |
| (C) Shares held by custodians, against which Depository Receipts have been issued | | | | | | | | | |
| (1) Promoter and Promoter Group | — | — | — | — | — | — | — | — | — |
| (2) Public | — | — | — | — | — | — | — | — | — |
| GRAND TOTAL (A+B+C) : | 32,242,604 | 141,120 | 32,383,724 | 100.00 | 32,246,178 | 137,546 | 32,383,724 | 100.00 | 0.00 |

ii. Shareholding of Promoters

| Sl. No. | Shareholder's Name | Shareholding at the beginning of the year (as on April 01, 2015) | | | Shareholding at the end of the year (as on March 31, 2016) | | | |
|---------|-------------------------------------------|---------------------------------------------------------------------|-------------------|--------------------------------------------------|---------------------------------------------------------------|-------------------|--------------------------------------------------|-------------------------------------------|
| | | No. of Shares | % of total Shares | % of Shares Pledged / encumbered to total shares | No. of Shares | % of total Shares | % of Shares Pledged / encumbered to total shares | % change in share holding during the year |
| 1 | Karmayogi Holdings Private Ltd | 9,000,000 | 27.79 | – | 9,000,000 | 27.79 | – | – |
| 2 | Nucleus Software Engineers Pvt Ltd | 2,385,882 | 7.37 | – | 2,385,882 | 7.37 | – | – |
| 3 | Madhu Dusad | 3,066,248 | 9.47 | – | 3,066,248 | 9.47 | – | – |
| 4 | Vishnu R Dusad | 1,603,492 | 4.95 | – | 1,603,492 | 4.95 | – | – |
| 5 | Kritika Dusad | 1,000,000 | 3.09 | – | 1,000,000 | 3.09 | – | – |
| 6 | Ritika Dusad | 1,000,000 | 3.09 | – | 1,000,000 | 3.09 | – | – |
| 7 | Yogesh Andlay | 863,534 | 2.67 | – | 863,534 | 2.67 | – | – |
| 8 | Nucleus Software Workshop Private Limited | 600,000 | 1.85 | – | 600,000 | 1.85 | – | – |
| 9 | Naveen Kumar | 72,952 | 0.23 | – | 72,952 | 0.23 | – | – |
| 10 | Suman Mathur | 27,758 | 0.09 | – | 27,758 | 0.09 | – | – |
| 11 | Card Systems Private Limited | 12,000 | 0.04 | – | 12,000 | 0.04 | – | – |

Annexure H 5

iii. Change in Promoters' Shareholding (please specify, if there is no change)

| Sl. No. | Name of the Shareholder | Shareholding at the beginning of the year, as on April 01, 2015/end of the year March 31, 2016 | | | Increase /Decrease in share holding | | Cumulative Shareholding during the Year | |
|---------|-------------------------------------------|---------------------------------------------------------------------------------------------------|----------------------------------|------------|----------------------------------------|--------------|--------------------------------------------|----------------------------------|
| | | No. of Shares | % of total shares of the company | Date | No. of Shares | Reason | No. of Shares | % of total shares of the company |
| 1 | Karmayogi Holdings Private Ltd | 9,000,000 | 27.79 | 01/04/2015 | | | | |
| | | 9,000,000 | 27.79 | 31/03/2016 | – | Nil movement | 9,000,000 | 27.79 |
| 2 | Nucleus Software Engineers Pvt Ltd | 2,385,882 | 7.37 | 01/04/2015 | | | | |
| | | 2,385,882 | 7.37 | 31/03/2016 | – | Nil movement | 2,385,882 | 7.37 |
| 3 | Madhu Dusad | 3,066,248 | 9.47 | 01/04/2015 | | | | |
| | | 3,066,248 | 9.47 | 31/03/2016 | – | Nil movement | 3,066,248 | 9.47 |
| 4 | Vishnu R Dusad | 1,603,492 | 4.95 | 01/04/2015 | | | | |
| | | 1,603,492 | 4.95 | 31/03/2016 | – | Nil movement | 1,603,492 | 4.95 |
| 5 | Ritika Dusad | 1,000,000 | 3.09 | 01/04/2015 | | | | |
| | | 1,000,000 | 3.09 | 31/03/2016 | – | Nil movement | 1,000,000 | 3.09 |
| 6 | Kritika Dusad | 1,000,000 | 3.09 | 01/04/2015 | | | | |
| | | 1,000,000 | 3.09 | 31/03/2016 | – | Nil movement | 1,000,000 | 3.09 |
| 7 | Yogesh Andlay | 863,534 | 2.67 | 01/04/2015 | | | | |
| | | 863,534 | 2.67 | 31/03/2016 | – | Nil movement | 863,534 | 2.67 |
| 8 | Nucleus Software Workshop Private Limited | 600,000 | 1.85 | 01/04/2015 | | | | |
| | | 600,000 | 1.85 | 31/03/2016 | – | Nil movement | 600,000 | 1.85 |
| 9 | Naveen Kumar | 72,952 | 0.23 | 01/04/2015 | | | | |
| | | 72,952 | 0.23 | 31/03/2016 | – | Nil movement | 72,952 | 0.23 |
| 10 | Suman Mathur | 27,758 | 0.09 | 01/04/2015 | | | | |
| | | 27,758 | 0.09 | 31/03/2016 | – | Nil movement | 27,758 | 0.09 |
| 11 | Card Systems Private Limited | 12,000 | 0.04 | 01/04/2015 | | | | |
| | | 12,000 | 0.04 | 31/03/2016 | – | Nil movement | 12,000 | 0.04 |

iv. Shareholding Pattern of top ten Shareholders

(other than Directors, Promoters and Holders of GDRs and ADRs):

| Sl. No. | Name of the Shareholder | Shareholding at the beginning of the year, as on April 01, 2015/end of the year March 31, 2016 | | | Increase /Decrease in share holding | | Cumulative Shareholding during the Year | |
|---------|--------------------------------------------------|------------------------------------------------------------------------------------------------|----------------------------------|------------|-------------------------------------|--------|-----------------------------------------|----------------------------------|
| | | No. of Shares | % of total shares of the company | Date | No. of Shares | Reason | No. of Shares | % of total shares of the company |
| 1 | FIDELITY PURITAN TRUST-FIDELITY LOW-PRICED STOCK | 2,200,000 | 6.79 | 31/03/2015 | | | 2,200,000 | 6.79 |
| | | | | 31/03/2016 | | | 2,200,000 | 6.79 |
| 2 | ICICI PRUDENTIAL TECHNOLOGY FUND* | 666,143 | 2.06 | 31/03/2015 | | | 666,143 | 2.06 |
| | | | | 22/05/2015 | 46,186 | Sale | 619,957 | 1.91 |
| | | | | 29/05/2015 | 9,256 | Sale | 610,701 | 1.89 |
| | | | | 05/06/2015 | 15,442 | Sale | 595,259 | 1.84 |
| | | | | 10/07/2015 | 187,752 | Sale | 407,507 | 1.26 |
| | | | | 31/03/2016 | | | 407,507 | 1.26 |
| 3 | ARUN JAIN | 625,124 | 1.93 | 31/03/2015 | | | 625,124 | 1.93 |
| | | | | 31/03/2016 | | | 625,124 | 1.93 |
| 4 | DHANANJAYA DVIVEDI | 312,000 | 0.96 | 31/03/2015 | | | 312,000 | 0.96 |
| | | | | 31/03/2016 | | | 312,000 | 0.96 |
| 5 | DOLLY KHANNA | 308,035 | 0.95 | 31/03/2015 | | | 308,035 | 0.95 |
| | | | | 10/04/2015 | 1,000 | Sale | 307,035 | 0.95 |
| | | | | 17/04/2015 | 1,000 | Sale | 306,035 | 0.95 |
| | | | | 08/05/2015 | 1,000 | Sale | 305,035 | 0.94 |
| | | | | 03/07/2015 | 2,000 | Sale | 303,035 | 0.94 |
| | | | | 07/08/2015 | 22,600 | Sale | 280,435 | 0.87 |
| | | | | 14/08/2015 | 4,200 | Sale | 276,235 | 0.85 |
| | | | | 21/08/2015 | 3,700 | Sale | 272,535 | 0.84 |
| | | | | 28/08/2015 | 3,000 | Sale | 269,535 | 0.83 |
| | | | | 04/09/2015 | 3,000 | Sale | 266,535 | 0.82 |
| | | | | 11/09/2015 | 3,000 | Sale | 263,535 | 0.81 |
| | | | | 18/09/2015 | 2,000 | Sale | 261,535 | 0.81 |
| | | | | 30/09/2015 | 2,000 | Sale | 259,535 | 0.80 |
| | | | | 09/10/2015 | 1,000 | Sale | 258,535 | 0.80 |
| | | | | 16/10/2015 | 1,000 | Sale | 257,535 | 0.80 |
| | | | | 30/10/2015 | 46,313 | Sale | 211,222 | 0.65 |
| | | | | 06/11/2015 | 1,500 | Sale | 209,722 | 0.65 |
| | | | | 20/11/2015 | 2,000 | Sale | 207,722 | 0.64 |
| | | | | 27/11/2015 | 3,500 | Sale | 204,222 | 0.63 |
| | | | | 18/12/2015 | 1,000 | Sale | 203,222 | 0.63 |
| | | | | 31/12/2015 | 1,000 | Sale | 202,222 | 0.62 |
| | | | | 15/01/2016 | 1,000 | Sale | 201,222 | 0.62 |
| | | | | 22/01/2016 | 13,000 | Sale | 188,222 | 0.58 |
| | | | | 29/01/2016 | 21,500 | Sale | 166,722 | 0.51 |
| | | | | 05/02/2016 | 6,650 | Sale | 160,072 | 0.49 |

* Consolidated folios having same PAN

| Sl. No. | Name of the Shareholder | Shareholding at the beginning of the year, as on April 01, 2015/end of the year March 31, 2016 | | Increase /Decrease in share holding | | Cumulative Shareholding during the Year | |
|---------|----------------------------------------------|---------------------------------------------------------------------------------------------------|----------------------------------|-------------------------------------|---------------|-----------------------------------------|------------------------------------------------|
| | | No. of Shares | % of total shares of the company | Date | No. of Shares | Reason | No. of Shares % of total shares of the company |
| | | | | 12/02/2016 | 9,000 | Sale | 151,072 0.47 |
| | | | | 19/02/2016 | 6,500 | Sale | 144,572 0.45 |
| | | | | 26/02/2016 | 9,250 | Sale | 135,322 0.42 |
| | | | | 04/03/2016 | 6,500 | Sale | 128,822 0.40 |
| | | | | 11/03/2016 | 5,500 | Sale | 123,322 0.38 |
| | | | | 25/03/2016 | 2,000 | Sale | 121,322 0.37 |
| | | | | 31/03/2016 | 5,250 | Sale | 116,072 0.36 |
| | | | | 31/03/2016 | | | 121,522 0.38 |
| 6 | PRAKASH PURUSHOTTAM PAI | 301,568 | 0.93 | 31/03/2015 | | | 301,568 0.93 |
| | | | | 10/07/2015 | 16,151 | Sale | 285,417 0.88 |
| | | | | 17/07/2015 | 10,000 | Sale | 275,417 0.85 |
| | | | | 31/07/2015 | 5,000 | Sale | 270,417 0.84 |
| | | | | 27/11/2015 | 5,000 | Sale | 265,417 0.82 |
| | | | | 04/12/2015 | 15,000 | Sale | 250,417 0.77 |
| | | | | 11/12/2015 | 3,492 | Sale | 246,925 0.76 |
| | | | | 18/12/2015 | 2,515 | Sale | 244,410 0.75 |
| | | | | 25/12/2015 | 2,000 | Sale | 242,410 0.75 |
| | | | | 31/03/2016 | | | 242,410 0.75 |
| 7 | ARUN SHEKHAR ARAN | 175,092 | 0.54 | 31/03/2015 | | | 175,092 0.54 |
| | | | | 31/03/2016 | | | 175,092 0.54 |
| 8 | VINITA ARAN | 166,456 | 0.51 | 31/03/2015 | | | 166,456 0.51 |
| | | | | 31/03/2016 | | | 166,456 0.51 |
| 9 | B N NAGAMANI | 160,000 | 0.49 | 31/03/2015 | | | 160,000 0.49 |
| | | | | 24/04/2015 | 60,000 | Sale | 100,000 0.31 |
| | | | | 22/05/2015 | 93 | Purchase | 100,093 0.31 |
| | | | | 06/11/2015 | 2,120 | Purchase | 102,213 0.32 |
| | | | | 31/03/2016 | | | 310,000 0.96 |
| 10 | 1199 SEIU HEALTH CARE EMPLOYEES PENSION FUND | 103,992 | 0.32 | 31/03/2015 | | | 103,992 0.32 |
| | | | | 26/06/2015 | 21,331 | Sale | 82,661 0.26 |
| | | | | 21/08/2015 | 19,070 | Sale | 63,591 0.20 |
| | | | | 20/11/2015 | 17,469 | Sale | 46,122 0.14 |
| | | | | 25/12/2015 | 7,501 | Sale | 38,621 0.12 |
| | | | | 18/03/2016 | 12,747 | Sale | 25,874 0.08 |
| | | | | 25/03/2016 | 14,080 | Sale | 11,794 0.04 |
| | | | | 31/03/2016 | | | 11,794 0.04 |

v. Shareholding of Directors and Key Managerial Personnel:

| Sl. No. | Name of the Shareholder | Shareholding at the beginning of the year, as on April 01, 2015/end of the year March 31, 2016 | | | Increase /Decrease in share holding | | Cumulative Shareholding during the Year | |
|----------------------------------------------------|-------------------------|---------------------------------------------------------------------------------------------------|-------------------------------------|------------|----------------------------------------|--------------|--------------------------------------------|-------------------------------------|
| | | No. of Shares | % of total shares of the company | Date | No. of Shares | Reason | No. of Shares | % of total shares of the company |
| A. Shareholding of Directors | | | | | | | | |
| 1 | Vishnu R Dusad | 1,603,492 | 4.95 | 01/04/2015 | – | Nil movement | 1,603,492 | 4.95 |
| | | 1,603,492 | 4.95 | 31/03/2016 | | | 1,603,492 | 4.95 |
| 2 | Ravi Pratap Singh | 304,650 | 0.27 | 01/04/2015 | – | Nil movement | 304,650 | 0.94 |
| | | 304,650 | 0.94 | 31/03/2016 | | | 304,650 | 0.94 |
| 3 | N Subramaniam | 7,684 | 0.02 | 31/03/2015 | – | Nil movement | 7,684 | 0.02 |
| | | 7,684 | 0.02 | 31/03/2016 | | | 7,684 | 0.02 |
| 4 | Prof. Trilochan Sastry | 1,000 | – | 31/03/2015 | | | 1,000 | |
| | | | | 14/08/2015 | 1,000 | Sale | – | – |
| | | | | 31/03/2016 | | | – | – |
| B. Shareholding of Key Managerial Personnel | | | | | | | | |
| 1 | Poonam Bhasin | 10 | – | 01/04/2015 | | | 10 | – |
| | | 10 | – | 31/03/2016 | – | Nil Movement | 10 | |

The following Directors did not hold any shares during the FY 2015-16

1. Janki Ballabh
2. Prithvi Haldea
3. Elaine Mathias
4. S M Acharya

The following Key Managerial Personnel did not hold any shares during the FY 2015-16

1. Ashish Nanda

Annexure H 8

V. INDEBTEDNESS – Not Applicable

Indebtedness of the Company including interest outstanding/accrued but not due for payment

Annexure H 9

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

(in `)

| Sl. no. | Particulars of Remuneration | Name of MD/WTD/ Manager | | Total Amount |
|---------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|------------|--------------|
| | | Vishnu R Dusad | R P Singh | |
| 1. | Gross salary | | | |
| | (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | 6,000,000 | 10,510,642 | 16,510,642 |
| | (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 | 49,633 | 28,800 | 78,433 |
| | (c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961 | Nil | Nil | Nil |
| 2. | Stock Option | Nil | Nil | Nil |
| 3. | Sweat Equity | Nil | Nil | Nil |
| 4. | Commission | Nil | Nil | Nil |
| | - as % of profit | Nil | Nil | Nil |
| | - others, specify... | Nil | Nil | Nil |
| 5. | Others, please specify | Nil | Nil | Nil |
| | Employer's contribution to PF | 360,000 | 510,500 | 870,500 |
| | Total (A) | 6,409,633 | 11,049,942 | 17,459,575 |
| | Ceiling as per the Act | ` 48,357,000 (being 10% of the Net Profits of the Company calculated as per Section 198 of the Company Act, 2013). | | |

B. Remuneration to other Directors:

| Sl. No. | Particulars of Remuneration | Name of Directors | | | | | | Total Amount |
|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------------|----------------|------------------|------------------------|------------------|------------------|
| | | Janki Ballabh | Prithvi Haldea | S. M. Acharya | Elaine Mathias | Prof. Trilochan Sastry | N Subramaniam | |
| 3. Independent Directors | | | | | | | | |
| • | Fee for attending board committee meetings | 600,000 | 1,220,000 | 80,000 | 920,000 | 1,060,000 | 680,000 | 4,560,000 |
| • | Commission* | 954,302 | 954,302 | 28,491 | 954,302 | 954,302 | 954,302 | 4,800,001 |
| • | Others, please specify | — | — | — | — | — | — | — |
| | Total (1) | 1,554,302 | 2,174,302 | 108,491 | 1,874,302 | 2,014,302 | 1,634,302 | 9,360,001 |
| 4. Other Non-Executive Directors | | | | | | | | |
| • | Fee for attending board committee meetings | NA | NA | NA | NA | NA | NA | NA |
| • | Commission | — | — | — | — | — | — | — |
| • | Others, please specify | — | — | — | — | — | — | — |
| | Total (2) | — | — | — | — | — | — | — |
| | Total (B) = (1 + 2) | 1,554,302 | 2,174,302 | 108,491 | 1,874,302 | 2,014,302 | 1,634,302 | 9,360,001 |
| | Total Managerial Remuneration | | | | | | | |
| | *Overall Ceiling as per the Act ` 4,836,000 (Being 1% of the net profits of the Company calculated as per Section 198 Companies Act, 2013) | | | | | | | |

Annexure H 11

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

| Sl. no. | Particulars of Remuneration | Key Managerial Personnel | | | |
|---------|---------------------------------------------------------------------------------|--------------------------|-----------------------------------|--------------------|------------------|
| | | CEO | Company Secretary (Poonam Bhasin) | CFO (Ashish Nanda) | Total |
| 1. | Gross salary | NA | | | |
| (a) | Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 | | 2,618,414 | 5,805,684 | 8,424,098 |
| (b) | Value of perquisites u/s 17(2) Income-tax Act, 1961 | | Nil | 19,800 | 19,800 |
| (c) | Profits in lieu of salary under section 17(3) Income-tax Act, 1961 | | Nil | Nil | Nil |
| 2. | Stock Option | | Nil | Nil | Nil |
| 3. | Sweat Equity | | | | Nil |
| 4. | Commission | | | | Nil |
| - | as % of profit | | Nil | Nil | Nil |
| - | others, specify... | | Nil | Nil | Nil |
| 5. | Others, please specify | | | | |
| | Employer's contribution to PF | | 152,449 | 341,065 | 493,514 |
| | Total | | 2,770,863 | 6,166,549 | 8,937,412 |

Annexure H 12

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES: - Not Applicable

There were no PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES for the year ending March 31, 2016

Conservation of Energy, Research and Development, Technology Absorption and Foreign Exchange Earnings and Outgo

A. Conservation Of energy

Your Company is always in the lookout for energy efficient measures for operation, and values conservation of energy through usage of latest technologies for improving productivity and quality of products and services.

The Company focuses on processes to monitor and improve environmental performance through various means and initiatives focusing on energy, carbon, water and waste. Moreover, operations of the Company also involve low energy consumption, but still the endeavour is to reduce electricity consumption and the resultant carbon footprint. A few of the energy conserving measures, include the following:

- Installing a few LED lights in the office on experimental basis. The plan is to replace in phases all Sodium vapor and CFL based lighting to LED based lighting which will give immense savings in Electricity consumption.
- Strong measures are being initiated to ensure no unnecessary equipment is left in a switch on mode during non-working hours.
- Use of latest technology such as T5 and CFL lights to economize our electrical consumptions.
- Use of AAC blocks in construction for keeping the load and pressure on air-conditioning minimal.
- Use of furniture and equipment products that are standard and branded, and which comply with environment-friendly specification.
- Implementation of Green building designs and construction which dramatically reduces the enormous amounts of energy that buildings consume in heating, cooling, lighting and water use.
- Regular UPS and AC plant maintenance to ensure efficient working of the equipment.
- Individual ON/OFF switches have been provided to the lights at Cafeteria and one of the floors on an experimental basis to enable users to switch on/off the light above their respective workstations as required.
- Regular maintenance of all water pumps to improve pump efficiency and thereby reduction in Energy demand
- Waste water from the RO plant is being recycled to conserve water.
- Continuous monitoring of floor areas after normal working hours and switching on lights and Air-conditioning.

The overall effect of the above measures has led to reduction of energy consumption vis-à-vis the last year. Water efficiency and conservation initiatives, rainwater harvesting systems, help the Company in significant conservation of water and minimal wastage.

B. RESEARCH AND DEVELOPMENT

Your Company has an IP-led business model and globally licenses Intellectual Property in the form of products for the Banking and Financial Services Industry.

Your Company continuously engages in research and development activities to build software products with advanced technologies for the future. The key focus areas of Research and Development at Nucleus are:

- Scan environment (markets / customers / analysts /competitors)
- Establish business and technology roadmap for Nucleus Products
- Pilot/Prototype new capabilities
- Build new Product releases
- Support Sales & Marketing in developing Go-to-Market plans
- Enable and handover to Implementation teams

Our innovation investments focus on the emerging technology trends and breakthroughs that we believe offer significant opportunities to deliver value to our customers and growth for the Company. To efficiently execute on the R&D project portfolio, your Company takes steps to drive R&D value management through increased awareness, governance and business process improvement. R&D strategies are linked with those of the entire organization such that product development drives business value throughout its functional departments.

1. R&D Initiatives in Specific Areas

Your Company is one of the few IT companies in India, focused on building its own Intellectual Property. Since 1989, Nucleus has been continuously involved in research and development activities to develop new business applications for the banking industry. Being a product development Company, there is a continuous need to develop and upgrade software and associated services. Our software products are developed internally, which allows us to maintain our competitive advantage. It also gives us the freedom to take appropriate call on modifications and enhancements whenever necessary. The objectives of your Company's initiatives in R&D are as follows:

- Creation of competitive quality and increased productivity of research and development activities

- Obtaining new knowledge applicable to the Company's business needs, that will eventually result in new or improved products, processes, systems and services
- Leveraging new generation technologies to offer innovative products for the Banking and Financial Services Industry
- Enhancing product functionality in the retail and corporate banking areas by adding new modules and enriching the existing modules to meet the changing requirements of the customers globally

Your Company has a full-fledged R&D team; headed by a senior Management team member with multiple years of experience in product development and delivery. We have also created a centralized business analyst pool which interacts with customers to ensure that their requirements are clearly documented and understood, and to support the delivery in delivering as per norms. New technologies are being developed that will place risk management at the centre of any business strategy deployed by financial institutions, especially in these uncertain times.

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

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

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

In the current phase of growth, Nucleus attempts to further enhance Value delivered to clients. We are focusing on creating newer products and superior versions of the existing products. The achievements from continuous R&D efforts can be briefly displayed as follows:

- Delivering continuous improved product release
- Large install base
- Inroads into global market
- Contribution to revenue growth
- Recognition from global analysts

In the year FY 2016, your Company flagship product FinnOne Neo™ was launched on cloud which makes one of the best lending software more affordable, quickly deployable and scalable as per the customers' business requirements.

Finnone Neo™ is a solution for End-to-End loan lifecycle management as it facilitates:

- Market Leadership with Agile GTM
 - o Accelerated GTM: Swift solutions to react to the changing market dynamics
 - o Flexibility: Easy configurability of business/credit policy to manage regulations & compliance norms
- Business Growth through Customer Centricity
 - o Customer Self Service - Transparent access across layers Omni channel access via numerous devices such as desktop, tablets and mobile devices
 - o Customized product offerings based on specialized analytics
 - o Single customer view: Simpler & faster query resolution
- Enhanced Efficiencies and Open Architecture
 - o Higher Productivity: Faster, paperless, Bulk & STP Processing
 - o Extended Business Operations during routine processing cycle
 - o Easy Integration with IT ecosystem
 - o Application/web server, DB, OS and browser agnostic for cost optimization
- Profitable Growth with Better Risk Management
 - o Enhanced Credit Quality: Rule based policies, de-duplication for repeat/fraud customer checks and integration with Credit Bureaus interfaces
 - o Faster and better delinquency controls with audit-ability features
 - o Lower NPA through analytics based scorecard

We also launched the Lending Analytics product during the year. With cutting edge statistical and data analysis capabilities, it is a powerful and user-friendly solution enabling informed decision making through data visualization and business insight generation.

We also unveiled a new mobility product module, **mApply**, as part of the FinnOne Neo mobility suite. The product is a key offering helping Banks to digitize their loan sourcing business process.

R & D is a continuous innovation process and with changing needs and technology, we would need to reinvent our products and versions as we go along.

3. Research & Development Expenditure

As reported, the in house R&D unit of your Company located in the corporate office in Noida, was accorded initial recognition by the Department of Scientific and Industrial Research (DSIR) from December 31, 2012 till March 31, 2015, which has been further renewed for a period of three years till March 21, 2018. The Company has during the year ended 31 March, 2016 availed and recognised tax benefit under section 35 (2AB).

The R&D expenditure for FY 2016 and FY 2015 is as follows:

| | (` in crore) | |
|-------------------------------|--------------|--------------|
| For the Year ended March 31, | 2016 | 2015 |
| Revenue expenditure | 19.23 | 19.02 |
| Capital expenditure | | |
| TOTAL | 19.23 | 19.02 |
| R&D expenditure/Total revenue | 6.91% | 6.82 % |

C. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Your Company continued its focus on quality up gradation of software development processes and software product enhancements. Your Company has instituted a culture of quality consciousness at the grass-root level, in order to create a conducive environment which propels adaptation of new ideas, skills and methodologies.

Your Company not only encourages innovation, but also recognizes and rewards it suitably. This policy is not restricted to technology, but includes innovation in non-IT processes and human resource initiatives. As business and technologies are changing constantly, investment in research and development activities is of paramount importance

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

D. Foreign Exchange Earnings and Outgo

1. Export Initiatives and Development of New Export Markets

Your Company is recognized as one of the pioneers in software exports in the BFS domain. The Company is registered with the Software Technology Park of India, is present in a Special economic zone; both as a co-developer and a unit. The Company also has a network of international offices across the globe.

During the year, your Company won 13 product orders and implemented 28 product modules all over the world.

In FY 2016, foreign exchange earnings from software products and services were at ` 206.45 crore, 74% of revenue against ` 223.16 crore, 80% of revenue in FY 2015.

2. Foreign Exchange Earned and Used

| | (` in crore) | |
|----------------------------------------------------|--------------|--------|
| For the Year ended March 31, | 2016 | 2015 |
| Foreign Exchange earnings | | |
| from software development of products and services | 206.45 | 223.16 |
| from dividend and interest income | 16.56 | 0.03 |
| Foreign Exchange outgo (Including capital goods) | 68.66 | 39.66 |

For and on behalf of the Board of Directors

New Delhi
June 2, 2016

Janki Ballabh
Chairman

REPORT ON CORPORATE GOVERNANCE

Report on Corporate Governance

“Corporate Governance is the acceptance by Management of the inalienable rights of shareholders as the true owners of the corporation and of their own role as trustees on behalf of the shareholders. It is about commitment to values, about ethical business conduct and about making a distinction between personal and corporate funds in the management of a Company.” Excerpts from Securities and Exchange Board of India (SEBI) Consultative Paper on Review of Corporate Governance Norms in India.

Effective Corporate Governance practices constitute the strong foundation on which successful commercial enterprises are built to last. It mainly involves the establishment of structures and processes, with appropriate checks and balances that enable the Board to discharge its responsibilities accordingly.

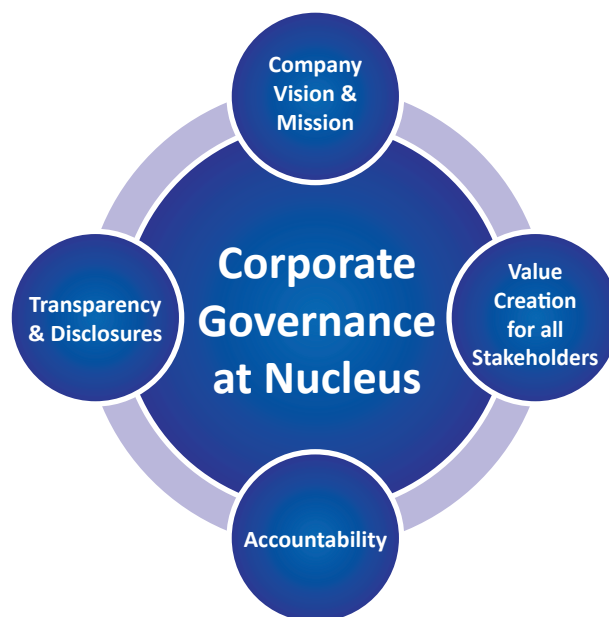
The Securities and Exchange Board of India (SEBI) has notified SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) on September 2, 2015, replacing earlier listing agreement (w.e.f Dec 1, 2015) and is aimed to consolidate and streamline the provisions of earlier listing agreements for different segments of the capital market viz equity, debentures, debt instruments etc., so as to improve the transparency in transactions of listed companies.

Our commitment to adoption of best practices of Corporate Governance makes us compliant with the Companies Act 2013 as well as with the provisions of Corporate Governance of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The flow of content in this Report is as follows:

Report on Corporate Governance

- A. Board of Directors
- B. Committee of the Board of Directors
- C. Shareholder Information
- D. Disclosures
- E. General Shareholder Information
- F. Compliance with Non-Mandatory Requirements



Company's Philosophy on Corporate Governance

Nucleus believes that effective Corporate Governance implies fair, transparent and equitable treatment of all its stakeholders including shareholders, customers, partners, vendors and employees. The driving forces of Corporate Governance at Nucleus are its core values: belief in people, entrepreneurship, customer orientation and pursuit of excellence. Corporate Governance philosophy at Nucleus is to not only comply, not just in letter but also fully in spirit, with the statutory requirements, but also voluntarily formulate and adhere to best Corporate Governance practices.

The Company's Corporate Governance practice is based on the following:

A. Board of Directors

The Company's Board of Directors plays a key role in providing direction in terms of strategy, target setting and performance evaluation of top management. It places special emphasis on compliance as also ensuring that the Company operates in the best interests of all its shareholders.

Report on Corporate Governance

Nucleus firmly believes that Board independence is essential to bring objectivity and transparency in the management of the Company. The policy, in fact has been to have more number of Independent Directors to ensure the independence of Board, and separate its functions of governance and management.

a) Attributes of a Board

It is important to consider a variety of personal attributes among the Board incumbents including intellect, judgment, openness, honesty and the ability to develop trust. A Board requires Directors who have the intellectual capability to question status quo and debate any new policy/strategy as also offer suggestions and alternatives.

b) Size and Composition of the Board

An ideal Board should ensure an appropriate balance of power, independence and authority. As of March 31, 2016, the Board at Nucleus consists of eight members; six Board members are Non-Executive, Independent, and two are Executive Directors. All Independent Directors, with their diverse knowledge and expertise, provide valuable contribution in the deliberations and decisions of the Board, maintaining the requisite independence.

Composition of the Board as on March 31, 2016:

| Name of Director | Position | Age in years |
|------------------------------------------|-------------------------------------------------|--------------|
| Mr. Janki Ballabh (DIN 00011206) | Chairman, Non-Executive, Independent Director | 73 |
| Mr. Vishnu R Dusad (DIN 00008412) | Managing Director, Promoter, Executive Director | 59 |
| Mr. S.M. Acharya (DIN 00545141) | Non-Executive, Independent Director | 67 |
| Mr. Prithvi Haldea (DIN 00001220) | Non-Executive, Independent Director | 65 |
| Mrs. Elaine Mathias (DIN 06976868) | Non-Executive, Independent Director | 62 |
| Prof. Trilochan Sastry (DIN 02762510) | Non-Executive, Independent Director | 56 |
| Mr. R. P. Singh (DIN 00008350) | Executive, Whole-time Director | 53 |
| Mr.N Subramaniam (DIN 00166621) | Non-Executive, Independent Director | 55 |

Table 1

During the year, in order to bring more diversity and expertise, the Board appointed Mr. S. M. Acharya as an Additional Independent Director, pursuant to the provisions of Section 161 and other applicable provisions of the Companies Act, 2013.

Mr. S. M. Acharya is a retired IAS officer of the Karnataka cadre. He has held various senior positions in both State and Central Governments in his long and distinguished career and retired as Secretary to the Government of India in the Ministry of Defence in 2009.

Mr. Janki Ballabh, Mr. Prithvi Haldea, Prof. Trilochan Sastry, Mr. N Subramaniam, Mrs. Elaine Mathias and Mr. S. M. Acharya are Independent Non-Executive Directors.

A brief profile of each of the Board members is presented below.

Mr. Janki Ballabh, Chairman, Independent Director

Mr. Janki Ballabh, an eminent banker and former Chairman of the State Bank of India and State Bank Group, has vast experience and expertise in finance, banking and corporate management.

He is presently a Director on the Boards of Tata AIA Life Insurance Co. Ltd., Tata Capital Ltd., Tata Capital Housing Finance Ltd., Tata Capital Financial Services Ltd., and Tata AIG General Insurance Company Ltd. In addition to his general corporate experience, his vast and rich experience, consistent with Nucleus strategy, provides strategic and operational excellence to the Company and a capability to drive innovation.

Mr. Janki Ballabh joined the Board of Directors of Nucleus Software Exports Ltd. in November 2008.

Mr. Vishnu R Dusad, Managing Director & CEO

Mr. Vishnu R Dusad is one of the main founders of Nucleus Software Exports Ltd. and has served as a Director since the inception of the Company. Mr. Dusad completed his Bachelor's Degree in Technology from the Indian Institute of Technology (IIT), Delhi and has been associated with the development of the software industry in India since 1983 as an entrepreneur. Mr. Dusad has enriched Nucleus with his technology background and 30 years of valuable professional experience in the exciting space of BFSI IT Solutions. He has a deep commitment to making a difference in the lives of fellow Nucleites, and through Nucleus, to the world around. His success in concluding business deals for implementing Nucleus Products globally owes much to a deep sensitivity to cross-cultural nuances. His experience encompasses areas of software development, creation of strategic alliances, business development, and strategic planning.

Mr. Prithvi Haldea, Independent Director

Mr. Prithvi Haldea did his MBA from Birla Institute of Technology & Science, Pilani in 1971. Over the next 18 years, he worked at senior positions in the corporate sector in the areas of exports, consulting and advertising. During late 70s and early 80s, he was also associated with the information industry and, among various activities, worked as a consultant with The World Bank and the U.S Department of Commerce.

In 1989, Mr. Haldea set up PRIME Database, the country's first and still the only database on the primary capital market. It has a large subscriber base, and is widely reported by the media. Mr. Haldea is a visiting faculty at several institutions and has addressed hundreds of conferences.

Mr. Haldea is presently the Member of the Government's Standing Council of Experts for the Financial Sector, Ministry of Finance Task Force on Financial Redress Agency, and Member of the Quality Review Board-ICAI. He is also a member of several committees including SEBI Primary Market Advisory Committee, SEBI Committee for Reviewing Disclosures and Application Form in Public Issues. Mr. Haldea is the Chairman of PHDCCI Capital Markets Committee and is a Jury for ASSOCHAM's awards for Corporate Governance and for Corporate Social Responsibility. He is also a member of the Editorial Board of ICSI and member of the Expert Group for ICSI National Award for Excellence in

Report on Corporate Governance

Corporate Governance. Additionally, he is an Advisor to the Association of Investment Bankers of India and to Gaja Capital Pvt. Ltd.

Mr. Haldea has served, among others, as a Board Member of the Central Listing Authority-SEBI, First Trustee of the Pension Fund Regulatory & Development Authority, Board of Governors of Indian Institute of Corporate Affairs, Central Government Nominee on the Governing Council of The Institute of Chartered Accountants of India, Central Government Nominee on the Governing Council of The Institute of Company Secretaries of India, FSDC Committee on Commission/Incentive Structure of the Distributors of Financial Products, Finance Minister's High-level Expert Committee on Corporate Bonds and Securitization, SEBI Secondary Market Advisory Committee, SEBI Committee on Disclosures & Accounting Standards, SEBI Committee for Review for MAPIN, ICSI Standing Committee for Development of a Model for Assessing Corporate Governance, Chairman of the ASSOCHAM's National Council for Capital Markets, Rules Committee (for the Companies Act) of the Ministry of Corporate Affairs, MCA Committee on Review of Corporate Governance Norms, MCA Committee for Review of the Chartered Accountants Act, Listing Advisory Committee of NSE, and Index Committee, Listing Committee and Delisting Committee of BSE and Delisting Committee of DSE. He was also a member of CII's National Task force on Financial Markets and NASSCOM's Corporate Governance & Ethics Committee. He was also on the board of UTI Mutual Fund as an Independent Director for nearly 6 years till end 2011.

As an investor protection activist and proponent of corporate governance, Mr. Haldea regularly raises issues with regulators and in the media. In the pursuit of this objective, he has also launched several unique websites which include www.watchoutinvestors.com, aggregating information on economic defaulters which now lists nearly 200,000 cases, www.primedirectors.com: a databank of professionals for listed companies to select independent directors, now hosting profiles of over 20,000 professionals, www.indianboards.com profiling directors of listed companies and www.msmementor.in, a national skills registry of professionals for the benefit of MSMEs. He had earlier designed and maintained www.directorsdatabase.com, covering detailed profiles of directors of Indian listed companies and www.iepf.gov.in, an investor education initiative in 11 languages. Mr Haldea has also extended his skills of information management to other organizations, by creating www.bsepsu.com, a website dedicated to disinvestments, a new website www.divest.nic.in for the Department of Disinvestment, and the PE/VC Directory for the Indian Venture Capital Association. A lover of Urdu poetry, he is presently devoting a lot of his time to Ibaadat Foundation, which he founded for bringing poets and poetry back to life.

Mr. Haldea joined the Board of Directors of Nucleus Software Exports Ltd. in June 2001, of Nucleus Software Ltd. in April 2008 and Virstra- i Technology Services Limited in August 2014.

Mrs. Elaine Mathias, Independent Director

Mrs. Elaine Mathias is a B.Com (Hons.) graduate from Sydenham College of Commerce and Economics, Mumbai. She has a dual Professional qualification and is a Fellow member of the Institute of Chartered Accountants of India and also an Associate member

of the Institute of Cost and Works Accountants of India.

Mrs. Elaine Mathias is a highly reputed professional with thirty four years experience in Bharat Electronics Limited (BEL), Bangalore, a Navratna Company under the Ministry of Defence, Government of India, from where she superannuated as Executive Director (Finance). BEL has 9 Geographic Units encompassing 20 Strategic Business Units and has a product range of more than 300 products. At BEL she was in charge of various portfolios in Corporate Finance like Accounts, Taxation, Treasury, Budgeting and Pricing and introduced continuous improvements in systems and procedures in all these areas.

Besides her Finance role, she played a very active part in all Human Relations activities including negotiations with the Unions and framing of Personnel Policies within the Government Guidelines. She has proficiency in development of various financial systems, risk management, regulatory compliances, strategy implementation, talent management, best practices of corporate governance.

At the time of her superannuation, she was the Chairperson of various Trusts and Committees like the BEL Gratuity Trust, the BEL Superannuation Pension Trust and the Corporate Committee against Sexual Harassment of Women at the Workplace.

She has interacted and represented BEL at meetings with various external agencies like Bankers, Credit rating agencies, Statutory Auditors, Government Auditors, Cost Auditors, Government officials, Financial Analysts, Institutional Investors and Technology Collaborators.

Mrs. Elaine Mathias joined the Board of Directors of Nucleus Software Exports Ltd. in September 2014.

Professor Trilochan Sastry, Independent Director

Professor Trilochan Sastry, former Dean at IIM Bangalore, currently teaches at IIM Bangalore. A B.Tech from IIT, Delhi, an MBA from IIM, Ahmedabad, and a Ph.D. from MIT, USA, Professor Sastry has taught for several years at IIM, Ahmedabad after which he moved to IIM, Bangalore. A recipient of national award for research and teaching, Professor Sastry has taught in many prestigious Universities in India, Japan, Hong Kong and United States and has published several academic papers in Indian and International journals. He had earlier served on the Board of NABARD and also on the board of IIM Bangalore for 5 years.

Professor Trilochan Sastry joined the Board of Directors of Nucleus Software Exports Ltd. in April 2013 and of Nucleus Software Limited in August 2014.

Mr. R. P. Singh, Executive Director

Mr. Ravi Pratap Singh started his career with Nucleus Software in 1986 and has been part of the team since then. Currently, Mr. Ravi Pratap Singh, or 'RP', is the Head – Global Product Management at Nucleus Software. Recently, in 2014, he joined the Board as an Executive Director. Product innovation is RP's passion and he has been spearheading the launch of cutting edge products at Nucleus Software. His entire career has been spent in designing, developing & delivering best-in-class software solutions for global Banking and Financial Services leaders.

Report on Corporate Governance

RP started the Nucleus School of Banking Technology (NSBT) as a new division of Nucleus Software in 2010 with a vision of developing world class Banking (& Financial) Technology Professionals. Being a natural mentor and a technocrat of high caliber himself, he continues to succumb to his passion for inspiring and enabling young minds to innovate.

As the Head – Global Delivery, RP introduced many measurement models and spearheaded quality initiatives. His innovative yet practical approach to solving “real” business problems makes him a repository of knowledge.

Mr. N Subramaniam, Independent Director

Mr. N Subramaniam is a post graduate from IIM Ahmadabad and is also CA, CS and CWA by qualification. Having a corporate experience of over 30 years, he founded M Cap Fund Advisors and is its Managing Partner. He is currently a Director on the Board of L&T Finance Ltd, Ganesha Ecosphere Limited, L&T Vrindavan Properties Limited, L & T Housing finance Limited, and NS Equity Advisors Private Limited. In the past, he has been the Chairman of Venture Capital Association of India, Infrasoft Technologies, Vice Chairman of Mphasis, Chairman of Audit Committee of Mphasis and Director of Auro Mira Energy, Maples ESM Technologies, SECOVA, Cybernet Software Systems and SlashSupport Inc. He was also the member of Board at Integra Software Services, SlashSupport, Jyothy Laboratories, SRA Systems, Omkar Clean Energy Services Private Limited and B&M Hotbreads Pvt. Ltd. His interests, beyond finance, include a passion for Executive Coaching and Green Energy Technologies.

Mr. Subramaniam joined the Board of Directors of Nucleus Software Exports Ltd. in July 2012 and Nucleus Software Australia Pty. Ltd. in February 2014.

Mr. S.M Acharya, Independent Director

Mr. S M Acharya is a retired IAS officer of the Karnataka cadre. He has held various senior positions in both State and Central Governments in his long and distinguished career and retired as Secretary to the Government of India in the Ministry of Defence in 2009. Mr. S.M. Acharya went to school in Bangalore and Gwalior and graduated from the universities of Madras and Hong Kong obtaining Bachelor of Arts degrees. He also possesses a Masters Degree in Economics from the Victoria University of Manchester, UK. Having taught at a school for a year and a half, Mr. Acharya enrolled in an intensive course in Chinese language at the University of Delhi, and then sat for the civil service examinations in 1973. He served in the Indian Administrative Service for 35 years based in Karnataka for 20 years and in Delhi for 13 years and 2 years as a probationer in Mussoorie. During the course of these years he has had a variety of experiences that have helped him to gain an insight into the affairs of human beings. After retirement he has been retained by a leading education Trust to act the Chief Executive to help run their engineering and general sciences institutions. He also served as an Independent Director on the Board of the Bharat Electronics Ltd.

Mr. Acharya joined the Board of Directors of Nucleus Software Exports Ltd. in March 2016

c) Board Membership Criteria

Our Board comprises of eminent professionals of integrity with relevant skills and experience. Their contribution is facilitated by:

- high quality Board documentation;
- expert opinions, wherever deemed necessary; and
- healthy debate especially on complex, contentious and critical issues.

Nomination and Remuneration Committee (NRC) of the Board assist in fulfilling the responsibilities relating to the size and composition of the Board.

d) Selection of Independent Directors

Nomination and Remuneration Committee while evaluating the potential candidates, considers a variety of personal attributes, including experience, intellect, foresight, judgment and transparency, and match these with the requirements set out by the Board. Broadly, the following criteria have been set for selection of Independent Directors based on:

- Independence from Management.
- No substantial shareholding.
- Other significant relationship which may cause a conflict of interest.
- Capability of taking fair decisions without being influenced.
- Independent Directors are expected to balance the decision-making process of the Board by constructively challenging the Company's strategy and exercise due diligence
- Independent Directors should possess the requisite business and industry expertise in the domain the Company operates in.
- Independent Directors should be competent enough to work effectively like a team member as well as leader with the other Directors of the Board and committees
- Independent Directors should contribute constructively in the Board's deliberations.

The aim is to secure a Boardroom which achieves the right balance between challenge and teamwork, and fresh input and thinking.

The Committee has also framed a Policy for “Selection of Directors”. The Board considers the Committee's recommendations, and takes appropriate actions.

Every Independent Director, at the first meeting of the Board in which he participates as a Director and thereafter at the first meeting of the Board in every financial year, gives a declaration that he meets the criteria of independence as provided under law. The Company has received declarations from all the Independent Directors that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Regulation 25 of the SEBI (LODR) Regulations, 2015.

Report on Corporate Governance

e) Familiarization programmes for Board members

The Company has constituted familiarization programmes for its Directors (Independent and Non-Independent), with an objective to:

- Provide them with every opportunity to familiarize themselves with the Company, Nucleus's Board practices and processes, its management and its operations and above all the Industry perspective & issues.
- To familiarize them with regards to their rights, duties and functions;
- To ensure that all Directors are cognizant and appreciate the legal and ethical framework in which they must conduct themselves;
- To ensure that all Directors attain a level of understanding of the business and industry in which Nucleus functions;
- To maximise on the level and degree of each Director's contribution to the Board;
- To ensure that all Directors make informed decisions in their deliberation of matters concerning the Company; and
- To foster a spirit of independence in all Directors in order to ensure that they contribute meaningfully and impartially.

The familiarization programmes comprise of a combination of written information, presentations and activities, including meetings, site visits, etc. to enable them to familiarize with the Company management, operations and practices.

The details of familiarisation programmes can be accessed on the Company website link: <http://www.nucleussoftware.com/investors>.

f) Diversity in Board

Diversity, in all its aspects, serves an important purpose for Board effectiveness. It can widen perspectives while making decisions, avoid similarity of attitude and help companies better understand and connect with its stakeholders. Such diversity may be with regard to academic qualifications, technical expertise, relevant industry knowledge, experience, nationality and age. The Nucleus Board represents diversity in terms of all these parameters.

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

At Nucleus, the role and office of the Chairman and Chief Executive Officer (CEO) have always been separate. This promotes the right balance and prevents unfettered decision making power with a single individual. For greater efficiency, there is also a clear demarcation of the role and responsibilities of the Chairman and the CEO.

The Chairman provides the necessary support to the CEO, and both have regular and structured access to the executive and management team. CEO is the principal executive of the Company and is accountable for the management and operations of the Company and implementation of business policies and strategies agreed to by the Board of Directors in a manner that is consistent with best business practices. CEO leads internally,

with the Chairman adding value in strategy and structure, and ensuring that the Company is represented with integrity to institutions, investors, analysts and other stakeholders.

Roles and Responsibilities of the Nucleus Board Chairman are to:

- Ensure that the Board establishes and regularly reviews the Company's policies, strategies and plans.
- Provide consistent strategic input and scrutiny.
- Assist and guide the CEO as a mentor/coach.
- Chair the meetings of the Board and of the General Meetings.
- Ensure sufficient Board and Committee time for discussion of complex or contentious issues, with additional informal meetings for prior discussion, if necessary.
- Oversee the balance of membership of the Board and appointments to the Committees.
- Identify the development needs of individual Directors, and of the Board as a whole, and facilitate appropriate training.

Role and Responsibilities of the Nucleus CEO are to:

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

h) Membership Term

The Companies Act, 2013, mandates the retirement of two-third of the Board members (who are liable to retire by rotation) every year and the retiring members eligible for re-appointment. Independent Directors shall hold office for a term of upto five consecutive years on the Board of a Company and be eligible for re-appointment on passing of a special resolution by the shareholders of the Company.

Mr. R P Singh, Executive Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible has offered himself for re-appointment.

During the year, the Board of Directors on the recommendation of Nomination and Remuneration Committee, appointed Mr. S. M. Acharya as a Non-Executive Director (Additional Independent Director) of the Company on March 19, 2016. The resolution seeking approval of the Members for the appointment of Mr. S. M. Acharya as an Independent Director has been incorporated in the notice of the forthcoming Annual General Meeting of the Company

Mr. Vishnu R Das, CEO and Managing Director had been reappointed as Managing Director w.e.f January 1, 2012 for a period of 5 years. His present term expires on December 31, 2016.

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The resolution seeking approval of the Members for the reappointment of Mr. Vishnu R Dusad as CEO and Managing Director has been incorporated in the notice of the forthcoming Annual General Meeting of the Company along with brief details about him.

All Independent Directors have been appointed for a term of five years and shall be eligible for re-appointment on passing of a special resolution by shareholders of the Company.

i) Mechanism for Evaluating Board members

Pursuant to the provisions of the Companies Act, 2013 and Regulations 25 of the SEBI (LODR) Regulations, there is a formal Policy for Board Performance Evaluation which suggests process for evaluation of the performance of both the Board and individual Directors and the Committees. The purpose of the Policy is:

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

The Board, along with the Nomination and Remuneration Committee, laid down the criteria for evaluation of the performance of all Directors, which then became a part of the Board Effectiveness Survey. The questionnaire of the Survey, which had 19 specific points, was designed on a scale of 1 to 5, and in a comprehensive manner to be able to effectively capture the performance of each of the Directors, of the Board as a whole and several Committees of the Board. Each Board member was requested to evaluate the other Directors on a large number of parameters, including the effectiveness of the Board dynamics and skills to encourage discussions and decisions and flow of information to address issues relating to the Company's performance and future strategies, as also improving relationships with all stakeholders of the Company. Specifically for Independent Directors, the key performance indicators based on which they were evaluated, besides their attendance in the Board/Committee meetings, included monitoring of the Company's Corporate Governance practices, improving policies and processes across all functions, and contribution to strategic planning. The evaluation of the Board and the Directors for fiscal 2016 has been completed.

j) Compensation of the Board of Directors

Compensation of the Executive Directors is approved by the shareholders.

Non-Executive, Independent Directors are paid an amount not exceeding one percent of the net profits of the Company for the year, in accordance with section 197 of the Companies Act, 2013, and as approved by the shareholders vide a special resolution for a period of five years, at the Annual General Meeting held on July 8, 2014. As per the Companies Act, 2013, Independent Directors are not eligible to receive options under the various Employee Stock Option Plans (ESOP) launched by the Company from time to time.

All Board level compensation is approved by the shareholders and disclosed separately in the financial statements.

Compensation Paid /Payable to the Directors for the period April 2015 to March 2016

(Amount in `)

| Name of Director | Position | Salary | Company's Contribution to Provident and other funds | Perquisites/ Allowances | Commission | Sitting Fees | Total Compensation |
|------------------------|-------------------------------------------------|-------------------|-----------------------------------------------------|-------------------------|------------------|------------------|--------------------|
| Mr. Janki Ballabh | Chairman, Non-Executive, Independent Director | — | — | — | 954,302 | 600,000 | 1,554,302 |
| Mr. Vishnu R Dusad | Managing Director, Promoter, Executive Director | 6,000,000 | 360,000 | 723,677 | — | — | 7,083,677 |
| Mr. S. M. Acharya* | Non-Executive, Independent Director | — | — | — | 28,491 | 80,000 | 108,491 |
| Mr. Prithvi Haldea | Non-Executive, Independent Director | — | — | — | 954,302 | 1,220,000 | 2,174,302 |
| Mrs. Elaine Mathias | Non-Executive, Independent Director | — | — | — | 954,302 | 920,000 | 1,874,302 |
| Prof. Trilochan Sastry | Non-Executive, Independent Director | — | — | — | 954,302 | 1,060,000 | 2,014,302 |
| Mr. R. P. Singh | Non-Executive, Independent Director | 10,510,642 | 510,500 | 28,800 | — | — | 11,049,942 |
| Mr. N Subramaniam | Non-Executive, Independent Director | — | — | — | 954,302 | 680,000 | 1,634,302 |
| Total | | 16,510,642 | 870,500 | 752,477 | 4,800,001 | 4,560,000 | 27,493,620 |

Table 2

*Mr. S. M. Acharya appointed as Additional Director on March 19, 2016

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Remuneration of the Executive Directors included above, does not include provision for incremental liability on account of gratuity, compensated absences since actuarial valuation is done for the Company as a whole.

None of the above Directors are eligible for any severance package and do not hold any stock options of the Company as on March 31, 2016. The notice period for a Director is as mutually agreed between the Executive Director and the Board.

Formal letters of appointment were issued to all Independent Directors and terms and conditions of the same are disclosed on the website of the Company.

Details of Equity Shares held by Independent Directors as on March 31, 2016

| Name of Director | Position | No. of Equity Shares |
|------------------------|-----------------------------------------------|----------------------|
| Mr. Janki Ballabh | Chairman, Non-Executive, Independent Director | – |
| Mr. S. M. Acharya | Non-Executive, Independent Director | – |
| Mr. Prithvi Haldea | Non-Executive, Independent Director | – |
| Mrs. Elaine Mathias | Non-Executive, Independent Director | – |
| Prof. Trilochan Sastry | Non-Executive, Independent Director | – |
| Mr. N Subramaniam | Non-Executive, Independent Director | 7,684 |

Table 3

k) Memberships of other Boards

An Executive Director may, with the prior consent of the Chairman of the Board, serve on the Board of two other business entities, provided that such business entities are not in direct competition with Company operations. A Director shall not serve as Director in more than 20 companies of which not more than 10 shall be Public Limited Companies. A Director shall not serve as an Independent Director in more than 7 Listed Companies and not more than 3 Listed Companies in case he is serving as a Whole-time Director in any Listed Company. A Director shall not be a member in more than 10 Committees or act as Chairman of more than 5 Committees across all companies in which he holds Directorships. For the purpose of considering the limit of the Committees, Audit Committee and Stakeholders' Relationship Committee of all Public Limited Companies, whether listed or not, shall be included and all other companies including Private Limited Companies, Foreign Companies and Companies under Section 8 of the Companies Act, 2013 shall be excluded.

The number of other Directorships and Chairmanship/ Memberships of Committees held by each of the Director as on March 31, 2016 is mentioned in the table below:

| Name of Director | Position | Relationship with other Directors | Directorships Held of other Companies | | | Committee Positions held as a | |
|------------------------|------------------------------------------------|-----------------------------------|---------------------------------------|---------|-------------------|-------------------------------|--------|
| | | | Public | Private | Section 8 Company | Chairperson | Member |
| Mr. Janki Ballabh | Chairman, Independent Director | None | 5 | – | – | 4 | 2 |
| Mr. Vishnu R Dusad | Managing Director, Promoter Executive Director | None | 2 | 7 | 1 | 1 | 1 |
| Mr. S. M. Acharya | Independent Director | None | – | – | – | – | 1 |
| Mr. Prithvi Haldea | Independent Director | None | 2 | 3 | 1 | 1 | 2 |
| Mrs. Elaine Mathias | Independent Director | None | – | – | – | – | 1 |
| Prof. Trilochan Sastry | Independent Director | None | 1 | 1 | – | – | 3 |
| Mr. R. P. Singh | Executive Director | None | 2 | 2 | – | – | – |
| Mr. N Subramaniam | Independent Director | None | 4 | 4 | – | 1 | 2 |

Table 4

In accordance with Regulation 26 of SEBI (LODR) Regulations, 2015 of the Listing Agreement:

- Membership/Chairmanships of only the Audit Committee and Stakeholder Relationship Committee of all Public Limited Companies including Nucleus Software Exports Ltd. is considered.
- None of our Directors are members of more than ten Board level committees, or Chairman of more than five committees in Companies in which they are Directors. All the Directors are, as such, fully compliant with the requirement.

Furthermore, all our Directors besides informing the Company annually about their Committee positions in other companies, also notify changes as and when these take place.

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I) Board Meetings

(i) Information supplied to the Board

The Board has complete access to all information available with the Company. All information stipulated under Schedule II Part A of SEBI (LODR) Regulations, 2015 is regularly provided to the Board as a part of the agenda papers well in advance of the Board meetings. There is a structured manner in which the agenda items are prepared and distributed for the Board meetings. During the Board meetings, the senior management is invited to present the plans and achievements relating to their respective areas of responsibility.

(ii) The information placed before the Board includes:

- o Annual operating plans and budgets, with updates, if any.
- o Capital budgets and updates, if any.
- o Quarterly results of the Company and its operating divisions or business segments.
- o Minutes of meetings of Audit Committee and other Committees of the Board.
- o Information on recruitment, remuneration and removal of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and Company Secretary.
- o Materially important show cause, demand, prosecution notices and penalty notices, if any.
- o Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems, if any.
- o Any material default in financial obligations to and by the Company or substantial non-payment for products sold by the Company.
- o Any issue that involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken on adverse view regarding another enterprise that can have negative implications on the Company.
- o Details of any joint venture or collaboration agreement.
- o Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- o Any significant development concerning human resources/ industrial relations.
- o Sale of material nature, of investments and assets, which are not in the normal course of business.

- o Quarterly details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.
- o Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- o Quarterly details of investments by the Company in liquid mutual funds, bank deposits and bonds, and returns thereon.
- o Quarterly update on HR related activities.
- o Quarterly update on subsidiaries.
- o Quarterly update on large orders.
- o Report on order book position
- o Report on compliances under "Code of Prevention of Insider Trading" of the Company.

(iii) Board Agenda

The Company Secretary, in consultation with the Chairman of the Company and Chairman of the respective Board Committees, prepares the agenda and supporting papers for discussion at each Board and Committee Meeting. The agenda and notes are circulated to Board/Committee members in advance, and in the defined agenda format. Members of the Board or Committees are free to suggest any item to be included in the agenda, in addition to exercising their right to bring up matters for discussion at the meeting with permission of the Chairman.

(iv) Board Materials Distributed in Advance

Information and data that is important to the Board's understanding of matters on the agenda is distributed to the Board several days prior to the Board meetings in order to allow the members adequate time for a detailed review.

(v) Minutes of Board meetings of the Company's unlisted subsidiary companies

Minutes of the Board meetings of the Company's unlisted subsidiary companies are also placed before the Board for information.

(vi) Scheduling of Board Meetings and Attendance during FY 2015-16.

- A minimum of four Board Meetings are required to be held each year. Moreover, the gap between two Board Meetings should not exceed four months. During FY 2015-16, Nine Board meetings were held by your Company and the maximum gap between two Board meetings during the year was two months and twenty three days.

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- The dates on which the Board meetings were held during FY 2015-16, and the attendance record of the members in these meetings is provided in a table.

| Name of Directors | Board Meeting Dates | | | | | | | | |
|-----------------------|---------------------|---------------|---------------|--------------------|------------------|------------------|----------------|----------------|----------------|
| | May 7, 2015 | July 08, 2015 | July 30, 2015 | September 28, 2015 | October 27, 2015 | January 20, 2016 | March 05, 2016 | March 16, 2016 | March 19, 2016 |
| Mr. Janki Ballabh | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. Vishnu R Dusad | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. Prithvi Haldea | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓** | ✓ |
| Mrs. Elaine Mathias | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | X | ✓ |
| Prof Trilochan Sastry | ✓ | ✓ | ✓ | X | ✓ | ✓ | ✓ | X | ✓ |
| Mr. R. P. Singh | ✓ | ✓ | ✓ | ✓** | ✓ | ✓ | X | X | ✓ |
| Mr. N Subramaniam | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | X |
| Mr. S. M. Acharya* | NA | NA | NA | NA | NA | NA | NA | NA | ✓ |

Table 5

* Mr S. M. Acharya was appointed as Additional Director on March 19, 2016

** Attended the meeting via tele conference

- 4 Board meetings are scheduled in advance for the entire year to be held after the end of each financial quarter. Additional Board meetings are convened by giving appropriate notice. In addition, for any business exigencies, the resolutions are passed by circulation, and later placed in the ensuing Board meeting.
- Committees of the Board meet whenever required.
- The Board meetings are usually held at the Company's corporate office at A 39, Sector 62, NOIDA 201307.
- Information as mentioned in Schedule II Part A of the SEBI (LODR) Regulations 2015, has been placed before the Board for its consideration
- Video conferencing/other audio visual means as prescribed by the Companies Act 2013, and Rules made thereunder, are used to facilitate Directors travelling abroad, or present at other locations to participate in the meetings.

(vii) Recording Minutes of Proceedings at Board/Committee Meeting

- The Company Secretary, who is present in each Board/Committee meeting, records the minutes of the proceedings. The draft minutes are circulated to all Board members within 48 hours of the meeting for their comments.
- The final minutes are entered in the Minutes Book and signed by the Chairman within 30 days from the conclusion of each meeting.

In the case of a meeting of the Board of Directors or of a Committee of the Board, the minutes also contain :

- the names of the Directors present at the meeting; and
- in the case of each resolution passed at the meeting, the names of the Directors, if any, dissenting from, or not concurring with the resolution.

Further all other requirements as per the Companies Act, 2013 and Rules made thereunder are duly observed regarding Board/Committee meeting Minutes.

(viii) Compliance

The Company Secretary, while preparing the Agenda, Notes on agenda, Minutes etc. is responsible for and is required to ensure adherence to all applicable laws and regulations.

(ix) Action Taken Report

All items discussed in the Board meetings which require an action are recorded separately and are circulated to the relevant persons for requisite action. The action taken by them is then reported through an "Action Taken Report", which is placed at each Board meeting.

m) Discussion with Independent Directors

Pursuant to Schedule IV of the Companies Act 2013 and the Rules made thereunder, the Independent Directors of the Company held a meeting during the year, in absence of the non-Independent Directors and members of management.

In this meeting of Independent Directors, performance of non-Independent Directors, performance of the Board as a whole and performance of the Chairman was evaluated, taking into account the views of Executive Directors and non-Executive Directors.

The Members also discussed quality, quantity and timeliness of flow of information between the company management and the Board in great detail, and expressed their satisfaction that the Board as a whole and each member individually receives all pertinent/sought for information from the Company in an adequate manner and in time. The Members also discussed adequacy of Internal Controls in the meeting.

B. Committees of the Board of Directors

Committees are a means of improving Board effectiveness in areas where more focused, specialized and extensive discussions

Report on Corporate Governance

are required. Some of the Board functions are performed through specially constituted Board Committees consisting of Executive and Non-Executive / Independent Directors, which then report to the Board. While some of these Committees are mandatory, some are voluntary.

The Board's Committees include Audit Committee, Stakeholder Relationship Committee, Nomination and Remuneration Committee, Compensation Committee, Corporate Governance Committee and Corporate Social Responsibility Committee.

All Committees have formally established terms of reference/charter, subject to revision/amendment as and when required.

The Chairman of each Committee fulfills an important leadership role similar to that of the Chairman of the Board, particularly in creating an environment for effective contribution of each Committee member. While each Committee follows its charter, it also takes up for discussions, matters referred to it by the Board. The Company Secretary, in consultation with the Board Chairman and Committee Chairman, prepares the agenda for each meeting. The minutes of each Committee's meeting are submitted to the Board for information and appropriate action.

Nucleus Board Committees

a) Audit Committee

The Audit Committee of the Company is constituted in line with the provisions of Regulation 18 of SEBI (LODR) Regulations 2015, read with section 177 of the Companies Act 2013. A key element in the Corporate Governance process of any organization is its Audit Committee. Effective Audit Committees can greatly assist the Boards in discharge of their duties in respect of integrity of the Company's financial reporting. Indeed, it is essential that Boards, Management, Auditors, Internal Auditors and Audit Committees all work with a common purpose to ensure that the Company obtains the benefits of the Audit Committee in terms of better financial reporting and greater effectiveness of internal controls.

The Audit Committee at Nucleus was formed in August 2001. To efficiently carry out its functions, the Audit Committee has the following roles and responsibilities as per its charter:

Audit committee shall along with such matter as may be referred by Board, be responsible for the following:

With reference to the financial statements

- Examination of the financial statements and the auditors' report thereon,
- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:-
 - ✓ Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
 - ✓ Changes, if any, in accounting policies and practices and reasons for the same

- ✓ Major accounting entries involving estimates based on the exercise of judgment by management
- ✓ Significant adjustments made in the financial statements arising out of audit findings
- ✓ Compliance with listing and other legal requirements relating to financial statements
- ✓ Disclosure of any related party transactions
- ✓ Qualifications in the draft audit report
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- Review the financial statements, in particular, the investments made by the unlisted subsidiary company.

With reference to Auditors

- The recommendation for appointment, remuneration and terms of appointment of all Auditors of the Company including filling of casual vacancy,
- Reviewing and monitoring the Auditor's independence and performance and effectiveness of the Audit process,
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- Discussion with internal auditors of any significant findings and follow up there on;
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

With reference to related party transactions

- Approval or any subsequent modification of transactions of the Company with Related Parties,

The term "related party transactions" shall have the same meaning as provided in SEBI (LODR) Regulations, 2015 and also the provisions of Companies Act, 2013 read with relevant rules thereto.

Other references

- Scrutiny of Inter-Corporate Loans and Investments,
- Valuation of undertakings or assets of the company, wherever it is necessary,

Report on Corporate Governance

- Evaluation of Internal Financial Controls and Risk Management Systems
- Monitoring the end use of funds raised through public offers and related matters.
- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- To review the functioning of the Whistle Blower mechanism;
- Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Following information is required to be mandatory reviewed by Audit Committee

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee

Additional responsibility of the Chairman of the Audit committee

- Direct access to the Chairperson of the Audit Committee under the vigil mechanism process.
- The Chairman of the Audit Committee shall be present at Annual General Meeting to answer shareholder queries.

a) Powers of the Audit committee

- Audit committee has been provided with following powers:
 - o To investigate any activity within its terms of reference.

- o To seek information from any employee.
- o To obtain outside legal or other professional advice.
- o To secure attendance of outsiders with relevant expertise, if it considers necessary.

(iii) Composition of the Audit Committee and Meetings Held during FY 2015-16

Mr. N Subramaniam is Chairman of the Audit Committee. The Company Secretary of the Company is the Secretary of the Committee.

The Audit Committee met nine times during the year. As per the statutory requirement, the maximum gap between two Audit Committee Meetings did not exceed the mandatory four months. (The maximum gap between two meetings was two months and twenty one days).

The Composition of the Audit Committee as on March 31, 2016 and details of attendance of the members in the meetings are as follows:

| Director | Position | No. of Meetings | |
|------------------------|------------------------------------------|-----------------|----------|
| | | Held | Attended |
| Mr. N Subramaniam | Committee Chairman, Independent Director | 9 | 9 |
| Mr. S. M. Acharya* | Independent Director | — | — |
| Mr. Prithvi Haldea | Independent Director | 9 | 9 |
| Mrs. Elaine Mathias | Independent Director | 9 | 9 |
| Prof. Trilochan Sastry | Independent Director | 9 | 8 |

Table 6

*Appointed as member of the Committee on March 19, 2016.

The Chairman of the Audit Committee was present at the previous year Annual General Meeting held on July 8, 2015 to answer shareholders' queries.

In addition to the members of the Audit Committee, the Chief Financial Officer, Internal Auditor, Statutory Auditors and other executives attend the meetings of the Committee upon invitation. Necessary information such as Management Discussion and Analysis of financial condition and results of operations, statement of significant related party transactions submitted by the management, management letters, internal audit reports relating to internal control weaknesses as per the requirement of law, are reviewed by the Committee.

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

In line with the best Corporate Governance practices, meetings of the Audit Committee, independent of the Management, are scheduled every quarter, a few days

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prior to the Audit Committee's meeting to review the quarterly results. The main objective of such meetings is to allow the Statutory Auditor and the Internal Auditor to express any areas of concern with respect to any matter at the same time also raise issues of any disagreement with the Management.

b) Nomination and Remuneration Committee

The Nomination and Remuneration committee of the Company is constituted in line with the provisions of Regulation 19 of SEBI (LODR) Regulations 2015 , read with section 178 of the Companies Act 2013.

(i) Terms of Reference/Charter of the Nomination and Remuneration Committee

Primary responsibility of the Committee is to identify and nominate suitable candidates for Board membership and members of senior Management of the Company. The Committee also formulated policies relating to the remuneration of Directors, Key Managerial Personnel and other employees of the Company.

This Committee is responsible for:

- Recommending desirable changes in the Board composition, size and diversity, committees structures and processes, and other aspects of the Board's functioning
- Formulating criteria for determining qualifications, positive attributes and independence of an Independent Director
- Conducting search and recommending new Board members in light of resignation of some current member/s or in case of a planned expansion of the Board
- Identifying persons who are qualified to become Directors and who may be appointed as senior management in accordance with the criteria laid down, and recommend to the Board for their appointment
- Recommending to the Board a policy relating to the remuneration of the Directors, Key Managerial Personnel and other senior employees, and while formulating such policy, to ensure that :
 - a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate the desired persons
 - b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - c) remuneration to Directors, Key Managerial Personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals
- Formulating criteria for evaluation of Independent Directors and the Board and carrying out evaluation of each Director's performance
- Ensuring that there is an appropriate induction programme in place for new Directors and members of senior management and reviewing its effectiveness

- Developing a succession plan for the Board and regularly reviewing the plan
- Reviewing succession plans for the senior management
- Carrying out any other function as is mandated by the Board from time to time and / or is enforced by any statutory notification, amendment or modification, as may be applicable.

(ii) Composition of the Nomination and Remuneration Committee and Meetings Held during FY 2015-16

Mr. Prithvi Haldea is the Chairman of the Nomination and Remuneration Committee. As of March 31, 2016, the Committee consisted of four members, all the members are Independent Directors. The composition of the Committee is in compliance with the applicable laws. The Company Secretary of the Company is the Secretary of the Committee.

The Composition of the Nomination and Remuneration Committee as on March 31, 2016 and details of attendance of the members in the meetings are as follows:

| Director | Position | No. of Meetings | |
|------------------------|------------------------------------------|-----------------|----------|
| | | Held | Attended |
| Mr. Prithvi Haldea | Committee Chairman, Independent Director | 4 | 4 |
| Mr. Janki Ballabh | Independent Director, | 4 | 4 |
| Mrs. Elaine Mathias | Independent Director | 4 | 4 |
| Prof. Trilochan Sastry | Independent Director | 4 | 4 |

Table 7

The Chairman of the Nomination and Remuneration Committee attended the previous year Annual General Meeting held on July 8, 2015.

(iv) Remuneration Policy

Remuneration policy for the members of the Board of Directors of the Company takes into consideration their role and responsibilities. The salient features of the policy are highlighted below:

- The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) and commission to its Managing Director (an Executive Director).
- The Nomination and Remuneration Committee decides the commission payable to the Managing Director and the Non-Executive Directors out of the profits for the financial year and within the ceilings prescribed under the Companies Act, 2013 and as approved by the shareholders at a General Meeting.
- Non-Executive Directors of the Company are paid sitting fees for attending meetings of the Board and meetings of Committees of the Board, as per the Companies Act, 2013 and as prescribed in the Articles of Association of the Company.

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- The Company reimburses expenditure reasonably incurred by the Directors in the performance of their duties as per the provisions of the applicable laws Companies Act 2013 and in conjunction with the rules and policies of the Company.
- The Nomination and Remuneration Committee reviews and finalizes the remuneration of the key executives on an annual basis, or earlier if deemed necessary.

c) Stakeholder Relationship Committee

The Stakeholder Relationship Committee is constituted in line with the provisions of Regulation 20 of SEBI (LODR) Regulations 2015 read with section 178 of the Act. The Stakeholder Relationship Committee has been constituted to assist the Board in safeguarding the interests of and redressing the grievances of the security holders of the Company.

(i) Terms of Reference/Charter of Stakeholders Relationship Committee

The Stakeholder Relationship Committee of the Board is constituted with powers and responsibilities including, but not limited to. :

- To approve/ reject registration of transfer/transmission/transposition of shares.
- To authorize issue of Duplicate Share Certificates and Share Certificates after Split / Consolidation / Rematerialization and in Replacement of those which are defaced, mutilated, torn or old, decrepit or worn out
- To monitor and review the performance and service standards of the Registrar and Share Transfer Agents of the Company and provide continuous guidance to improve the service levels.
- To monitor and review the mechanism for redressal of shareholders' / investors' grievances
- To authorise Managers/Officers/Signatories for signing Share Certificates;
- To appoint and seek outside advice from professionals, consultants or advisors as deemed appropriate to assist the Committee in discharging its functions efficiently.
- To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.

The Committee meets as often as required to discharge its functions. The status on complaints and share transfers is reported to the Board.

(ii) Composition of the Stakeholder Relationship Committee and Meetings Held during FY 2015-16

Mr. Prithvi Haldea is the Chairman of the Stakeholder Relationship Committee. The composition of the Committee is in compliance with the applicable laws. The Company Secretary of the Company is the Secretary of the Committee and also the Compliance officer of the Company.

The Composition of the Stakeholder Relationship Committee as on March 31, 2016 and details of attendance of the members in the meetings are as follows:

| Director | Position | No. of Meetings | |
|------------------------|-------------------------------------------------|-----------------|----------|
| | | Held | Attended |
| Mr. Prithvi Haldea | Committee Chairman, Independent Director | 5 | 5 |
| Mr. Vishnu R Dusat | Managing Director, Promoter, Executive Director | 5 | 5 |
| Prof. Trilochan Sastry | Independent Director | 5 | 3 |

Table 8

The Chairman of the Stakeholder Relationship Committee attended the previous year Annual General Meeting held on July 8, 2015.

(ii) Details of investor complaints/requests received and resolved during FY 2015-16 are as follows:

| Nature of Complaints | No. of Complaints/Requests | | |
|--------------------------------------------|----------------------------|----------|-------------------------|
| | Received | Resolved | Pending at the year end |
| Non Receipt of Annual Report | 1 | 1 | Nil |
| Non Receipt of Dividend Warrant | 4 | 4 | Nil |
| Duplicate/Revalidation of Dividend Warrant | 50 | 50 | Nil |
| Non receipt of securities | Nil | Nil | Nil |
| Issue of duplicate share certificates | 1 | 1 | Nil |
| SEBI/Stock Exchange/Legal | Nil | Nil | Nil |

Table 9

d) Corporate Governance Committee

To promote good Corporate Governance practices, a Corporate Governance Committee was constituted.

(i) Terms of Reference/Charter of the Corporate Governance Committee

This Committee assists the Board in:

- Reviewing the Company's overall structure of Corporate Governance, and make recommendations to the Board in this regard.
- Assessing the Company's policies and processes in key areas of Corporate Governance, with a view to ensuring the Company is at the forefront of good Corporate Governance;
- Monitoring the emerging Corporate Governance trends and evaluate the Company's Corporate Governance policies and recommend to the Board such changes as the Committee believes desirable.

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- Monitoring the implementation and compliance with the Company's Code of Conduct for Prohibition of Insider Trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations or any amendments thereto.
- To appoint and seek outside advice from professionals, consultants or advisors as deemed appropriate to assist the Committee in discharging its functions efficiently.
- To perform other responsibilities as may be delegated to it by the Board from time to time.

(ii) Composition of the Corporate Governance Committee and Meetings Held during FY 2015-16

Mr. Janki Ballabh Chairman of the Board, is Chairman of the Corporate Governance Committee.

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

(iii) Composition of the Corporate Governance Committee as on March 31, 2016 and details of attendance of the members in the meetings are as follows:

| Director | Position | No. of Meetings | |
|------------------------|-------------------------------------------------|-----------------|----------|
| | | Held | Attended |
| Mr. Janki Ballabh | Committee Chairman, Independent Director | 1 | 1 |
| Mr. Vishnu R Dusad | Managing Director, Promoter, Executive Director | 1 | 1 |
| Mr. S. M. Acharya* | Independent Director | 1 | 1 |
| Mr. Prithvi Haldea | Independent Director | 1 | 1 |
| Mrs. Elaine Mathias | Independent Director | 1 | 1 |
| Prof. Trilochan Sastry | Independent Director | 1 | 1 |
| Mr. N. Subramaniam | Independent Director | 1 | – |

Table 10

*Appointed as member of the Committee on March 19, 2016.

e) Compensation Committee

(i) Terms of Reference/Charter of the Compensation Committee

The Committee administers and supervises the employee stock options schemes of the Company, including review and grant of options to eligible employees.

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

- For administration and superintendence of employee stock option schemes / restricted stock grant plans or any other shares-based benefit plans for the employees, launched by the Company from time to time; in accordance with the applicable laws.
- To administer any established Trust for the employees' welfare, to the extent desirable and permitted under the applicable laws.

- To determine the eligibility criteria for grant of Employee Stock Options to the employees
- To determine at such intervals, as the Committee considers appropriate, the person/s to whom shares or options may be granted;
- To determine the terms and conditions in respect of grant to, vest in and exercise of options by the employees;
- To lay down the procedure for making a fair and reasonable adjustment to the number of shares or options and to the exercise price in case of corporate actions such as merger, sale of division, stock consolidation, rights issue, bonus issue and others;
- To determine the procedure for cashless exercise of Employee Stock Options, if required
- To construe and interpret the plan and to establish, amend rules and regulations for its administration. The Committee may correct any defect, omission or inconsistency in the plan or any option and / or vary/ amend the terms to adjust to the situation that may arise;
- To periodically review the design of and approve the Company's other benefit plans (including retirement, medical and other employee benefit and perquisite plans).
- To appoint and seek outside advice from professionals, consultants or advisors as deemed appropriate to assist the Committee in discharging its functions efficiently.
- To perform such functions as required by the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ('ESOP Regulations') and its amendments, if any
- To perform any other responsibilities as may be delegated to it by the Board from time to time.

(ii) Composition of the Compensation Committee and Meetings Held during FY 2015-16

Mr. Prithvi Haldea is the Chairman of the Committee. The Company Secretary of the Company acts as the Secretary to the Committee.

The Composition of the Compensation Committee as on March 31, 2016 and details of attendance of the members in the meetings are as follows:

| Director | Position | No. of Meetings | |
|------------------------|-------------------------------------------------|-----------------|----------|
| | | Held | Attended |
| Mr. Prithvi Haldea | Committee Chairman, Independent Director | 1 | 1 |
| Mr. Vishnu R Dusad | Managing Director, Promoter, Executive Director | 1 | 1 |
| Prof. Trilochan Sastry | Independent Director | 1 | 1 |

Table 11

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f) Corporate Social Responsibility (CSR) Committee

As per the Companies Act, 2013, all companies having net worth of ` 500 crore or more, or turnover of ` 1,000 crore or more or a net profit of ` 5 crore or more during any financial year will be required to constitute a Corporate Social Responsibility (CSR) Committee of the Board. In accordance with the law, the Board of Directors constituted the CSR committee in FY 2013-14.

(i) Terms of Reference/Charter of the CSR Committee

The purpose of the Committee is to assist the Board in setting Company Corporate Social Responsibility policies and programs and assessing Company Corporate Social Responsibility performance.

The responsibilities of the Corporate Social Responsibility Committee are:

1. To formulate and recommend to the Board, a CSR policy for undertaking permissible CSR activities.
2. To identify and bring to the attention of the Board key Social Responsibility issues that may affect the business operations, brand image or reputation of the Company.
3. To recommend the amount of expenditure to be incurred on CSR activities.
4. To re-evaluate Social Responsibility, from time to time, in light of changes in public perception, industry best practices, and evolving priorities and needs in the communities where the Company does business
5. To provide oversight of Social Responsibility
6. To monitor and review the operation and effectiveness of Company's Corporate Social Responsibility policies and programs
7. To update Board at each regularly scheduled meeting and make relevant recommendations in relation to matters arising for consideration by the Committee
8. To appoint and seek outside advice from professionals, consultants or advisors as deemed appropriate to assist the Committee in discharging its functions efficiently
9. To make any amendments or modifications in CSR Policy as required by law or otherwise
10. Perform such functions as the Board may from time to time assign to it

The CSR Policy of the Company, as approved by the Board is available on our website www.nucleussoftware.com.

- (ii) **Composition of the Corporate Social Responsibility Committee as on March 31, 2016 and details of attendance of the members in the meetings are as follows:**
Prof. Trilochan Sastry is Chairman of the Committee. The composition of the Committee is in compliance with the applicable laws. The Company Secretary of the Company acts as the Secretary to the Committee.

The Composition of the Corporate Social Responsibility Committee as on March 31, 2016 and details of attendance of the members in the meetings are as follows:

| Director | Position | No. of Meetings | |
|------------------------|-------------------------------------------------|-----------------|----------|
| | | Held | Attended |
| Prof. Trilochan Sastry | Committee Chairman, Independent Director | 2 | 2 |
| Mr. Vishnu R Dusad | Managing Director, Promoter, Executive Director | 2 | 2 |
| Mr. S. M. Acharya* | Independent Director | — | — |
| Mr. Prithvi Haldea | Independent Director | 2 | 2 |

*Appointed as member of the Committee on March 19, 2016

Table 12

C. Shareholder Information

a) Means of Communication

(i) Quarterly/Annual Results

- The Company releases Quarterly Report for each quarter (except fourth quarter) in the form of soft copy and is uploaded on the Company's website www.nucleussoftware.com. This ensures prompt information to the shareholders and also contributes in saving paper thus saving trees and making the planet greener.

These reports contain audited financials of the parent Company along with the Auditors Report thereon; Unaudited consolidated financials of the Company and subsidiaries and a detailed analysis of results under "Management's Discussion and Analysis".

- The Company communicates quarterly/annual financial results via email to all its shareholders who have valid e-mails ids registered with their Depository Participants (DP).
- The Company sends an instant email alert of the quarterly/annual financial results, to all persons who get themselves registered on the Company's website.
- Earnings conference calls are conducted after announcement of quarterly / annual financial results wherein the Management updates the investor community on the progress made by the Company and also answers their queries. The audio as well as the transcript of the call is uploaded on the website www.nucleussoftware.com, for public information.

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- The Company publishes official news releases and they are also uploaded on the website www.nucleussoftware.com.

The Company uses a wide array of communication tools including face-to-face, online and offline channels to ensure that information reaches all the stakeholders in their preferred medium.

(ii) Newspapers for publication of financial results

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

(iii) Investor Section at Company's website

The investor section at our website www.nucleussoftware.com provides comprehensive information about the Company. Our goal is to enable shareholders and potential investors (as also media and researchers) to easily find or navigate pertinent information about us, including:

- Company Overview, Financials, Board of Directors, Stock Exchange filings, Shares, Corporate Governance, Corporate Social Responsibility, Awards, Investor contact, Investor related Frequently Asked Questions (FAQ) and various forms for shareholder assistance.
- The important events such as AGM etc. and official press releases of the Company are also updated on the Company's website regularly.
- Interested persons, who register on the Company's website, receive alerts and updates on financial events, financial results, press releases and annual and quarterly reports.

(iv) Interaction with Institutional investors, analysts etc.

- The Investor Relations team of the Company conducts regular meetings and conference calls of the Company Management with the institutional investors, analysts etc.
- Quarterly/annual financial results and press releases are sent to all institutional investors, analysts who are registered in the Company database, to keep them abreast of all significant developments.
- The investor presentations made to institutional investors or analysts are displayed on the Company's website.

(v) Annual Report

The Company's Annual Report containing, inter alia, Letter from the Chairman, Letter from the CEO, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report, Report on Corporate Governance and Risk Management, Financial Highlights, Management Discussion and Analysis and other important information is circulated

to all the members. The Annual Report of the Company is also available on the Company's website; both in a downloadable pdf format and an HTML online format, for ease of use.

(vi) Dedicated Email id for shareholders

investorrelations@nucleussoftware.com is the email id exclusively devoted for shareholders' queries.

(vii) Investor Relations - Our communication with the Investor Community

The Company values transparent relationship with the shareholders, prospective investors and the wider investment community. The Investor Relations (IR) team at Nucleus manages these relationships with high standards of clarity and transparency. It proactively interacts with the investors through meetings, investor conference calls, investor meets, conferences and mails. Dedicated Investors' page on corporate website of the Company provides an efficient medium of information to the investors. The IR team can be reached at ir@nucleussoftware.com.

(viii) NSE Electronic Application Processing System (NEAPS)

NEAPS is a web-based application designed by NSE for corporates. All periodical compliance filings like shareholding pattern, Corporate Governance report, media releases, among others are filed electronically by the Company on NEAPS.

(ix) BSE Corporate Compliance & Listing Centre (the 'Listing Centre')

BSE's Listing Centre is a web-based application designed for corporates. All periodical compliance filings like shareholding pattern, Corporate Governance report, media releases, among others are also filed electronically by the Company on the Listing Centre.

(x) SEBI Complaints Redress System (SCORES)

The investor complaints are processed in a centralized web-based complaints redress system. The salient features of this system are Centralized database of all complaints, online upload of Action Taken Reports by the concerned companies and online viewing by investors of actions taken on the complaint and its current status.

b) Corporate Identity Number (CIN)

Corporate Identity Number (CIN), allotted by the Ministry of Corporate Affairs, Government of India is L74899DL1989PLC034594 and the Company Registration Number is 55-034594. The Company is registered in the State of New Delhi.

c) Shareholder Education

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

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In the Annual Report, a chapter named “Shareholders’ Referencer” and in the Quarterly Report a chapter named “Additional information to Shareholders” is included, with most of the relevant information about the Company, its history, promoters, employees, share transfers, dematerialisation etc. All such material information is also available on the Company’s website under “FAQs”.

It is our constant endeavor to provide efficient and prompt services to the shareholders. Shareholder satisfaction

survey is conducted through a shareholder feedback form uploaded on the Investors section of the Company’s website, for online filing. Responses received through this survey help us:

- o to assess the level of satisfaction among Nucleus shareholders and
- o identify areas of strengths and weakness of Nucleus as perceived by the shareholders.

d) General Body Meetings

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

| Financial Year, Date, Time | Venue | Ordinary Resolution | Special Resolution |
|----------------------------------------------------|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FY 14-15, July 8 2015, 11.30 a.m. | Sri Sathya Sai International Centre | <ul style="list-style-type: none"> Adoption of Annual Accounts for the year ended March 31, 2015. Declaration of Dividend on equity shares. Appointment of Deloitte Haskins & Sells, Chartered Accountants as the statutory auditors. Designate Managing Director as a “Director liable to retire by rotation” and consequential amendment in terms of his appointment Re-appointment of Mr. Vishnu R Dusad as Managing Director, who retires by rotation at this meeting and being eligible, offers himself for re-appointment. | <ul style="list-style-type: none"> Adoption of new set of Articles of Association of the Company Pursuant to the Companies Act, 2013. Adoption of new Memorandum of Association of the company. |
| FY 13-14, July 8 2014, 11.30 a.m. | Sri Sathya Sai International Centre | <ul style="list-style-type: none"> Adoption of Annual Accounts for the year ended March 31, 2014. Declaration of Dividend on equity shares. Appointment of Deloitte Haskins & Sells as the Statutory Auditors. Appointment of Mr. Janki Ballabh and Mr. N. Subramaniam as Independent Directors. Vacancy caused by the retirement of Mr. Sanjiv Sarin, Director, who retires by rotation at the AGM not be filled. | <ul style="list-style-type: none"> Approval of the Related Party Transaction with M/s. Praxis Consulting and Information Services Pvt. Ltd. for a period from October 3, 2013 to October 2, 2014. |
| FY 12-13, July 10, 2013, 11.30 a.m. | Sri Sathya Sai International Centre | <ul style="list-style-type: none"> Adoption of Annual Accounts for the year ended March 31, 2013. Re-appointment of Mr. Janki Ballabh and Mr. Prithvi Haldea as Directors. Appointment of Deloitte Haskins & Sells as the Statutory Auditors. Declaration of Dividend on equity shares. | <ul style="list-style-type: none"> Regularisation of appointment of Prof. Trilochan Sastry and Mr. N. Subramaniam - Additional Directors. |

Table 13

(ii) Detail of Attendance at the AGM held for FY 14-15

| AGM Date: | Mr. Janki Ballabh | Mr. Vishnu R Dusad | Mr. Prithvi Haldea | Ms. Elaine Mathias | Prof. Trilochan Sastry | Mr. R.P Singh | Mr. N Subramaniam |
|--------------|-------------------|--------------------|--------------------|--------------------|------------------------|---------------|-------------------|
| July 8, 2015 | √ | √ | √ | √ | √ | √ | √ |

No Extraordinary general meeting was held by the Company during the financial year ended March 31, 2016.

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e) Postal Ballot

During the year, the Company did not carry out any postal ballot

D. Disclosures

(a) Disclosure on materially significant related party transactions:

The Company has not entered into any material transaction with any of its related parties. Detailed information on related party transactions is enclosed in Annexure A to the Directors' Report.

(b) Compliances by the Company of Capital Market Guidelines

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

(c) Whistle Blower Policy

Nucleus is committed to conduct its business in accordance with the applicable laws, rules and regulations, and with highest standards of business ethics. Nucleus does not tolerate any malpractice, impropriety, abuse or wrongdoing. The Company has a well established Whistle Blower Policy as part of a vigil mechanism for Directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of conduct or ethics policy. This mechanism also provides for adequate safeguards against victimization of Director(s) / employee(s) who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee in exceptional cases.

In accordance with the Companies Act 2013 and Rules made there under and SEBI (LODR) Regulations, 2015, the Board adopted a revised Whistle Blower Policy.

No complaint was received under the Policy, during the year. We affirm that :

- Provision is made for adequate safeguards to employees against their victimisation on reporting to the Ombudsperson and
- no personnel was denied access to the Audit Committee Chairman.

(d) Policy against Sexual Harassment

Nucleus values the dignity of individuals and strives to provide a safe and respectable work environment to all its employees. The Company is committed to providing an

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

The Company has put in place a 'Policy against Sexual Harassment', compliant with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("Sexual Harassment Act"). As per the policy, any employee may report his/her complaint to the Committee by various modes i.e. in person, through email, in writing or by calling on mobile no. as mentioned. The Committee would then make enquiries and submit its recommendation to the HR Head. He would further take a decision on the same and report to the Board. We affirm that adequate access was provided to any complainant who wished to register a complaint under the policy, during the year.

(e) Code of Conduct

The Company has in place a Code of Conduct which helps to maintain high standards of ethics for the Company's employees. In terms of Code of Conduct, the Directors and Senior Management must act within the boundaries of the authority conferred upon them and with a duty to make and enact informed decisions and policies in the best interests of the Company and its shareholders and stakeholders. The Company obtains the affirmation compliance of the Code of Conduct from its Directors and Senior Management on an annual basis.

The Company has obtained declaration from its Directors and Senior Management affirming their compliance to the Code of Conduct for the current year.

A copy of the Code of Conduct is made available on the website of the Company.

(f) Prevention of Insider Trading

The Company has adopted a "Code of Conduct for prevention of Insider Trading " to regulate, monitor and report trading by insiders under the SEBI (Prohibition of Insider Trading) Regulations 2015. The code also includes practices and procedures for fair disclosure of unpublished Price sensitive information. There is quarterly update placed before Board for any disclosures received under the Code.

Report on Corporate Governance

(g) Risk Management and Internal Control Policies adopted by the Company

A report on Risk Management and Internal Control Policies adopted by the Company has been discussed later as a separate chapter in this Annual Report.

(h) Adherence to Accounting Standards

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

(i) Management Discussion and Analysis

As required by SEBI (LODR) Regulations 2015, the Management Discussion and Analysis is provided in this Annual Report. As a voluntary initiative, the Company also prepares and publishes Management Discussion and Analysis for the consolidated financials in the Annual Report, which is also provided later in this Annual Report.

(i) Subsidiary Companies

The Company has Nine subsidiaries across the globe. The Company does not have any material non-listed Indian subsidiary companies. The Company has a policy for determining 'Material Subsidiaries' which is disclosed on its website

The following table provides a list of all these subsidiaries as on March 31, 2016.

| Date of Incorporation/ acquisition | Subsidiaries | Location | Percentage of Shareholding |
|-----------------------------------------|-----------------------------------------|--------------|----------------------------|
| February 25, 1994 | Nucleus Software Solutions Pte. Ltd. | Singapore | 100% |
| August 5, 1997 | Nucleus Software Inc. | USA | 100% |
| November 2, 2001 | Nucleus Software Japan Kabushiki Kaisha | Japan | 100% |
| May 6, 2004 | VirStra i-Technology Services Limited | India | 100% |
| February 2, 2006 | Nucleus Software Netherlands B.V. | Netherlands | 100% |
| April 21, 2008 | Nucleus Software Ltd. | India | 100% |
| February 3, 2014 | Nucleus Software Australia Pty Limited | Australia | 100% |
| February 10, 2015 | Nucleus Software South Africa Pty. Ltd. | South Africa | 100% |
| March 17, 2016 (Date of Acquisition) | Avon Mobility Solutions Pvt. Ltd. | India | 96% |

Table 14

(j) Unlisted Indian Subsidiary Companies

The Company has three Indian subsidiaries; Nucleus Software Ltd., Virstra i- Technology Services Ltd. and Avon Mobility Solutions Private Limited all of these are unlisted Indian subsidiary companies. The investment of the Company in the subsidiaries does not exceed twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year. Also, the subsidiaries have not generated twenty per cent of the consolidated income of the Company during the previous financial year.

- Mr. Prithvi Haldea, Independent Director on the Board of Directors of the Company, is an Independent Director on the Board of Directors of Virstra i- Technology Services Ltd.
- Mr. Prithvi Haldea and Prof. Trilochan Sastry, Independent Directors on the Board of Directors of the Company, are Directors on the Board of Directors of Nucleus Software Ltd.
- Mr. N. Subramaniam, Independent Director on the Board of Directors of the Company, is an Independent Director on the Board of Directors of Avon Mobility Solutions Pvt. Ltd.
- The Audit Committee of the Company reviews the financial statements, in particular, the investments made by Virstra i- Technology Services Ltd., Nucleus Software Ltd and Avon Mobility Solutions Private Limited.
- The minutes of the Board meetings of VirStra i- Technology Services Ltd. Nucleus Software Ltd. And Avon Mobility Solutions Private Limited are placed at the Board meetings of the Company.

The management periodically brings to the attention of the Board of Directors of the Company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary companies.

The Company policy for determining 'Material' Subsidiaries' and on Related Party Transactions, as approved by the Board can be accessed on the Company website link : <http://www.nucleussoftware.com/investors>.

- Details of non-compliance by the Company, penalties, strictures imposed on the Company by the stock exchanges or the SEBI or any statutory authority, on any matter related to capital markets, during the last three years 2013-14, 2014-15 and 2015-16 respectively: Nil

Report on Corporate Governance

E. General Shareholder Information

| | |
|--------------------------------------------------|---------------------------------------------------------------------------------|
| • Date of incorporation | 9th January, 1989 |
| • Registered Office | 33-35, Thyagraj Market New Delhi-110 003 India |
| • Corporate Office | A-39, Sector 62 Noida, 201307 India |
| • Date and time of Annual General Meeting | July 8, 2016, 11.30 a.m |
| • Venue of Annual General Meeting | Sri Satya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi-110003 |
| • Date of Book Closure for AGM | July 2 to 8, 2016 (both days inclusive) |

Financial Calendar for the financial year 2016-17 (tentative and subject to change)

| | |
|-----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial reporting for : | Tentative dates |
| First quarter ending June 30, 2016 | between July 20-31, 2016 |
| Second quarter ending September 30, 2016 | between October 20-31, 2016 |
| Third quarter ending December 31, 2016 | between January 20-31, 2017 |
| Year ending March 31, 2017 | between April 20- 30, 2017 |
| Annual General Meeting for the year ending March 31, 2017 | July 2017 |
| • Listing on Stock Exchanges | Script Symbol/Code |
| National Stock Exchange of India Limited (NSE) #Exchange Plaza, Bandra-Kurla Complex Bandra (E), Mumbai-400051. | NUCLEUS |
| BSE Ltd. (BSE) Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai-400001 | 531209 |
| • International Securities Identification Number | INE096B01018 |
| • Registrars of Company & Share Transfer Agents | Karvy Selenium Tower B, Plot number 31 & 32, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad – 500032, India Tel: 040-23420815-18 Fax: 040-23420814 E-mail: mailmanager@karvy.com |

The annual listing fees for 2016-17 have been paid to both the Stock Exchanges.

Report on Corporate Governance

a) Market Price Data on NSE & BSE for the financial year 2015-16

| Month | NSE | | | BSE | | |
|--------------------------------------------|-------------|------------|-------------------|-------------|------------|-------------------|
| | High (₹) | Low (₹) | Total Volume | High (₹) | Low (₹) | Total Volume |
| April 15 | 244.90 | 168.45 | 6,985,730 | 244.70 | 170.40 | 1,934,441 |
| May 15 | 295.00 | 191.60 | 10,079,298 | 295.00 | 195.00 | 2,742,576 |
| June 15 | 275.70 | 232.10 | 3,142,408 | 275.80 | 232.60 | 1,280,387 |
| July 15 | 352.90 | 238.00 | 9,395,912 | 353.00 | 240.00 | 3,053,435 |
| August 15 | 306.00 | 222.00 | 5,747,773 | 305.30 | 221.80 | 1,880,308 |
| September 15 | 251.95 | 226.00 | 1,529,198 | 251.90 | 226.20 | 481,257 |
| October 15 | 281.00 | 225.00 | 3,467,459 | 281.00 | 224.30 | 1,185,090 |
| November 15 | 282.50 | 220.10 | 1,783,804 | 282.20 | 220.00 | 449,453 |
| December 15 | 290.90 | 245.70 | 1,807,104 | 290.90 | 247.50 | 552,582 |
| January 16 | 272.00 | 217.00 | 1,509,275 | 271.80 | 218.10 | 316,794 |
| February 16 | 225.50 | 144.55 | 1,266,439 | 226.30 | 145.20 | 241,156 |
| March 16 | 209.70 | 149.20 | 2,157,159 | 209.90 | 151.00 | 546,158 |
| Total Shares traded during the year | | | 48,871,559 | | | 14,663,637 |

Table 15

Equity shares of the Company are traded in "Group B" category and are a constituent of the Small Cap Index on BSE Ltd.

c) 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 Stakeholders Relationship Committee is authorised to approve transfer of shares, which are received in physical form, and the said Committee approves transfer of shares as and when required.

The Company obtains from a Company Secretary in practice, a half-yearly certificate of compliance with the share transfer formalities as required under Regulation 7(3) of SEBI (LODR) Regulations, 2015 and files a copy of the certificate with the Stock Exchanges.

d) Dematerialization of Shares

The Equity shares of the Company are under compulsory dematerialization ("Demat") category and can be traded only in electronic form. The Company has dematerialized 32,246,178 shares (99.57 % of the paid up share capital) as at March 31, 2016.

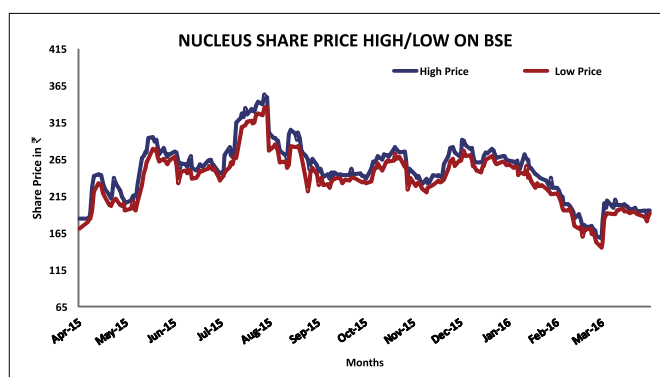
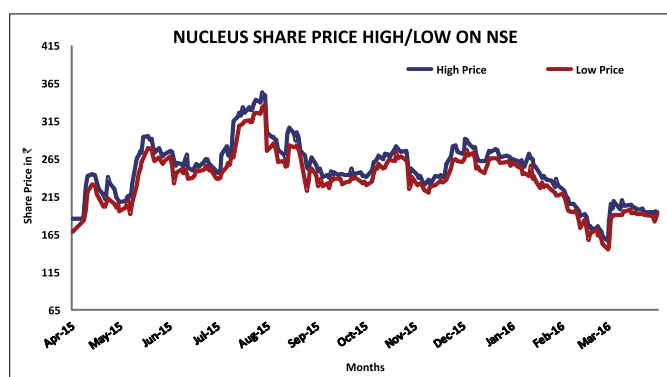
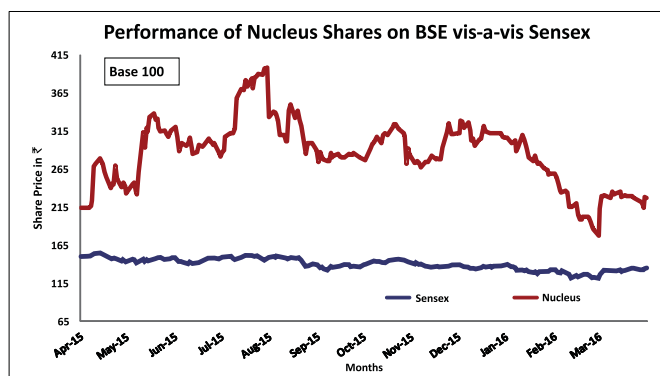
The procedure for converting the shares in dematerialized mode is as under:

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

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

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

Report on Corporate Governance



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

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

f) Shareholding Pattern of the Company as at March 31, 2016

| Category | As on March 31, 2016 | | |
|----------------------------------------------------------------------------|----------------------|-------------------|-------------------|
| | Share Holders | Share Holding | Share Holding (%) |
| Promoter and Promoter Group | 11 | 19,631,866 | 60.62 |
| Public Share Holding | | | |
| Mutual Funds | 3 | 408,507 | 1.26 |
| Financial Institutions /Banks | 2 | 93,134 | 0.29 |
| Foreign Institutional Investors | 14 | 2,863,669 | 8.84 |
| Individuals | 16,306 | 7,800,716 | 24.08 |
| Bodies Corporate | 443 | 882,468 | 2.73 |
| Overseas Corporate Bodies / Non Resident Indians/ Clearing Members/ Trusts | 478 | 703,364 | 2.18 |
| Total | 17,257 | 32,383,724 | 100.00 |

Table 16

Report on Corporate Governance

g) Distribution of Shareholding

| Equity Shares Held | | As on March 31, 2016 | | | | As on March 31, 2015 | | | |
|--------------------|-----------|----------------------|---------------|-------------------|---------------|----------------------|---------------|-------------------|---------------|
| | | Share Holders | | Shares | | Share Holders | | Shares | |
| From | To | (No.) | (%) | (No.) | (%) | (No.) | (%) | (No.) | (%) |
| 1 | 100 | 10,719 | 62.11 | 460,662 | 1.42 | 10,046 | 60.55 | 441,344 | 1.36 |
| 101 | 200 | 2,132 | 12.35 | 370,572 | 1.14 | 2,161 | 13.03 | 376,634 | 1.16 |
| 201 | 500 | 2,034 | 11.78 | 739,638 | 2.28 | 2,128 | 12.83 | 765,507 | 2.36 |
| 501 | 1,000 | 1,213 | 7.03 | 936,169 | 2.89 | 1,163 | 7.01 | 879,907 | 2.72 |
| 1,001 | 5,000 | 932 | 5.40 | 2,058,018 | 6.36 | 875 | 5.27 | 1,913,972 | 5.91 |
| 5,001 | 10,000 | 127 | 0.74 | 891,531 | 2.76 | 104 | 0.63 | 753,364 | 2.33 |
| 10,001 | and above | 100 | 0.59 | 26,927,134 | 83.15 | 111 | 0.68 | 27,252,996 | 84.16 |
| TOTAL | | 17,257 | 100.00 | 32,383,724 | 100.00 | 16,589 | 100.00 | 32,383,724 | 100.00 |

Table 17

h) Depository Receipts / Global Depository Receipts / Warrants

As on March 31, 2016, the Company has no American Depository Receipts / Global Depository Receipts / Warrants or any such convertible instruments outstanding and there is no likely impact on the Company's Equity Shares in the financial year 2015-16.

i) Employee Stock Option Plans (ESOP)

The ESOP 2015 has been formulated in accordance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. ESOP 2015 contemplates dealing in/ acquisition of secondary shares through an Employee Welfare Trust (Trust) route.

The Company has got shareholders approval vide postal ballot in Jan 2015, in respect of ESOP 2015 and grant of Stock Options to the eligible employees/ Directors of the Company and that of its Subsidiary Company(ies) as decided by the Compensation Committee from time to time. No Options have been granted under ESOP (2015) during the year.

j) Locations

Nucleus services its clients through a network of domestic and international offices. At the year-end, Nucleus had wholly-owned subsidiaries in India, Japan, Netherlands, Singapore, South-Africa, U.S.A, Australia and branch offices in Mumbai and Chennai in India and Dubai (UAE) and London (UK) and USA.

Nucleus operates state-of-the-art Software Development Centers at Noida (U.P.). The Noida Centre is under the Software Technology Park Scheme of the Government of India.

A Subsidiary, Virstra i- Technology Services Limited operates a Development Centre at Pune (Maharashtra) under the Software Technology Park Scheme of the Government of India.

A wholly-owned subsidiary, Nucleus Software Limited (NSL), operates from a Special Economic Zone, Mahindra World City, Jaipur Ltd. (MWCJL).

PARENT COMPANY

Nucleus Software Exports Ltd.

| Registered Office | Corporate Office |
|------------------------------------------------------|------------------------------------------|
| 33-35, Thyagraj Market New Delhi-110 003 India | A-39 Sector 62 Noida-201 307 India |

SUBSIDIARIES

Nucleus Software Solutions Pte. Ltd.

300, Tampines Avenue-5#04-06,
Tampines Junction
Singapore-529653

Nucleus Software Japan Kabushiki Kaisha

Mitsubishi Building
11F, 5-2 Marunouchi, 2 Chome
Chiyoda Ku
Tokyo 100-0005
Japan

Nucleus Software Inc.

505, Thornall State, Suite 401,
Edison, NJ 08837
USA

Nucleus Software Netherlands B.V.

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

VirStra i- Technology Services Limited

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

Nucleus Software Ltd.

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

Report on Corporate Governance

Nucleus Software Australia Pty. Ltd.

Suite 4, 96-98 Wigram Street
Harris Park
NSW 2150
Australia

Nucleus Software South Africa (Pty) Ltd.

1st Floor, Longpoint Office Park
Cnr Montecasino Blvd & Witkoppen Rd Fourways
Johannesburg, 2191, South Africa

Avon Mobility Solutions Pvt. Ltd.

Office No.7, M V Naidu Street
Ground & First Floor,
Chetpet, Chennai – 600031.

Branch Offices in India

A. Mumbai

Wellington Business Park
405-408, 4th Floor,
Near S.M Centre,
Marol Naka, Andheri Kurla Road
Andheri (East)
Mumbai 400 059

B. Chennai

Building No. 40,
II Main Road
Ambattur Industrial Estate Ambattur
Chennai 600058

Branch Offices in Overseas Locations

A. London (UK)

Nucleus Software Exports Ltd.
1520, City Point
1, Ropemaker Street
London EC2Y 9HT,
UK

B. Dubai (U.A.E)

Nucleus Software Exports Ltd
Office #305, EIB Building # 05,
Dubai Internet City (DIC),
Dubai, U.A.E.

C. New Jersey (USA)

505, Thornall Street, Suite 401
Edison , NJ 08837
USA

k) Investor Correspondence may be addressed to:

The Company Secretary
Nucleus Software Exports Ltd.,
33-35, Thyagraj Market
New Delhi-110003.
India
Tel: +91-(120)-4031400
Fax: +91-(120)-4031672
Email: investorrelations@nucleussoftware.com

l) Other General Shareholder Information

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

m) Auditors' Certificate on Corporate Governance

As required by Schedule V of the SEBI (LODR) Regulations 2015, the Auditors' certificate on Corporate Governance is annexed to Directors' Report as Annexure C

n) CEO/CFO Certification

As required by SEBI (LODR) Regulations, 2015, the CEO/ CFO certification is provided as Annexure A to the report on Corporate Governance, in this Annual Report.

o) Secretarial Audit

As per the Companies Act 2013, Secretarial Audit by a practicing Company Secretary has become mandatory for prescribed companies, and they are required to annex the Secretarial Audit report with their Board Report in the Annual Report. We are pleased to inform that your Company, as a voluntary practice, has been getting Secretarial audit done for the past several years, and also reporting it in the Annual Report.

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company appointed, Sanjay Grover & Associates, Practising Company Secretaries to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit Report in the prescribed Form MR 3, is provided as Annexure F to the Directors' Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

The Secretarial Auditor has made certain recommendations for adopting additional Best Practices, which are now being implemented.

p) Compliance with the Code of Conduct

All Directors and Senior Management personnel of the Company have affirmed compliance with the code for the financial year ended March 31, 2016. A declaration to this effect signed by the Managing Director has been published as Annexure B to this report on Corporate Governance.

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

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

Report on Corporate Governance

F. Compliance with Non-Mandatory Requirements of Regulation 27 (1) of SEBI (LODR) Regulations, 2015

Regulation 27 (1) of SEBI of the Listing Agreement mandates us to obtain a certificate from either the statutory auditors or practicing Company secretaries regarding compliance of conditions of Corporate Governance as stipulated in the Clause and annex the certificate with the Directors' report, which is sent annually to all our shareholders. We have obtained a certificate to this effect and the same is given as Annexure to the Directors' report.

The Company has complied with all mandatory requirements of Schedule II of SEBI (LODR) Regulations 2015. The Company has adopted following non-mandatory requirements as prescribed therein:

a. Shareholder Rights

The Regulation states that a half-yearly declaration of financial performance including summary of the significant events in the last six months, may be sent to each household of shareholders.

- We communicate with investors regularly through e-mail, telephone and face-to-face meetings in investor conferences, Company visits or during road-shows. We also leverage the Internet in communicating with our investor base.
- The announcement of quarterly/annual results is followed by:
 - o Media interactions, wherein business television channel in India telecasts discussions with our CEO.

- o Earnings conference calls are conducted after announcement of quarterly/annual results wherein the Management updates investor community on the progress made by the Company and answers their queries. The audio as well as the transcript of the call is uploaded on the website www.nucleussoftware.com for investors' information.
- o The Company also send results via email to all its shareholders who have valid e-mails ids registered with their Depository Participants (DP).
- o The Company also sends an instant alert of the results, to all those who register themselves on the corporate website.
- o Highlights of the results along with a comparison with previous quarters/years, all financial press releases, information on Board of Directors, FAQ for shareholders and other related information on Corporate Governance etc. are also available on the Company website.

b. Modified opinion(s) in audit report

The Company is in the regime of financial statements with unmodified audit opinion.

c. Separate posts of Chairman and CEO

The Company has separate persons as Chairman and Managing Director/CEO.

d. Reporting of Internal Auditor

The Internal auditor reports directly to the Audit Committee.

CERTIFICATION BY MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER OF THE COMPANY PURSUANT TO REGULATION 17(8) OF SEBI (LODR) REGULATIONS, 2015

We, Vishnu R Dusad, Managing Director & CEO and Ashish Nanda, Chief Financial Officer, of Nucleus Software Exports Limited ("the Company"), to the best of our knowledge and belief, certify that:

1. We have reviewed the financial statements for the Quarter & Financial Year ended March 31, 2016 along with its schedules and notes on accounts, as well as the cash flow statements;
2. These statements do not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, misleading with respect to the statements made;
3. These financial statements, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and applicable laws and regulations;
4. Based on our knowledge and information, no transactions entered into by the Company during the period, are fraudulent, illegal or violative of the Company's code of conduct.
5. We are responsible for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee of the Company's Board of Directors, deficiencies in the design or operation of internal controls and steps proposed to be taken to rectify these deficiencies.
6. We have disclosed, based on our most recent evaluation, to the Company's Auditors and the Audit Committee of the Company's Board of Directors:
 - a. Significant changes in internal control over financial reporting during the period, if any;
 - b. There are no significant changes in accounting policies during the period; and
 - c. There are no instances of fraud of which we have become aware and the involvement, therein, of the management or an employee having significant role in the Company's internal control system over financial reporting.

Place : Noida
Date : May 4, 2016

Sd/-
Vishnu R Dusad
Managing Director & CEO

Sd/-
Ashish Nanda
Chief Financial Officer

DECLARATION BY CEO & MANAGING DIRECTOR REGARDING COMPLIANCE WITH THE COMPANY'S CODE OF CONDUCT

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

I, further confirm that the Company has in respect of the financial year ended March 31, 2016, received from its Board members as well as senior management personnel affirmation as to compliance with the Code of Conduct.

Place : Noida
Date : May 4, 2016

Sd/-
Vishnu R Dusad
Managing Director & CEO

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

Forming Part of the Financial Statements for the year ended March 31, 2016

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

Management's discussion and analysis of the 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 Management perceptions.

A. Industry Structure and Development

According to Nasscom, the worldwide financial service technology solution market is valued at USD 32 billion in 2015 and is forecasted to reach to USD 45 billion by 2020 at a CAGR of 7%. The total financial technology software product market from India is worth USD 1.2 billion and is highly expected to grow by nearly 2X by 2020. With 400 companies, India is quickly emerging as a financial technology product hub with high demand across regions. The revenues generated by such software companies is going to see a substantial growth.

We are a Product software Company and making products is quite different from delivering services; it requires a distinctive mindset, capabilities and environment. Focus is shifting towards Fin-tech solutions for digital channels whereas Mobility and Analytics are the emerging technologies. The growth of Financial Analytics solutions is helping the BFSI sector to manage risk better and take data driven decisions. The Banking segment of the Indian Financial technology software market accounts to 65-70% of the revenue (Source: Nasscom Indian Fin-tech Products 2016). This makes us hopeful of the future and we work towards building a great Product Company.

B. Company Background

The Company was incorporated on January 9, 1989 as Nucleus Software Exports Private Limited with its registered office at 33-35 Thyagraj Market, New Delhi, INDIA. Subsequently in October 1994, it was converted into a Public Limited Company. In August 1995, Nucleus made an Initial Public Offer and is currently listed at National Stock Exchange of India Ltd. and BSE Ltd.

Nucleus Software is the leading provider of lending and transaction banking products to the global financial services industry. Its software powers the operations of more than 150 customers in 50 countries, supporting retail banking, corporate banking, cash management, internet banking, automotive finance and other business areas.

Nucleus Software is known for its world-class expertise and innovation in lending and transaction banking technology. We have inter-alia, two flagship products, built on the latest technology:

- FinnOne™, 10 time winner - World's Best Selling Lending Solution.
- FinnAxia™, an integrated global transaction banking solution used by banks worldwide to offer efficient and Innovative global payments and receivables, liquidity management and business internet banking services.

During the year we have continued to enhance our solutions to take advantage of market trends, such as increasing digitizing of financial services. Our flagship product FinnOne Neo™ was launched on cloud and is already a success in the domestic market. By providing FinnOne Neo™ on cloud, we are making one of the best lending software more affordable, quickly deployable and scalable as per our customers' business requirements.

We also launched the Lending Analytics product. With cutting edge statistical and data analysis capabilities, Nucleus Software's Lending Analytics is a powerful and user-friendly solution enabling informed decision making through data visualization and business insight generation. The solution uses sophisticated predictive scoring models to allow various financial institution stakeholders to create scorecards that span the entire loan management life cycle.

We also unveiled a new mobility product module, mApply, as part of the FinnOne Neo™ mobility suite. This mobility app is meant for end customers / prospects who can apply for a loan, track the status, check offers from the comfort of their home or office, or even when they are on the move. The product is a key offering helping Banks to digitize their loan sourcing business process.

During the year we launched, PaySe™, the world's first offline digital cash solution designed and created with the aim to democratize money. Along with PaySe™, we introduced PURSE™, a mobile to carry money, and PalmATM™ a bank teller application to democratize money.

PaySe™ utilizes the latest advances in mobility, big data, open source and crypto currency (primarily tokenization) to deliver the world's first secure offline peer to peer payment solution. PaySe™ helps to reduce and offset the costs associated with cash by replacing physical cash notes with digital currency. With fewer notes in circulation, the cost of storing, transporting and processing cash will reduce dramatically. This will also increase the velocity of money.

PaySe™ helps address the access challenges faced by banks, micro finance institutions (MFIs) and non-banking finance companies (NBFCs) by making basic banking services accessible to the unbanked such as direct benefit transfers (DBT), micro pension, saving deposits, loans, recurring deposits etc. while delivering financial services .

Over the years, our committed professionals have provided solutions par excellence and with the experience and skills, we have been able to create a global footprint of Customers and partners across multiple continents with multi-product, multi-service, multi-currency and multi-lingual implementations. Today, in 50 countries, more than 150 of the world's most innovative organizations use our solutions to support millions of customers. Nucleus Software operates through integrated and well-networked subsidiaries in India, Japan, Netherlands, Singapore, USA, Australia and South Africa. Since 1995 product development has been our strength and the Company has chosen to exclusively develop products and further add value through dedicated Research and Development initiatives.

Management's Discussion and Analysis

Over the years we have gained deep experience working closely with IT leaders in the Banking and Financial Services industry. Headquartered in Delhi, India, the Company has nine subsidiaries, as described in table 1 below. The Company acquired 96% stake in Avon Mobility Solutions Pvt. Ltd., a Mobile Technology Solutions provider for a purchase consideration of ₹ 1.92 crore during the year.

| Date of Incorporation/ Acquisition | Name of Subsidiary Company | Location | Percentage of Shareholding |
|-----------------------------------------|------------------------------------------|--------------|-------------------------------|
| February 25, 1994 | Nucleus Software Solutions Pte. Ltd., | Singapore | 100% |
| August 5, 1997 | Nucleus Software Inc. | USA | 100% |
| November 2, 2001 | Nucleus Software Japan Kabushiki Kaisha | Japan | 100% |
| May 6, 2004 | VirStra-/ Technology Services Ltd. | India | 100% |
| February 3, 2006 | Nucleus Software Netherlands B.V. | Netherlands | 100% |
| April 21, 2008 | Nucleus Software Ltd. | India | 100% |
| February 3, 2014 | Nucleus Software Australia Pty. Ltd. | Australia | 100% |
| February 10, 2015 | Nucleus Software South Africa (Pty) Ltd. | South Africa | 100% |
| March 17, 2016 (date of acquisition) | Avon Mobility Solutions Pvt. Ltd. | India | 96% |

Table 1

The Company has branch offices in Chennai and Mumbai in India and in UK, Dubai and USA. The Singapore subsidiary has a representative office in Manila in the Philippines. These subsidiaries/branch offices help the Company in providing front-end support to customers and explore new opportunities.

C. The Way Forward

The Information technology industry is defined by relentless cycles of innovation and commoditization and this has made it one of the most dynamic, fast-changing and fiercely competitive industries in the world. Innovation and technological advancement are also inextricably linked with the very essence of banking. In order to integrate with their IT landscape banks nowadays are increasingly choosing best of breed solutions.

The Company started its journey of developing world class IT products for customers in the banking and financial services space, where changing business requirements and growing complexity are driving rapid adoption of technology. The processes carried out by the banks have been completely transformed due to the emergence of Information Technology. IT has also facilitated banks to provide superior customer experience helping the banks in meeting the diverse challenges posed by global business environment and also helping the industry to cope with the ever changing regulatory landscape. Financial institutions and banks rely on gathering, processing, analyzing, and providing information in order to meet the needs of customers. For three decades our mission has been to help our customers succeed by leveraging the latest technologies.

A decade ago many retail bankers were trying to make their businesses more like the retail industry, in effect trying to turn retail banking into bank retailing. Concept stores were created – including co-locating with coffee bars and putting financial products into boxes which customers brought to the checkout to buy. While these were concepts that indicated the thinking at the time, they clearly didn't deliver the answer to the problem at the time. Today, that problem is set to get worse. When these challenges are combined with technologies such as blockchain, many are predicting a very bleak future for financial services. At Nucleus Software we believe that banks and other financial services providers have a set of unique advantages over their potential disrupters. The key to unleashing these advantages is to combine a strong vision for the future with the technologies needed to deliver that vision.

We believe that developing a customer-centric business model, simplifying business and operating models, enabling innovation, and proactively managing risk, regulations and capital are some of the key elements, which, if handled carefully, can help banks win customers and generate long-term growth. As a pioneer in providing solutions to the banking and financial services industry, we are committed to helping our customers achieve this and do much more.

Some notable accolades won over the years are as follows:

- Named as a '**Model Bank Vendor 2016**' Award by **Celent** for helping multiple clients achieve technology or implementation excellence.
- Recognized amongst the '**World's top 5 Mobile Banking Solution Providers**' by Forrester Research, Inc. in The Forrester Wave™: Mobile Banking Solutions, Q4 2015.
- Corporate LiveWire – FinTech Excellence Awards 2015 in the category "**Excellence in Providing Banking Products**"
- FinnOne™ **10 time winner - World's Best Selling Lending Solution** by IBS Publishing, UK.
- Annual Report for the Year Ended March 31, 2014 won the **Platinum Award** for Excellence within the Technology-Software industry and ranked amongst the World's Top 50 Annual Reports within the Technology-Software industry and by the League of American Communications Professional (LACP).
- 9th Social and Corporate Governance Awards in the category "**Best Overall Corporate Governance Compliance and Ethics Program**" organised by World CSR Congress.
- Titanium Award at "**The Asset Triple A Corporate Awards 2014**" for Third Consecutive Year under the category Financial Performance, Corporate Governance and Investor Relations.
- "**Asian CSR Leadership Awards 2014**" in the category, "Best Corporate & Financial Reporting".
- "**The Asian Banker award – 2014**" for "Best Lending Platform Implementation Project" for introducing MARC, an innovative debt servicing solution that allows customers to make payment anytime, anywhere.
- The Company was inducted into the coveted **Hall of Fame by the Institute of Chartered Accountants of India**, in the

Management's Discussion and Analysis

category, Service sector (other than financial services) with turnover less than ₹ 500 crore, of the 'ICAI Awards for Excellence in Financial Reporting' during the year 2013.

- CIMB Malaysia, our customer, powered by Nucleus Software's FinnOne™ implementation, has received the Process Excellence Award for Collection and Debt Management at the prestigious BPA Trailblazer Awards.
- Vietnam Prosperity Bank's Loan Origination system, powered by Nucleus Software's FinnOne CAS, LMS and Collections was recognized with **Model Bank Award by Celent** (March 2013).
- Forrester recognized Nucleus as a "**Global Pursuer**" and stated it "**regained traction in 2010**". Based on the number of deals and regions covered, Nucleus was ranked among top Banking Platform providers Source: Global Banking Platform Deals 2010, Forrester Research, Inc., 31st March 2011.
- HDFC Bank, Nucleus Software customer, won the prestigious **Celent 2010 Model Bank Award** for its loan origination system, FinnOne™.

D. Company Management

An active and well-informed Board is necessary to ensure the highest standards of Corporate Governance. At Nucleus, a well-qualified Board consisting of eight members manages the Company with Mr. Janki Ballabh as the Chairman and Mr. Vishnu R Dusad as the CEO & Managing Director. Six out of eight members of the Board are Non-Executive, Independent Directors. These Independent Directors provide valuable contribution in the deliberations and decisions of the Board with their diverse knowledge and expertise. As an effective Board, it develops and promotes the vision, culture and values of the Company and provides entrepreneurial leadership to the Company within a framework of prudent and effective controls.

Only a strong global team can drive excellent performance – especially in a challenging business environment. During the year, critical functions of the organisation were strengthened with assessment of Leadership bandwidth and strengthening of the process of hiring to build a strong team aligned to Nucleus fundamentals and culture. Particular emphasis was placed on attracting, developing and retaining talent, especially in emerging markets, through specifically designed programs. At the same time, the focus was on continuously improving and strengthening the leadership team and fostering a unique performance culture at Nucleus. Senior leaders from across industries joined the Company in Products, Sales and Marketing, Human Resources and other functions. For a global company, a diverse workforce that unites different cultural backgrounds and work experience is an important success factor. We recruited people from across the globe and our endeavour is to smoothly manage and assimilate this diversity in work culture.

Total manpower numbers stood at 1,565 at the end of the year.

Through these efforts we continue to build a robust Brand Nucleus with business from all global markets, supported through

the create an effective distribution network of partnerships, alliances and acquisitions to achieve seamless and high quality delivery resulting in a high level of customer satisfaction.

E. OPPORTUNITIES AND THREATS

Volatility has been an ongoing reality rather than an exception as denoted by the erratic movements in global commodity prices, market corrections in the Eurozone, the crash of the Chinese stock market, and the continuing decline of the price of oil. From a business perspective the keys to success are to be close to the market, close to customers' needs and to be willing and able to change rapidly to meet those needs. Banks and other financial institutions need to have the right strategies, business models and technologies. Not only must they execute on today's initiatives, but also radically innovate and transform themselves for the future. Again we believe this creates tremendous opportunities for us as technology plays a fundamental role in delivering business agility.

Today's customer expects technology to turnaround the speed of operations and boost efficient outcomes. While this is exciting and will always keep organizations like us on the innovation track, it is challenging too. This is likely to dictate global technology spend with an increased need for enterprise digital transformation as the new way to engage and serve customers.

As an international organization, we have a relentless focus on product development assimilating global best practices, which has led to lending and transaction banking product implementations across more than 50 countries for 150+ customers. Our domain knowledge and years of experience positions us well to enter new markets and expand market share in existing markets.

To successfully capitalize on these opportunities, we are exploring different business models to meet customer expectations and demand cost effectively. There is an opportunity created by years of hard-work and dedication, and the focus now is to convert this opportunity into growth for the Company. Strategically, our focus is on the Lending market and the Transaction Banking space and consequent specialization enables us to monetize our IPR.

As Albert Einstein said "in the middle of difficulty lies opportunity", so the key challenge for financial services providers is to deliver what their customers need, when and where they need it. We believe that this creates tremendous opportunities for Nucleus Software, as the key enabler will be the use of innovative technology solutions.

F. OUTLOOK

Your Company continues its journey as a preferred partner for banking and financial organizations worldwide, providing innovative and pioneering products, services and solutions globally. Continuing the relentless focus on customer success, your Company launched a range of innovative solutions during the year.

Due to the increasing demand for real-time solutions among customers, many retail banks are focusing on moving to agile technology architectures. Mobile technology and analytical inputs based on social media are providing an increasing

Management's Discussion and Analysis

number of sources for real-time data that can be leveraged to gain a competitive advantage. Delivering great customer experiences and living up to the needs of digital banking are some of the business challenges that banks face today. The pace of technological change will not slow down. However, the tech sector as a whole must continue to seek the answer to achieving seamless integration and communication between products and platforms. According to the research consultancy IDC, the global information technology (IT) market surpassed \$3.7 trillion in 2015 and is on track to reach \$3.8 trillion in 2016 (constant currency).

Software industry body National Association of Software and Services Companies (Nasscom) expects the Indian information technology (IT) industry to grow at 12-14% during 2016-17.

G. RISKS AND CONCERNS

These are discussed in detail in the Risk Management chapter provided later in this Annual Report.

H. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal control systems are a set of policies, processes and procedures put in place to help achieve the strategic objectives of an organization. Good controls encourage operational efficiency and compliance with laws and regulations, as well as minimizing the chance of errors, theft and fraud. At the same time internal controls also enhance the reliability and accuracy of accounting data.

The Company has an Internal Control System commensurate with the size, scale and complexity of its operations. This has been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorised use, executing transactions with proper authorisation and ensuring compliance of corporate policies. The management assessed the effectiveness of the Company's internal control over financial reporting (as defined in Clause 17 of SEBI Regulations 2015(LODR)) as of March 31, 2016.

Deloitte Haskins & Sells, the statutory auditors of the Company, have audited the financial statements included in this annual report and have issued a unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

The Board of Directors has also appointed Internal Auditors as recommended by the Audit Committee with a well-defined internal audit scope. The Internal Auditor reports to the Chairman of the Audit Committee and presents significant audit observations to the Audit Committee. Based on the report of the Internal Auditor, process owners undertake corrective action in their respective areas and thereby strengthen the controls.

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

I. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

The IT industry witnessed a challenge in retaining its talent in the last two years – from being the largest employer of software professionals to nurturing the most diverse workforce that drives & delivers excellence. However, the booming industry continues to present challenges in attracting and retaining the talent we need. The increased diversity of human capital has helped the organizations in this industry to be creative, knowledgeable as well as innovative.

Our company's HR function focuses on creating an environment that stimulates the creation of knowledge while acting as a coach, counselor and facilitator. Consequently, strong emphasis has been placed on attracting, managing and retaining talent. As a strategic partner, the HR function launched numerous initiatives to ensure a high-performing and engaged workforce. We are happy to share that we launched the 2nd phase of Nucleus Global Internship Program to foster a multicultural work environment, Innofest - a week of innovative ideation, Capability Strengthening Workshops, Critical Resource Retention Program aimed at motivating and retaining key talent to name a few, which helped in actively managing and constantly building the unique capabilities of our human assets.

The year FY2015-16 witnessed some major strategic investments in sales and marketing, the introduction of next generation products and the strengthening of our leadership team, which helped us attain significant momentum and competitive advantage. With great focus to create an enviable workplace, the HR policies/processes framework was revised to maintain consistency with the industry best practices and accelerate operational efficiencies for achieving high performance excellence. The next financial year will see greater commitment to our Associates, Investors, and Customer & Society through 'Collaboration & Acceleration' via employee councils.

J. FINANCIAL PERFORMANCE

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 ("2013 Act"), as applicable and guidelines issued by the Securities and Exchange Board of India ("SEBI"). Accounting policies have been consistently applied except where a newly issued accounting standard, if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The Company has nine subsidiary companies, all of which are wholly-owned subsidiaries except Avon Mobility Solutions Pvt. Ltd., in which the company acquired 96% stake during the year. The Company discloses stand-alone audited financial results on a quarterly and annual basis, consolidated un-audited financial results on a quarterly basis and consolidated audited financial results on an annual basis. The financial results of the Company have been discussed in this report in two parts:

Management's Discussion and Analysis

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

Standalone financial results are as below:

(` in crore)

| For the Year Ended March 31, | 2016 | % of Revenue | 2015 | % of Revenue | Growth (%) |
|---------------------------------------------------------|---------------|---------------|---------------|---------------|----------------|
| Revenue from Operations | 278.17 | 100.00 | 279.04 | 100.00 | (0.31) |
| Expenses | | | | | |
| a) Employee benefit expense | 166.02 | 59.68 | 145.95 | 52.30 | 13.75 |
| b) Travel expense | 17.04 | 6.13 | 16.91 | 6.06 | 0.77 |
| c) Finance costs (Bank charges) | 0.43 | 0.15 | 0.40 | 0.14 | 7.50 |
| d) Other expenses | 81.75 | 29.39 | 54.80 | 19.64 | 49.18 |
| Total Expenses | 265.24 | 95.35 | 218.06 | 78.15 | 21.64 |
| Operating Profit (EBITDA) | 12.93 | 4.65 | 60.98 | 21.85 | (78.80) |
| Depreciation | 10.91 | 3.92 | 10.66 | 3.82 | 2.35 |
| Operating Profit after Interest and Depreciation | 2.02 | 0.73 | 50.32 | 18.03 | (95.99) |
| Other Income | 50.40 | 18.12 | 29.26 | 10.49 | 72.25 |
| Foreign Exchange Gain/ (Loss) | 0.33 | 0.12 | 0.12 | 0.04 | 175.00 |
| Profit Before Tax | 52.75 | 18.96 | 79.70 | 28.56 | (33.81) |
| Taxation | 8.09 | 2.91 | 18.96 | 6.79 | (57.33) |
| Profit After Tax | 44.66 | 16.05 | 60.74 | 21.77 | (26.47) |

Revenue from Operations

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

During the year, the revenue from operations is ` 278.17 crore, against ` 279.04 crore for the previous year.

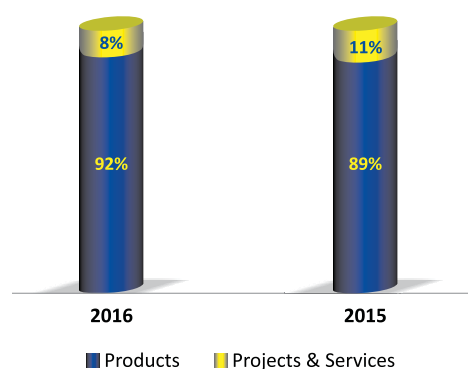
Revenue from Products

We are a Product Company and derive most of our revenues from Products and related services. Categorized under revenue from "Products", it comprises of license fee, revenue from customization and implementation of products and postproduction maintenance support. Product revenue for the year is ` 255.55 crore, 92% of the total revenue, against ` 247.81 crore, 89% of total revenue, in the previous year.

Revenue from Projects and Services

Software services rendered by the Company, classified under this segment, typically consist of development of software to meet specific customer requirements. These services consist of application development & maintenance, testing, consulting and infrastructure management services with a strong banking domain focus. Software projects and services revenue for the year is ` 22.62 crore, 8% of the total revenue, against ` 31.23 crore, 11% of the total revenue, in the previous year.

Revenue from Business Segments

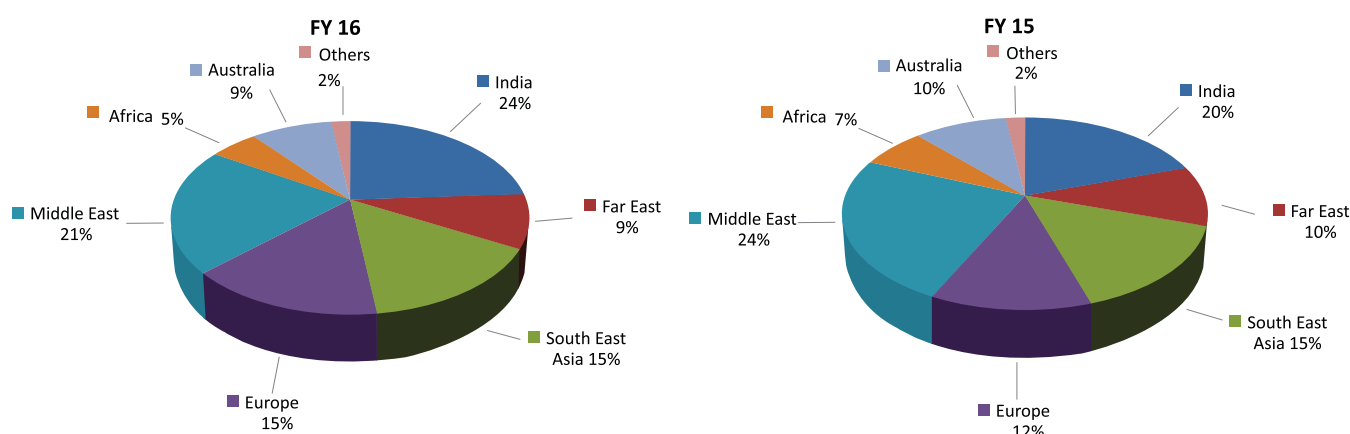


Management's Discussion and Analysis

Revenue from Various Geographies

Your Company is incorporated in India and caters to customers situated all across the globe and hence significant part of the revenue is derived from international sales. For the year 76% revenue was derived from overseas. The graph below presents a geography-wise distribution for the year as well as the previous year.

Revenue from Various Geographies



EXPENSES

Employee Benefit Expense

Employee benefit expense includes salaries paid to employees in India, with fixed, variable and incentives components; provision for gratuity and compensated absence, contribution to provident fund and expense on staff welfare activities. The employee benefit expenses have increased by 13.75 % to ₹ 166.02 crore, 59.68% of revenue against ₹ 145.95 crore, 52.30% of revenue in the previous year. The increase is primarily due to increase in employee compensation and increased hiring at overseas locations.

(₹ in crore)

| For the Year Ended March 31, | 2016 | % of Revenue | 2015 | % of Revenue | Growth (%) |
|-------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Salaries | 151.47 | 54.45 | 133.06 | 47.68 | 13.84 |
| Contribution to provident and other funds | 7.78 | 2.80 | 6.89 | 2.47 | 12.92 |
| Gratuity | 2.64 | 0.95 | 2.64 | 0.95 | 0.00 |
| Staff welfare | 4.13 | 1.48 | 3.36 | 1.20 | 22.92 |
| Total Employee Benefit Expenses | 166.02 | 59.68 | 145.95 | 52.30 | 13.75 |
| Revenue | 278.17 | 100.00 | 279.04 | 100.00 | (0.31) |

Operating and Other Expenses

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

Management's Discussion and Analysis

Operating and other expenses at ` 99.22 crore, 35.67% of revenue for the year, an increase of 37.60 % against ` 72.11 crore, 25.84% of revenue in the previous year.

(` in crore)

| For the Year Ended March 31, | 2016 | % of Revenue | 2015 | % of Revenue | Growth % |
|------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Outsourced Technical Service Expense | 12.46 | 4.48 | 9.90 | 3.55 | 25.86 |
| Travelling | 17.04 | 6.13 | 16.91 | 6.06 | 0.77 |
| Cost of software purchased for delivery to clients | 1.75 | 0.63 | 3.44 | 1.23 | (49.13) |
| Power and fuel | 4.15 | 1.49 | 4.13 | 1.48 | 0.48 |
| Rent | 3.73 | 1.34 | 3.67 | 1.32 | 1.63 |
| Rates & Taxes | 0.49 | 0.18 | 0.32 | 0.11 | 53.13 |
| Repair and maintenance | 3.13 | 1.13 | 2.49 | 0.89 | 25.70 |
| Legal and professional | 7.70 | 2.77 | 6.67 | 2.39 | 15.44 |
| Conveyance | 1.70 | 0.61 | 1.79 | 0.64 | (5.03) |
| Communication | 1.75 | 0.63 | 1.61 | 0.58 | 8.70 |
| Information technology expenses | 4.21 | 1.51 | 3.81 | 1.37 | 10.50 |
| Provision for doubtful debts/advances/other current assets | — | — | 2.14 | 0.77 | (100.00) |
| Commission to channel partners | 0.67 | 0.24 | 1.92 | 0.69 | (65.10) |
| Training and recruitment | 1.90 | 0.68 | 2.92 | 1.05 | (34.93) |
| Conference, exhibition and seminar | 3.97 | 1.43 | 1.94 | 0.70 | 104.64 |
| Advertisement, business development and promotion | 2.22 | 0.80 | 1.83 | 0.66 | 21.31 |
| Insurance | 0.74 | 0.27 | 1.11 | 0.40 | (33.33) |
| Finance Cost (Bank Charges) | 0.43 | 0.15 | 0.40 | 0.14 | 7.50 |
| Sales & marketing fee | 22.02 | 7.92 | — | — | NA |
| Contribution to CSR activities | 1.20 | 0.43 | 0.71 | 0.25 | 69.01 |
| Miscellaneous expenses | 7.96 | 2.86 | 4.40 | 1.58 | 80.91 |
| Total Operating and Other Expenses | 99.22 | 35.67 | 72.11 | 25.84 | 37.60 |
| Revenue | 278.17 | 100.00 | 279.04 | 100.00 | (0.31) |

Finance cost includes bank charges and fee for issuance of bank guarantees. It is ` 0.43 crore against ` 0.40 crore in the previous financial year.

The increase in Operating and other expense for FY 2016 from FY 2015 are primarily due to increase in Outsourced technical service expense, Rates and Taxes, Legal and professional expense, conference, exhibition and seminar, Sales and Marketing fee and contribution to CSR activities, which is partially offset by a decrease in cost of software purchased for delivery to clients, provision for bad debts and other expenses and commission to channel partners.

Increase in conference, exhibition and seminar expense is due to greater focus of the Company on marketing and branding. The Company has set up Nucleus software Foundation, a trust for the purpose of undertaking CSR activities of the Company. During the year, the Company contributed ` 1.20 crore towards CSR activities to the Foundation. The details of CSR initiatives undertaken by the Foundation has been provided in a separate section in the Annual Report.

Operating Profit (EBITDA)

Operating Profit of ` 12.93 crore, 4.65% of revenue against ` 60.98 crore, 21.85% of revenue of revenue in the previous year.

Depreciation

Depreciation on fixed assets is ` 10.91 crore, 3.92% of revenue for the year against ` 10.66 crore, 3.82% of revenue in the previous year. It has increased primarily due to depreciation on hardware/software additions of ` 4.15 crore during the year.

Other Income

Other Income represents income received in the form of dividends from subsidiaries and current investments, interest on fixed deposits and bonds and capital gains on the sale of current investments.

(` in crore)

| For the Year Ended March 31, | 2016 | 2015 |
|---------------------------------------------|--------------|--------------|
| On Investments | | |
| Capital Gain- Mutual Funds | 0.30 | 9.45 |
| Dividend on investment in Mutual fund units | 5.32 | 4.40 |
| Dividend from Subsidiary | 25.05 | — |
| Interest on fixed deposits | 11.75 | 8.80 |
| Interest on tax free bonds | 4.66 | 2.94 |
| Provisions written back | 2.41 | 2.81 |
| Others | 0.91 | 0.86 |
| Total | 50.40 | 29.26 |

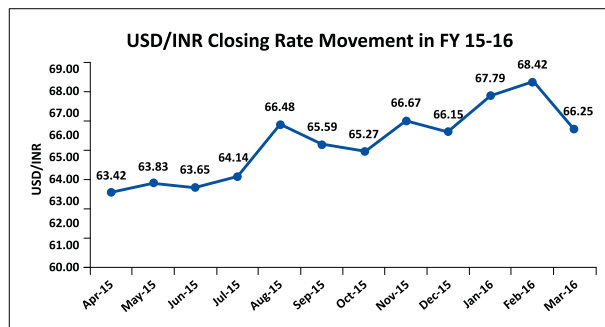
Other income for the year is ` 50.40 crore against ` 29.26 crore for the previous year.

The Company received an Interim dividend of ` 8.50 crore from the Indian subsidiary (VirStra-i Technology Services Ltd) and ` 16.55 crores from Singapore subsidiary of the Company in the current year. These dividends from subsidiaries do not form part of income on consolidation of parent company and subsidiaries.

Management's Discussion and Analysis

Foreign Exchange Gain/ (Loss)

Foreign Exchange Gain (Loss) includes gain (loss) from translation of current assets and liabilities at quarter end rates, those arising from realization/payments of receivables/payables. During the year, the Company had a foreign exchange gain of ₹ 0.33 crore against a gain of ₹ 0.12 crore for the previous year. We conduct major portion of our business transactions in currencies other than the Indian Rupee. Eighty percent of our revenue is denominated in foreign currency, predominantly the US Dollar, while majority of our expenses are in the Indian Rupee and therefore the Company is exposed to continuing risk of foreign exchange fluctuation. The exchange rate between the rupee and the U.S. dollar has changed substantially in recent years and may fluctuate substantially in the future. The exchange rate movement during the year is depicted in the below mentioned chart.



Source: Meckl.ai Financial

The Indian Rupee varied from a high of ₹ 62.11 to the Dollar in April 2015 to a low of ₹ 68.79 in February 2016 and overall lost 6 % against the US Dollar on a March end to March end comparison.

Taxation

Current tax represents the provision for income tax India on the profits of the Company as calculated in accordance with the provisions of the Income Tax Act 1961.

Deferred tax is recognized on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods, in accordance with accounting standards. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date.

(₹ in crore)

| For the Year Ended March 31, | 2016 | 2015 |
|-----------------------------------------------|-------------|--------------|
| - Withholding taxes charged off | 3.16 | — |
| - Current Tax (Net of MAT credit entitlement) | 5.10 | 14.21 |
| - Deferred Tax Credit (net) | (0.87) | 5.18 |
| - Earlier Year Tax | 0.70 | (0.43) |
| Total | 8.09 | 18.96 |

Total effective tax for the year is 15.34% of Profit Before Tax, in comparison to 23.79% of Profit Before Tax for the previous year. Expenditure of the Company's R & D centre in Noida which is duly recognized by the Department of Scientific and Industrial Research (DSIR), is entitled to weighted tax deduction in accordance with section 35(2 AB) of the Income Tax Act, 1961.

Profit After Tax

Our Profit After Tax for the year is ₹ 44.66 crore, 16.05% of revenue against ₹ 60.74 crore, 21.77% of revenue, during the previous year.

Share Capital

Share Capital of the Company consists of Equity Share Capital. The paid-up share capital as on March 31, 2016 is 32,383,724 equity shares of ₹ 10 each similar to the paid-up share capital as on March 31, 2015.

Retained Earnings

During the year, Company earned net profit of ₹ 44.66 crore. Your Directors have declared an interim dividend of ₹ 5 per share at a Board meeting held on March 16, 2016. During the year, the Company paid a total dividend of ₹ 32.38 crore, of which ₹ 16.19 crore was paid as final dividend for FY14-15 in July 2015 and ₹ 16.19 crore was paid as interim dividend for the FY15-16 in March 2016. During the year ended 31 March, 2016 as per provision of Income-tax Act, 1961, the Company has taken credit of corporate dividend tax aggregating ₹ 1.73 crore (Year ended 31 March, 2015 ₹ Nil) on account of tax paid on dividend received from one of its subsidiaries.

Reserves and Surplus

Movement in the components of reserves and surplus is as below:

(₹ in crore)

| Particulars | Opening Balance as on April 1, 2015 | Additions/ (Deletions) during the year | Closing Balance as on March 31, 2016 |
|--------------------|-------------------------------------|----------------------------------------|--------------------------------------|
| Capital Reserve | 0.89 | — | 0.89 |
| Securities Premium | 2.19 | — | 2.19 |
| General Reserve | 82.27 | — | 82.27 |
| Hedging Reserve | 0.65 | (0.41) | 0.24 |
| Profit and Loss | 276.31 | 30.20 | 306.51 |
| Account Balance | | | |
| Total | 362.31 | 29.79 | 392.10 |

Fixed Assets

As at March 31, 2016, gross block of fixed assets including investment in technology assets is ₹ 118.24 crore against ₹ 113.43 crore as on March 31, 2015.

(₹ in crore)

| As at March 31, | 2016 | 2015 | % Inc/Dec |
|--------------------------------|---------------|---------------|----------------|
| Gross Block | | | |
| Freehold land | 0.34 | 0.34 | — |
| Leasehold land | 6.64 | 6.64 | — |
| Building | 24.15 | 24.15 | — |
| Office and other equipment | 15.34 | 14.51 | 5.72 |
| Computers | 33.18 | 30.47 | 8.89 |
| Vehicles | 2.30 | 2.44 | (5.74) |
| Furniture and fixtures | 3.65 | 3.64 | 0.27 |
| Software | 31.93 | 30.53 | 4.59 |
| Leasehold improvement | 0.71 | 0.71 | — |
| Total | 118.24 | 113.43 | 4.24 |
| Less; accumulated depreciation | 82.82 | 72.05 | 14.95 |
| Net Block | 35.42 | 41.38 | (14.40) |
| Add: Capital Work In Progress | 1.10 | 0.79 | 39.24 |
| Net Fixed Assets | 36.52 | 42.17 | (13.40) |

Management's Discussion and Analysis

There are fresh additions of ₹ 5.16 crore during the year including ₹ 4.15 crore in technology assets. The Net Fixed Assets after depreciation is ₹ 36.52 crore as on March 31, 2016 against ₹ 42.17 crore as on March 31, 2015.

Investments

Investments of the Company can be categorized as per the following:

- i) **Non-current investments** totaling ₹ 135.73 crore as on March 31, 2016 against ₹ 82.47 crore as on March 31, 2015.
 - a. **Investment In subsidiaries** - The investment of the Company in the Equity Share capital of its subsidiaries stood at ₹ 15.83 crore.

(₹ in crore)

| Name of Subsidiary Company, Location | As at March 31, | |
|----------------------------------------------------------------------------------------------------------|-----------------|--------|
| | 2016 | 2015 |
| Nucleus Software Solutions Pte. Ltd. Singapore. | 1.63 | 1.63 |
| Nucleus Software Inc., USA. | 1.63 | 1.63 |
| Less: Provision for diminution in value of investment in Nucleus Software Inc., USA | (1.63) | (1.63) |
| Nucleus Software Japan Kabushiki Kaisha, Japan. | 0.41 | 0.41 |
| VirStra i-Technology Services Ltd., India. | 1.00 | 1.00 |
| Nucleus Software Netherlands B.V., Netherlands. | 4.89 | 2.42 |
| Less: Provision for diminution in value of investment in Nucleus Software Netherlands B.V., Netherlands. | (4.89) | (2.42) |
| Nucleus Software Limited, India | 10.00 | 10.00 |
| Nucleus Software Australia Pty. Limited, Australia | 0.55 | 0.55 |
| Nucleus Software South Africa (Pty.) Limited, South Africa | 0.32 | — |
| Avon Mobility Solutions Pvt Ltd., India | 1.92 | — |

- b. **Investment in equity shares of a non-listed Company** - ₹ 0.25 crore.
- c. **Investment in tax free bonds held on a hold to maturity basis** - ₹ 77.74 crore.
- d. **Investment in preference shares** - ₹ 14.91 crore.
- e. **Investment in long-term fixed maturity plans of mutual funds** - ₹ 27.00 crore.

ii) Current Investments and Bank Balances

In Fixed Maturity plans and liquid plans of mutual funds, ₹ 117.63 crore, as per below table.

(₹ in crore)

| Name of the Mutual Fund Scheme | Value of units as at March 31, 2016 |
|----------------------------------------------------------------|-------------------------------------|
| ICICI Prudential Flexible Income Plan - DDR - Direct | 7.00 |
| ICICI Prudential Money Market Fund-Dividend-Daily Reinvestment | 5.28 |
| IDFC Banking Debt Fund Regular Plan-Dividend | 2.48 |
| Kotak Floater Short Term-Direct Plan-Daily Dividend | 14.02 |

(₹ in crore)

| Name of the Mutual Fund Scheme | Value of units as at March 31, 2016 |
|-----------------------------------------------------------------------------------|-------------------------------------|
| Reliance Liquid Fund-Treasury Plan-Direct Plan-Daily Dividend-Reinvestment Option | 15.53 |
| Birla Sunlife Savings Fund- DDR - Direct | 16.60 |
| DSP BlackRock Ultra Short Term Fund - DDR - Direct | 3.03 |
| HDFC Floating Rate - Short term plan-Wholesale – Direct - Daily Dividend | 5.56 |
| HDFC Arbitrage Fund - Normal DR- Direct | 7.06 |
| IDFC Arbitrage Fund Direct Plan- Monthly DR-Direct | 5.54 |
| Kotak Equity Arbitrage Fund- Monthly DR-Direct | 7.51 |
| Reliance Arbitrage Advantage Fund-Monthly DR- Direct | 4.54 |
| SBI Ultra Short Term Debt Fund - DDR - Direct | 0.50 |
| Sundaram Ultra Short Term Fund - DDR - Direct | 4.49 |
| UTI Floating Rate Fund STP – Daily Income Option-Reinvestment-Direct | 4.74 |
| UTI FIIF-QIP-III-Direct-Div Payout | 5.00 |
| Reliance Fixed Horizon Fund XXX-Series 9-Direct-Div Payout | 3.75 |
| ICICI Prudential FMP Series 72 -368 Days Plan A Growth | 5.00 |
| Total | 117.63 |

As of March 31, 2016 the cash and bank balances (including fixed deposits) stood at ₹ 104.70 crore (₹ 162.98 crore as on March 31, 2015), current investments in mutual funds are ₹ 117.63 crore (₹ 88.21 crore as on March 31, 2015). Total cash and cash equivalents and current investments are thus at ₹ 222.34 crore on March 31, 2016 against ₹ 251.19 crore as on March 31, 2015.

(₹ in crore)

| As at March 31, | 2016 | 2015 |
|-----------------------------|---------------|---------------|
| Cash and cheque in hand | 0.04 | 0.00 |
| Balances with Bank | | |
| In Current Accounts | 3.88 | 7.88 |
| In Fixed Deposit Account | 100.79 | 154.84 |
| Remittance in transit | 0.00 | 0.26 |
| Investments in Mutual Funds | 117.63 | 88.21 |
| Total | 222.34 | 251.19 |

Our net cash flow from operating activities before working capital changes is ₹ 18.71 crore for the financial year, against ₹ 63.79 crore in the previous year. After considering working capital changes, operating cash flow is ₹ 24.27 crore against ₹ 42.42 crore in the previous year. To summarise the Company's liquidity position, given below are a few ratios:

| As at March 31, | 2016 | 2015 |
|--------------------------------------|--------|--------|
| Operating cash flow as % of revenue | 6.73% | 22.86% |
| Days of sale receivable | 116 | 101 |
| Cash and Equivalents as % of assets | 52.38% | 63.64% |
| Cash and Equivalents as % of revenue | 79.93% | 90.02% |
| Current investments as % of assets | 27.71% | 22.35% |
| Current investments as % of revenue | 42.29% | 31.61% |

Management's Discussion and Analysis

Trade Receivables

Our trade receivables (net of provision) as on March 31, 2016 are ₹ 88.27 crore (including ₹ 10.16 crore of long term trade receivables), against ₹ 76.96 crore on March 31, 2015. The age profile of the debtors (net of provision) is given below:

| As at March 31, | 2016 | 2015 |
|------------------------|--------|---------|
| Less than three months | 79.68% | 87.12 % |
| Between 3 and 6 months | 17.90% | 5.89% |
| More than 6 months | 2.42% | 6.99% |

The Company has a policy of providing for all debtors outstanding for a period of 365 days or more. However on individual case to case basis, exception to the above policy can be made based on the Management's perception of risk of collection.

Loans and Advances

Loans and Advances are classified into long-term and short-term based on their period of realization.

| As at March 31, | 2016 | 2015 |
|-------------------------------------|--------------|--------------|
| Long term Loans and advances | | |
| Capital advances | 0.06 | – |
| Loans to subsidiaries | 8.01 | 8.01 |
| Security deposits | 1.35 | 1.26 |
| Advance income tax | 11.73 | 11.03 |
| Prepaid expenses | 0.20 | 0.52 |
| Staff Loans | 0.23 | 0.06 |
| Total | 21.58 | 20.88 |

Short term Loans and advances

| | | |
|------------------------------------------|--------------|--------------|
| Loans to subsidiaries | – | 0.63 |
| Security deposit | 0.10 | 0.08 |
| Employee advances | 1.29 | 0.95 |
| Prepaid expenses | 3.37 | 3.22 |
| Supplier advances | 2.38 | 2.70 |
| Mark-to-market gain on forward contracts | 0.00 | 0.65 |
| Service tax credit receivable | 0.81 | 3.09 |
| Others | 4.50 | 2.27 |
| Total | 12.45 | 13.59 |

Total Loans and Advances **34.03** **34.47**

Outstanding amounts from wholly owned subsidiaries at the end of FY 2016 and FY 2015 both in Indian Rupees and foreign currency are as below:

| As at | 2016 | | 2015 | |
|---------------------------------|-------------|--------------|-------------|--------------|
| March 31, | In ₹ Crore | In US \$ Mn. | In ₹ Crore | In US \$ Mn. |
| Long Term | | | | |
| Nucleus Software Limited, India | 8.01 | – | 8.01 | – |
| | 8.01 | – | 8.01 | – |
| Short Term | | | | |
| Nucleus Software Inc., USA | – | – | 0.62 | 0.10 |
| | – | – | 0.62 | 0.10 |

Security Deposits, utilised primarily for hiring of office premises and staff accommodation, amounts to ₹ 1.45 crore as on March 31, 2016 against ₹ 1.34 crore as on March 31, 2015.

Current Liabilities

Current liabilities represent trade payables, short-term provisions and other current liabilities. As on March 31, 2016

the Current liabilities are ₹ 108.78 crore (₹ 114.69 crore as on March 31, 2015).

| (₹ in crore) | | |
|-----------------------------------------|---------------|---------------|
| As at March 31, | 2016 | 2015 |
| Trade Payables | 28.45 | 23.50 |
| Advances from customers/Advance Billing | 35.89 | 28.39 |
| Deferred revenue | 36.71 | 27.53 |
| Unclaimed dividend | 0.44 | 0.27 |
| Payable for purchase of fixed assets | 0.13 | 0.19 |
| Book Overdraft | 1.57 | 1.54 |
| Due to subsidiaries | – | 9.13 |
| Provision for Gratuity | 1.10 | 0.26 |
| Other statutory dues | 3.10 | 3.14 |
| Short term provisions | | |
| Leave encashment | 1.39 | 1.25 |
| Proposed dividend | – | 16.19 |
| Tax on dividend | – | 3.30 |
| Total | 108.78 | 114.69 |

Trade payables represent the amount payable for providing goods and services and are ₹ 28.45 crore as on March 31, 2016 against ₹ 23.50 crore as on March 31, 2015.

Advances from customers/Advance Billing as on March 31, 2016 is ₹ 35.89 crore against ₹ 28.39 crore as on March 31, 2015. These consist of advance payments received from customers, for which related costs have not been yet incurred or product license delivery is at later date. Deferred revenue represents the advance invoicing for annual maintenance charges for which services are to be rendered in the future. As of March 31, 2016 it is ₹ 36.71 crore against ₹ 27.53 crore as on March 31, 2015.

Statutory dues are the amounts accrued for taxes deducted at source by the Company, staff provident fund, employee state insurance liabilities, sales tax, etc. As on March 31, 2016 it is ₹ 3.10 crore against ₹ 3.14 crore as on March 31, 2015.

Short term provisions for leave encashment and dividend are those for which liability is expected to arise in near future. A sum total of all these short-term provisions as on March 31, 2016 are ₹ 1.39 crore against ₹ 20.74 crore as on March 31, 2015.

The Company has made contributions to Nucleus Software Employees Group Gratuity Assurance Trust, which has made further contributions to Employees Group Gratuity Scheme of Life Insurance Corporation of India.

Non-Current Liabilities

Non-Current Liabilities as on March 31, 2016 were ₹ 7.01 crore against ₹ 3.50 crore as on March 31, 2015. The break-up of non-current liabilities at the year-end is given below:

| (₹ in crore) | | |
|------------------------|-------------|-------------|
| As at March 31, | 2016 | 2015 |
| Advance from Customers | 3.20 | – |
| Leave encashment | 3.81 | 3.50 |
| Total | 7.01 | 3.50 |

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

Provision for Leave encashment represents provisions made by the Company based on actuarial valuation.

AUDITORS' REPORT

For the Financial Statements for the year ended March 31, 2016

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NUCLEUS SOFTWARE EXPORTS LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **NUCLEUS SOFTWARE EXPORTS LIMITED** ("the Company"), which comprise the Balance Sheet as at 31 March, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, as applicable. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order under section 143 (11) of the Act.

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures

that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March, 2016, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.
 - (e) On the basis of the written representations received from the directors as on 31 March, 2016 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company does not have any pending litigations which would impact its financial position; (Refer Note no. 2.24(d) of the financial statements)
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses. (Refer Note no. 2.24(e) of the financial statements)
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm Registration No. 015125N)

Sd/-
SAMEER ROHATGI
Partner
(Membership No. 094039)

Noida,
4 May, 2016

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **NUCLEUS SOFTWARE EXPORTS LIMITED** ("the Company") as of 31 March, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by the Institute of Chartered Accountants of India and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the

risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March, 2016, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

For **DELOITTE HASKINS & SELLS**

Chartered Accountants
(Firm's Registration No. 015125N)

sd/-

SAMEER ROHATGI

Partner
(Membership No. 094039)

Noida,
4 May, 2016

ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- i. In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered conveyance deeds provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date. In respect of immovable properties of land and buildings that have been taken on lease and disclosed as fixed asset in the financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
- ii. The Company does not have any inventory and hence reporting under Clause 3 (ii) of the Order are not applicable to the Company.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 189 of the Companies Act, 2013.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- v. According to the information and explanations given to us, the Company has not accepted any deposit during the year. The Company does not have any unclaimed deposits and accordingly, the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 are not applicable to the Company.
- vi. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under sub-section (1) of Section 148 of the Companies Act, 2013 for the Company.
- vii. According to the information and explanations given to us in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Value Added Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.
We are informed that the operations of the Company during the year did not give rise to any liability for Customs Duty and Excise Duty.
 - (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Value Added Tax, Cess and other material statutory dues in arrears as at 31 March, 2016 for a period of more than six months from the date they became payable.
 - (c) There are no dues of Income-tax, Sales Tax, Custom Duty, Excise Duty and Value Added Tax which have not been deposited as on 31 March, 2016 on account of disputes.
- viii. According to the information and explanations given to us and the records examined by us, the Company has not taken any loans from financial institutions, banks and government nor has it issued any debentures. Accordingly, the provisions of clause 3(Viii) of the Order are not applicable to the Company.
- ix. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause 3(ix) of the Order is not applicable.
- x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- xi. In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- xii. The Company is not a Nidhi Company and hence reporting under clause 3(xii) of the Order is not applicable.
- xiii. In our opinion and according to the information and explanations given to us the Company is in compliance with Section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.
- xiv. During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause 3(xiv) of the Order is not applicable to the Company.
- xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm's Registration No. 015125N)
sd/-
SAMEER ROHATGI
Partner
(Membership No. 094039)

Noida,
4 May, 2016

BALANCE SHEET AS AT 31 MARCH, 2016

| | | (Amount in `) | |
|--------------------------------------------------------------------------------------------|---------------|-------------------------|-------------------------|
| | Notes Ref. | As at 31 March, 2016 | As at 31 March, 2015 |
| <u>EQUITY AND LIABILITIES</u> | | | |
| 1. SHAREHOLDERS' FUNDS | | | |
| a. Share capital | 2.1 | 323,852,240 | 323,852,240 |
| b. Reserves and surplus | 2.2 | 3,920,997,514 | 3,623,139,377 |
| | | 4,244,849,754 | 3,946,991,617 |
| 2. NON-CURRENT LIABILITIES | | | |
| a. Other Long term liabilities | 2.3 | 31,993,885 | — |
| b. Long-term provisions | 2.4 | 38,152,090 | 35,021,563 |
| | | 70,145,975 | 35,021,563 |
| 3. CURRENT LIABILITIES | | | |
| a. Trade payables | 2.5 | | |
| i) Total outstanding dues of micro enterprises and small enterprises | | — | — |
| ii) Total outstanding dues of creditors other than micro enterprises and small enterprises | | 284,524,270 | 235,020,362 |
| b. Other current liabilities | 2.6 | 789,436,503 | 704,522,536 |
| c. Short-term provisions | 2.7 | 13,881,550 | 207,369,476 |
| | | 1,087,842,323 | 1,146,912,374 |
| | | 54,028,38,052 | 5,128,925,554 |
| <u>ASSETS</u> | | | |
| 1. NON-CURRENT ASSETS | | | |
| a. Fixed assets | | | |
| — Tangible assets | 2.8 | 308,122,854 | 327,889,509 |
| — Intangible assets | 2.8 | 46,082,968 | 85,868,663 |
| — Capital work in progress | | 11,004,412 | 7,920,000 |
| | | 365,210,234 | 421,678,172 |
| b. Non-current investments | 2.9 | 1,357,260,460 | 824,663,240 |
| c. Deferred tax assets (net) | 2.10 | 18,359,316 | 9,613,446 |
| d. Long-term loans and advances | 2.11 | 215,824,618 | 208,785,706 |
| e. Other non-current assets | 2.12 | 114,038,871 | 11,294,974 |
| | | 2,070,693,499 | 1,476,035,538 |
| 2. CURRENT ASSETS | | | |
| a. Current investments | 2.13 | 1,176,311,386 | 882,071,487 |
| b. Trade receivables | 2.14 | 781,119,460 | 769,564,876 |
| c. Cash and cash equivalents | 2.15 | 1,047,048,798 | 1,629,819,091 |
| d. Short-term loans and advances | 2.16 | 124,523,442 | 135,888,728 |
| e. Other current assets | 2.17 | 203,141,467 | 235,545,834 |
| | | 3,332,144,553 | 3,652,890,016 |
| | | 5,402,838,052 | 5,128,925,554 |
| See accompanying notes forming part of the financial statements | 1 & 2 | | |

In terms of our report attached
For **DELOITTE HASKINS & SELLS**
Chartered Accountants
Sd/-
SAMEER ROHATGI
Partner

Place : Noida
Date : 04 May, 2016

For and on behalf of the Board of Directors
NUCLEUS SOFTWARE EXPORTS LIMITED
Sd/-
JANKI BALLABH
Chairman
Sd/-
ASHISH NANDA
Chief Financial Officer
Sd/-
VISHNU R DUSAD
Managing Director &
Chief Executive Officer
Sd/-
POONAM BHASIN
AVP (Secretarial) &
Company Secretary

Place : Noida
Date : 04 May, 2016

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2016

| (Amount in `) | | | |
|-----------------------------------------------------------------------------------------------|------------|----------------------|----------------------|
| | Notes Ref. | For the year ended | |
| | | 31 March, 2016 | 31 March, 2015 |
| 1. REVENUE FROM OPERATIONS | | | |
| Income from software product and services | 2.18 | 2,781,663,621 | 2,790,356,599 |
| 2. OTHER INCOME | 2.19 | 507,269,554 | 293,765,949 |
| 3. TOTAL REVENUE (1+2) | | 3,288,933,175 | 3,084,122,548 |
| 4. EXPENSES | | | |
| a. Employee benefits expense | 2.20 | 1,660,154,409 | 1,459,467,764 |
| b. Operating and other expenses | 2.21 | 987,895,658 | 717,031,059 |
| c. Finance cost | 2.22 | 4,307,479 | 4,004,625 |
| d. Depreciation and amortisation expense | 2.8 | 109,147,948 | 106,590,402 |
| TOTAL EXPENSES | | 2,761,505,494 | 2,287,093,850 |
| 5. PROFIT BEFORE TAX (3-4) | | 527,427,681 | 797,028,699 |
| 6. TAX EXPENSE | | | |
| a. Current tax expense | | 78,100,000 | 153,100,000 |
| b. MAT credit entitlement [including ` 741,220 for earlier years (previous year ` 7,170,597)] | | (27,158,780) | (10,970,597) |
| c. Tax expense / (credit) relating to prior period | | 7,024,767 | (4,320,512) |
| d. Withholding taxes charged off | | 31,634,423 | — |
| Current tax expense | | 89,600,410 | 137,808,891 |
| e. Deferred tax (credit) /charge | 2.10 | (8,745,870) | 51,772,012 |
| NET TAX EXPENSE | | 80,854,540 | 189,580,903 |
| 7. PROFIT FOR THE YEAR (5-6) | | 446,573,141 | 607,447,796 |
| 8. EARNINGS PER EQUITY SHARE | 2.29 | | |
| Equity shares of Rupees 10 each | | | |
| a. Basic | | 13.79 | 18.76 |
| b. Diluted | | 13.79 | 18.76 |
| Number of shares used in computing earnings per share | | | |
| a. Basic | | 32,383,724 | 32,383,724 |
| b. Diluted | | 32,383,724 | 32,383,724 |
| See accompanying notes forming part of the financial statements | 1 & 2 | | |

In terms of our report attached
For **DELOITTE HASKINS & SELLS**
Chartered Accountants
Sd/-
SAMEER ROHATGI
Partner

Place : Noida
Date : 04 May, 2016

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

| | |
|--------------------------------------------------------|---------------------------------------------------------------------------------|
| Sd/- JANKI BALLABH Chairman | Sd/- VISHNU R DUSAD Managing Director & Chief Executive Officer |
| Sd/- ASHISH NANDA Chief Financial Officer | Sd/- POONAM BHASIN AVP (Secretarial) & Company Secretary |

Place : Noida
Date : 04 May, 2016

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2016

(Amount in `)

| | Notes Ref. | For the Year ended 31 March, 2016 | For the Year ended 31 March, 2015 |
|-----------------------------------------------------------------------|---------------|-----------------------------------------|-----------------------------------------|
| A. Cash flow from operating activities | | | |
| Net profit before tax | | 527,427,681 | 797,028,698 |
| Adjustment for: | | | |
| Depreciation and amortisation expense | | 109,147,948 | 106,590,402 |
| Exchange gain on translation of foreign currency accounts (net) | | 20,239,431 | (1,176,534) |
| Dividend received from non-trade investments | | (44,962,460) | (43,854,099) |
| Dividend on long term trade investment | | (8,248,240) | (125,000) |
| Dividend received from subsidiary | | (250,487,726) | — |
| Interest on fixed deposits and others | | (164,066,070) | (117,446,604) |
| Interest on loan to subsidiaries | | (127,857) | (350,895) |
| Net gain on sale of investments | | (3,006,381) | (94,542,426) |
| Adjustment to the carrying amount of investments | | — | 139,269 |
| Profit on sale of fixed assets (net) | | 648,816 | (1,768,469) |
| Provision for doubtful debts/advances/other current assets | | (7,738,464) | 21,446,578 |
| Provisions written back | | (16,379,084) | (28,087,144) |
| Provision for diminution in the value of investments | | 24,661,000 | — |
| Operating profit before working capital changes | | 187,108,594 | 637,853,776 |
| Adjustment for (increase) / decrease in operating assets | | | |
| - Trade receivables | | (11,004,674) | (453,043,935) |
| - Short-term loans and advances | | (12,387,319) | 21,647,067 |
| - Long-term loans and advances | | 535,547 | 1,739,802 |
| - Other current assets | | 93,843,264 | 162,464,670 |
| - Other non-current assets | | (102,743,897) | (9,106,644) |
| Adjustment for increase / (decrease) in operating liabilities | | | |
| - Trade payables | | 50,470,275 | 276,684,823 |
| - Other current liabilities | | 115,855,254 | — |
| - Short-term provisions | | 1,394,087 | (24,601,821) |
| - Long-term provisions | | 3,130,527 | (71,322,855) |
| Net income tax paid | | 326,201,658 | 542,314,883 |
| Net cash from / (used in) operating activities (A) | | 242,707,398 | 424,175,340 |
| B. Cash flow from investing activities | | | |
| Purchase of fixed assets | | (55,935,902) | (76,578,044) |
| Proceeds from sale of fixed assets | | 1,399,218 | 3,856,220 |
| Purchase of current investments | | (4,029,116,026) | (3,208,756,284) |
| Proceeds from sale of current investments | | 3,567,882,506 | 4,311,336,591 |
| Purchase of long term investments in Bonds & mutual funds | | (340,213,999) | (445,600,000) |
| Investments in subsidiaries | | (47,044,220) | (5,500,973) |
| Loans realised from subsidiaries | | 6,250,000 | 11,566,413 |
| Bank balance not considered as cash and cash equivalents - placed | | (66,400,000) | (1,520,027,530) |
| Bank balance not considered as cash and cash equivalents - matured | | 613,143,691 | 658,500,000 |
| Interest on fixed deposits and others (net) | | 100,042,214 | 91,008,633 |
| Dividend received from non-trade investments | | 44,962,460 | 43,854,099 |
| Dividend on long term trade investment | | 8,248,240 | 125,000 |
| Dividend received from subsidiary | | 250,487,726 | — |
| Net cash from / (used in) investing activities (B) | | 53,705,908 | (136,215,875) |
| C. Cash flow from financing activities | | | |
| Dividend paid (including corporate dividend tax) | | (339,496,333) | (227,324,027) |
| Net cash flow from / (used in) financing activities (C) | | (339,496,333) | (227,324,027) |
| Net increase / (decrease) in cash and cash equivalents (A+B+C) | | (43,083,027) | 60,635,438 |
| Opening cash and cash equivalents | 2.15 | 93,382,175 | 47,918,367 |
| Exchange difference on translation of foreign currency bank accounts | | 5,417,047 | (15,171,630) |
| Closing cash and cash equivalents | 2.15 | 55,716,195 | 93,382,175 |
| See accompanying notes forming part of the financial statements | 1 & 2 | | |

In terms of our report attached
For **DELOITTE HASKINS & SELLS**
Chartered Accountants
Sd/-
SAMEER ROHATGI
Partner

Place : Noida
Date : 04 May, 2016

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

Sd/-
JANKI BALLABH
Chairman

Sd/-
VISHNU R DUSAD
Managing Director &
Chief Executive Officer

Sd/-
ASHISH NANDA
Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) &
Company Secretary

Place : Noida
Date : 04 May, 2016

Notes forming part of the financial statements

Note 1:

1.1 Company Overview

Nucleus Software Exports Limited ('Nucleus' or 'the Company') was incorporated on 9 January, 1989 in India as a private limited company. It was subsequently converted into a public limited company on 10 October, 1994. The Company made an initial public offer in August 1995. As at 31 March, 2016, the Company is listed on two stock exchanges in India namely National Stock Exchange and Bombay Stock Exchange. The Company has wholly owned subsidiaries in Singapore, USA, Africa, Japan, Netherlands and Australia. The Company has wholly and partly owned subsidiaries in 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.

1.2. Significant accounting policies

(i) Basis of preparation

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 ("the Act"), as applicable and guidelines issued by the Securities and Exchange Board of India ("SEBI"). Accounting policies have been consistently applied except where a newly issued accounting standard, if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

(ii) Use of estimates

The preparation of financial statements in conformity with Indian 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 year. 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. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the year in which the results are known / materialise.

(iii) Inventories

Inventories are valued at the lower of cost and the net realisable value after providing for obsolescence and other losses, where considered necessary. Cost includes all charges in bringing the goods to the point of sale.

(iv) Cash flow statement

Cash flows are reported using the indirect method,

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

(v) Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

(vi) Depreciation and amortisation

Depreciation on fixed assets, except leasehold land and leasehold improvements, is provided on the straight-line method based on useful lives of respective assets as estimated by the management taking into account nature of the asset, the estimated usage of the asset and the operating conditions of the asset. Leasehold land is amortised over the period of lease. The leasehold improvements are amortised over the remaining period of lease or the useful lives of assets, whichever is shorter. Depreciation is charged on a pro-rata basis for assets purchased / sold during the year.

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

| Asset category | Useful life (in years) |
|---------------------------------------------------------------------|---------------------------|
| Tangible asset | |
| Building | 30 |
| Plant and machinery (including office equipment) | 5 |
| Computers- end user devices such laptops, desktops etc | 3 |
| Computers- servers and networking equipments | 4 |
| Vehicles | 5 |
| Furniture and fixtures | 5 |
| Temporary wooden structures (included in furniture and fixtures) | 1 |
| Intangible asset | |
| Software | 3 |

(vii) 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

Notes forming part of the financial statements

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 sale of licenses, where no customisation is required, are recognised upon delivery of these licenses which constitute transfer of all risks and rewards.

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

Revenue from sale of goods is recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to customers. Sales exclude sales tax and value added tax.

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.

(viii) Other income

Profit on sale of investments is determined as the difference between the sales price and the carrying value of the investment upon disposal of investments.

Interest income is accounted on accrual basis.

Dividend income is recognised when the right to receive the same is established.

(ix) Expenditure

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

(x) Tangible assets and capital work in progress

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. Fixed assets are stated at the cost of acquisition including any directly attributable expenditure on making the asset ready for its intended use. Fixed assets under construction and cost of assets not ready to use before the year end, are disclosed as capital work-in-progress.

(xi) Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the tax authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be

measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

(xii) Foreign exchange transactions

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

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

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

(xiii) 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.

(xiv) 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.

(xv) Employee benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plans

The Company's contribution to provident fund is considered as defined contribution plans and is charged as an expense as they fall due based on the amount of contribution required to be made.

Defined benefit plans

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each year end. Actuarial gains and losses are recognised in the Statement of Profit

Notes forming part of the financial statements

and Loss in the year in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under :

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the year in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date.

(xvi) Post Sales client support and warranties

The Company provides its clients with fixed period warranty for correction of errors and support on its fixed price product orders. Revenue for such warranty period is allocated based on the estimated effort required during warranty period.

(xvii) Operating leases

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

(xviii) Earnings per share

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

(xix) Taxation

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable laws.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise such assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

(xx) Research and development

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss unless a product's technical feasibility has been established, in which case such expenditure is capitalised. The amount capitalised comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis to creating, producing and making the asset ready for its intended use. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for Fixed Assets.

(xxi) Impairment

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

Notes forming part of the financial statements

(xxii) Provision and contingencies

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

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

Contingent assets are not recognised in the financial statements.

(xxiii) Hedge accounting

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

instrument recognised in "Hedging reserve account" is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in "Hedging reserve account" is immediately transferred to the Statement of Profit and Loss.

(xxiv) Derivative contracts

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

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

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

(xxv) Insurance claims

Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that the amount recoverable can be measured reliably and it is reasonable to expect ultimate collection.

(xxvi) Service tax input credit

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is reasonable certainty in availing / utilising the credits.

(xxvii) Operating cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

Notes forming part of the financial statements

2 NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

2.1 SHARE CAPITAL

(Amount in `)

| Particulars | As at 31 March, 2016 | As at 31 March, 2015 |
|----------------------------------------------------------------------------------|-------------------------|-------------------------|
| a. Authorised | | |
| Equity shares | | |
| 40,000,000 (40,000,000) equity shares of ` 10 each | 400,000,000 | 400,000,000 |
| b. Issued, Subscribed and Paid-Up | | |
| Issued | | |
| 32,386,524 (32,386,524) equity shares of ` 10 each | 323,865,240 | 323,865,240 |
| Subscribed and Paid-Up | | |
| 32,383,724 (32,383,724) equity shares of ` 10 each, fully paid up | 323,837,240 | 323,837,240 |
| Add: 2,800 (2,800) forfeited equity shares pending reissue (see note (iv) below) | 15,000 | 15,000 |
| | 323,852,240 | 323,852,240 |

Refer notes (i) to (v) below :-

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period :-

| Particulars | Opening balance | Allotted under Employee Stock Option Plans | Closing balance |
|--------------------------------------|-----------------|--------------------------------------------------|--------------------|
| a. For the year ended 31 March, 2016 | | | |
| – Number of shares | 32,383,724 | – | 32,383,724 |
| – Amount | 323,837,240 | – | 323,837,240 |
| b. For the year ended 31 March, 2015 | | | |
| – Number of shares | 32,383,724 | – | 32,383,724 |
| – Amount | 323,837,240 | – | 323,837,240 |

(ii) Rights, preferences and restrictions attached to shares

The Company has one class of equity shares having a par value of ` 10 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(iii) Number of shares held by shareholders holding more than 5% of the aggregate shares in the Company :-

| Particulars | As at 31 March, 2016 | | As at 31 March, 2015 | |
|--------------------------------------------------------|----------------------|--------------|----------------------|--------------|
| | (Number) | (Percentage) | (Number) | (Percentage) |
| Karmayogi Holdings Private Limited | 9,000,000 | 27.79% | 9,000,000 | 27.79% |
| Nucleus Software Engineers Private Limited | 2,385,882 | 7.37% | 2,385,882 | 7.37% |
| Madhu Dusad | 3,066,248 | 9.47% | 3,066,248 | 9.47% |
| Fidelity Puritan Trust- Fidelity Low-Priced Stock Fund | 2,200,000 | 6.79% | 2,200,000 | 6.79% |

(iv) Details of forfeited shares

| Particulars | As at 31 March, 2016 | | As at 31 March, 2015 | |
|----------------------------------|----------------------|--------|----------------------|--------|
| | (Number) | (`) | (Number) | (`) |
| Equity shares with voting rights | 2,800 | 15,000 | 2,800 | 15,000 |

Notes forming part of the financial statements

(v) Employees Stock Option Plan ("ESOP")

- Employee Stock Option Scheme and SEBI (Share Based Employee Benefits) Regulations, 2014, is effective for regulation of all schemes by the Company for the benefits for its employees dealing in shares, directly or indirectly from October 28, 2014. In accordance with these Guidelines, the excess of the market price of the underlying equity shares as of the date of grant of options over the exercise price of the option, including up-front payments, if any, is to be recognized and amortised on graded vesting basis over the vesting period of the options.
- The Company currently has one ESOP scheme- ESOP Scheme - 2015 (instituted in 2015) which was duly approved by the Board of Directors and Shareholders. The ESOP Scheme 2015 provides for 500,000 options to eligible employees. As per ESOP scheme 2015, equity shares would be transferred to eligible employees on exercise of options through Nucleus Software Employee Welfare Trust. The scheme is administered by the Compensation Committee comprising three members, the majority of whom are independent directors.
- There are no options granted, forfeited and exercised during the year under ESOP Scheme 2015.

(Amount in `)

| Particulars | As at 31 March, 2016 | As at 31 March, 2015 |
|---------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| 2.2 RESERVES AND SURPLUS | | |
| a. Capital reserve | | |
| Opening balance | 8,900,230 | 8,900,230 |
| Closing balance | 8,900,230 | 8,900,230 |
| b. Securities premium account | | |
| Opening balance | 21,901,489 | 21,901,489 |
| Closing balance | 21,901,489 | 21,901,489 |
| c. Hedging reserve [see note 2.34] | | |
| Opening balance | 6,487,284 | 28,143,036 |
| Add / (Less) : Effect of foreign exchange rate variations on hedging instruments outstanding at the end of the year | (4,100,684) | (21,655,752) |
| Closing balance | 2,386,600 | 6,487,284 |
| d. General reserve | | |
| Opening balance | 822,708,220 | 822,708,220 |
| Closing balance | 822,708,220 | 822,708,220 |
| e. Surplus in Statement of Profit and Loss | | |
| Opening balance | 2,763,142,154 | 2,350,576,372 |
| Add: Profit for the year | 446,573,141 | 607,447,795 |
| Less : Appropriations | — | (161,918,620) |
| - Final dividend on equity shares [see note (i) below] | (161,918,620) | — |
| - Interim Dividend [see note (ii) below] | 17,304,300 | (32,963,393) |
| - Tax on dividend charge [see note 2.38] | 3,065,100,975 | 2,763,142,154 |
| Closing balance | 3,920,997,514 | 3,623,139,377 |

Note :

- The Board of Directors recommended a Final Dividend of ` 5 per share (on equity share of par value of ` 10 each) at their Board meeting held on 7 May 2015, which was approved by shareholders through poll in Annual General Meeting held on 8 July 2015.
- The Board of Directors of the Company, at their meeting held on 16 March, 2016, had declared an interim dividend of ` 5 per equity share. The interim dividend was paid to the shareholders before 31 March 2016.

Notes forming part of the financial statements

| (Amount in `) | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Particulars | As at 31 March, 2016 | As at 31 March, 2015 |
| 2.3 OTHER LONG TERM LIABILITIES | | |
| Advance from customers / Advance billings | 31,993,885 | — |
| | 31,993,885 | — |
| 2.4 LONG-TERM PROVISIONS | | |
| Provision for employee benefits | | |
| — Provision for compensated absences | 38,152,090 | 35,021,563 |
| | 38,152,090 | 35,021,563 |
| 2.5 TRADE PAYABLES | | |
| a. Trade Payables | | |
| i) Total outstanding dues of micro enterprises and small enterprises (see note below) | — | — |
| ii) Total outstanding dues of creditors other than micro enterprises and small enterprises | 221,940,567 | 215,790,355 |
| b. Due to subsidiaries (see note 2.30) | 62,583,703 | 19,230,007 |
| | 284,524,270 | 235,020,362 |
| Note : | | |
| The Company has no amounts payable to Micro and Small Enterprises as defined in section 7(1) of the Micro, Small and Medium Enterprises Development Act, 2006, to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors. | | |
| 2.6 OTHER CURRENT LIABILITIES | | |
| a. Advance from customers / Advance billings | 358,915,738 | 283,932,617 |
| b. Deferred revenue | 367,100,368 | 275,322,389 |
| c. Unpaid dividends | 4,359,490 | 2,720,113 |
| d. Payable for purchase of fixed assets | 1,316,554 | 1,903,333 |
| e. Other payables - statutory liabilities | 31,060,859 | 31,365,101 |
| f. Book overdraft | 15,697,034 | 15,401,797 |
| g. Provision for gratuity (see note 2.33) | 10,986,460 | 2,570,248 |
| h. Due to subsidiary (see note 2.30 & 2.36) | — | 91,306,938 |
| | 789,436,503 | 704,522,536 |
| 2.7 SHORT-TERM PROVISIONS | | |
| a. Provision for employee benefits | | |
| — Provision for compensated absences | 13,881,550 | 12,487,463 |
| b. Provision for proposed equity dividend | — | 161,918,620 |
| c. Provision for tax on proposed dividend (see note 2.38) | — | 32,963,393 |
| | 13,881,550 | 207,369,476 |

Notes forming part of the financial statements

2.8 Fixed Assets (At Cost)

(Amount in `)

| PARTICULARS | GROSS BLOCK | | | ACCUMULATED DEPRECIATION | | | NET BLOCK | |
|--------------------------|------------------------|---------------------|-----------------------------|--------------------------|------------------------------|-----------------------------|-------------------------|-------------------------|
| | As at 1 April, 2015 | Additions | Deductions / adjustments | As at 31 March, 2016 | Depreciation for the year | Deductions / adjustments | As at 31 March, 2016 | As at 31 March, 2015 |
| Tangible assets | | | | | | | | |
| Freehold land | 3,360,720 | — | — | 3,360,720 | — | — | 3,360,720 | 3,360,720 |
| | (3,360,720) | (—) | (—) | (3,360,720) | (—) | (—) | (3,360,720) | (3,360,720) |
| Leasehold land | 66,395,000 | — | — | 66,395,000 | 752,244 | — | 56,003,990 | 56,756,234 |
| | (66,395,000) | (—) | (—) | (66,395,000) | (752,243) | (—) | (56,756,234) | (57,508,477) |
| Leasehold improvements | 7,148,689 | — | — | 7,148,689 | — | — | — | — |
| | (7,148,689) | (—) | (—) | (7,148,689) | (—) | (—) | (—) | (—) |
| Buildings | 241,471,493 | — | — | 241,471,493 | 8,049,058 | — | 158,002,792 | 166,051,850 |
| | (241,471,493) | (—) | (—) | (241,471,493) | (8,049,059) | (—) | (166,051,850) | (174,100,909) |
| Plant and equipment | 114,921,634 | 6,758,920 | — | 121,680,554 | 3,070,175 | — | 8,886,303 | 5,197,558 |
| | (115,799,872) | (611,475) | (1,489,713) | (114,921,634) | (1,755,895) | (1,489,713) | (5,197,558) | (6,341,978) |
| Office equipment | 30,176,531 | 1,555,665 | — | 31,732,196 | 1,346,053 | — | 2,872,984 | 2,663,372 |
| | (29,886,632) | (289,899) | (—) | (30,176,531) | (1,448,300) | (—) | (2,663,372) | (3,821,773) |
| Computer equipment | 304,742,997 | 27,479,713 | 382,340 | 331,840,370 | 37,462,310 | 381,014 | 65,915,358 | 75,899,281 |
| | (261,022,979) | (54,448,651) | (10,728,633) | (304,742,997) | (33,559,804) | (10,641,517) | (75,899,281) | (55,097,550) |
| Vehicles | 24,430,689 | 1,736,625 | 3,169,741 | 22,997,573 | 4,372,998 | 1,122,934 | 12,670,557 | 17,353,737 |
| | (19,428,067) | (9,539,057) | (4,536,435) | (24,430,689) | (4,508,032) | (2,535,801) | (17,353,737) | (14,323,346) |
| Furniture and fixtures | 36,388,385 | 62,472 | — | 36,450,857 | 259,079 | — | 410,150 | 606,757 |
| | (36,211,435) | (176,950) | (—) | (36,388,385) | (242,481) | (—) | (606,757) | (672,288) |
| | 829,036,138 | 37,593,395 | 3,552,081 | 863,077,452 | 55,311,917 | 1,503,948 | 308,122,854 | 327,889,509 |
| | (780,724,887) | (65,066,032) | (16,754,781) | (829,036,138) | (50,315,814) | (14,667,031) | (327,889,509) | (315,227,041) |
| Intangible assets | | | | | | | | |
| Software | 305,279,261 | 14,050,336 | — | 319,329,597 | 53,836,031 | — | 46,082,968 | 85,868,663 |
| | (287,223,881) | (18,055,380) | (—) | (305,279,261) | (56,274,588) | (—) | (85,868,663) | (124,087,871) |
| Total | 1,134,315,399 | 51,643,731 | 3,552,081 | 1,182,407,049 | 109,147,948 | 1,503,948 | 354,205,822 | 413,758,172 |
| | (1,067,948,768) | (83,121,412) | (16,754,781) | (1,134,315,399) | (106,590,402) | (14,667,031) | (413,758,172) | |

Note :

(i) Figures in bracket pertain to previous year ended 31 March 2015/2014.

Notes forming part of the financial statements

| (Amount in `) | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Particulars | As at 31 March, 2016 | As at 31 March, 2015 |
| 2.9 NON-CURRENT INVESTMENTS (at cost) | | |
| – Trade | | |
| Investments in equity instruments of wholly owned subsidiaries (unquoted) | | |
| a. 625,000 (625,000) equity shares of Singapore Dollar 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore | 16,319,950 | 16,319,950 |
| b. 1,000,000 (1,000,000) equity shares of US Dollar 0.35 each, fully paid up, in Nucleus Software Inc., USA | 16,293,150 | 16,293,150 |
| Less: Provision for diminution in value of investment in Nucleus Software Inc., USA | (16,293,150) | (16,293,150) |
| c. 200 (200) equity shares of Japanese Yen 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaisha | 4,092,262 | 4,092,262 |
| d. 1,000,000 (1,000,000) equity shares of ` 10 each, fully paid up, in VirStra i-Technology Services Limited, India [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company] | 10,000,000 | 10,000,000 |
| e. 7,500 (4,000) equity shares of Euro 100 each, fully paid up, in Nucleus Software Netherlands B.V., Netherlands | 48,903,000 | 24,242,000 |
| Less: Provision for diminution in value of investment in Nucleus Software Netherlands B.V., Netherlands | (48,903,000) | (24,242,000) |
| f. 10,000,000 (10,000,000) equity shares of ` 10 each, fully paid up, in Nucleus Software Limited, India [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company] | 100,000,000 | 100,000,000 |
| g. 100,000 (100,000) equity shares 1 AUD each, fully paid in Nucleus Software Australia Pty. Ltd., Australia | 5,501,028 | 5,501,028 |
| h. 10 (Nil) equity shares of ZAR 61,200 each fully paid up, in Nucleus Software South Africa (Pty.) Limited, South Africa | 3,182,500 | – |
| i. 10,666 (Nil) equity shares of ` 10 each, fully paid up in Avon Mobility Solutions Private Limited (see note 2.40) | 19,200,720 | – |
| | 158,296,460 | 135,913,240 |
| – Other investments | | |
| Investment in equity instruments (Unquoted) | | |
| 250,000 (250,000) equity shares of ` 10 each, fully paid up, in Ujjivan Financial Services Limited | 2,500,000 | 2,500,000 |
| Investment in Bonds (Quoted) | | |
| a. Indian Railway Finance Corporation Limited - Tranche 1 Series IA (net of adjustment to the carrying amount of investments amounting to ` 9,350,000) | 90,650,000 | 90,650,000 |
| b. Indian Infrastructure Finance Company Limited - Tranche 1 Series 1A | 50,000,000 | 50,000,000 |
| c. 8.09% Power Finance Corporation Tax Free Bonds 2021 | 45,600,000 | 45,600,000 |
| d. 7.51% Power Finance Corporation Tax Free Bonds 2021 | 50,000,000 | 50,000,000 |
| e. Indian Railway Finance Corporation Ltd.- Tranche 1 Series I | 200,000,000 | 200,000,000 |
| f. Indian Railway Finance Corporation Limited - Tranche 1 Series IB | 100,000,000 | 100,000,000 |
| g. 7.11% Power Finance Corporation Tax Free Bonds 2025 | 5,134,000 | – |
| h. 7.21% India Infrastructure Finance Company Limited Tax Free Bonds 2022 | 50,000,000 | – |
| i. 7.55% Indian Railway Finance Corporation Limited Tax Free Bonds 2021 | 29,500,000 | – |
| j. 8.20% Power Finance Corporation Tax Free Bonds 2022 | 6,000,000 | – |
| k. 7.28% India Infrastructure Finance Company Limited Tax Free Bonds 2030 | 4,530,000 | – |

Notes forming part of the financial statements

(Amount in `)

| Particulars | As at 31 March, 2016 | As at 31 March, 2015 |
|-------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| l. 7.49% Indian Renewable Energy Development Agency Limited (IREDA) Tax Free Bonds 2031 | 11,921,000 | — |
| m. 7.39% Housing and Urban Development Corporation Limited (HUDCO) Tax Free Bonds 2031 | 14,014,000 | — |
| n. 8.50% National Highways Authority of India (NHAI) Tax Free Bonds 2029 | 10,000,000 | — |
| o. 7.39% National Highways Authority of India (NHAI) Tax Free Bonds 2031 | 15,419,000 | — |
| p. 7.39% Housing and Urban Development Corporation Limited (HUDCO) Tax free bonds 2031 | 12,799,000 | — |
| q. 7.21% Power Finance Corporation (PFC) Tax Free Bonds 2022 | 50,000,000 | — |
| r. 7.35% Indian Railway Finance Corporation Tax Free Bonds 2031 | 11,757,000 | — |
| s. 7.35% National Bank for Agriculture and Rural Development (NABARD) Tax Free Bonds 2031 | 20,040,000 | — |
| Investment in Preference Shares (quoted) | | |
| a. Investment - 8.15% L&T Preference Shares 2020 | 99,000,000 | — |
| b. Investment - 16.46% IL&FS - Preference Shares 2022 | 50,100,000 | — |
| Investment in mutual funds (quoted) | | |
| a. HDFC FMP 1128D March 2015(1) Direct Growth | 50,000,000 | 50,000,000 |
| b. ICICI Prudential FMP Series 72 -368 Days Plan A Growth | — | 50,000,000 |
| c. ICICI Prudential FMP Series 76-1108 Days Plan V-Direct-Growth | 50,000,000 | 50,000,000 |
| d. HDFC FMP 370D June 2014 (2) Series 31 – Growth Option | 10,000,000 | — |
| e. ICICI Prudential FMP Series 74 -369 Days Plan T Direct Plan Cumulative | 100,000,000 | — |
| f. Reliance Fixed Horizon Fund- XXVI- Series 31- Growth Plan | 50,000,000 | — |
| g. UTI Fixed Term Income Fund-Series XIX-VIII Direct Growth Plan | 10,000,000 | — |
| | 1,196,464,000 | 686,250,000 |
| Aggregate amount of non-current investments | 1,357,260,460 | 824,663,240 |
| Aggregate amount of quoted investments | 1,196,464,000 | 686,250,000 |
| Aggregate market value of quoted investments | 1,266,589,300 | 701,240,000 |
| Aggregate amount of unquoted investments | 160,796,460 | 138,413,240 |

2.10 DEFERRED TAX ASSET (Net)

| Particulars | Opening as at 1 April, 2015 | (Credited)/ Charge during the year | Closing as at 31 March, 2016 |
|--------------------------------------------------------------------------|--------------------------------|------------------------------------------|------------------------------------|
| a. Deferred tax assets | | | |
| Provision for compensated absences, gratuity and other employee benefits | 16,441,924 | (6,095,410) | 22,537,334 |
| Provision for doubtful debts / service income accrued but not due | 25,131,463 | 3,321,467 | 21,809,996 |
| | 41,573,387 | (2,773,943) | 44,347,330 |
| b. Deferred tax liabilities | | | |
| On difference between book balance and tax balance of fixed assets | 31,959,941 | (5,971,927) | 25,988,014 |
| c. Net deferred tax asset | 9,613,446 | (8,745,870) | 18,359,316 |

Notes forming part of the financial statements

(Amount in `)

| Particulars | As at 31 March, 2016 | As at 31 March, 2015 |
|---------------------------------------------------------------------------------|-------------------------|-------------------------|
| 2.11 LONG-TERM LOANS AND ADVANCES | | |
| (Unsecured, considered good) | | |
| a. Capital advances | 620,980 | — |
| b. Loans to subsidiaries (see note 2.30) | 80,110,221 | 80,110,221 |
| c. Security deposits | 13,492,411 | 12,602,866 |
| d. Loans and advances to employees | | |
| - Staff Loans | 2,343,122 | 556,867 |
| e. Prepaid expenses | 1,962,857 | 5,174,204 |
| f. Balances with government authorities | | |
| - Advance tax [net of provision of ` 398,000,505 (previous year ` 447,314,715)] | 79,165,650 | 110,341,548 |
| - MAT credit entitlement | 38,129,377 | — |
| | 215,824,618 | 208,785,706 |
| 2.12 OTHER NON CURRENT ASSETS | | |
| (Unsecured, considered good) | | |
| a. Long- term trade receivables | 101,575,012 | — |
| b. Long-term bank deposits (See note below) | 2,550,000 | 1,675,000 |
| c. Interest accrued but not due on bank deposits | 148,799 | 571,129 |
| d. Unamortised premium on tax free bonds | 9,765,060 | 9,048,845 |
| | 114,038,871 | 11,294,974 |

Note :-

Long-term bank deposits represent deposits under lien with banks and are restricted from being settled for more than 12 months from the Balance Sheet Date.

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

a. Investment in mutual funds

| Name | Units as at 31 March, 2016 (Numbers) | Value of units as at 31 March, 2016 (`) | Units as at 31 March, 2015 (Numbers) | Value of units as at 31 March, 2015 (`) |
|---------------------------------------------------------------------------------------------------|-----------------------------------------------|--------------------------------------------------|-----------------------------------------------|--------------------------------------------------|
| - Liquid Schemes of Mutual Funds (Unquoted) | | | | |
| a. Axis Liquid Fund- Direct Plan- Daily Dividend Reinvestment | — | — | 125,906 | 125,944,643 |
| b. ICICI Prudential Flexible Income Plan - DDR - Direct | 661,825 | 69,978,636 | — | — |
| c. ICICI Prudential Money Market Fund-Dividend-Daily Reinvestment | 527,060 | 52,781,645 | — | — |
| d. IDFC Cash Fund Direct Plan- Daily Dividend Reinvestment | — | — | 107,419 | 107,476,268 |
| e. Kotak Floater Short Term Fund-Direct Plan-Daily Dividend-Reinvestment Option | 138,558 | 140,167,631 | 101,572 | 102,751,856 |
| f. Kotak Liquid Scheme Plan A- Direct Plan-Daily Dividend-Reinvestment Option | — | — | 175,002 | 213,993,857 |
| g. Reliance Liquid Fund-Treasury Plan-Direct Plan-Daily Dividend-Reinvestment Option | 101,573 | 155,279,073 | 5,566 | 8,508,730 |
| h. Birla Sunlife Savings Fund- DDR - Direct | 1,656,005 | 166,092,642 | — | — |
| i. DSP BlackRock Ultra Short Term Fund - DDR - Direct | 3,017,107 | 30,295,981 | — | — |
| j. HDFC Floating Rate - Short term plan- Wholesale – Direct - Daily Dividend-Reinvestment option. | 5,510,650 | 55,552,307 | — | — |
| k. HDFC Arbitrage Fund - Normal DR- Direct | 6,661,947 | 70,614,447 | — | — |
| l. IDFC Banking Debt Fund Regular Plan- Dividend | 2,440,192 | 24,776,243 | 2,316,839 | 23,396,133 |

Notes forming part of the financial statements

| Name | Units as at 31 March, 2016 (Numbers) | Value of units as at 31 March, 2016 (`) | Units as at 31 March, 2015 (Numbers) | Value of units as at 31 March, 2015 (`) |
|-------------------------------------------------------------------------|-----------------------------------------------|--------------------------------------------------|-----------------------------------------------|--------------------------------------------------|
| | | | | |
| m. IDFC Arbitrage Fund Direct Plan- Monthly DR- Direct | 4,297,906 | 55,427,306 | – | – |
| n. Kotak Equity Arbitrage Fund- Monthly DR- Direct | 6,911,836 | 75,143,613 | – | – |
| o. Reliance Arbitrage Advantage Fund-Monthly DR- Direct | 4,292,755 | 45,426,255 | – | – |
| p. SBI Ultra Short Term Debt Fund - DDR - Direct | 5,011 | 5,039,163 | – | – |
| q. Sundaram Ultra Short Term Fund - DDR - Direct | 4,468,675 | 44,882,927 | – | – |
| r. UTI Floating Rate Fund STP – Daily Income Option-Reinvestment-Direct | 43,995 | 47,377,198 | – | – |
| - Fixed Maturity Plans/Interval Plans (Quoted) | | | | |
| a. HDFC FMP 370D June 2014 (2) Series 31 – Growth Option | – | – | 1,000,000 | 10,000,000 |
| b. HDFC FMP 371D June 2014 (1) Series 31 – Growth Option | – | – | 3,000,000 | 30,000,000 |
| c. HDFC Banking and PSU Debt Fund-Direct Plan-Growth | – | – | 9,078,941 | 100,000,000 |
| d. ICICI Prudential FMP Series 74 -369 Days Plan T Growth | – | – | 10,000,000 | 100,000,000 |
| e. Reliance Fixed Horizon Fund- XXVI- Series 31- Growth Option | – | – | 5,000,000 | 50,000,000 |
| f. Reliance Fixed Horizon Fund XXX – Series 9-Direct-Div Payout | 3,747,632 | 37,476,319 | – | – |
| g. ICICI Prudential FMP Series 72 -368 Days Plan A Growth | 5,000,000 | 50,000,000 | – | – |
| h. UTI Fixed Term Income Fund-Series XIX-VIII (368 Days) Growth | – | – | 1,000,000 | 10,000,000 |
| i. UTI FIIF-QIP-III-Direct-Div Payout | 4,992,112 | 50,000,000 | – | – |
| | | 1,176,311,386 | | 882,071,487 |
| Aggregate market value of quoted and unquoted investments | | 1,187,995,513 | | 896,494,723 |

(Amount in `)

| Particulars | As at 31 March, 2016 | As at 31 March, 2015 |
|------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| 2.14 TRADE RECEIVABLES | | |
| (Unsecured) | | |
| a. Trade receivables outstanding for a period exceeding six months from the date they were due for payment | | |
| - Considered good | 21,345,989 | 53,811,188 |
| - Considered doubtful | 36,614,951 | 45,045,829 |
| | 57,960,940 | 98,857,017 |
| Less: Provision for doubtful trade receivables | (36,614,951) | (45,045,829) |
| | 21,345,989 | 53,811,188 |
| b. Other Trade receivables | | |
| - Considered good | 759,773,471 | 715,753,688 |
| - Considered doubtful | – | 2,394,000 |
| | 759,773,471 | 718,147,688 |
| Less: Provision for doubtful trade receivables | – | (2,394,000) |
| | 759,773,471 | 715,753,688 |
| Total | 781,119,460 | 769,564,876 |

Notes forming part of the financial statements

| (Amount in `) | | |
|---------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Particulars | As at 31 March, 2016 | As at 31 March, 2015 |
| 2.15 CASH AND CASH EQUIVALENTS | | |
| A. Cash and cash equivalents (As per AS 3 Cash Flow Statements) | | |
| a. Cash on hand | 14,156 | 2,316 |
| b. Remittance in transit | – | 2,572,498 |
| c. Cheque on hand | 341,286 | – |
| d. Balances with scheduled banks: | | |
| - in current accounts | 17,517,010 | 6,643,438 |
| - in EEFC accounts | 13,603,072 | 67,307,231 |
| e. Balance with non scheduled banks in current accounts: | | |
| - Citibank, United Kingdom | 948,451 | 630,587 |
| - Citibank, United Arab Emirates | 1,364,186 | 1,526,105 |
| - Citibank, USA | 1,028,035 | – |
| f. Balances with scheduled banks in deposit accounts with original maturity of less than 3 months | 20,900,000 | 14,700,000 |
| Total - Cash and cash equivalents (as per AS 3 Cash Flow Statements) (A) | 55,716,196 | 93,382,175 |
| B. Other bank balances | | |
| a. Balances with scheduled banks in earmarked accounts: | | |
| - unclaimed dividend accounts | 4,363,477 | 2,724,100 |
| b. Balances with scheduled banks in deposit accounts with original maturity of more than 3 months | | |
| - Original maturity of more than 12 months | 986,969,125 | 1,533,712,816 |
| Total - Other bank balances (B) | 991,332,602 | 1,536,436,916 |
| Total Cash and cash equivalents (A+B) | 1,047,048,798 | 1,629,819,091 |
| Details of balances as on balance sheet dates with scheduled banks in current accounts:- | | |
| - HDFC Bank | 8,431,148 | 2,286,852 |
| - Citi Bank | 8,565,005 | 2,843,969 |
| - ICICI Bank | 520,856 | 1,512,616 |
| - Citi Bank * | 12,100,842 | 60,509,190 |
| - HDFC Bank * | 1,502,230 | 6,798,042 |
| - HDFC Bank ** | 4,363,478 | 2,724,100 |
| | 35,483,559 | 76,674,769 |
| * EEFC account | | |
| ** Earmarked for unclaimed dividend | | |
| Details of balances as on balance sheet dates with scheduled banks in deposit accounts:- | | |
| - HDFC Bank | 265,500,000 | 220,500,000 |
| - Citi Bank | 20,900,000 | 14,700,000 |
| - Bank of India | 215,900,000 | 298,591,878 |
| - State Bank of Travancore | 110,000,000 | 189,200,000 |
| - ICICI Bank | – | 191,753,094 |
| - Corporation Bank | 205,149,904 | 255,149,904 |
| - Kotak Mahindra Bank | – | 99,800,000 |
| - Punjab National Bank | 136,400,000 | 225,000,000 |
| - ING Vysya Bank | 50,000,000 | 50,000,000 |
| | 1,003,849,904 | 1,544,694,876 |
| Detail of fixed deposit under lien | | |
| - HDFC Bank | 1,317,002 | 1,217,940 |
| - Citi Bank | 2,702,219 | 2,500,000 |
| Total | 4,019,221 | 3,717,940 |

Notes forming part of the financial statements

| (Amount in `) | | |
|-----------------------------------------------------------------------------|-------------------------|-------------------------|
| Particulars | As at 31 March, 2016 | As at 31 March, 2015 |
| 2.16 SHORT-TERM LOANS AND ADVANCES | | |
| (Unsecured) | | |
| a. Loans to subsidiaries (see note 2.30) | – | 6,250,000 |
| b. Security deposit | 962,874 | 778,294 |
| c. Loans and advances to employees | | |
| - Staff loans | 5,232,967 | 3,120,695 |
| - Employee advances | 7,640,613 | 6,378,200 |
| d. Prepaid expenses | 33,739,491 | 32,261,085 |
| e. Balances with government authorities | | |
| - Advance fringe benefit tax [net of provision ` 24,915,859 (` 24,915,859)] | – | 2,089,032 |
| - Service tax credit receivable | 8,071,410 | 30,969,946 |
| - Input VAT | | |
| - MAT credit entitlement | – | 10,970,597 |
| f. Others | | |
| - Supplier advances | | |
| - Considered good | 23,763,815 | 26,985,500 |
| - Considered doubtful | 511,073 | 511,073 |
| | 24,274,888 | 27,496,573 |
| Less : Provision for doubtful advances | 511,073 | 511,073 |
| | 23,763,815 | 26,985,500 |
| - Mark-to-market gain on forward contracts (see note 2.34) | 31,200 | 6,452,581 |
| - Expenses recoverable from customers | 2,591,072 | 9,632,798 |
| - Application money for Mutual fund & Preference shares (considered good) | 42,490,000 | – |
| | 124,523,442 | 135,888,728 |
| 2.17 OTHER CURRENT ASSETS | | |
| (Unsecured) | | |
| a. Service income accrued but not due | | |
| - Considered good | 761,11,947 | 173,010,319 |
| - Considered doubtful | 28,506,796 | 25,451,688 |
| | 104,618,743 | 198,462,007 |
| Less : Provision for service income accrued but not due | (28,506,796) | (25,451,688) |
| | 76,111,947 | 173,010,319 |
| b. Interest accrued but not due on | | |
| - Fixed deposits with banks | 99,812,218 | 40,308,559 |
| - Loan to subsidiary | – | 81,938 |
| - Current, non trade investments | 25,323,427 | 20,593,436 |
| c. Unamortised premium on tax free bonds | 1,893,875 | 1,551,582 |
| | 203,141,467 | 235,545,834 |

Notes forming part of the financial statements

(Amount in `)

| Particulars | Year ended 31 March, 2016 | Year ended 31 March, 2015 |
|--------------------------------------------------------------------------------------|------------------------------|------------------------------|
| 2.18 INCOME FROM SOFTWARE PRODUCTS AND SERVICES | | |
| a. Software development services and products | | |
| - Domestic | 717,166,645 | 558,782,556 |
| - Overseas | 2,064,496,976 | 2,231,574,043 |
| | 2,781,663,621 | 2,790,356,599 |
| 2.19 OTHER INCOME | | |
| a. Interest income on | | |
| - Deposits with banks | 117,448,989 | 88,041,567 |
| - Loan to subsidiary | 127,857 | 350,895 |
| - Current, non trade investments | 46,617,081 | 29,405,037 |
| - Income tax refund | 8,583,566 | 6,090,702 |
| b. Dividend income from | | |
| - Current, non trade investments | 44,962,460 | 43,854,099 |
| - Non-current, non trade investment | 8,248,240 | 125,000 |
| - Subsidiary companies (see note 2.30) | 250,487,726 | — |
| c. Net gain on sale of investments | | |
| - Current, non trade investments | 3,006,381 | 94,542,426 |
| d. Net Gain / (Loss) on foreign currency | | |
| - Gain / (Loss) on exchange fluctuation | 5,654,706 | 1,211,238 |
| - Gain / (Loss) on ineffective hedges (see note 2.34) | (2,355,400) | (34,703) |
| e. Other non-operating income | | |
| - Provisions written back | 16,379,084 | 28,087,144 |
| - Provisions for doubtful debts / advances written back | 7,738,464 | — |
| - Net profit on sale of fixed assets/discarded assets | — | 1,768,469 |
| - Miscellaneous income | 370,400 | 324,075 |
| | 507,269,554 | 293,765,949 |
| 2.20 EMPLOYEE BENEFITS EXPENSES | | |
| a. Salaries and wages | 1,514,678,278 | 1,330,628,330 |
| b. Contribution to provident and other funds | 77,774,765 | 68,912,407 |
| c. Gratuity expense (see note 2.33) | 26,417,428 | 26,348,452 |
| d. Staff welfare expenses | 41,283,938 | 33,578,575 |
| | 1,660,154,409 | 1,459,467,764 |
| Employee benefit expenses include Managing Director remuneration as follows : | | |
| a. Salary | 6,000,000 | 6,000,000 |
| b. Contribution to provident fund | 360,000 | 360,000 |
| | 6,360,000 | 6,360,000 |

Notes:

The above remuneration does not include expense towards retirement benefits since the same is calculated for the Company as a whole.

Notes forming part of the financial statements

| (Amount in `) | | |
|-------------------------------------------------------------------|------------------------------|------------------------------|
| Particulars | Year ended 31 March, 2016 | Year ended 31 March, 2015 |
| 2.21 OPERATING AND OTHER EXPENSES | | |
| a. Outsourced technical service expense | 124,582,065 | 99,011,862 |
| b. Cost of software purchased for delivery to clients | 17,466,223 | 34,401,127 |
| c. Power and fuel | 41,512,983 | 41,260,471 |
| d. Rent (see note 2.23) | 37,254,013 | 36,702,024 |
| e. Repair and maintenance | | |
| - Buildings | 3,560,966 | 2,087,481 |
| - Others | 27,760,256 | 22,811,335 |
| f. Insurance | 7,412,298 | 11,116,111 |
| g. Rates and taxes | 4,934,768 | 3,180,996 |
| h. Travel expenses | | |
| - Foreign | 144,094,071 | 142,149,624 |
| - Domestic | 26,266,948 | 26,955,053 |
| i. Advertisement, business development and promotion | 22,161,289 | 18,260,647 |
| j. Legal and professional (see note 2.25) | 77,033,715 | 66,717,843 |
| k. Directors remuneration | 9,369,201 | 9,900,000 |
| l. Conveyance | 17,005,861 | 17,907,999 |
| m. Communication | 17,518,330 | 16,130,908 |
| n. Training and recruitment | 18,974,582 | 29,156,012 |
| o. Net loss on sale of fixed assets/discarded assets | 648,816 | — |
| p. Adjustment to the carrying amount of investments | — | 139,269 |
| p. Conference, exhibition and seminar | 39,702,739 | 19,446,764 |
| q. Information technology expenses | 42,069,971 | 38,122,569 |
| r. Provision for doubtful debts/advances/other current assets | — | 21,446,578 |
| s. Provision for diminution in value of investment | 24,661,000 | — |
| t. Commission to channel partners | 6,659,218 | 19,225,263 |
| u. Expenditure on corporate social responsibility (see note 2.39) | 12,030,000 | 7,050,000 |
| v. Sales & marketing fee | 220,225,451 | — |
| w. Miscellaneous expenses | 44,990,894 | 33,851,123 |
| | 987,895,658 | 717,031,059 |
| Directors Remuneration includes : | | |
| Non Executive Directors | | |
| a. Commission | 4,800,001 | 6,500,000 |
| b. Sitting fees | 4,569,200 | 3,400,000 |
| | 9,369,201 | 9,900,000 |

2.22 FINANCE COST

| | | |
|--------------|------------------|------------------|
| Bank Charges | 4,307,479 | 4,004,625 |
|--------------|------------------|------------------|

2.23 OPERATING LEASE

Obligations on long-term, non-cancellable operating leases

The Company has acquired office premises under cancellable and non-cancellable operating lease. Operating lease rentals paid during the year March 2016 ` 37,254,013/- (year ended 31 March, 2015 is ` 36,702,024/-) . The future minimum lease payments in respect of non-cancellable leases as at 31 March, 2016 is ` Nil (As at 31 March, 2015, ` Nil).

Notes forming part of the financial statements

(Amount in `)

| Particulars | As at 31 March, 2016 | As at 31 March, 2015 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| 2.24 Contingent liabilities and Commitments (to the extent not provided for) | | |
| a. Contingent liabilities | | |
| Claims against the Company not acknowledged as debts | 6,922,050 | 6,922,050 |
| b. Capital Commitments | | |
| Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances). | 3,180,687 | 3,149,016 |
| c. Other Commitments | | |
| The Company is committed to provide financial support to its subsidiary companies, as and when required. | | |
| As on 31 March, 2016, the Company has outstanding bank guarantee and letter of credits of ` 14,301,565 (As at 31 March, 2015 ` 23,444,551). These are secured to the extent of ` 150,000,000 against all present and future receivables of the Company. | | |
| The Company had given an undertaking to repay the amounts due to Nucleus Software Solutions Pte Limited, Singapore (subsidiary company) by Nucleus Software Japan Kabushiki Kaisha, Japan (subsidiary company), in the event that the latter party is unable to repay the same, as and when it falls due. As at 31 March 2016, Nucleus Software Japan Kabushiki Kaisha, Japan (subsidiary company) has repaid outstanding loan amount to Nucleus Software Solutions Pte Limited, Singapore (subsidiary company). (Also see note 2.30) | | |
| d. The Company does not have any pending litigation which would impact its financial position. | | |
| e. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses. | | |

(Amount in `)

| Particulars | Year ended 31 March, 2016 | Year ended 31 March, 2015 |
|--------------------------------------------------------------|------------------------------|------------------------------|
| 2.25 Auditors Remuneration (excluding service tax) | | |
| a. As auditors - statutory audit, including quarterly audits | 3,400,000 | 2,800,000 |
| b. For taxation matters | 3,145,000 | 280,000 |
| c. For other services | 1,500,000 | 1,250,000 |
| d. Reimbursement of expenses | 270,078 | 219,986 |
| | 8,315,078 | 4,549,986 |
| 2.26 CIF value of imports | | |
| Capital goods | 38,414,248 | 42,573,358 |
| 2.27 Earnings in foreign currency | | |
| a. Software development services and products | 2,064,496,976 | 2,231,574,043 |
| b. Dividend income from subsidiary company | 165,487,896 | — |
| c. Interest income on loan to subsidiary | 127,857 | 350,895 |
| | 2,230,112,729 | 2,231,924,938 |
| 2.28 Expenditure in foreign currency | | |
| a. Travel expenses | 95,143,243 | 102,540,798 |
| b. Legal and professional | 16,124,064 | 14,658,695 |
| c. Cost of software purchased for delivery to clients | 9,525,887 | 16,523,401 |
| d. Conference, exhibition and seminar | 28,957,757 | 17,849,050 |
| e. Outsourced technical service expense | 85,712,971 | 70,514,206 |
| f. Salaries and wages | 103,633,622 | 51,160,156 |
| g. Commission to channel partners | 6,659,218 | 19,182,430 |
| h. Rent | 13,909,580 | 12,822,136 |
| i. Sales and marketing fee | 220,225,451 | — |
| j. Others | 68,282,964 | 48,745,984 |
| | 648,174,757 | 353,996,856 |

Notes forming part of the financial statements

(Amount in `)

| Particulars | Year ended 31 March, 2016 | Year ended 31 March, 2015 |
|--------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| 2.29 Earnings per share | | |
| a. Profit after taxation available to equity shareholders (Rupees) | 446,573,141 | 607,447,795 |
| b. Weighted average number of equity shares used in calculating basic earnings per share | 32,383,724 | 32,383,724 |
| c. Effect of dilative issue of shares | — | — |
| d. Weighted average number of equity shares used in calculating diluted earnings per share | 32,383,724 | 32,383,724 |
| e. Basic earnings per share (Rupees) | 13.79 | 18.76 |
| f. Diluted earnings per share (Rupees) | 13.79 | 18.76 |

2.30 RELATED PARTY TRANSACTIONS

List of related parties – where control exists

a. Subsidiary Companies

- Nucleus Software Solutions Pte Ltd, Singapore
- Nucleus Software Japan Kabushiki Kaisha, Japan
- Nucleus Software Inc., USA
- Nucleus Software Netherlands B.V., Netherlands
- VirStra i-Technology Services Limited, India
- Nucleus Software Limited, India
- Nucleus Software Australia Pty. Ltd., Australia
- Nucleus Software South Africa Pty. Limited, South Africa (incorporated on 10 February, 2015)
- Avon Mobility Solutions Private Limited (acquired on 17 March 2016)

b. Other related parties:

Key managerial personnel:

- Vishnu R Dusad (Managing Director)

Nucleus Software Foundation (see note 2.39)

(Amount in `)

| Particulars | Year ended 31 March, 2016 | Year ended 31 March, 2015 |
|------------------------------------------------------|------------------------------|------------------------------|
| Transactions with related parties | | |
| a. Software development services and products | | |
| - Nucleus Software Japan Kabushiki Kaisha, Japan | 64,246,913 | 90,472,905 |
| - Nucleus Software Solutions Pte Ltd, Singapore | 118,548,446 | 100,318,033 |
| - Nucleus Software Inc., USA | 8,549,148 | 9,308,784 |
| - Nucleus Software Netherlands B.V., Netherlands | 5,832,966 | 6,429,753 |
| | 197,177,473 | 206,529,475 |
| b. Other income | | |
| Dividend income | | |
| - VirStra i-Technology Services Limited, India | 84,999,830 | — |
| - Nucleus Software Solutions Pte Ltd, Singapore | 165,487,896 | — |
| | 250,487,726 | — |
| Interest income | | |
| - Nucleus Software Inc., USA | 127,857 | 350,895 |

Notes forming part of the financial statements

(Amount in `)

| Particulars | Year ended 31 March, 2016 | Year ended 31 March, 2015 |
|-----------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| c. Managerial remuneration [including perquisite value ` 723,677/- (Previous year ` 716,830/-)] | | |
| - Vishnu R Dusad (Managing Director & Chief Executive Officer) | 7,083,677 | 7,076,830 |
| d. Cost of software purchased for delivery to clients | | |
| - Nucleus Software Solutions Pte Ltd, Singapore | 2,841,116 | 3,164,587 |
| e. Outsourced technical service expense | | |
| - Nucleus Software Solutions Pte Ltd, Singapore | — | 2,602,440 |
| - Nucleus Software Japan Kabushiki Kaisha, Japan | 11,273,337 | 5,717,146 |
| - Nucleus Software Inc., USA | 12,660,812 | 28,239,682 |
| - Nucleus Software Australia Pty Ltd. | 37,349,869 | 16,262,599 |
| | 61,284,018 | 52,821,867 |
| f. Expenditure on Corporate Social Responsibility Nucleus Software Foundation (see note 2.39) | 12,030,000 | 7,050,000 |
| g. Lease rent paid | | |
| - Nucleus Software Limited, India | 9,496,296 | 9,496,296 |
| h. Reimbursement of expenses from | | |
| - Nucleus Software Solutions Pte Ltd, Singapore | 7,482,330 | 14,173,718 |
| - Nucleus Software Japan Kabushiki Kaisha, Japan | 487,121 | 412,634 |
| - Nucleus Software Inc., USA | 702,078 | 44,843 |
| - Nucleus Software Netherlands B.V., Netherlands | 13,799 | 586,665 |
| - VirStra i-Technology Services Limited, India | 794,853 | 16,396 |
| - Nucleus Software Limited, India | 162,321 | 25,699 |
| - Nucleus Software South Africa Pty Ltd | 22,764 | — |
| - Nucleus Software Australia Pty Ltd. | 6,831,558 | 3,601,409 |
| | 16,496,824 | 18,861,364 |
| i. Reimbursement of expenses to | | |
| - Nucleus Software Solutions Pte Ltd, Singapore | 246,901 | 1,024,337 |
| - Nucleus Software Australia Pty Ltd. | 229,351 | — |
| - Nucleus Software Limited, India | 6,387 | — |
| - Nucleus Software Japan Kabushiki Kaisha, Japan | 73,096 | 124,157 |
| - Nucleus Software Inc., USA | 82,116 | — |
| | 637,851 | 1,148,494 |
| j. Sales & marketing fee | | |
| - Nucleus Software Japan Kabushiki Kaisha, Japan | 50,110,727 | — |
| - Nucleus Software Solutions Pte Ltd, Singapore | 122,448,463 | — |
| - Nucleus Software Inc., USA | 17,943,408 | — |
| - Nucleus Software Australia Pty Ltd. | 21,955,633 | — |
| - Nucleus Software South Africa Pty Ltd | 7,767,220 | — |
| | 220,225,451 | — |
| k. Repayment of loans | | |
| - Nucleus Software Limited, India | — | 5,840,413 |
| - Nucleus Software Inc., USA | 6,250,000 | 5,726,000 |
| | 6,250,000 | 11,566,413 |

Notes forming part of the financial statements

| (Amount in `) | | |
|-----------------------------------------------------------|------------------------------|------------------------------|
| Particulars | Year ended 31 March, 2016 | Year ended 31 March, 2015 |
| l. Investment in subsidiary | | |
| - Nucleus Software Australia Pty. Ltd., Australia | — | 5,500,973 |
| - Nucleus Software South Africa Pty Ltd | 3,182,500 | — |
| - Nucleus Software Netherlands B.V., Netherlands | 24,661,000 | — |
| - Avon Mobility Solutions Private Limited | 19,200,720 | — |
| m. Reversal of provision for doubtful debts | | |
| - Nucleus Software Netherlands B.V., Netherlands | 24,385,600 | — |
| n. Provision for Doubtful Debts | | |
| - Nucleus Software Netherlands B.V., Netherlands | — | 2,394,000 |
| o. Provision for diminution in value of investment | | |
| - Nucleus Software Netherlands B.V., Netherlands | 24,661,000 | — |
| p. Excess Provision Written Back | | |
| - Nucleus Software Solutions Pte Ltd, Singapore | 760,326 | — |
| q. Insurance claim paid | | |
| - Nucleus Software Inc., USA (See note 2.36) | 91,306,938 | — |
| r. Insurance claim | | |
| - Nucleus Software Inc., USA | — | 9,004,508 |

| (Amount in `) | | |
|----------------------------------------------------|-------------------------|-------------------------|
| Particulars | As at 31 March, 2016 | As at 31 March, 2015 |
| Outstanding balances as at year end | | |
| a. Trade receivables | | |
| - Nucleus Software Solutions Pte Ltd, Singapore | 9,869,215 | 10,836,958 |
| - Nucleus Software Japan Kabushiki Kaisha, Japan | 16,246,908 | 12,842,666 |
| - Nucleus Software Inc., USA | 3,954,098 | 14,768,406 |
| - Nucleus Software Netherlands B.V., Netherlands | — | 27,425,863 |
| - VirStra i -Technology Services Limited, India | 339,193 | — |
| - Nucleus Software Limited, India | 155,213 | 25,099 |
| - Nucleus Software Australia Pty Ltd. | (171,701) | — |
| | 30,392,927 | 65,898,992 |
| b. Provision for doubtful trade receivables | | |
| - Nucleus Software Netherlands B.V., Netherlands | — | 24,385,600 |
| c. Trade payables | | |
| - Nucleus Software Solutions Pte Ltd, Singapore | 24,763,484 | 1,315,000 |
| - Nucleus Software Japan Kabushiki Kaisha, Japan | 16,350,954 | 6,589,461 |
| - Nucleus Software Australia Pty Ltd. | 13,338,096 | 3,695,263 |
| - Nucleus Software Limited, India | 5,787 | 2,123,067 |
| - Nucleus Software South Africa Pty Ltd | 3,290,290 | — |
| - Nucleus Software Inc., USA | 4,835,092 | 5,507,216 |
| | 62,583,703 | 19,230,007 |
| d. Other current liabilities | | |
| - Nucleus Software Inc., USA (see note 2.36) | — | 91,306,938 |
| e. Loans to subsidiaries | | |
| - Nucleus Software Inc., USA | — | 6,250,000 |
| - Nucleus Software Limited, India | 80,110,221 | 80,110,221 |
| | 80,110,221 | 86,360,221 |

Notes forming part of the financial statements

(Amount in `)

| Particulars | As at 31 March, 2016 | As at 31 March, 2015 |
|---------------------------------------------------------------------------------|-------------------------|-------------------------|
| f. Interest income accrued but not due | | |
| - Nucleus Software Inc., USA | — | 81,938 |
| g. Deferred revenue | | |
| - Nucleus Software Inc., USA | 5,185,002 | 5,168,753 |
| - Nucleus Software Netherlands B.V., Netherlands | 1,276,214 | 1,387,172 |
| | 6,461,216 | 6,555,925 |
| h. Guarantees on behalf of (see note 2.24 C) | | |
| - Nucleus Software Japan Kabushiki Kaisha, Japan | — | 7,784,200 |
| i. Investments in subsidiary companies (net of provision) (see note 2.9) | 158,296,460 | 135,913,240 |
| j. Advance/Prepayment to subsidiaries | | |
| - VirStra i -Technology Services Limited, India | — | 185,540 |
| - Nucleus Software Solutions Pte Ltd, Singapore | 2,099,090 | — |

(Amount in `)

| Particulars | Year ended 31 March, 2016 | Year ended 31 March, 2015 |
|-------------|------------------------------|------------------------------|
|-------------|------------------------------|------------------------------|

2.31 Research and development expenditure

Expenditure on research and development as per Accounting Standard 26

| | | |
|---------|-------------|-------------|
| Revenue | 192,293,170 | 190,208,441 |
|---------|-------------|-------------|

The Company had been accorded initial recognition for the in-house Research and Development (R&D) unit by the Department of Scientific and Industrial Research (DSIR) for its R&D center at Noida effective 31 December, 2012 which was valid till 31 March, 2015. The Company has further received renewal of recognition for its R&D center for three years starting from 1 April, 2015.

2.32 Segment reporting – Basis of preparation

a. Segment accounting policies

The Segment reporting policy complies with the accounting policies adopted for preparation and presentation of financial statements of the Company and is in conformity with Accounting Standard-17 on “Segment Reporting” specified as per Section 133 of the Companies Act, 2013 (“the 2013 Act”) read with Rule 7 of Companies (Accounts) Rules, 2014. The segmentation is based on the Geographies (reportable primary segment) in which the Company operates and internal reporting systems. The secondary segmentation is based on the nature and type of services rendered.

b. Composition of reportable segments

The Company operates in seven main geographical segments: India, Far East, South East Asia, Europe, Middle East, Africa and Australia which individually contribute 10% or more of the Company’s revenue and segment assets.

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

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

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

Notes forming part of the financial statements

Information in respect of primary segment

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

c. For year ended 31 March, 2016

(Amount in `)

| Description | India | Far East | South East Asia | Europe | Middle East | Africa | Australia | Others | Total |
|-----------------------------------|-------------|-------------|-----------------|-------------|-------------|-------------|-------------|------------|--------------------|
| Revenue from operations | 679,168,673 | 256,102,997 | 424,401,504 | 413,833,112 | 568,828,185 | 135,827,540 | 246,154,092 | 57,347,518 | 2,781,663,621 |
| Expenses | 560,614,680 | 157,784,849 | 302,456,710 | 287,021,489 | 275,609,975 | 65,493,026 | 113,570,711 | 47,149,652 | 1,809,701,092 |
| Segment result | 118,553,993 | 98,318,148 | 121,944,794 | 126,811,623 | 293,218,210 | 70,334,514 | 132,583,381 | 10,197,866 | 971,962,529 |
| Unallocated corporate expenditure | | | | | | | | | 951,804,402 |
| Operating profit before taxation | | | | | | | | | 20,158,127 |
| Other income | | | | | | | | | 507,269,554 |
| Profit before taxation | | | | | | | | | 527,427,681 |
| Tax Expense | | | | | | | | | |
| Net current tax expense | | | | | | | | | 89,600,410 |
| Net deferred tax credit | | | | | | | | | (8,745,870) |
| | | | | | | | | | 80,854,540 |
| Profit for the year | | | | | | | | | 446,573,141 |

d. For year ended 31 March, 2015

(Amount in `)

| Description | India | Far East | South East Asia | Europe | Middle East | Africa | Australia | Others | Total |
|-----------------------------------|-------------|-------------|-----------------|-------------|-------------|-------------|-------------|------------|--------------------|
| Revenue from operations | 558,782,557 | 267,365,819 | 411,836,601 | 343,257,589 | 681,177,385 | 197,638,771 | 269,606,764 | 60,691,113 | 2,790,356,599 |
| Expenses | 432,505,826 | 136,944,526 | 235,367,520 | 179,591,263 | 258,046,930 | 71,405,005 | 55,671,950 | 58,365,033 | 1,427,898,053 |
| Segment result | 126,276,731 | 130,421,293 | 176,469,081 | 163,666,326 | 423,130,455 | 126,233,766 | 213,934,814 | 2,326,080 | 1,362,458,546 |
| Unallocated corporate expenditure | | | | | | | | | 859,195,796 |
| Operating profit before taxation | | | | | | | | | 503,262,750 |
| Other income | | | | | | | | | 293,765,949 |
| Profit before taxation | | | | | | | | | 797,028,699 |
| Tax Expense | | | | | | | | | |
| Net current tax expense | | | | | | | | | 137,808,891 |
| Net deferred tax credit | | | | | | | | | 51,772,012 |
| | | | | | | | | | 189,580,903 |
| Profit for the year | | | | | | | | | 607,447,796 |

Assets and liabilities of reportable primary segment are as follows:

a. As at 31 March, 2016

(Amount in `)

| Description | India | Far East | South East Asia | Europe | Middle East | Africa | Australia | Others | Total |
|-----------------------------------|-------------|------------|-----------------|------------|-------------|------------|------------|------------|----------------------|
| Segment assets | 594,930,339 | 69,545,062 | 105,807,950 | 80,754,721 | 143,294,859 | 56,085,800 | 10,202,151 | 31,044,457 | 1,091,665,339 |
| Unallocated corporate assets | | | | | | | | | 4,311,172,713 |
| Total assets | | | | | | | | | 5,402,838,052 |
| Segment liabilities | 342,247,522 | 52,078,395 | 243,832,486 | 78,610,935 | 231,302,592 | 81,151,477 | 43,428,241 | 22,056,308 | 1,094,707,956 |
| Unallocated corporate liabilities | | | | | | | | | 63,280,342 |
| Total liabilities | | | | | | | | | 1,157,988,298 |
| Capital employed | | | | | | | | | 4,244,849,754 |

Notes forming part of the financial statements

b. As at 31 March, 2015

(Amount in `)

| Description | India | Far East | South East Asia | Europe | Middle East | Africa | Australia | Others | Total |
|-----------------------------------|-------------|------------|-----------------|-------------|-------------|-------------|------------|-------------|----------------------|
| Segment assets | 420,490,359 | 35,073,721 | 86,811,568 | 120,250,499 | 207,406,808 | 109,389,750 | 78,332,258 | 31,711,636 | 1,089,466,599 |
| Unallocated corporate assets | | | | | | | | | 4,039,458,955 |
| Total assets | | | | | | | | | 5,128,925,554 |
| Segment liabilities | 171,726,036 | 24,721,381 | 176,882,803 | 65,633,910 | 212,486,800 | 111,889,981 | 20,094,247 | 112,407,194 | 895,842,352 |
| Unallocated corporate liabilities | | | | | | | | | 286,091,585 |
| Total liabilities | | | | | | | | | 1,181,933,937 |
| Capital employed | | | | | | | | | 3,946,991,617 |

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

a. For the year ended 31 March 2016

(Amount in `)

| Description | India | Far East | South East Asia | Europe | Middle East | Africa | Australia | Others | Total |
|-----------------------------------------------------------|-------------------|----------------|------------------|----------------|--------------------|------------------|-----------|----------|--------------------|
| Capital expenditure (unallocated) | | | | | | | | | 54,726,817 |
| Total capital expenditure | | | | | | | | | 54,726,817 |
| Depreciation expenditure (unallocated) | | | | | | | | | 109,147,948 |
| Total depreciation | | | | | | | | | 109,147,948 |
| Segment non-cash expense other than depreciation | 13,920,080 | 373,358 | (209,971) | 275,400 | (2,271,084) | 4,834,753 | — | — | 16,922,536 |
| Total non cash expenditure other than depreciation | 13,920,080 | 373,358 | (209,971) | 275,400 | (2,271,084) | 4,834,753 | — | — | 16,922,536 |

b. For the year ended 31 March 2015

(Amount in `)

| Description | India | Far East | South East Asia | Europe | Middle East | Africa | Australia | Others | Total |
|-----------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------|----------|--------------------|
| Capital expenditure (unallocated) | | | | | | | | | 78,481,412 |
| Total capital expenditure | | | | | | | | | 78,481,412 |
| Depreciation expenditure (unallocated) | | | | | | | | | 106,590,402 |
| Total depreciation | | | | | | | | | 106,590,402 |
| Segment non-cash expense other than depreciation | 5,510,313 | 2,086,675 | 1,201,467 | 2,556,350 | 2,172,405 | 8,058,637 | — | — | 21,585,847 |
| Total non cash expenditure other than depreciation | 5,510,313 | 2,086,675 | 1,201,467 | 2,556,350 | 2,172,405 | 8,058,637 | — | — | 21,585,847 |

Information in respect of secondary segment

Information for business segments

(Amount in `)

| Description | Products | Software projects and services | Total |
|---------------------------------------------|---------------|--------------------------------|---------------|
| a. For the year ended 31 March, 2016 | | | |
| Revenue | 2,555,487,634 | 226,175,987 | 2,781,663,621 |
| Carrying amount of segment assets | 1,002,902,455 | 88,762,884 | 1,091,665,339 |
| b. For the year ended 31 March, 2015 | | | |
| Revenue | 2,478,066,159 | 312,290,440 | 2,790,356,599 |
| Carrying amount of segment assets | 967,535,945 | 121,930,654 | 1,089,466,599 |

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

Notes forming part of the financial statements

2.33 Employee Benefit Obligations

Defined contribution plans

An amount of ` 75,942,046 for the year ended 31 March, 2016 (Year ended 31 March, 2015 ` 68,862,235), have been recognized as an expense in respect of Company's contribution for Provident Fund and ` 118,035 (Year ended 31 March, 2015 ` 50,172) for Employee State Insurance Fund deposited with the government authorities and has been shown under employee benefit expenses in the Statement of Profit and Loss.

Defined benefit plans

The Gratuity scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service or part thereof in excess of 6 months subject to a maximum limit of ` 1,000,000 in terms of the provisions of the Payment of Gratuity Act, 1972. Vesting occurs upon completion of 5 years of service.

Provision in respect of gratuity and compensated absence has been determined using the Projected Unit Credit method, with actuarial valuations being carried out at the balance sheet date.

The Company had made contributions to Nucleus Software Export Limited Employees Group Gratuity Assurance Scheme, which has made further contributions to Employees Group Gratuity Scheme of Life Insurance Corporation of India.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation as on 31 March, 2016 :

| (Amount in `) | | |
|-------------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Particulars | As at 31 March, 2016 | As at 31 March, 2015 |
| a. Change in defined benefit obligations (DBO) | | |
| Obligation at beginning of the year | 122,248,328 | 101,331,144 |
| Current service cost | 18,382,179 | 15,068,104 |
| Interest cost | 9,956,441 | 9,245,148 |
| Actuarial losses/(gains) | 8,474,080 | 5,490,743 |
| Benefits paid | (18,085,090) | (8,886,811) |
| Obligation at year end | 140,975,938 | 122,248,328 |
| b. Change in plan assets | | |
| Plan Assets at year beginning, at fair value | 119,678,080 | - |
| Expected return on asset plan | 9,206,276 | - |
| Contributions by employer | 18,001,217 | 125,109,348 |
| Actuarial (losses)/gains | 1,188,995 | 3,455,543 |
| Benefits paid | (18,085,090) | (8,886,811) |
| Plan assets at year end, at fair value | 129,989,478 | 119,678,080 |
| c. Net asset / (liability) recognised in the Balance Sheet | | |
| Present value of defined benefit obligation | 140,975,938 | 122,248,328 |
| Fair value of plan assets | 129,989,478 | 119,678,080 |
| Funded status- Surplus/ (Deficit) | (10,986,460) | (2,570,248) |
| Unrecognised past service costs | - | - |
| Net liability recognised in the Balance Sheet | (10,986,460) | (2,570,248) |
| d. Expected employer's contribution next year | 20,000,000 | 20,000,000 |
| e. Gratuity cost for the year: | | (Amount in `) |
| Particulars | Year ended 31 March, 2016 | Year ended 31 March, 2015 |
| Current service cost | 18,382,179 | 15,068,104 |
| Interest cost | 9,956,441 | 9,245,148 |
| Expected return on asset plan | (9,206,276) | - |
| Actuarial losses/(gains) | 7,285,084 | 2,035,200 |
| Net gratuity cost | 26,417,428 | 26,348,452 |

Notes forming part of the financial statements

f. Experience adjustment (Amount in `)

| Particulars | Year ended 31 March, 2012 | Year ended 31 March, 2013 | Year ended 31 March, 2014 | Year ended 31 March, 2015 | Year ended 31 March, 2016 |
|-------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Defined benefit obligation | 83,557,616 | 91,032,223 | 101,331,144 | 122,248,328 | 140,975,938 |
| Plan assets | — | — | — | 119,678,080 | 129,989,478 |
| Surplus/(Deficit) | (83,557,616) | (91,032,223) | (101,331,144) | (2,570,248) | (10,986,460) |
| Experience adjustment on plan liabilities | (1,340,985) | (2,781,491) | 3,407,556 | 110,250 | 6,196,728 |
| Experience adjustment on plan assets | — | — | — | 3,455,543 | 1,188,995 |

g. Economic assumptions :

| | Actuarial assumptions for gratuity and long-term compensated absences | |
|--------------------------------|-----------------------------------------------------------------------|-------------------------|
| | As at 31 March, 2016 | As at 31 March, 2015 |
| Discount rate | 7.55% | 7.90% |
| Salary escalation rate | 8.00% | 8.00% |
| Expected return on plan assets | 8.00% | 8.00% |

Discount rate:

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

Salary escalation rate:

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

Expected return on plan assets:

The expected rate of return on plan assets is determined after considering several applicable factors such as the composition of the plan assets, investment strategy, market scenario, etc.

h. Demographic assumptions

| | | |
|-----------------|--------------------------|--------------------------|
| Retirement age | 58 years | 58 years |
| Mortality table | IALM Mortality (2006-08) | IALM Mortality (2006-08) |

i. Withdrawal rates

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

j. Category of asset

| | | |
|-----------------------|-------------|-------------|
| Insurer Managed Funds | 129,989,478 | 119,678,080 |
|-----------------------|-------------|-------------|

2.34 Forward contract and option in foreign currency

| a. Forward contract outstanding | Buy/Sell | As at 31 March, 2016 | As at 31 March, 2015 |
|---------------------------------|----------|-------------------------|-------------------------|
| In USD | Sell | 5,875,000 | 9,090,236 |
| Equivalent amount in Rupees | Sell | 389,277,500 | 568,139,750 |

b. Short term loans & advances includes net marked to market gain of ` 31,200 (Previous year ended 31 March, 2015, gain: ` 6,452,581) relating to forward contracts which are outstanding as at year end. The gain on such forward contracts which are designated as effective, aggregating to ` 2,386,600 (Previous year ended 31 March 2015 : gain of ` 6,487,284) have been credited to Hedging Reserve. The loss on ineffective contracts aggregating to ` 2,355,400 (Previous year ended 31 March 2015, loss: ` 34,703) has been debited to Statement of Profit and Loss.

Notes forming part of the financial statements

- c. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

| Currency | As at 31 March, 2016 | | As at 31 March, 2015 | |
|-------------------|----------------------------|------------------|----------------------------|------------------|
| | Amount in foreign currency | Amount in Rupees | Amount in foreign currency | Amount in Rupees |
| Receivable | | | | |
| USD | 5,906,413 | 391,329,381 | 8,477,510 | 529,844,361 |
| EURO | 292,572 | 21,767,343 | 380,144 | 25,431,633 |
| MYR | 171,875 | 2,916,718 | 1,446,657 | 24,448,504 |
| SGD | 59,610 | 2,936,985 | – | – |
| JPY | 34,220,783 | 20,185,129 | 27,783,773 | 14,470,622 |
| ZAR | 5,893,060 | 26,518,768 | 528,670 | 2,712,078 |
| AED | 1,073,169 | 19,357,277 | 2,567,309 | 43,695,599 |
| CHF | 3,530 | 243,529 | 180 | 11,540 |
| GBP | 171,981 | 16,419,030 | – | – |
| AUD | 253,123 | 12,904,230 | 1,612,718 | 76,604,125 |
| Payable | | | | |
| USD | 10,365,306 | 686,753,319 | 8,773,891 | 548,368,168 |
| EURO | 272,199 | 20,251,635 | 242,120 | 16,197,801 |
| MYR | 611,085 | 10,370,105 | 831,912 | 14,059,312 |
| GBP | 91,463 | 8,731,985 | 49,336 | 4,560,085 |
| SGD | 462,588 | 22,789,390 | 12,330 | 562,495 |
| CHF | 17,427 | 1,202,135 | 9,884 | 634,521 |
| AED | 328,342 | 5,922,469 | 1,071,468 | 18,236,380 |
| ZAR | 4,830,187 | 21,735,842 | 3,838,385 | 19,690,917 |
| JPY | 30,494,984 | 17,987,466 | 4,685,308 | 2,440,249 |
| SEK | 62,844 | 513,593 | – | – |
| AUD | 738,974 | 37,672,889 | 140,690 | 6,682,783 |

2.35 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS (Unaudited)

| Particulars | (Amount in `) | |
|---------------------------------------------|---------------------------|---------------------------|
| | Year ended 31 March, 2016 | Year ended 31 March, 2015 |
| Income from software services and products | 2,781,663,621 | 2,790,356,599 |
| Software development expenses | 1,752,502,266 | 1,567,505,414 |
| Gross Profit | 1,029,161,355 | 1,222,851,185 |
| Selling and marketing expenses | 554,622,106 | 315,636,158 |
| General and administration expenses | 345,233,174 | 297,361,875 |
| Operating profit before depreciation | 129,306,075 | 609,853,152 |
| Depreciation and amortisation expense | 109,147,948 | 106,590,402 |
| Operating profit after depreciation | 20,158,127 | 503,262,750 |
| Other income | 507,269,554 | 293,765,949 |
| Profit before tax | 527,427,681 | 797,028,699 |
| Tax expense: | | |
| Net current tax expense | 89,600,410 | 137,808,891 |
| Deferred tax (credit) /charge | (8,745,870) | 51,772,013 |
| | 80,854,540 | 189,580,903 |
| Profit for the year | 446,573,141 | 607,447,796 |

Notes forming part of the financial statements

2.36 Other current liabilities includes ` Nil (as at 31 March, 2015 ` 91,306,938) received by the Company during previous year ended 31 March, 2015 against insurance claim filed on behalf of one of its overseas subsidiary company towards claim settlement with its customer and expenses incurred in this regard by the subsidiary Company. During the current year, the Company has reimbursed the same to its overseas subsidiary company.

2.37 TRANSFER PRICING

The Company has established a comprehensive system of maintenance of information and documents as required by transfer pricing legislation under section 92D for its international transactions and specified domestic transactions. The Company will further update above information and records and expects these to be in existence latest by due date of the filing of return, as required under law. The management is of the opinion that all above transactions are at arm's length so that aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

2.38 During the year ended 31 March, 2016 as per provision of Income-tax Act, 1961, the Company has taken credit of corporate dividend tax aggregating ` 17,304,300 (Year ended 31 March, 2015 ` Nil) on account of tax paid on dividend received from one of its subsidiaries.

2.39 EXPENDITURE ON CORPORATE SOCIAL RESPONSIBILITY

(Amount in `)

| Particulars | Year ended 31 March, 2016 | Year ended 31 March, 2015 |
|--------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Gross amount required to be spent by Company during the year ended 31 March, 2016/ 31 March, 2015 : | 13,904,433 | 11,853,562 |
| Amount spent during the year on purposes other than Construction/acquisition of any asset | 12,030,000 | 7,050,000 |
| Details of related party transactions: | | |
| Nucleus Software Foundation (See note 2.30) | 12,030,000 | 7,050,000 |

2.40 On March 17, 2016, the Company has acquired 96% stake in Avon Mobility Solutions Pvt. Ltd. ('Avon'), a Mobile Technology Solutions provider for a purchase consideration of ` 19,200,720. The Company has also taken over Avon's net liabilities aggregating to ` 12,504,061. Further, the Company has an option to acquire the remaining 4% shares of Avon as per terms and conditions of share purchase agreement executed with the shareholders of Avon. Subsequent to year end, the Company has further subscribed 1,750,000 11% redeemable preference shares of face value of ` 10 per share, for a minimum tenor of 5 years and maximum tenor of 20 years.

2.41 Previous year figures have been regrouped/ reclassified wherever necessary to correspond with the current year classification/ disclosure.

Place : Noida
Date : 04 May, 2016

For and on behalf of the Board of Directors

NUCLEUS SOFTWARE EXPORTS LIMITED

Sd/-

JANKI BALLABH

Chairman

Sd/-

VISHNU R DUSAD

Managing Director &
Chief Executive Officer

Sd/-

ASHISH NANDA

Chief Financial Officer

Sd/-

POONAM BHASIN

AVP (Secretarial) &
Company Secretary

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

Forming Part of the Consolidated Financial Statements for the year ended March 31, 2016

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

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

The consolidated financial statements are prepared under the historical cost convention on the accrual basis, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") and mandatory accounting standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 ("2013 Act"), as applicable and guidelines issued by the Securities and Exchange Board of India ("SEBI"). Accounting policies have been consistently applied except where a newly issued accounting standard, if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

Nucleus Software Exports Limited (Consolidated) includes the parent Company, Nucleus Software Exports Ltd. (the Company) and its subsidiaries and branches worldwide, collectively referred to as Group.

Overview

The Company was incorporated on January 9, 1989 as Nucleus Software Exports Private Limited with its registered office at 33-35 Thyagraj Market, New Delhi, INDIA. Subsequently in October 1994, it was converted into a Public Limited Company. In August 1995, Nucleus made an Initial Public Offer and is currently listed at National Stock Exchange of India Ltd., and BSE Ltd.

Nucleus Software is the leading provider of mission critical lending and transaction banking products to the global financial services industry. Its software powers the operations of more than 150 customers in 50 countries, supporting retail banking, corporate banking, cash management, internet banking, automotive finance and other business areas.

Nucleus Software is known for its world-class expertise and innovation in lending and transaction banking technology. We have inter-alia, two flagship products, built on the latest technology:

- FinnOne™, 10 time winner - World's Best Selling Lending Solution.
- FinnAxia™, an integrated global transaction banking solution used by banks worldwide to offer efficient and Innovative global payments and receivables, liquidity management and business internet banking services.

In this year we have continued to enhance our solutions to take advantage of market trends, such as increasing digitizing of financial services. Our flagship product FinnOne Neo™ was launched on cloud and is already a success in the domestic market. By providing FinnOne Neo™ on cloud, we are making one of the best lending

software more affordable, quickly deployable and scalable as per our customers' business requirements.

We also launched the Lending Analytics product. With cutting edge statistical and data analysis capabilities, Nucleus Software's Lending Analytics is a powerful and user-friendly solution enabling informed decision making through data visualization and business insight generation. The solution uses sophisticated predictive scoring models to allow various financial institution stakeholders to create scorecards that span the entire loan management life cycle.

We also unveiled a new mobility product module, mApply, as part of the FinnOne Neo™ mobility suite. This mobility app is meant for end customers / prospects who can apply for a loan, track the status, check offers from the comfort of their home or office, or even when they are on the move. The product is a key offering helping Banks to digitize their loan sourcing business process.

During the year we launched, PaySe™, the world's first offline digital cash solution designed and created with the aim to democratize money. Along with PaySe™, we introduced PURSE™, a mobile to carry money, and PalmATM™ a bank teller application to democratize money.

PaySe™ utilizes the latest advances in mobility, big data, open source and crypto currency (primarily tokenization) to deliver the world's first secure offline peer to peer payment solution. PaySe™ helps to reduce and offset the costs associated with cash by replacing physical cash notes with digital currency. With fewer notes in circulation, the cost of storing, transporting and processing cash will reduce dramatically. This will also increase the velocity of money.

PaySe™ helps address the access challenges faced by banks, micro finance institutions (MFIs) and non-banking finance companies (NBFCs) by making basic banking services accessible to the unbanked such as direct debit transfers (DBT), micro pension, saving deposits, loans, recurring deposits etc. while delivering financial services.

Over the years, our committed professionals have provided solutions par excellence and with the experience and skills, we have been able to create a global footprint of Customers and partners across multiple continents with multi-product, multi-service, multi-currency and multi-lingual implementations, leading to worldwide acceptability and customer satisfaction.

Nucleus operates through integrated and well-networked subsidiaries in India, Japan, Netherlands, Singapore, USA, Australia and South Africa. Since 1995, product development has been our forte and the Company has chosen to exclusively develop products and further add value through dedicated Research and Development initiatives.

Strengths

The Group's business broadly consists of Development and Marketing of Software Products and Software Services for business entities in the Banking and Financial Services (BFS) vertical. With a single point focus on the banking and financial industry, the Group's focus on product development is to build products on latest architecture & technology stack, with products that have advanced feature & functionalities to support growing need of business. We are

Management's Discussion and Analysis

performing today to deliver top-tier performance, while investing to ensure that our performance levels can be sustained in the long term. We have stepped up our investments in brand building, R&D, sales and our people. All of this coupled with differentiated products' help us drive sales and ultimately bring in customer satisfaction. The definitive goal is to touch and improve lives of more and more people across the world by equipping Banks with superior technology products for managing lending operations.

The Group is on a transformation journey which has continued through FY 2016. Building on our strong product innovation and R&D capabilities, we executed strategic initiatives for new products, sales and market development and people to help drive transformation and continue the momentum of growth. This endeavor demonstrates our passion for perfection and relentless commitment to deliver world class products to our customers. In this journey, we have been honoured and feel grateful for having received various accolades, listed elsewhere in this annual report.

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

FinnOne™, the flagship product of Nucleus, is an integrated lending software suite designed to support part or all of the end-to-end lending process of banks, finance companies, captive auto finance companies and retail businesses.

The suite offers the following line of products which can be used as independent modules or together to form a single suite:

- The **Customer Acquisition System (CAS)** automates and manages the complete origination process flow of retail loans, corporate loans and credit card applications. It allows user organisations to automate large parts of the origination process and achieve a faster decision for the customer. A key benefit of FinnOne is the ability to introduce products very rapidly into the market to take advantage of opportunities or counteract competitive threats.
- The **Loan Management System (LMS)** focuses on loan servicing, enabling an organisation to automate the process to a high level. It is the backbone of all customer servicing activities during the lifecycle of the loan.
- The **Collections Management System** focuses on the tracking and management of delinquent customers. The system helps to collections agents to be highly focused, for example by queuing up delinquent agreements cases based on severity of client risk profiles. Collectors are provided with a periodical work-list and contact recording facilities. The system also facilitates escalation of agreement to effectively monitor and administer the agreements.
- **Islamic Financing** is an offering comprising of CAS and LMS modules designed as per Islamic/Shariah rules. It is designed with function specific modules, managing the complete finance cycle starting from origination till after sales transactions.
- **Finance Against Securities (FAS)** is a comprehensive solution that establishes credit lines to individuals and corporate against the pledging of financial securities like shares, mutual funds and bonds. The objective of the product is to value the collateral security provided by the customer and determine the credit limits that may be granted to a customer. As the market value of the security offered is volatile in nature, the system conducts valuation at regular intervals.

- **Lending Analytics** is a new product that helps financial institutions to unleash the power of analytics. The solution focuses on the four key tenets of efficient end-to-end loan lifecycle management viz. Improved Acquisition, Faster Customer On-boarding, Comprehensive Loan Servicing and Efficient Delinquency Management. The product has an intuitive GUI for quick insight generation through interactive visualizations. It is easy to build and validate scoring models. Overall, Lending Analytics is a rightly shaped product that gives lending business the much needed analytical edge to make data driven decisions seamlessly throughout the lending value chain.

FinnOne Neo™, launched in 2014, is a brand new lending software suite based on many of the principles of FinnOne™ but developed from the ground up using new Java technology and a services oriented architecture (SOA). Neo is designed to excel both as an on-premise and a cloud based solution. The Neo Cloud solution is a giant step towards further digitizing our offerings and is already a success in the domestic market.

FinnAxia™ is an integrated global transaction banking solution built on latest Java J2EE technology and Service Oriented Architecture (SOA) platform. With this product suite, banks can breakdown traditional product silos, launch personalized products/services over multiple channels and create winning corporate customer propositions.

The key product components of FinnAxia™:

- **Global Receivables** enables banks to provide comprehensive accounts receivable solutions to corporate customers, across currencies, transaction types and jurisdictions.
- **Global Payments** enables banks to manage the payments process of their customers, including initiation, processing, authorisation matrices, A/P reporting, advising & alerts along with payments reconciliation for their corporate customers.
- **Global Liquidity Management** gives banks the power to manage the cash positions of their corporate customers on an international basis resulting in better utilisation of available funds and reduced interest costs through short-term bank borrowings. It helps the banks setup and manage complex cash concentration and pooling structures for automated fund movements and consolidation within the group. Global Liquidity Management automates all transactions, interest & tax calculations and manages a registry of intercompany lending/borrowing history and limits for the corporate entity.
- **Financial Supply Chain Management** offers an integrated way of managing invoice presentation and transaction processing across a corporate's supply chain, covering its suppliers and dealers. It aims to optimize working capital, automate operations, eliminate paper and manual processing and bring about operational efficiency in the supply chain management workflows.

Mobility Solutions: The **FinnOne™ Mobility suite** is a portfolio of mobile solutions aimed at digitizing various lending business processes – Loan origination by field staff (mCAS), Loan origination by prospect customers (mApply), Loan self-servicing (mServe), & Field collection management (mCollect). The suite offers functional areas for use by end customers and by staff of banks and finance companies. Mobility solutions are also available for FinnAxia™ customers.

Management's Discussion and Analysis

FINANCIAL PERFORMANCE

Consolidated financial statements have been prepared in accordance with the principles and procedures for the preparation and presentation as laid down under Accounting Standard 21 on "Consolidated Financial Statements" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 ("2013 Act"), as applicable.

The Company has nine subsidiary companies, all of which are wholly-owned subsidiaries except Avon Mobility Solutions Pvt. Ltd., in which the company acquired 96% stake during the year. The Company discloses stand-alone audited financial results on a quarterly and

annual basis, consolidated un-audited financial results on a quarterly basis and consolidated audited financial results on an annual basis. The financial results of the Company have been discussed in this report in two parts:

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

The consolidated financial results are as below:

(` in crore)

| For the Year Ended March 31, | 2016 | % of Revenue | 2015 | % of Revenue | Growth (%) |
|---------------------------------------------------------|---------------|---------------|---------------|---------------|----------------|
| Revenue From Operations | 348.70 | 100.00 | 353.14 | 100.00 | (1.26) |
| Expenses | | | | | |
| a) Employee benefit expense | 226.84 | 65.05 | 201.44 | 57.04 | 12.61 |
| b) Travel expense | 20.99 | 6.02 | 20.01 | 5.67 | 4.90 |
| c) Finance costs (Bank charges) | 0.62 | 0.18 | 0.54 | 0.15 | 14.81 |
| d) Other expenses | 70.06 | 20.09 | 65.84 | 18.64 | 6.41 |
| Total Expenses | 318.51 | 91.34 | 287.83 | 81.51 | 10.66 |
| Operating Profit (EBITDA) | 30.19 | 8.66 | 65.31 | 18.49 | (53.77) |
| Depreciation | 12.22 | 3.50 | 11.97 | 3.39 | 2.09 |
| Operating Profit after Interest and Depreciation | 17.97 | 5.15 | 53.34 | 15.10 | (66.31) |
| Other Income | 25.08 | 7.19 | 31.64 | 8.96 | (20.73) |
| Foreign Exchange Gain/ (Loss) | 0.83 | 0.24 | 1.67 | 0.47 | (50.30) |
| Profit Before Tax | 43.88 | 12.58 | 86.65 | 24.54 | (49.36) |
| Taxation | 11.41 | 3.27 | 21.94 | 6.21 | (47.99) |
| Profit After Tax | 32.47 | 9.31 | 64.71 | 18.32 | (49.82) |

Revenue from Operations

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

During the year, revenue from operations is ` 348.70 crore, as compared to ` 353.14 crore for the previous year.

Revenue from Products

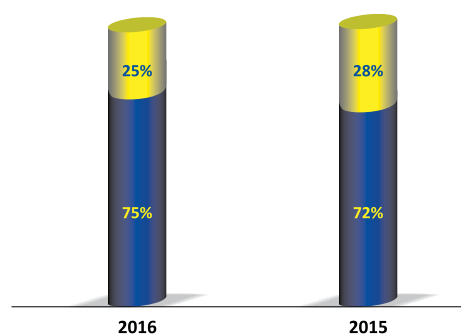
We are a Product Company and derive most of our revenues from Products and related services. Categorized under revenue from "Products", it comprises of license fee, revenue from customization and implementation of products and postproduction maintenance support. Product revenue for the year is ` 261.69 crore, 75.05% of the total revenue, against ` 255.62 crore, 72.38% of total revenue, in the previous year.

Revenue from Projects and Services

Software services rendered by the Company, classified under this segment, typically consist of development of software to meet specific customer requirements. These services consist of application development & maintenance, testing, consulting and infrastructure management services with a strong banking domain focus. Revenue from Software projects and services revenue for the year is ` 87.01 crore, 24.95% of the total revenue, against ` 97.52 crore, 27.62% of the total revenue in the previous year.

Revenue from Business Segments

■ Products ■ Projects & Services

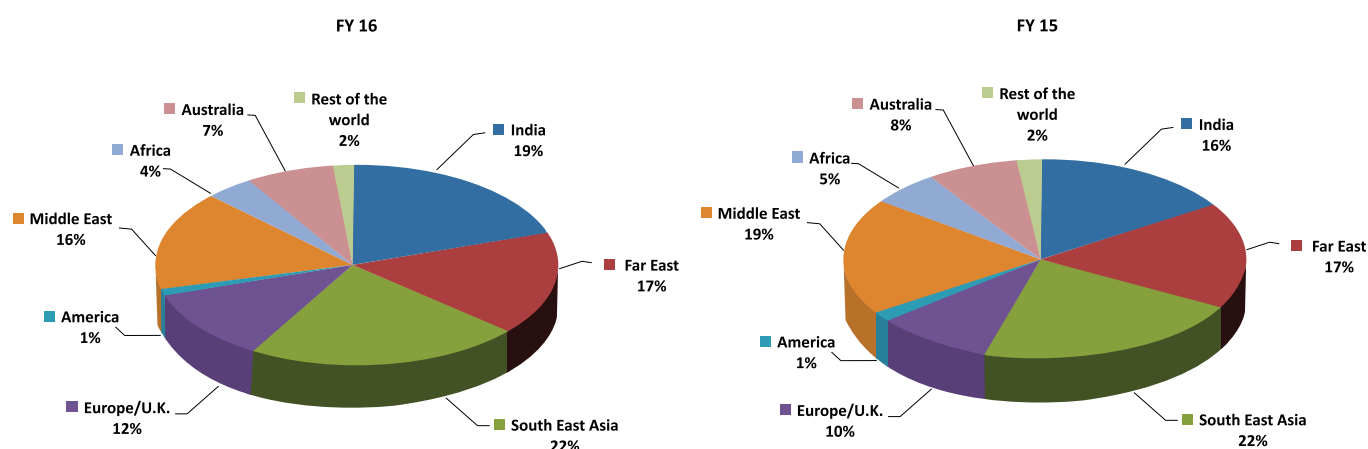


Management's Discussion and Analysis

Revenue from Various Geographies

Your Group's parent Company is incorporated in India, and caters to customers situated all across the globe, and hence significant part of the revenue is derived from international sales. For the year, around 81% of revenue was derived from overseas. The graph below presents a geography-wise distribution for the year as well as the previous year.

Revenue from Various Geographies



EXPENSES

Employee Benefit Expense

Employee benefit expenses include salaries paid to employees globally which have fixed, variable and incentives components; provision for retirement benefits, contribution to provident fund and expense on staff welfare activities. The employee benefit expenses have increased by 12.61% to ₹ 226.84 crore, 65.05% of revenue against ₹ 201.44 crore, 57.04% of revenue in the previous year. The increase is primarily due to increase in employee compensation and increased hiring at overseas locations.

| (₹ in crore) | | | | | |
|-------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| For the Year Ended March 31, | 2016 | % of Revenue | 2015 | % of Revenue | Growth (%) |
| Salaries | 209.00 | 59.94 | 185.44 | 52.51 | 12.70 |
| Contribution to provident and other funds | 10.10 | 2.90 | 9.18 | 2.60 | 10.02 |
| Gratuity expense | 2.85 | 0.82 | 2.80 | 0.79 | 1.79 |
| Staff welfare | 4.89 | 1.40 | 4.02 | 1.14 | 21.64 |
| Total Employee Benefit Expenses | 226.84 | 65.05 | 201.44 | 57.04 | 12.61 |
| Revenue | 348.70 | 100.00 | 353.14 | 100.00 | (1.26) |

Operating and Other Expenses

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

Management's Discussion and Analysis

Operating and other expenses at ₹ 91.67 crore, 26.29% of revenue for the year, increased by 6.11% in comparison to ₹ 86.39 crore, 24.46% of revenue in the previous financial year.

(₹ in crore)

| For the Year Ended March 31, | 2016 | % of Revenue | 2015 | % of Revenue | Growth (%) |
|------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Software and other development charges | 7.78 | 2.23 | 5.82 | 1.65 | 33.68 |
| Travelling | 20.99 | 6.02 | 20.01 | 5.67 | 4.90 |
| Cost of software purchased for delivery to clients | 2.07 | 0.59 | 3.79 | 1.07 | (45.38) |
| Power and fuel | 4.66 | 1.34 | 4.68 | 1.33 | (0.43) |
| Rent | 9.87 | 2.83 | 9.63 | 2.73 | 2.49 |
| Rates & Taxes | 0.55 | 0.16 | 0.37 | 0.10 | 48.65 |
| Repair and maintenance | 3.75 | 1.08 | 3.22 | 0.91 | 16.46 |
| Legal and professional | 10.92 | 3.13 | 9.52 | 2.70 | 14.71 |
| Conveyance | 2.19 | 0.63 | 2.31 | 0.65 | (5.19) |
| Communication | 2.98 | 0.85 | 2.75 | 0.78 | 8.36 |
| Information technology expenses | 4.33 | 1.24 | 4.01 | 1.14 | 7.98 |
| Provision for doubtful debts/advances/other current assets | 1.69 | 0.48 | 1.99 | 0.56 | (15.08) |
| Commission to channel partners | 0.67 | 0.19 | 1.92 | 0.54 | (65.10) |
| Training and recruitment | 3.39 | 0.97 | 4.11 | 1.16 | (17.52) |
| Conference, exhibition and seminar | 4.10 | 1.18 | 2.01 | 0.57 | 103.98 |
| Advertisement and business promotion | 2.45 | 0.70 | 2.91 | 0.82 | (15.81) |
| Insurance | 0.99 | 0.28 | 1.13 | 0.32 | (12.39) |
| Finance Cost (Bank Charges) | 0.62 | 0.18 | 0.54 | 0.15 | 14.81 |
| Miscellaneous expenses | 6.47 | 1.86 | 4.96 | 1.40 | 30.44 |
| Contribution to CSR Activities | 1.20 | 0.34 | 0.71 | 0.20 | 69.01 |
| Total Operating and Other Expenses | 91.67 | 26.29 | 86.39 | 24.46 | 6.11 |
| Revenue | 348.70 | 100.00 | 353.14 | 100.00 | (1.26) |

The increase in Operating and other expense for FY 2016 from FY 2015 is primarily due to increase in Conference, Exhibitions and seminars and Software and other development charges.

The company has set up Nucleus software Foundation, a trust for the purpose of undertaking CSR activities of the company. During the year, the Company contributed ₹ 1.20 crore towards CSR activities to the Foundation. The details of CSR initiatives undertaken by the Foundation has been provided in a separate section in the Annual Report.

Operating Profit (EBITDA)

Operating Profit at ₹ 30.19 crore, 8.66% of revenue against ₹ 65.31 crore, 18.49% of revenue in the previous year.

Depreciation

Depreciation on fixed assets was ₹ 12.22 crore, 3.50% of revenue for the year, against ₹ 11.97 crore, 3.39% of revenue in the previous year. It has increased primarily due to depreciation, on hardware/software additions of ₹ 4.67 crore during the year.

Other Income

Other Income represents income received in the form of dividends from current investments, interest on fixed deposits and bonds and capital gains on the sale of current investments.

(₹ in crore)

| For the Year Ended March 31, | 2016 | 2015 |
|---------------------------------------------|--------------|--------------|
| On Investments | | |
| Capital Gain- Mutual Funds | 0.30 | 9.45 |
| Dividend on investment in Mutual fund units | 5.73 | 5.03 |
| Interest on fixed deposits | 11.78 | 8.87 |
| Interest on non-trade investments | 4.66 | 2.94 |
| Provisions written back | 1.56 | 3.30 |
| Others | 1.05 | 2.05 |
| Total | 25.08 | 31.64 |

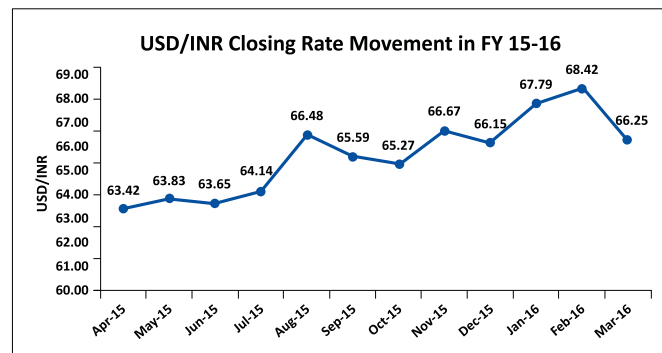
Other income for the year is ₹ 25.08 crore, against ₹ 31.64 crore in the previous year.

Management's Discussion and Analysis

Foreign Exchange Gain / (Loss)

Foreign Exchange Gain (Loss) includes gain (loss) from translation of current assets and liabilities at quarter end rates, those arising from realization/payments of receivables/payables. During the year, the Company had a foreign exchange gain of ` 0.83 crore against ` 1.67 crore in the previous year.

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



Source: Mecklai Financial

The Indian Rupee varied from a high of ` 62.11 to the Dollar in April 2015 to a low of ` 68.79 in February 2016 and overall lost 6 % against the US Dollar on a March end to March end comparison.

The Company follows a well-defined policy of hedging close to receivables through Forward Contracts which are designated as Highly Probable forecast transactions. The Company has a conservative approach and does not speculate in foreign currency markets. Forwards are held to maturity and regular reporting and monitoring systems are in place including quarterly updates to the Audit Committee. In terms of foreign currency hedges, we had on March 31, 2016, 6.47 million US dollars of forward contracts at an average rate of 68.92, designated as highly probable forecast transactions. There is a mark-to-market gain of ` 0.33 crore reflected in the hedging reserve in balance sheet. Currency-wise revenues for the year along with a comparison for the previous years are as follows:

| | (In %) | |
|------------------------------|--------|------|
| For the Year Ended March 31, | 2016 | 2015 |
| USD | 45% | 48% |
| INR | 19% | 16% |
| SGD | 10% | 10% |
| AUD | 7% | 8% |
| JPY | 7% | 7% |
| EUR | 5% | 3% |
| AED | 4% | 6% |
| MYR | 1% | 1% |
| ZAR | 1% | 1% |
| GBP | 1% | 0% |

Taxation

It represents provision for corporate & income taxes determined in accordance with tax laws applicable in countries where the Company and subsidiaries operate.

| | (` in crore) | |
|-----------------------------------------------|--------------|--------------|
| For the Year Ended March 31, | 2016 | 2015 |
| - Withholding taxes charged off | 3.47 | 0.54 |
| - Current Tax (Net of MAT credit entitlement) | 8.17 | 16.57 |
| - Deferred Tax Credit (net) | (0.78) | 5.43 |
| Earlier Year Tax | 0.55 | (0.60) |
| Total | 11.41 | 21.94 |

Total effective tax for the year is 26.00% of Profit Before Tax, in comparison to 25.32% of Profit Before Tax for the previous year. Expenditure of the Company's R & D centre in Noida which is duly recognized by the Department of Scientific and Industrial Research (DSIR), is entitled to weighted tax deduction in accordance with section 35(2 AB) of the Income Tax Act, 1961.

Profit After Tax

Our profit after tax for the year is ` 32.47 crore, 9.31% of revenue, against ` 64.71 crore, 18.32% of revenue, previous year.

This age of competition necessitates overall revenue growth, earned in an optimal cost environment. We remain committed to achieving higher productivity and generate better margins. Our sales and marketing efforts are focused on increasing our customer base and hence the market share, which would ultimately yield better realizations. Emerging markets across the world will continue to provide stability and growth would be led by larger engagements and value offerings.

Share Capital

Share Capital of the Company consists of Equity Share Capital. The paid-up share capital as on March 31, 2016 is 32,383,724 equity shares of ` 10 each similar to the paid-up share capital as on March 31, 2015.

Subsidiaries

The Company has nine subsidiary companies, all over the world, all of which are wholly-owned except Avon Mobility Solutions Pvt. Ltd. The Company acquired 96% stake in Avon Mobility Solutions Pvt. Ltd., a Mobile Technology Solutions provider for a purchase consideration of ` 1.92 crore during the year. Paid-up Share Capital of the Subsidiaries as on March 31, 2016 is as per the below table.

Management's Discussion and Analysis

| Name of Subsidiary Company | Currency | As at March 31, 2016 | | As at March 31, 2015 | |
|--------------------------------------------------------------------------------------------|----------|----------------------|------------------------|----------------------|------------------------|
| | | 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 \$1 each. | SGD | 6,25,000 | 1.63 | 6,25,000 | 1.63 |
| Nucleus Software Inc., USA. 1,000,000 shares of US\$ 0.35 cents each. | USD | 3,50,000 | 1.63 | 3,50,000 | 1.63 |
| Nucleus Software Japan Kabushiki Kaisha, Japan. 200 equity shares of JPY 50,000 each. | JPY | 1,00,00,000 | 0.41 | 1,00,00,000 | 0.41 |
| Virstra i-Technology Services Ltd., India. 1,000,000 equity shares of ` 10 each. | INR | – | 1.00 | – | 1.00 |
| Nucleus Software Netherlands B.V., Netherlands. 7500(4000) equity shares of Euro 100 each. | Euro | 7,50,000 | 4.89 | 4,00,000 | 2.42 |
| Nucleus Software Limited, India. 10,000,000 equity shares of ` 10/- each. | INR | – | 10.00 | – | 10.00 |
| Nucleus Software Australia Pty. Ltd. 100,000 Equity share of 1 AUD each. | AUD | 1,00,000 | 0.55 | 1,00,000 | 0.55 |
| Nucleus Software South Africa (Pty.) Limited. 10 Equity shares of ZAR 61,200 each. | ZAR | 6,12,000 | 0.32 | – | – |
| Avon Mobility Solutions Pvt Ltd. 10,666 equity shares of ` 10 each. | INR | – | 1.92 | – | – |

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

Reserves and Surplus

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

| | (` in crore) | | |
|--------------------------------------|-------------------------------------|----------------------------------------|--------------------------------------|
| | Opening Balance as on April 1, 2015 | Additions/ (Deletions) during the year | Closing Balance as on March 31, 2016 |
| General Reserve | 88.88 | – | 88.88 |
| Securities Premium | 2.19 | – | 2.19 |
| Capital Reserve | 0.89 | – | 0.89 |
| Foreign Currency Translation Reserve | 8.96 | 2.62 | 11.58 |
| Hedging Reserve | 0.69 | (0.36) | 0.33 |
| Profit and Loss Account Balance | 304.37 | 16.27 | 320.64 |
| Total | 405.98 | 18.53 | 424.51 |

Fixed Assets

As at March 31, 2016, gross block of fixed assets including investment

in technology assets is ` 149.92 crore against ` 144.34 crore as on March 31, 2015.

| | (` in crore) | | |
|--------------------------------|---------------|---------------|----------------|
| As at March 31, | 2016 | 2015 | Inc/Dec (%) |
| Gross Block | | | |
| Freehold land | 0.34 | 0.34 | – |
| Leasehold land | 18.78 | 18.78 | – |
| Leasehold improvement | 1.05 | 1.02 | 3.41 |
| Building | 28.50 | 28.50 | 0.01 |
| Office and other equipment | 20.55 | 19.50 | 5.37 |
| Computers | 40.38 | 37.34 | 8.12 |
| Vehicles | 2.30 | 2.44 | (5.75) |
| Furniture and fixtures | 5.35 | 5.19 | 3.22 |
| Software | 32.67 | 31.23 | 4.59 |
| Total | 149.92 | 144.34 | 3.87 |
| Less; accumulated depreciation | 98.61 | 86.18 | 14.43 |
| Net Block | 51.31 | 58.16 | (11.78) |
| Add: Capital Work In Progress | 1.10 | 0.79 | 39.30 |
| Net Fixed Assets | 52.41 | 58.95 | (11.09) |

There are fresh additions of ` 5.94 crore during the year, including ` 3.26 crore of computer hardware and ` 1.41 crore of software purchases. The net fixed assets after depreciation are ` 52.41 crore as on March 31, 2016 against ` 58.95 crore as on March 31, 2015.

Management's Discussion and Analysis

Goodwill on Consolidation

The goodwill in the books has arisen based on the difference in the book value of the investment vis-à-vis the consideration paid for acquisition of 96% stake in Avon Mobility Solutions Pvt. Ltd., a mobile technology solutions provider in March 2016.

The total amount of goodwill is ₹ 3.17 Crore as of the Balance Sheet date. The Management has performed a valuation of the intrinsic value of the business of this entity. It is observed that the intrinsic worth of the companies is higher than the consideration paid for these entities. Accordingly, no impairment of the goodwill is considered necessary at this stage in the books of accounts

Investments

- a. Non-current investments totaling ₹ 119.90 crore as on March 31, 2016 against ₹ 68.88 crore as on March 31, 2015.
 - i) Investment in equity shares of a non-listed company - ₹ 0.25 crore.
 - ii) Investment in tax free bonds held on a hold to maturity basis - ₹ 77.74 crore.
 - iii) Investment in long-term fixed maturity plans of mutual funds - ₹ 27.00 crore.
 - iv) Investment in Preference shares - ₹ 14.91 crore.

b. Current investments and Bank Balances

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

As of March 31, 2016 the cash and bank balances (including fixed deposits) stood at ₹ 124.24 crore against ₹ 180.59 crore on March 31, 2015, current investments in Fixed Maturity plans and liquid plans of mutual funds are ₹ 124.76 crore against ₹ 100.66 crore on March 31, 2015.

Total cash and current investments are thus at ₹ 249.00 crore on March 31, 2016 against ₹ 281.25 crore as on March 31, 2015.

| (₹ in crore) | | |
|-----------------------------|---------------|---------------|
| As at March 31, | 2016 | 2015 |
| Balances with Bank | | |
| In Current Accounts | 18.98 | 18.16 |
| In Fixed Deposit Account | 105.26 | 162.43 |
| Investments in Mutual Funds | 124.76 | 100.66 |
| Total | 249.00 | 281.25 |

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

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

| (₹ in crore) | | |
|--------------------------------------------------|---------------|---------------|
| As at March 31, | 2016 | 2015 |
| Balances with Banks | | |
| In Current Accounts in INDIA | | |
| Citi Bank | 1.65 | 0.31 |
| Citi Bank – EEFC accounts in US dollar | 1.28 | 6.19 |
| HDFC Bank – EEFC accounts in US dollar | 0.15 | 0.68 |
| HDFC Bank | 0.90 | 0.32 |
| HDFC Bank – Unclaimed dividend accounts | 0.44 | 0.27 |
| ICICI Bank | 0.05 | 0.15 |
| In Current Accounts in OVERSEAS locations | | |
| Citibank UK | 0.10 | 0.06 |
| Citibank UAE | 0.14 | 0.15 |
| Citibank UAA | 0.10 | – |
| Citibank Singapore | 4.36 | 6.09 |
| Citibank Philippines | 0.14 | 0.11 |
| Citibank, USA | 6.83 | 0.77 |
| PNC Bank USA | 0.34 | 0.30 |
| Bank of Tokyo Mitsubishi- Japan | 0.31 | 0.08 |
| Shinsei Bank Japan | 0.00 | 0.00 |
| Citibank Japan | 0.43 | 1.70 |
| Citibank, Australia | 0.17 | 0.03 |
| Nedbank, South Africa | 0.04 | – |
| Citibank Netherlands. | 0.31 | 0.24 |
| Remittance in transit | 1.20 | 0.71 |
| Cash in hand | 0.01 | 0.00 |
| Cheque on hand | 0.03 | – |
| Total Balances in Current Accounts | 18.98 | 18.16 |
| In Fixed Deposit Accounts | | |
| HDFC Bank | 26.68 | 22.17 |
| Citi Bank | 2.37 | 1.74 |
| Kotak Mahindra Bank | – | 9.98 |
| Ing Vysya | 5.00 | 5.00 |
| Bank of India | 26.06 | 37.43 |
| State Bank of Travancore | 11.00 | 18.92 |
| ICICI Bank | – | 19.18 |
| Corporation Bank | 20.51 | 25.51 |
| Punjab National Bank | 13.64 | 22.50 |
| Total Balances in Fixed Deposit Accounts | 105.26 | 162.43 |
| Total Bank Balance & Fixed Deposits | 124.24 | 180.59 |

Our net cash flow from operating activities before working capital changes is ₹ 35.54 crore for the financial year against ₹ 69.19 crore in the previous year. After considering working capital changes, operating cash flow is ₹ 45.22 crore against ₹ 36.81 crore.

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

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

| As at March 31, | 2016 | 2015 |
|--------------------------------------|--------|--------|
| Operating cash flow as % of revenue | 10.19% | 19.59% |
| Days of sale receivable | 101 | 87 |
| Cash and Equivalents as % of assets | 54.50% | 64.16% |
| Cash and Equivalents as % of revenue | 71.41% | 79.64% |
| Current investments as % of assets | 27.31% | 22.96% |
| Current investments as % of revenue | 35.78% | 28.50% |

Management's Discussion and Analysis

Trade Receivables

Our trade receivables (net of provision) as on March 31, 2016 are ₹ 96.11 crore (including ₹ 10.16 crore of long term trade receivables), against ₹ 84.61 crore as on March 31, 2015.

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

| (₹ in crore) | | |
|------------------------|--------|--------|
| As at March 31, | 2016 | 2015 |
| Less than three months | 80.66% | 91.61% |
| Between 3 and 6 months | 17.12% | 2.04% |
| More than 6 months | 2.22% | 6.36% |

The Company has a policy of providing for all debtors outstanding for a period of 365 days or more. However on individual case to case basis, exception to the above policy can be made based on the Management's perception of risk of collection.

Loans and Advances

Loans and Advances have been classified into long-term and short-term based on their period of realization.

| (₹ in crore) | | |
|------------------------------------------|--------------|--------------|
| As at March 31, | 2016 | 2015 |
| Long term Loans and advances | | |
| Capital advances | 0.06 | |
| Security deposits | 3.25 | 3.00 |
| Advance income tax | 8.17 | 11.41 |
| Prepaid expenses | 0.20 | 0.52 |
| MAT credit entitlement | 6.29 | 3.16 |
| Loans & advances to employees | 0.23 | 0.06 |
| Total | 18.20 | 18.15 |
| Short term Loans and advances | | |
| Security deposits | 0.10 | 0.08 |
| Advance fringe benefit tax | – | 0.21 |
| Prepaid expenses | 3.81 | 4.03 |
| MAT credit entitlement | 0.56 | 1.50 |
| Loans & advances to employees | 1.42 | 1.07 |
| Supplier advances | 2.61 | 3.11 |
| Mark-to-market gain on forward contracts | 0.09 | 0.69 |
| Service tax credit receivable | 1.65 | 3.27 |
| Others | 4.56 | 1.63 |
| Total | 14.80 | 15.59 |
| Total Loans and Advances | 33.00 | 33.74 |

Security Deposits, utilized primarily for hiring of office premises and staff accommodation, amounts to ₹ 3.35 crore as on March 31, 2016 against ₹ 3.08 crore as on March 31, 2015. MAT credits are ₹ 6.85 crore as on March 31, 2016 against ₹ 4.66 crore as on March 31, 2015.

Current Liabilities

Current liabilities represent trade payables, short-term provisions and other current liabilities. As on March 31, 2016 the Current liabilities are ₹ 116.68 crore against ₹ 113.22 crore as on March 31, 2015.

| (₹ in crore) | | |
|-----------------------------------------|-------|-------|
| As at March 31, | 2016 | 2015 |
| Short-term borrowings | 1.29 | |
| Trade Payables | 27.73 | 25.89 |
| Other current liabilities | | |
| Advances from customers/Advance Billing | 36.42 | 31.46 |

(₹ in crore)

| As at March 31, | 2016 | 2015 |
|--------------------------------------|---------------|---------------|
| Deferred Revenue | 38.16 | 26.85 |
| Unclaimed dividend | 0.44 | 0.27 |
| Book Overdraft | 1.52 | 1.54 |
| Payable for purchase of fixed assets | 0.13 | 0.20 |
| Statutory dues | 5.61 | 5.15 |
| Provision for Gratuity | 1.14 | 0.27 |
| Others | 0.05 | – |
| Short term provisions | | |
| Leave encashment | 2.68 | 1.34 |
| Proposed dividend | – | 16.19 |
| Tax on dividend | – | 3.30 |
| Income tax | 1.51 | 0.76 |
| Total | 116.68 | 113.22 |

Trade payables represent the amount payable for providing goods and services and are ₹ 27.73 crore as on March 31, 2016 against ₹ 25.89 crore as on March 31, 2015. Advances from customers as on March 31, 2016 are ₹ 36.42 crore against ₹ 31.46 crore as on March 31, 2015. These consist of advance payments received from customers, for which related costs have not been yet incurred or product license delivery is a later date. Deferred revenue represents the advance invoicing for annual maintenance charges for which services are to be rendered in the future. As of March 31, 2016 it is ₹ 38.16 crore against ₹ 26.85 crore as on March 31, 2015. Statutory dues are the amounts accrued for taxes deducted at source by the Company, staff provident fund, employee state insurance liabilities, sales tax, etc. As on March 31, 2016 it is ₹ 5.61 crore against ₹ 5.15 crore as on March 31, 2015. Short term provisions for leave encashment and gratuity are those for which liability is expected to arise in near future. A sum total of all these short-term provisions as on March 31, 2016 are ₹ 4.19 crore against ₹ 21.59 crore as on March 31, 2015.

The Company has made contributions to Nucleus Software Employees Group Gratuity Assurance Trust, which has made further contributions to Employees Group Gratuity Scheme of Life Insurance Corporation of India.

Non-Current Liabilities

Non-Current Liabilities as on March 31, 2016 were ₹ 7.40 crore against ₹ 4.74 crore as on March 31, 2015. The break-up of non-current liabilities at the year-end is given below:

| (₹ in crore) | | |
|-----------------------------------------|-------------|-------------|
| As at March 31, | 2016 | 2015 |
| Deferred Tax liability | 0.08 | |
| Advance from Customers | 3.20 | |
| Long-term Provisions – Leave encashment | 4.12 | 4.74 |
| Total | 7.40 | 4.74 |

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

Provision for Leave encashment represents provisions made by the Company based on actuarial valuation.

Risk Management Report

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

1. The Probability or likelihood that loss or damage will occur.
2. The Expected time of occurrence.
3. Magnitude of the negative impact that can result from its occurrence.

Focus of risk management is to enhance value of business and assets of the Company, by identifying, analyzing, evaluating and mitigating all known forms of risks. In order to achieve this objective, policies and relevant internal controls are developed as an on-going process to ensure proper management of the Company's resources and appropriate mitigation of risks.

We seek to achieve an appropriate balance between risk and reward in our business, and continue to build and enhance the risk management capabilities that assist in delivering our growth plans in a controlled environment.

Risk Management Structure at Nucleus

At Nucleus, Risk Management is a disciplined way to deal with business uncertainty and the associated risk and opportunity.

This objective of this Risk Management at Nucleus is to:

- Enable the Company to manage unexpected outcomes and reduce impact of risk events when they occur.
- Empower the Management to take informed decisions, under guidance of Board of Directors of the Company, that maximize value, reduce costs and balance risk with returns.
- Ultimately promote confidence amongst the Company's stakeholders in the effectiveness of business management process of the Company and the ability to plan and meet strategic objectives.

Risk management in the Company is conducted across the organisation at various levels. The key components of Risk management structure are as follows:



At a strategic level, our risk management practices are:

- **Risk Identification** – Risk Management Committee (RMC) is responsible for identification and review of risks and mitigation plans. The Committee meets on a quarterly basis for identification and prioritization of risks. RMC conducts risk survey with the senior and middle level management of the Company to identify risks and rate them appropriately. Top risks are identified and remaining are categorized as other risks. The RMC then places updates to the Board

on a quarterly basis, on key risks facing the Company, along with their mitigation plans.

- **Risk measurement, mitigation and monitoring** – At the end of every quarter, the Risk Management Committee invites status update of the mitigation plans of the top identified risks and if any changes have occurred in the nature of risks during the quarter. Basis the same, an analysis of exposure and potential impact are carried out. Mitigation plans are finalized, owners are identified and progress of mitigation actions are monitored and reviewed. Each top risk is mapped as per a Risk Criticality Matrix.
- **Risk Reporting** – Basis the above, a Risk update is prepared every quarter and provided to the Audit Committee and the Board. Entity level risks such as project risks, account level risks are reported to and discussed at appropriate levels of the organization.
- **Integration with strategy and business planning** – Identified risks are used as key inputs for the development of strategy and business plan.

Risks and Concerns

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

Product Obsolescence may affect our business potential. The IT sector is characterised by technological changes at a rapid rate, evolution of existing products and introduction of new product. Latest technology trends are to be closely monitored to provide products in compliance with industry standards. As a Product Company, growth of the Company is based on the ability to offer products on latest technology trends and evolving industry standards. If we are unable to do so, then the performance of the products as well as the technologies and functionalities provided, could lead to product obsolescence and impact the competitive position of the Company. Our future success will depend on our ability to absorb new technology trends and develop solutions that will keep pace with changes in the markets in which we provide services. Despite our constant efforts, we cannot be sure that we will be successful in developing new products with evolving technologies in a timely or cost-effective manner and along with this the success of developed products also cannot be guaranteed.

Our new Product Strategy is based on rapid continuous evolution of the Products. Any delay or scope reduction can impact Sales and meeting customer commitments. To mitigate this risk, continuous investments are being made in conducting research and development to enhance product technology and features and develop new products. Technology and functionality road map for products is prepared and reviewed by the senior management and implemented. Accordingly, we have planned 2 releases in a year for each of the Products and are focusing on maximizing engineering capacity to it. Overload of Asks on the Roadmap from customers, prospects in the pipeline and tactical demands may lead to wrong prioritization and inefficiencies. This can further lead to the Roadmap becoming overloaded and stressed and we may see delays in the releases as an outcome of this.

Further high-level interaction with top class academic institutes is also being set up, to keep abreast with latest changes. We have made and expect to continue to make significant investments in research and development and related product opportunities. During the year, your Company launched its flagship product FinnOne Neo™ on cloud. We also launched the Lending Analytics product and unveiled a new mobility product module, mApply, as part of the FinnOne Neo™ mobility suite. Your Company during the year also launched, PaySe™, world's first offline digital cash solution designed and created with an aim to democratize money. Along with PaySe™, we have introduced PURSE™, a mobile to carry money, and PalmATM™ a bank teller application to democratize money.

Our business depends on our ability to attract and retain talent. Product centric model of the Company especially demands retention of key talent; people with domain knowledge and technical skills. High Attrition which can happen due to many factors including compensation expectations,

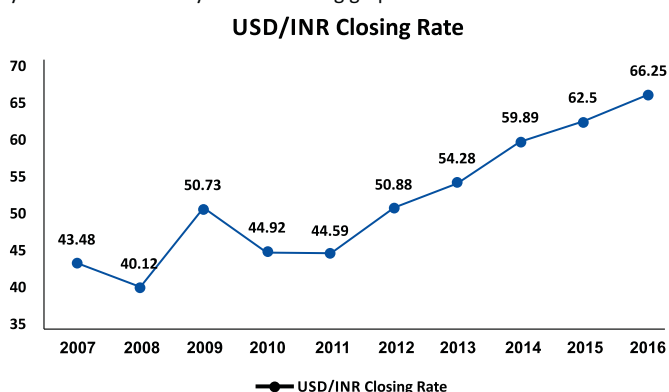
Risk Management Report

work and empowerment processes, leadership etc., can adversely impact product development cycles and ultimately, revenue and profitability. To mitigate this risk, we have a best-in-class recruitment system specific to the domain. We hire from a mix of university and industry talent worldwide and differentiate talented individuals by offering diverse customer exposure in different geographies, opportunity to work on products rather than services, and competitive compensation. We also lay focus on learning and development, identifying achievers and rewarding them. Succession planning for key positions like that of CEO, Senior Management (i.e. one level below the CEO position) and Heads of Departments is also a critical aspect of risk management and the Management is working on formulating the same as part of global readiness for the Company as a global employer.

Our organization structure, processes and business models may not be scalable. The structures and processes of the Company business operations may not have adequate potential to grow the revenue base significantly faster than the cost base; and hence may not be adequate for growth. Business models; how we sell, how we license, how we support, product development and life cycle management, go to market strategy, may also not be suitable for significant year on year growth. The Management is working towards mitigating this risk by instilling measures to develop and refresh leadership skills and competencies in employees, retain best suited talent, automate processes including installing enterprise software systems and innovating business models.

Company is constantly exposed to the risk of volatility in foreign exchange rates. Global slowdown in terms of slow demand and overall pessimism has already been factored in by the market. China which had been sending panic waves all across the globe is pretty stable for some time. Same is the case with the Euro (except for fears of a Brexit, which, of course has not really shown its effect on the Euro). The yen has also traded pretty strong against the dollar for the past few trading sessions, mainly on account of safe haven buying. Globally, for a shorter term, dollar is expected to range bound for some time. However, on a longer term, we expect the greenback to trade strong across the globe. Foreign exchange currency markets are volatile, and such fluctuations in foreign currency exchange rates could materially and adversely affect the Company's profit margins and results of operations. We conduct major portion of our business transactions in currencies other than the Indian Rupee. More than eighty percent of our revenue is denominated in foreign currency, predominantly the US Dollar. Seventy percent of our expenses are in the Indian Rupee and therefore the Company is exposed to continuing risk of foreign exchange fluctuation.

The exchange rate of the Rupee has been extremely volatile in the last ten years as evidenced by the succeeding graph.



Source: Mecklai Financial

The volatility in the foreign currency markets may make it difficult to hedge our foreign currency exposures effectively. Inadequacies in the hedging mechanisms to deal with exchange rate fluctuation could expose the Company to even larger losses than envisaged due to exchange rate fluctuations. To mitigate this risk, the Company follows a well-defined policy of hedging close to receivables through Forward Contracts which

are designated as Highly Probable forecast transactions. The Company has a conservative approach and does not speculate in foreign currency markets. Forwards are held to maturity and regular reporting and monitoring systems are in place including quarterly updates to the Audit Committee. Clear guidelines for concluding derivative transactions have been laid down and arrangements have been institutionalized to facilitate periodic review and audit of the operation, impact and consequences of such transactions, including verifying compliance with extant laws and regulations.

The hedging strategies that we have implemented, or may in the future implement, to mitigate foreign currency exchange rate risks, may not reduce or completely offset our exposure to foreign exchange rate fluctuations. This may additionally also expose our business to unexpected market, operational and counterparty credit risks. We may incur losses from our use of derivative financial instruments that could have a material adverse effect on our business, results of operations and financial condition. At the year end, the Company had US\$ 6.47 million of hedges compared to US\$ 10.14 million at the beginning of the year.

Further, the policies of the Reserve Bank of India may change from time to time, also have a bearing on our operations and hence the revenues. Full or increased capital account convertibility, if introduced, could result in increased volatility in the fluctuations of exchange rates between the rupee and foreign currencies.

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

| | As of March 31, | |
|----------------------------------------------------------------------------------------------------------------|-----------------|------------------|
| | 2016 | 2015 |
| Aggregate amount of outstanding forward and options contracts | \$ 6.47 million | \$ 10.14 million |
| Gain/(loss) on outstanding forward and options contracts reflected in the Hedging Reserve in the Balance Sheet | ` 0.33 crore | ` 0.69 crore |

Legal Compliances world-wide expose us to additional risks. The Company is an incorporated legal entity and is impacted by changes in various laws, rules and regulations like Companies Act, Accounting Standards, Labour laws, SEBI Regulations, etc. Further the Company is incorporated in India, and has subsidiaries overseas in Japan, Netherlands, Singapore, USA, Australia and South Africa; which caters to customers operating in various countries and a significant part of the revenue is derived from international sales. Nucleus operations world-wide may be affected by changes in political scenario, trade protection laws, policies and measures, and other regulatory requirements affecting trade and investment. This risk could typically result in penalties, financial loss, loss of reputation and are assessed on dimensions such as process effectiveness, compliance with policies and procedures and underlying controls. In order to mitigate these risks, various departments within the Company; taking care of compliances of applicable laws/rules etc., are manned by qualified personnel. A proactive team of legal experts is also positioned at the head-office of the Company. Expert external advice/opinion, is also taken, as per requirement, for ensuring compliance. At other places where we have operations, we engage consultants.

Delays in project executions may adversely affect our implementations and revenues. The Company faces risks associated with the execution of any project. Ability to deliver large projects with quality and within agreed timeliness is also a risk. The delivery model requires great skills in seamlessly integrating delivery, ensuring smooth communications between the customer, onsite teams as well as offsite teams. Any apprehensions of the customer have to be handled very carefully. There is also a risk of order cancellation, loss of market goodwill, financial liability and losses due to overruns on projects.

From a project governance perspective, this risk can be accurately monitored by having a good project plan with well-defined work breakdown

Risk Management Report

structure that will provide visibility into key activities associated with essential project deliverables. To mitigate this risk, we work on the basis of a well thought plan:

- continuous monitoring of Projects
- quality control
- effective requirement mapping and sign off by customers
- Induction of capable talent and their continuous knowledge upgrade through trainings etc.
- Focus on IPCM (Integrated Product Lifecycle Management)

We face strong competition across all markets for our products and services. The markets that we cater to, is highly competitive both from the perspective of new and existing competitors. We also expect that the markets in which we compete will continue to attract new well-funded competitors and new technologies, including technology companies, start-ups and international providers of similar products and services to ours. Our competitors range in size from Fortune 500 companies to small, specialized single-product businesses. In addition, we also compete with numerous small indigenous companies in various geographic markets. Although we believe our product robustness is our competitive advantage, our competitors may be more effective in devoting technical, marketing, and financial resources to compete with us. In addition, competitors offer a full suite of services and tend to focus on providing end to end solutions.

These competitive pressures may result in decreased sales volumes, price reductions, and/or increased operating costs, such as for marketing and sales incentives, resulting in lower revenue, gross margins, and operating income. As we continue to create additional functionality and products, we compete with additional vendors.

We compete based on our ability to offer to our customers' competitive integrated solutions that provide the most current and desired product and services features.

A broad referral base created through years, also helps us derive an edge over competition.

The Company lays constant focus on product differentiation as well as product diversification to mitigate this risk.

The Company is also continually investing in marketing mandated with the below objectives:

- Ensure that the Company is known to provide high quality, innovative lending and transaction banking solutions to the target markets.
- Establish Company as Industry Thought Leader
- Fully equip the sales team with the material and tools required to sell the product or service they represent.

Non-utilization of Surplus Funds may affect growth. Over the years, internal cash accruals more than adequately covered the working capital requirements, capital expenditure and dividend payments. The Company has been consistently following a conservative investment policy maintaining a reasonably high level of cash and cash equivalents which enable the Company to not only eliminate short and medium term liquidity risks but also scale up operations at a short notice. Non-optimal utilization of the surplus funds may pose a risk. For ensuring continuity of business operations and to have liquidity in business, a mix of investments with some low earning assets has also to be maintained by the Company. Inadequate management of the investment mix of the Company could lead to either Shareholder Value destruction or a high exposure to the risk of liquidity crunch. At the same time, the management is also cautious of the need to look out for niche acquisitions for in-organic growth.

We may not be able to adequately protect our Intellectual Property (IP) rights. Your Company has an IP led business model and globally licenses IP in the form of products for the Banking and Financial Services Industry. Protecting our global intellectual property rights and combating unlicensed copying and use of software and other intellectual property is challenging. Any inaction to prevent violation or misuse of intellectual property could cause significant damage to our reputation and adversely affect our revenue and results of operations.

We continue to make significant expenditure related to the use of technology and intellectual property rights as part of our strategy to manage this risk. We have system and process in place to ensure protection to our intellectual property rights. As a policy, the Company develops own IP at its own cost using own resources and is actively engaged in seeking maximum legal protection for the Intellectual Property through a combination of trademarks, legal proceedings, confidentiality procedures and contractual provisions.

Increased exposure with specific customers may impact our profitability.

This may result in an increase in the credit risk and make us highly vulnerable for customers negotiating positions at the time of contract renewal or work distribution among multiple vendors. The group's profitability and revenues would be affected in case of loss of business with these major customers, significant downsizing of projects or moving work-in-house by them. Our top five and top ten customers generated approximately 43 % and 56 %, respectively, of our revenues for FY 16. The loss of any of our large customers could have a material adverse effect on our business and profitability. At the same time, large customers help us scale up revenues quickly and repeat-business contributes to higher margins through lower marketing costs. We being in the product space, enjoy enduring long-term relationships with large customers. These advantages and risks have to be balanced and we believe the solution is to increase the number of large customers, as business with existing customers is the backbone of our platform for providing complete product and services solutions.

We aim to build long term strategic relationships with Customers in order to maximise the value provided to both parties. Through strong relationships, we are able to further develop products according to industry needs and requirements.

Our inability to maintain and devise effective internal control methods may affect us adversely. Until recently, many organizations were overly focused on a financial reporting controls-based monitoring framework. But the global financial crisis highlighted that many of the most impactful risks stem from external circumstances. Moving forward, risk management and control systems should take a wider perspective since organizations exist as part of an open system of dynamic variables. While we may introduce the best of processes to check and prevent error, inherent limitations like that of human error etc. cannot be ruled out and hence internal control might not prevent or detect all misstatements or fraud. The Company has an Internal Control System commensurate with the size, scale and complexity of operations. This has been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorised use, executing transactions with proper authorisation and ensuring compliance of corporate policies. The management assessed the effectiveness of the Company's internal control over financial reporting (as defined in Regulation 17 of SEBI Regulations 2015) as of March 31, 2016.

Deloitte Haskins & Sells, the statutory auditors of the Company, have audited the financial statements included in this annual report and have issued a unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

Our prime focus on providing products and services only in the BFS domain to Banks and Financial Institutions exposes us to the risk of Industry concentration. For the foreseeable future, we expect to continue to derive our revenues from products and services we provide to the financial services industry. Given this concentration, we are exposed to the global economic conditions in the financial services industry. A slowdown in economy translates to reduction or a delay in technology spending decisions by banking & financial services firms, which could have adverse effect on our business and financial conditions. The BFSI industry segment is witnessing an increased spend on strategic initiatives like automation, digitisation and simplification. Digitisation is now the default strategy for banks. The digital revolution is redrawing the boundaries of financial services and lowering entry barriers encouraging challengers to emerge. While acknowledging this risk, we continue to focus on this sector and are confident that our "Value" based solutions will find greater market

Risk Management Report

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.

We launched the Lending Analytics product and unveiled a new mobility product module, mApply, as part of the FinnOne Neo™ mobility suite. Your Company during the year also launched, PaySe™, world's first offline digital cash solution designed and created with an aim to democratize money. Along with PaySe™, we have introduced PURSE™, a mobile to carry money, and PalmATM™ a bank teller application to democratize money.

Security vulnerabilities and business continuity risk pose a threat to successfully running our operations. Our inability to put in place a Business Continuity Plan (BCP) to ensure the maintenance or recovery of operations, including service delivery to the consumers, when confronted with adverse events such as a disruption or failure of our systems or operations in the event of a major earthquake, weather event, cyber-attack, terrorist attack, or other catastrophic event could cause delays in completing sales, providing services, or performing other mission-critical functions. Cyber threats are constantly evolving, thereby increasing the difficulty of detecting and successfully defending against them. Cyber threats can have cascading impacts that unfold with increasing speed across our internal networks and systems, and those of our partners and customers. Breaches of our network or data security could disrupt the security of our internal systems, impair our ability to provide services to our customers and protect the privacy of their data, result in product development delays, result in theft or misuse of our intellectual property or other assets, or otherwise adversely affect our business. Our corporate headquarters, a significant portion of our research and development activities, and certain other critical business operations are located in Noida, India which is adjacent to the national capital of India, Delhi. Here it may be worthwhile to mention that According to a seismic zoning map issued by the Bureau of Indian Standards and quoted in the National Disaster Management (NDM) report Delhi belongs to Zone IV, a severe intensity seismic zone.

Any catastrophic event that results in the destruction or disruption of any of our critical business or information technology systems could harm our ability to conduct normal business operations. To counter this risk, Nucleus Business Continuity Plan is in place. We are also in the process of setting up Disaster Recovery Sites and improving our Business Continuity Model. The Company is continuously investing in security of its operations & processes and evaluating the risks on periodic bases. We are an ISO 27001: 2013 (ISMS) certified organization, which reflects our attitude to increase adherence to secure practices. On the security front, strict procedures are in place to control the level of access to Datacenters and other sensitive areas. Access to the premises is controlled through Biometric access control systems and proximity cards. The Company has invested significantly in a state of the art network infrastructure for managing its operations and for establishing high-speed redundant links to overseas destinations. Additionally, the Internet filtering tools prevent any type of non-business usage over Internet within office and outside office.

Adverse geo-political and market conditions may harm our business. Our business is influenced by a range of factors that are beyond our control. These include:

- General economic and business conditions;
- The overall demand for enterprise software;
- Customer budgetary constraints or shifts in spending priorities; and
- General political developments

The banking software industry is highly competitive and continues to evolve and innovate at a rapid rate. The rate of potential product obsolescence and level of competition amongst the providers is significant. We respond to these economic conditions through our commitment to product innovation and new product strategies.

Your Company has customers located in more than 50 countries and nearly 80% of the revenue comes from international sales. The global nature of

business creates operational and economic risks such as deterioration of social, political or economic condition in a country or region and difficulties in staffing and managing foreign operations.

Adverse geo-political and economic conditions leading to negative /low GDP growth may cause lower IT spending and adversely affect our revenue. Customers may curtail and /or postpone their budgets for investments in technology. Challenging economic conditions also may impair the ability of our customers to pay for products and services they have purchased. As a result, provision for doubtful accounts and write-offs of accounts receivable may increase. Our global exposure enables us to leverage growth from both Developed and emerging economies and focusing on value based solutions which enable our customers to significantly reduce cost in a difficult environment.

Risks Associated with Acquisitions and New Product Lines and Markets.

Your Company, as part of its growth strategy acquired Avon Mobility Solutions Pvt. Ltd during the year and may enter into such acquisitions as a part of our long term business strategy. These transactions and arrangements (which also include the development and launch of new product categories and product lines), involve significant challenges and risks including that they do not advance our business strategy, that projected or satisfactory level of sales, profits and/or return on investment for a new business will not be generated, that we have difficulty, delays and/or unanticipated costs in integrating the business, operations, personnel, and/or systems of an acquired business or that they distract management from our other businesses, the Company's ability to retain and appropriately motivate key personnel of an acquired business. The success of these transactions and arrangements will depend in part on our ability to leverage them to enhance our existing products and services or develop compelling new ones. It may take longer than expected to realize the full benefits from these transactions and arrangements, such as increased revenue, enhanced efficiencies, or increased market share, or the benefits may ultimately be smaller than we expected.

There is always an inherent risk of Insider Trading that may happen in the shares of your public Limited Company. With your Company shares listed on National Stock Exchange of India Ltd. and BSE Ltd., there is always an inherent risk of Insider Trading that may happen in the shares of the Company. Trading in Nucleus shares by the designated employees of the Company on the basis of price sensitive information or communication counseling or procuring any unpublished price sensitive information to or from any person may be termed as insider trading. Insider trading is a matter of concern for the Management of the Company and to mitigate this risk, Code for Prevention of Insider trading is implemented in the Company, and is reviewed by the Audit Committee time and again to ensure compliance and updation with the regulatory amendments. Secretarial audit includes a review of policies and processes governing any trading in the Company's shares by various stakeholders.

We have partnerships with third parties for product delivery; failure on their part to deliver, could affect our performance. In some cases, we partner with third party vendors, for both software and hardware, who provide embedded or aligned products to support the services and product offerings provided by us. In such instances, our ability to deliver complete solution to our customers depends on our and our partners' ability to meet the quality standards of our customers'. If we or our partners fail to deliver appropriately, our ability to complete the contract may be adversely affected, which may have a material and adverse impact on our revenue and profitability. Also, if we fail to develop new relationships and enhance existing relationships with channel partners, software suppliers, system integrators, and independent software vendors (ISVs) that contribute to the success of our products and services, our business, financial position, profit, and cash flows may be adversely impacted. To counter this risk we partner with only reputed firms and ensure proper contractual formalities before aligning with any such partner to reduce or limit the risk of their non/low performance. We may not successfully execute our growth strategy if we fail to manage effectively the change involved in implementing our strategic initiatives.

AUDITORS' REPORT

For the Consolidated Financial Statements for the year ended March 31, 2016

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NUCLEUS SOFTWARE EXPORTS LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Nucleus Software Exports Limited** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to "the Group"), comprising the Consolidated Balance Sheet as at 31 March, 2016, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, as applicable. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March, 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matter

We did not audit the financial statements of four subsidiaries, whose financial statements reflect total assets of Rupees 213,747,353 as at 31 March, 2016, total revenues of Rupees 647,910,836 and net cash outflows amounting to Rupees 61,869,315 for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements and our report on Other Legal and Regulatory below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of other auditors.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
 - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash

Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable.
- (e) On the basis of the written representations received from the directors of the Holding Companies and the subsidiary companies incorporated in India as on 31 March, 2016 and taken on record by the Board of Directors of the Holding Company and the subsidiary companies incorporated in India, none of the directors of the Holding Company and the subsidiary companies incorporated in India, are disqualified as on 31 March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our Report in "Annexure A", which is based on the auditors' reports of the Holding company and the subsidiary companies incorporated in India. Our report expresses an unmodified opinion on the adequacy

and operating effectiveness of the Holding company's and the subsidiary's companies incorporated in India, internal financial controls over financial reporting.

- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Group does not have any pending litigations which would impact its financial position; (Refer Note no. 2.26(d) of the consolidated financial statements)
 - ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts. (Refer Note no. 2.26(e) of the consolidated financial statements)
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the subsidiary companies incorporated in India.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm Registration No. 015125N)

Sd/-
SAMEER ROHATGI
Partner
(Membership No. 094039)

Noida,
4 May, 2016

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of consolidated financial statements of **NUCLEUS SOFTWARE EXPORTS LIMITED** ("the Company") as of and for the year March 31, 2016, we have audited the internal financial controls over financial reporting of **NUCLEUS SOFTWARE EXPORTS LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to "the Group") incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective board of directors of the Holding company and its subsidiaries incorporated in India, are responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by the Institute of Chartered Accountants of India and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Holding company and its subsidiaries incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to a subsidiary company incorporated in India, is based on the corresponding report of the auditor of such company incorporated in India.

For DELOITTE HASKINS & SELLS

Chartered Accountants

(Firm's Registration No. 015125N)

sd/-

SAMEER ROHATGI

Partner

(Membership No. 094039)

Noida,

4 May, 2016

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2016

(Amount in `)

| | Notes Ref. | As at 31 March, 2016 | As at 31 March, 2015 |
|--------------------------------------------------------------------------------------------|---------------|-------------------------|-------------------------|
| EQUITY AND LIABILITIES | | | |
| 1. SHAREHOLDERS' FUNDS | | | |
| a. Share capital | 2.1 | 323,852,240 | 323,852,240 |
| b. Reserves and surplus | 2.2 | 4,245,074,298 | 4,059,806,705 |
| | | 4,568,926,538 | 4,383,658,945 |
| 2. NON-CURRENT LIABILITIES | | | |
| a. Deferred Tax liability | 2.3 | 782,217 | — |
| b. Other Long term liabilities | 2.4 | 31,993,885 | — |
| c. Long-term provisions | 2.5 | 41,206,256 | 47,424,938 |
| | | 73,982,358 | 47,424,938 |
| 3. CURRENT LIABILITIES | | | |
| a. Short-term borrowings | 2.6 | 12,901,288 | — |
| b. Trade payables | 2.7 | — | — |
| i) Total outstanding dues of micro enterprises and small enterprises | | — | — |
| ii) Total outstanding dues of creditors other than micro enterprises and small enterprises | | 277,269,586 | 258,857,818 |
| c. Other current liabilities | 2.8 | 834,653,585 | 657,401,152 |
| d. Short-term provisions | 2.9 | 41,946,183 | 215,898,074 |
| | | 1,166,770,642 | 1,132,157,044 |
| | | 5,809,679,538 | 5,563,240,927 |
| ASSETS | | | |
| 1. NON-CURRENT ASSETS | | | |
| a. Fixed assets | | | |
| - Tangible assets | 2.10 | 465,340,822 | 492,846,411 |
| - Intangible assets | 2.10 | 47,763,920 | 88,765,657 |
| - Capital work in progress | | 11,004,412 | 7,920,000 |
| | | 524,109,154 | 589,532,068 |
| b. Goodwill on consolidation | 2.38 | 31,704,781 | — |
| c. Non-current investments | 2.11 | 1,198,987,000 | 688,773,000 |
| d. Deferred tax assets (net) | 2.12 | 22,105,925 | 13,163,609 |
| e. Long-term loans and advances | 2.13 | 181,967,076 | 181,521,711 |
| f. Other non-current assets | 2.14 | 114,466,290 | 11,458,545 |
| | | 2,073,340,226 | 1,484,448,933 |
| 2. CURRENT ASSETS | | | |
| a. Current investments | 2.15 | 1,247,653,340 | 1,006,579,079 |
| b. Trade receivables | 2.16 | 859,501,333 | 846,060,443 |
| c. Cash and cash equivalents | 2.17 | 1,242,378,732 | 1,805,965,926 |
| d. Short-term loans and advances | 2.18 | 147,987,653 | 155,876,044 |
| e. Other current assets | 2.19 | 238,818,254 | 264,310,502 |
| | | 3,736,339,312 | 4,078,791,994 |
| | | 5,809,679,538 | 5,563,240,927 |
| See accompanying notes forming part of the consolidated financial statements | 1 & 2 | | |

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Sd/-
SAMEER ROHATGI
Partner

Place : Noida
Date : 04 May, 2016

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

| | |
|--------------------------------------------------------|---------------------------------------------------------------------------------|
| Sd/- JANKI BALLABH Chairman | Sd/- VISHNU R DUSAD Managing Director & Chief Executive Officer |
| Sd/- ASHISH NANDA Chief Financial Officer | Sd/- POONAM BHASIN AVP (Secretarial) & Company Secretary |

Place : Noida
Date : 04 May, 2016

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2016

(Amount in `)

| | Notes Ref. | For the Year ended | |
|-----------------------------------------------------------------------------------------------|---------------|----------------------|----------------------|
| | | 31 March 2016 | 31 March 2015 |
| 1. REVENUE FROM OPERATIONS | | | |
| Income from software products and services | 2.20 | 3,487,018,796 | 3,531,395,631 |
| 2. OTHER INCOME | 2.21 | 259,068,787 | 333,086,147 |
| 3. TOTAL REVENUE (1+2) | | 3,746,087,583 | 3,864,481,778 |
| 4. EXPENSES | | | |
| a. Employee benefits expense | 2.22 | 2,268,382,001 | 2,014,389,891 |
| b. Operating and other expenses | 2.23 | 910,536,698 | 858,450,716 |
| c. Finance cost | 2.24 | 6,165,937 | 5,446,164 |
| d. Depreciation and amortisation expense | 2.10 | 122,247,095 | 119,668,160 |
| TOTAL EXPENSES | | 3,307,331,731 | 2,997,954,931 |
| 5. PROFIT BEFORE TAX (3-4) | | 438,755,852 | 866,526,847 |
| 6. TAX EXPENSE | | | |
| a. Current tax expense | | 108,912,394 | 176,658,547 |
| b. MAT credit entitlement [including ` 741,220 for earlier years (previous year ` 7,170,597)] | | (27,197,215) | (10,970,597) |
| c. Net Tax expense / (credit) relating to prior period | | 5,541,472 | (5,949,861) |
| d. Withholding taxes charged off | | 34,699,324 | 5,389,422 |
| Net current tax expense | | 121,955,975 | 165,127,511 |
| e. Deferred tax (credit) /charge | 2.3 & 2.12 | (7,853,282) | 54,258,957 |
| NET TAX EXPENSE | | 114,102,693 | 219,386,468 |
| 7. PROFIT FOR THE YEAR (5-6) | | 324,653,159 | 647,140,379 |
| 8. EARNINGS PER EQUITY SHARE | 2.28 | | |
| Equity shares of ` 10 each | | | |
| a. Basic | | 10.03 | 19.98 |
| b. Diluted | | 10.03 | 19.98 |
| Number of shares used in computing earnings per share | | | |
| a. Basic | | 32,383,724 | 32,383,724 |
| b. Diluted | | 32,383,724 | 32,383,724 |
| See accompanying notes forming part of the consolidated financial statements | 1 & 2 | | |

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
Sd/-
SAMEER ROHATGI
Partner

Place : Noida
Date : 04 May, 2016

For and on behalf of the Board of Directors

NUCLEUS SOFTWARE EXPORTS LIMITED

Sd/-

JANKI BALLABH
Chairman

Sd/-

ASHISH NANDA
Chief Financial Officer

Sd/-

VISHNU R DUSAD
Managing Director &
Chief Executive Officer

Sd/-

POONAM BHASIN
AVP (Secretarial) &
Company Secretary

Place : Noida
Date : 04 May, 2016

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2016

(Amount in `)

| | Notes Ref. | For the year ended | |
|------------------------------------------------------------------------------|---------------|----------------------|----------------------|
| | | 31 March, 2016 | 31 March, 2015 |
| Net profit before tax | | 438,755,852 | 866,526,847 |
| Adjustment for: | | | |
| Depreciation and amortisation expense | | 122,247,095 | 119,668,160 |
| Exchange gain on translation of foreign currency accounts (net) | | 17,273,745 | (16,734,383) |
| Dividend received from non trade investments | | (49,074,890) | (50,135,954) |
| Dividend on long term trade investment | | (8,248,240) | (125,000) |
| Interest on fixed deposits | | (164,407,834) | (118,066,594) |
| Net Profit on sale of investments | | (3,006,381) | (94,542,426) |
| Adjustment to the carrying amount of investments | | — | 139,269 |
| Loss on sale of fixed assets (net) | | 599,615 | (1,681,358) |
| Interest on short term borrowings | | 24,033 | |
| Provisions written back | | (15,618,758) | (33,025,849) |
| Provision for doubtful debts / advances | | 16,893,484 | 19,901,931 |
| Operating profit before working capital changes | | 355,437,720 | 691,924,642 |
| Adjustment for (increase) / decrease in operating assets | | | |
| Trade receivable | | (39,097,851) | (431,385,021) |
| Short-term loans and advances | | (7,798,247) | 18,084,555 |
| Long-term loans and advances | | (472,937) | 3,039,069 |
| Other current assets | | 70,807,820 | 158,264,256 |
| Other non-current assets | | (102,260,625) | (9,270,215) |
| Adjustment for increase / (decrease) in operating liabilities | | | |
| Trade payables | | 20,065,372 | 17,536,446 |
| Other current liabilities | | 218,188,937 | 196,274,469 |
| Other Long term liabilities | | 31,993,885 | — |
| Short-term provisions | | 13,418,291 | (38,625,755) |
| Long-term provisions | | (6,218,682) | (68,565,239) |
| | | 554,063,682 | 537,277,207 |
| Net Income taxes paid | | (101,819,056) | (169,210,448) |
| Net cash from / (used in) operating activities (A) | | 452,244,626 | 368,066,759 |
| B. Cash flow from investing activities | | | |
| Purchase of fixed assets/capital work in progress | | (59,759,234) | (90,627,330) |
| Proceeds from sale of fixed assets | | 1,426,625 | 4,079,008 |
| Cash outflow on acquisition of subsidiary | | (19,200,720) | — |
| Purchase of current investments | | (4,164,234,943) | (3,341,336,738) |
| Sale of current investments | | 3,756,178,935 | 4,421,820,010 |
| Purchase of long term investments in bonds & mutual funds | | (340,214,000) | (445,600,000) |
| Bank balance not considered as cash and cash equivalents - placed | | (178,671,014) | (1,607,141,776) |
| Bank balance not considered as cash and cash equivalents - matured | | 800,968,554 | 777,852,147 |
| Interest on fixed deposits and others (net) | | 100,261,566 | 91,317,988 |
| Dividend received from non trade investments | | 49,074,890 | 50,135,954 |
| Dividend on long term trade investment | | 8,248,240 | 125,000 |
| Net cash from / (used in) investing activities (B) | | (45,921,101) | (139,375,737) |
| C. Cash flow from financing activities | | | |
| Dividend paid (including corporate dividend tax) | | (356,800,632) | (227,324,027) |
| Net cash from / (used in) in financing activities (C) | | (356,800,632) | (227,324,027) |
| Net increase / (decrease) in cash and cash equivalents (A+B+C) | | 49,522,893 | 1,366,995 |
| Opening cash and cash equivalents | 2.17 | 193,600,050 | 207,404,685 |
| Exchange difference on translation of foreign currency bank accounts | | 7,028,910 | (15,171,630) |
| Cash inflow on acquisition of subsidiary | | 518,275 | — |
| Closing cash and cash equivalents | 2.17 | 250,670,129 | 193,600,050 |
| See accompanying notes forming part of the consolidated financial statements | 1 & 2 | | |

In terms of our report attached

For **DELOITTE HASKINS & SELLS**

Chartered Accountants

Sd/-

SAMEER ROHATGI

Partner

Place : Noida

Date : 04 May, 2016

For and on behalf of the Board of Directors

NUCLEUS SOFTWARE EXPORTS LIMITED

Sd/-

JANKI BALLABH

Chairman

Sd/-

ASHISH NANDA

Chief Financial Officer

Sd/-

VISHNU R DUSAD

Managing Director & Chief
Executive Officer

Sd/-

POONAM BHASIN

AVP (Secretarial) &
Company Secretary

Place : Noida

Date : 04 May, 2016

Notes forming part of the consolidated financial statements

Note 1:

(i) Company Overview

Nucleus Software Exports Limited ('Nucleus' or 'the Company' or "the Holding Company") was incorporated on 9 January 1989 in India as a private limited company. It was subsequently converted into a public limited company on 10 October, 1994. The Company made an initial public offer in August 1995. As at 31 March, 2016, the Company is listed on two stock exchanges in India namely National Stock Exchange and Bombay Stock Exchange.

The Company has wholly owned subsidiaries in Singapore, USA, Japan, Netherlands, Australia, and Africa. The Company has wholly and partly owned subsidiaries in India. (the Company and its subsidiaries constitute "the Group").

The Group'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.

(ii) Basis of preparation

The consolidated financial statements are prepared under the historical cost convention on the accrual basis, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") and mandatory accounting standards specified under Section 133 of the Companies Act, 2013 ("the Act"), as applicable and guidelines issued by the Securities and Exchange Board of India ("SEBI"). Accounting policies have been consistently applied except where a newly issued accounting standard, if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

(iii) Principles of consolidation

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

| Name of the Company | % Shareholding | Country of incorporation |
|-----------------------------------------|----------------|--------------------------|
| Nucleus Software Solutions Pte. Ltd. | 100 | Singapore |
| Nucleus Software Inc. | 100 | United States of America |
| Nucleus Software Japan Kabushiki Kaisha | 100 | Japan |
| VirStra i – Technology Services Limited | 100 | India |
| Nucleus Software Netherlands B.V. | 100 | Netherlands |
| Nucleus Software Limited | 100 | India |
| Nucleus Software Australia Pty. Ltd. | 100 | Australia |
| Nucleus Software South Africa Pty. Ltd. | 100 | Africa |
| Avon Mobility Solutions Private Limited | 96 | India |

The consolidated financial statements have been prepared in accordance with the principles and procedures for the preparation and presentation as laid down under Accounting Standard 21 on "Consolidated Financial Statements" specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 ("2013 Act"), as applicable.

The financial statements of all the subsidiary companies used in the consolidation are drawn upto the same reporting date as that of the Company i.e., 31 March, 2016.

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

'The excess of cost to the Group of its investments in the subsidiary companies over its share of equity of the subsidiary companies, at the dates on which the investments in the subsidiary companies were made, is recognised as 'Goodwill' being an asset in the consolidated financial statements and is tested for impairment on annual basis. The 'Goodwill' / 'Capital Reserve' is determined separately for each subsidiary company and such amounts are not set off between different entities.

Minority Interest in the net assets of the consolidated subsidiaries consist of the amount of equity attributable to the minority shareholders at the date on which investments in the subsidiary companies were made and further movements in their share in the equity, subsequent to the dates of investments. Net profit / loss for the year of the subsidiaries attributable to minority interest is identified and adjusted against the profit after tax of the Group in order to arrive at the income attributable to shareholders of the Company.

Goodwill arising on consolidation is not amortised but tested for impairment.

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

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

(iv) Use of estimates

The preparation of consolidated 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

Notes forming part of the consolidated financial statements

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. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the year in which the results are known / materialise.

(v) Inventories

Inventories are valued at the lower of cost and the net realisable value after providing for obsolescence and other losses, where considered necessary. Cost includes all charges in bringing the goods to the point of sale.

(vi) Cash flow statement

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

(vii) Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

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

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

The Group 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 Group and the Group does not use the foreign exchange forward contracts or options for trading or speculation purposes.

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

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

- a) Income and expense items are translated at the weighted average exchange rates.
- b) Monetary assets and liabilities denominated in foreign currencies as at the Consolidated Balance Sheet date are translated at the exchange rates on that date.
- c) Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of transaction.
- d) All resulting exchange differences are recognised in the Consolidated Statement of Profit and Loss of the reporting period.
- e) Contingent liabilities are translated at the closing rate.

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

- a) Income and expense items are translated at the weighted average exchange rates.
- b) Assets and liabilities, both monetary and non-monetary are translated at the closing rate.
- c) All resulting exchange differences are accumulated in a foreign currency translation reserve which is reflected under reserves and surplus.
- d) Contingent liabilities are translated at the closing rate.

(ix) 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 sale of licenses, where no customisation is required, are recognised upon delivery of these licenses which constitute transfer of all risks and rewards.

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

Revenue from sale of goods is recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to customers. Sales exclude sales tax and value added tax.

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.

Notes forming part of the consolidated financial statements

(x) Other Income

Profit on sale of investments is determined as the difference between the sales price and the carrying value of the investment upon disposal of the investments.

Interest income is accounted on accrual basis.

Dividend income is recognised when the right to receive the same is established.

Rental income comprising of rent and other related services from operating lease is recognised in the Consolidated Statement of Profit and Loss on a straight line basis over the lease term.

(xi) Expenditure

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

(xii) Depreciation and amortisation

Depreciation on fixed assets, except leasehold land and leasehold improvements, is provided on the straight-line method based on useful lives of respective assets as estimated by the management taking into account nature of the asset, the estimated usage of the asset and the operating conditions of the asset. Leasehold land is amortised over the period of lease. The leasehold improvements are amortised over the remaining period of lease or the useful lives of assets, whichever is shorter. Depreciation is charged on a pro-rata basis for assets purchased / sold during the year.

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

| Asset category | Useful life (in years) |
|------------------------------------------------------------------|------------------------|
| Tangible asset | |
| Building | 30 |
| Plant and machinery (including office equipment) | 5 |
| Computers- end user devices like laptops and desktops etc | 3 |
| Computers- servers and networking equipments etc | 4 |
| Vehicles | 5 |
| Furniture and fixtures | 5-7 |
| Temporary wooden structures (included in furniture and fixtures) | 1 |
| Asset category | Useful life (in years) |
| Intangible asset | |
| Software | 3-5 |

The above useful lives are lower than the useful lives specified in Schedule II of the Companies Act, 2013.

(xiii) Tangible assets and capital work in progress

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. Fixed assets are stated at the cost of acquisition including any directly attributable expenditure on making the asset ready for its intended use. Fixed assets under construction and cost of assets not ready to use before the year end, are disclosed as capital work-in-progress.

(xiv) Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the tax authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

(xv) Research and development

Revenue expenditure pertaining to research is charged to the Consolidated Statement of Profit and Loss. Development costs of products are also charged to the Consolidated Statement of Profit and Loss unless a product's technical feasibility has been established, in which case such expenditure is capitalised. The amount capitalised comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis to creating, producing and making the asset ready for its intended use. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for Fixed Assets.

(xvi) 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.

(xvii) 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.

(xviii) Employee benefits

a. India

Employee benefits include provident fund, gratuity and compensated absences.

Notes forming part of the consolidated financial statements

Defined contribution plans

The Company's contribution to provident fund is considered as defined contribution plans and is charged as an expense as they fall due based on the amount of contribution required to be made.

Defined benefit plans

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each year end. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the year in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under :

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the year in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date.

Other employee benefits

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

b. Singapore

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

undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

c. United States of America/ Netherlands/ Japan/ Australia/Africa

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

(xix) Post Sales client support and warranties

The Company provides its clients with fixed period warranty for correction of errors and support on its fixed price product orders. Revenue for such warranty period is allocated based on the estimated effort required during warranty period.

(xx) Operating leases

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

(xxi) Earnings per share

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

(xxii) Taxation

Current tax is determined on the basis of taxable income and tax credits computed for each of the entities in the Group in accordance with the provisions of applicable tax laws of the respective jurisdictions where the entities are located.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the entity will pay normal income tax. Accordingly, MAT is recognised as an asset in the Consolidated Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the entity.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence

Notes forming part of the consolidated financial statements

that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the entity has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Consolidated Balance Sheet date for their realisability.

The Group offsets deferred tax assets and deferred tax liabilities, and advance income tax and provision for tax, if it has a legally enforceable right and these relate to taxes in income levies by the same governing taxation laws.

Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Consolidated Statement of Profit and Loss.

(xxiii) Impairment

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

(xxiv) Provision and Contingencies

The Group 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 Consolidated Balance Sheet date. These are reviewed at each Consolidated 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.

Contingent assets are not recognised in the financial statements.

(xxv) Hedge Accounting

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in "Accounting Standard 30 Financial Instruments: Recognition and Measurement" issued by the Institute of Chartered Accountants of India. These forward

contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognised directly in "Hedging reserve account" under Reserves and surplus, net of applicable deferred income taxes and the ineffective portion is recognised immediately in the Consolidated Statement of Profit and Loss. Amounts accumulated in the "Hedging reserve account" are reclassified to the Consolidated Statement of Profit and Loss in the same periods during which the forecasted transaction affects profit and loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in "Hedging reserve account" is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in "Hedging reserve account" is immediately transferred to the Consolidated Statement of Profit and Loss.

(xxvi) Derivative Contracts

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

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

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

(xxvii) Insurance claims

Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that the amount recoverable can be measured reliably and it is reasonable to expect ultimate collection.

(xxviii) Service tax /VAT input credit

Service tax/VAT input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is reasonable certainty in availing / utilising the credits.

(xxix) Operating cycle

Based on the nature of products / activities of the Group and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Group has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

Notes forming part of the consolidated financial statements

2 NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

2.1 SHARE CAPITAL

| Particulars | (Amount in `) | |
|-------------------------------------------------------------------------------------|------------------------|------------------------|
| | As at 31 March 2016 | As at 31 March 2015 |
| a. Authorised | | |
| Equity shares | | |
| 40,000,000 (40,000,000) equity shares of ` 10 each | <u>400,000,000</u> | <u>400,000,000</u> |
| b. Issued, Subscribed and Paid-Up | | |
| Issued | | |
| 32,386,524 (32,386,524) equity shares of ` 10 each | <u>323,865,240</u> | <u>323,865,240</u> |
| Subscribed and Paid-Up | | |
| 32,383,724 (32,383,724) equity shares of ` 10 each, fully paid up | 323,837,240 | 323,837,240 |
| Add: 2,800 (2,800) forfeited equity shares pending reissue (see note (iv) below) | 15,000 | 15,000 |
| | <u>323,852,240</u> | <u>323,852,240</u> |

Refer notes (i) to (v) below :-

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year :-

| Particulars | | Opening balance | Allotted under Employee Stock Option Plans | Closing balance |
|-------------|-----------------------------------|--------------------|-----------------------------------------------------|--------------------|
| a. | For the year ended 31 March, 2016 | | | |
| | - Number of shares | 32,383,724 | — | 32,383,724 |
| | - Amount | 323,837,240 | — | 323,837,240 |
| b. | For the year ended 31 March, 2015 | | | |
| | - Number of shares | 32,383,724 | — | 32,383,724 |
| | - Amount | 323,837,240 | — | 323,837,240 |

(ii) Rights, preferances and restrictions attached to shares

The Company has one class of equity shares having a par value of ` 10 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(iii) Number of shares held by shareholders holding more than 5% of the aggregate shares in the Company :-

| Particulars | As at 31 March 2016 | | As at 31 March 2015 | |
|--------------------------------------------------------|---------------------|--------|---------------------|--------|
| | (Number) | (%) | (Number) | (%) |
| Karmayogi Holdings Private Limited | 9,000,000 | 27.79% | 9,000,000 | 27.79% |
| Nucleus Software Engineers Private Limited | 2,385,882 | 7.37% | 2,385,882 | 7.37% |
| Madhu Dusad | 3,066,248 | 9.47% | 3,066,248 | 9.47% |
| Fidelity Puritan Trust- Fidelity Low-Priced Stock Fund | 2,200,000 | 6.79% | 2,200,000 | 6.79% |

(iv) Details of forfeited shares

| Particulars | As at 31 March 2016 | | As at 31 March, 2015 | |
|----------------------------------|---------------------|--------|----------------------|--------|
| | (Number) | (`) | (Number) | (`) |
| Equity shares with voting rights | 2,800 | 15,000 | 2,800 | 15,000 |

(v) EMPLOYEES STOCK OPTION PLAN ("ESOP")

- a. Employee Stock Option Scheme and SEBI (Share Based Employee Benefits) Regulations, 2014, is effective for regulation of all schemes by the Company for the benefits for its employees dealing in shares, directly or indirectly from October 28, 2014. In accordance with these Guidelines, the excess of the market price of the underlying equity shares as of the date of grant

Notes forming part of the consolidated financial statements

of options over the exercise price of the option, including up-front payments, if any, is to be recognized and amortised on graded vesting basis over the vesting period of the options.

- b. The Company currently has one ESOP scheme- ESOP Scheme - 2015 (instituted in 2015) which was duly approved by the Board of Directors and Shareholders. The ESOP Scheme 2015 provides for 500,000 options to eligible employees. As per ESOP scheme 2015, equity shares would be transferred to eligible employees on exercise of options through Nucleus Software Employee Welfare Trust. The scheme is administered by the Compensation Committee comprising three members, the majority of whom are independent directors.
- c. There are no options granted, forfeited and exercised during the year under ESOP Scheme 2015.

(Amount in `)

| Particulars | As at 31 March 2016 | As at 31 March 2015 |
|---------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| 2.2 RESERVES AND SURPLUS | | |
| a. Capital reserve | | |
| Opening balance | 8,900,230 | 8,900,230 |
| Closing balance | 8,900,230 | 8,900,230 |
| b. Securities premium account | | |
| Opening balance | 21,901,489 | 21,901,489 |
| Closing balance | 21,901,489 | 21,901,489 |
| c. Hedging reserve [see note 2.33] | | |
| Opening balance | 6,945,947 | 28,159,099 |
| Add / (Less) : Effect of foreign exchange rate variations on hedging instruments outstanding at the end of the year | (3,656,959) | (21,213,152) |
| Closing balance | 3,288,988 | 6,945,947 |
| d. Foreign currency translation reserve | | |
| Opening balance | 89,557,484 | 107,013,615 |
| Add: Addition during the year | 26,190,013 | (17,456,131) |
| Closing balance | 115,747,497 | 89,557,484 |
| e. General reserve | | |
| Opening balance | 888,775,899 | 888,775,899 |
| Closing balance | 888,775,899 | 888,775,899 |
| f. Surplus in Statement of Profit and Loss | | |
| Opening balance | 3,043,725,656 | 2,591,467,290 |
| Add: Profit for the year | 324,653,159 | 647,140,379 |
| Less : Appropriations | | |
| - Proposed final dividend on equity shares [see note (i) below] | — | (161,918,620) |
| - Interim Dividend [see note (ii) below] | (161,918,620) | |
| - Tax on dividend [see note 2.36] | — | (32,963,393) |
| Closing balance | 3,206,460,195 | 3,043,725,656 |
| | 4,245,074,298 | 4,059,806,705 |

Note :

- (i) The Board of Directors recommended a Final Dividend of ` 5 per share (on equity share of par value of ` 10 each) at their Board meeting held on 7 May 2015, which was approved by shareholders through poll in Annual General Meeting held on 8 July 2015.
- (ii) The Board of Directors of holding Company, at their meeting held on 16 March, 2016, had declared an interim dividend of ` 5 per equity share. The interim dividend was paid to the shareholders before 31 March 2016.

(Amount in `)

| Particulars | As at 1 April 2015 | (Credited)/ Charge during the year | As at 31 March 2016 |
|--------------------------------------------------------------------|-----------------------|------------------------------------------|------------------------|
| 2.3 DEFERRED TAX LIABILITIES | | | |
| a. Deferred tax liabilities | | | |
| On difference between book balance and tax balance of fixed assets | — | 782,217 | 782,217 |
| | — | 782,217 | 782,217 |

Notes forming part of the consolidated financial statements

| (Amount in `) | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Particulars | As at 31 March 2016 | As at 31 March 2015 |
| 2.4 OTHER LONG TERM LIABILITIES | | |
| Advance from customers / Advance billings | 31,993,885 | — |
| | 31,993,885 | — |
| 2.5 LONG-TERM PROVISIONS | | |
| Provision for employee benefits | | |
| - Provision for compensated absences | 41,206,256 | 47,424,938 |
| | 41,206,256 | 47,424,938 |
| 2.6 Short-term borrowings | | |
| Unsecured | | |
| Loans and advances from related parties (see note below and 2.29) | 7,011,350 | — |
| Loans and advances from other parties (see note below) | 5,889,938 | — |
| | 12,901,288 | — |
| Note: | | |
| (i) Details of unsecured short-term borrowings: | | |
| K Krishna Kumar (Shareholder) | 2,539,938 | — |
| Subbu Subramaniam (Non Executive Director) | 3,350,000 | — |
| Thomas Zachariah (Executive Director) | 7,011,350 | — |
| | 12,901,288 | — |
| (ii) Above borrowings are repayable on demand. | | |
| 2.7 TRADE PAYABLES | | |
| Trade Payables | | |
| - Micro and small enterprises (see note (i) below) | — | — |
| - Others | 277,269,586 | 258,857,818 |
| | 277,269,586 | 258,857,818 |
| Note: | | |
| (i) The holding company and subsidiary companies incorporated in India have no amounts payable to Micro and Small Enterprises as defined in Section 7(1) of the Micro, Small and Medium Enterprises Development Act, 2006, to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors. | | |
| 2.8 OTHER CURRENT LIABILITIES | | |
| a. Advance from customers / Advance billings | 364,163,500 | 314,597,000 |
| b. Deferred revenue | 381,643,741 | 268,498,746 |
| c. Unclaimed dividends | 4,360,380 | 2,720,113 |
| d. Book overdraft | 15,239,124 | 15,401,797 |
| e. Payable for purchase of fixed assets | 1,316,554 | 1,960,540 |
| f. Provision for gratuity (see note 2.32) | 11,440,795 | 2,758,233 |
| g. Interest accrued and due on borrowings | 448,450 | — |
| h. Other payables - statutory liabilities | 56,041,041 | 51,464,723 |
| | 834,653,585 | 657,401,152 |
| 2.9 SHORT-TERM PROVISIONS | | |
| a. Provision for employee benefits | | |
| - Provision for compensated absences | 26,802,589 | 13,384,298 |
| b. Provision for proposed equity dividend | — | 161,918,620 |
| c. Provision for tax on proposed dividend | — | 32,963,393 |
| d. Provision for tax | 15,143,594 | 7,631,763 |
| | 41,946,183 | 215,898,074 |

Notes forming part of the consolidated financial statements

Note 2.10

FIXED ASSETS (At Cost)

(Amount in `)

| Particulars | GROSS BLOCK | | | ACCUMULATED DEPRECIATION | | | | NET BLOCK | |
|------------------------|-----------------------|--------------|--------------------------------------------------|--------------------------|-----------------------|------------------------------|---------------------------------------------------|-------------------------|------------------------|
| | As at 1 April 2015 | Additions | Deductions / adjustments (Note (i) & (ii)) | As at 31 March, 2016 | As at 1 April 2015 | Depreciation for the year | Deductions / adjustments (Note (i) & (iii)) | As at 31 March, 2016 | As at 31 March 2015 |
| Tangible assets | | | | | | | | | |
| Freehold land | 3,360,720 | — | — | 3,360,720 | — | — | — | 3,360,720 | 3,360,720 |
| | (3,360,720) | — | — | (3,360,720) | — | — | — | (3,360,720) | (3,360,720) |
| Leasehold land | 187,842,361 | — | — | 187,842,361 | 18,078,035 | 2,004,279 | — | 20,082,314 | 169,764,326 |
| | (187,842,361) | — | — | (187,842,361) | (16,073,758) | (2,004,277) | — | (18,078,035) | (171,768,603) |
| Leasehold improvements | 10,150,231 | — | (398,049) | 10,548,280 | 8,066,971 | 1,120,691 | (134,284) | 9,321,946 | 20,83,260 |
| | (7,148,689) | (3,232,582) | (231,040) | (10,150,231) | (7,148,689) | (1,022,604) | (104,322) | (8,066,971) | — |
| Buildings | 284,999,159 | 39,326 | — | 285,038,485 | 80,286,356 | 9,500,879 | — | 89,787,235 | 204,712,803 |
| | (280,913,490) | (4,085,669) | — | (284,999,159) | (70,875,550) | (9,410,806) | — | (80,286,356) | (210,037,940) |
| Plant and equipment | 194,965,968 | 8,997,334 | (1,511,748) | 205,475,050 | 182,844,511 | 7,347,419 | (2,099,452) | 192,291,382 | 12,121,457 |
| | (196,382,821) | (921,343) | (2,338,196) | (194,965,968) | (179,117,607) | (6,160,666) | (2,433,762) | (182,844,511) | (17,265,214) |
| Computer equipment | 373,449,583 | 32,649,037 | 2,347,340 | 403,751,280 | 291,855,757 | 41,595,739 | 179,801 | 333,271,695 | 81,593,826 |
| | (329,836,340) | (59,576,372) | (15,963,129) | (373,449,583) | (269,616,347) | (37,939,002) | (15,699,592) | (291,855,757) | (60,219,993) |
| Vehicles | 24,430,687 | 1,736,623 | 3,169,743 | 22,997,567 | 7,077,034 | 4,372,998 | 1,122,953 | 10,327,079 | 17,353,653 |
| | (19,428,065) | (9,539,057) | (4,536,435) | (24,430,687) | (5,104,762) | (4,508,032) | (2,535,760) | (7,077,034) | (14,323,303) |
| Furniture and fixtures | 51,888,241 | 1,882,189 | 224,842 | 53,545,588 | 50,031,875 | 1,149,426 | (955,557) | 52,136,858 | 1,856,366 |
| | (51,971,316) | (245,477) | (328,552) | (51,888,241) | (49,210,155) | (1,109,215) | (287,495) | (50,031,875) | (2,761,161) |
| | 1,131,086,950 | 45,304,509 | 3,832,128 | 1,172,559,331 | 638,240,539 | 67,091,431 | (1,886,539) | 707,218,509 | 492,846,411 |
| | (1,076,883,802) | (77,600,500) | (23,397,352) | (1,131,086,950) | (597,146,868) | (62,154,602) | (21,060,931) | (638,240,539) | (479,736,934) |
| Intangible assets | | | | | | | | | |
| Software | 312,340,962 | 14,077,883 | (241,262) | 326,660,107 | 223,575,305 | 55,155,664 | (165,218) | 278,896,187 | 88,765,657 |
| | (292,847,842) | (19,627,371) | (134,251) | (312,340,962) | (166,134,761) | (57,513,558) | (73,014) | (223,575,305) | (126,713,081) |
| Total | 1,443,427,912 | 59,382,392 | 3,590,866 | 1,499,219,438 | 861,815,844 | 122,247,095 | (2,051,757) | 986,114,696 | 581,612,068 |
| Previous year | (1,369,731,644) | (97,227,871) | (23,531,603) | (1,443,427,912) | (763,281,628) | (119,668,160) | (21,133,945) | (861,815,844) | — |

Notes :

- Includes the effect of translation in respect of assets held by foreign subsidiaries which are considered as non-integral to the operations of the company in terms of Accounting Standard - 11.
- Some of the assets have been re-grouped during the year, based on the nature of assets.
- Figures in bracket pertain to previous year ended 31 March, 2015/2014.

Notes forming part of the consolidated financial statements

| (Amount in `) | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Particulars | As at 31 March 2016 | As at 31 March 2015 |
| 2.11 NON-CURRENT INVESTMENTS (at cost) | | |
| - Non trade | | |
| Investment in equity instruments (Unquoted) | | |
| 250,000 (250,000) equity shares of ` 10 (` 10) each, fully paid up, in Ujjivan Financial Services Limited | 2,500,000 | 2,500,000 |
| Investments in Government securities (Unquoted) | | |
| National savings certificates | 23,000 | 23,000 |
| Investment in bonds (Quoted) | | |
| a. Indian Railway Finance Corporation Limited - Tranche 1 Series IA (net of adjustment to the carrying amount of investments amounting to ` 9,350,000) | 90,650,000 | 90,650,000 |
| b. Indian Infrastructure Finance Company Limited - Tranche 1 Series 1A | 50,000,000 | 50,000,000 |
| c. 8.09% Power Finance Corporation Tax Free Bonds 2021 | 45,600,000 | 45,600,000 |
| d. 7.51% Power Finance Corporation Tax Free Bonds 2021 | 50,000,000 | 50,000,000 |
| e. Indian Railway Finance Corporation Ltd.- Tranche 1 Series I | 200,000,000 | 200,000,000 |
| f. Indian Railway Finance Corporation Limited - Tranche 1 Series IB | 100,000,000 | 100,000,000 |
| g. 7.11% Power Finance Corporation Tax Free Bonds 2025 | 5,134,000 | — |
| h. 7.21% India Infrastructure Finance Company Limited Tax Free Bonds 2022 | 50,000,000 | — |
| i. 7.55% Indian Railway Finance Corporation Limited Tax Free Bonds 2021 | 29,500,000 | — |
| j. 8.20% Power Finance Corporation Tax Free Bonds 2022 | 6,000,000 | — |
| k. 7.28% India Infrastructure Finance Company Limited Tax Free Bonds 2030 | 4,530,000 | — |
| l. 7.49% Indian Renewable Energy Development Agency Limited (IREDA) Tax Free Bonds 2031 | 11,921,000 | — |
| m. 7.39% Housing and Urban Development Corporation Limited (HUDCO) Tax Free Bonds 2031 | 14,014,000 | — |
| n. 8.50% National Highways Authority of India (NHAI) Tax Free Bonds 2029 | 10,000,000 | — |
| o. 7.39% National Highways Authority of India (NHAI) Tax Free Bonds 2031 | 15,419,000 | — |
| p. 7.39% Housing and Urban Development Corporation Limited (HUDCO) Tax free bonds 2031 | 12,799,000 | — |
| q. 7.21% Power Finance Corporation (PFC) Tax Free Bonds 2022 | 50,000,000 | — |
| r. 7.35% Indian Railway Finance Corporation Tax Free Bonds 2031 | 11,757,000 | — |
| s. 7.35% National Bank for Agriculture and Rural Development (NABARD) Tax Free Bonds 2031 | 20,040,000 | — |
| Investment in Preference Shares | | |
| a. Investment - 8.15% L&T Preference Shares- 2020 | 99,000,000 | — |
| b. Investment - 16.46% IL&FS - Pref Share 2022 | 50,100,000 | — |
| Investment in mutual funds (quoted) | | |
| a. HDFC FMP 1128D March 2015(1) Direct Growth | 50,000,000 | 50,000,000 |
| b. ICICI Prudential FMP Series 72 -368 Days Plan A Growth | — | 50,000,000 |
| c. ICICI Prudential FMP Series 76-1108 Days Plan V-Direct-Growth | 50,000,000 | 50,000,000 |
| d. HDFC FMP 370D June 2014 (2) Series 31 – Growth Option | 10,000,000 | — |
| e. ICICI Prudential FMP Series 74 -369 Days Plan T Growth | 100,000,000 | — |
| f. Reliance Fixed Horizon Fund- XXVI- Series 31- Growth Option | 50,000,000 | — |
| g. UTI Fixed Term Income Fund-Series XIX-VIII (368 Days) Growth | 100,00,000 | — |
| | 1,196,464,000 | 686,250,000 |
| Aggregate amount of non current-investments | 1,198,987,000 | 688,773,000 |
| Aggregate amount of quoted investments | 1,196,464,000 | 686,250,000 |
| Aggregate market value of quoted investments | 1,266,589,300 | 701,240,000 |
| Aggregate amount of unquoted investments | 2,523,000 | 2,523,000 |

Notes forming part of the consolidated financial statements

(Amount in `)

| Particular | As at 01 April 2015 | Amount transferred on acquisition of subsidiary | (Credited)/ Charge during the year (see note below)" | As at 31 March 2016 |
|-----------------------------------------------------------------------------------------------------------|------------------------|----------------------------------------------------------|---------------------------------------------------------------|------------------------|
| 2.12 DEFERRED TAX ASSET (net) | | | | |
| a. Deferred tax assets | | | | |
| Provision for compensated absences, gratuity and other employee benefits | 19,061,731 | — | (6,829,771) | 25,891,502 |
| Provision for doubtful debts / service income accrued but not due | 25,131,463 | — | 3,321,465 | 21,809,998 |
| | 44,193,194 | | (3,508,306) | 47,701,500 |
| b. Deferred tax liabilities | | | | |
| On difference between book balance and tax balance of fixed assets | 31,029,585 | (222,396) | (5,211,614) | 25,595,575 |
| c. Net deferred tax asset | 13,163,609 | 222,396 | (8,719,920) | 22,105,925 |
| d. Effect of foreign currency translation on items constituting deferred tax asset for foreign subsidiary | — | — | 84,421 | — |
| e. Net deferred tax asset | 13,163,609 | 222,396 | (8,635,499) | 22,105,925 |

Note :

- (i) Does not include deferred tax charge amounting to ` 782,217 on account of deferred tax liability related to a subsidiary. (see note 2.3)

(Amount in `)

| Particulars | As at 31 March 2016 | As at 31 March 2015 |
|---------------------------------------------------------------------------|------------------------|------------------------|
| 2.13 LONG-TERM LOANS AND ADVANCES (Unsecured, considered good) | | |
| a. Capital advances | 620,980 | — |
| b. Security deposits | 32,456,989 | 30,085,265 |
| c. Loans and advances to employees | | |
| - Staff loans | 2,343,122 | 556,867 |
| d. Prepaid expenses | 1,962,857 | 5,183,388 |
| e. Balances with government authorities | | |
| - Advance tax | 81,677,193 | 114,076,423 |
| - MAT credit entitlement | 62,905,935 | 31,619,768 |
| | 181,967,076 | 181,521,711 |
| 2.14 OTHER NON CURRENT ASSETS (Unsecured, considered good) | | |
| a Long- term trade receivables | 101,575,012 | — |
| b Long-term bank deposits (see note below) | 2,923,360 | 1,825,000 |
| c. Interest accrued but not due on bank deposits | 202,858 | 584,700 |
| d. Unamortised premium on tax free bonds | 9,765,060 | 9,048,845 |
| | 114,466,290 | 11,458,545 |

Note :-

Long-term bank deposits represents deposits under lien with bank and are restricted from being settled for more than 12 months from the Balance Sheet date.

Notes forming part of the consolidated financial statements

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

a. Investment in mutual funds

| Name | Units as at 31 March, 2016 (Numbers) | Value of units as at 31 March, 2016 (`) | Units as at 31 March, 2015 (Numbers) | Value of units as at 31 March, 2015 (`) |
|---------------------------------------------------------------------------------------------------|-----------------------------------------------|---------------------------------------------------|-----------------------------------------------|---------------------------------------------------|
| - Liquid Schemes of Mutual Funds (Unquoted) | | | | |
| a. Axis Liquid Fund- Direct Plan- Daily Dividend Reinvestment | – | – | 125,906 | 125,944,642 |
| b. ICICI Prudential Flexible Income Plan - DDR - Direct | 661,825 | 69,978,636 | – | – |
| c. ICICI Prudential Money Market Fund-Dividend-Daily Reinvestment | 527,060 | 52,781,645 | – | – |
| d. IDFC Cash Fund Direct Plan- Daily Dividend Reinvestment | – | – | 107,419 | 107,476,268 |
| e. Kotak Floater Short Term Fund-Direct Plan-Daily Dividend-Reinvestment Option | 152,101 | 153,867,614 | 106,741 | 107,981,327 |
| f. Kotak Liquid Scheme Plan A- Direct Plan-Daily Dividend-Reinvestment Option | – | – | 175,002 | 213,993,857 |
| g. Reliance Liquid Fund-Treasury Plan-Direct Plan-Daily Dividend-Reinvestment Option | 101,573 | 155,279,073 | 5,566 | 8,508,730 |
| h. ICICI Prudential Institutional Liquid Plan-Direct Plan- Daily Dividend | 576,094 | 57,641,970 | 1,192,108 | 119,278,121 |
| i. Birla Sunlife Savings Fund- DDR - Direct | 1,656,005 | 166,092,642 | – | – |
| j. DSP BlackRock Ultra Short Term Fund - DDR - Direct | 3,017,107 | 30,295,981 | – | – |
| k. HDFC Floating Rate - Short term plan- Wholesale – Direct - Daily Dividend-Reinvestment option. | 5,510,650 | 55,552,307 | – | – |
| l. HDFC Arbitrage Fund - Normal DR- Direct | 6,661,947 | 70,614,447 | – | – |
| m. IDFC Banking Debt Fund Regular Plan- Dividend | 2,440,192 | 24,776,243 | 2,316,839 | 23,396,133 |
| n. IDFC Arbitrage Fund Direct Plan- Monthly DR- Direct | 4,297,906 | 55,427,306 | – | – |
| o. Kotak Equity Arbitrage Fund- Monthly DR- Direct | 6,911,836 | 75,143,613 | – | – |
| p. Reliance Arbitrage Advantage Fund-Monthly DR- Direct | 4,292,755 | 45,426,255 | – | – |
| q. SBI Ultra Short Term Debt Fund - DDR - Direct | 5,011 | 5,039,163 | – | – |
| r. Sundaram Ultra Short Term Fund - DDR - Direct | 4,468,675 | 44,882,927 | – | – |
| s. UTI Floating Rate Fund STP – Daily Income Option-Reinvestment-Direct | 43,995 | 47,377,198 | – | – |
| - Fixed Maturity Plans/Interval Plans (Quoted) | | | | |
| a. HDFC FMP 370D June 2014 (2) Series 31 – Growth Option | – | – | 1,000,000 | 10,000,000 |
| b. HDFC FMP 371D June 2014 (1) Series 31 – Growth Option | – | – | 3,000,000 | 30,000,000 |
| c. HDFC Banking and PSU Debt Fund-Direct Plan-Growth | – | – | 9,078,941 | 100,000,000 |
| d. ICICI Prudential FMP Series 74 -369 Days Plan T Growth | – | – | 10,000,000 | 100,000,000 |
| e. Reliance Fixed Horizon Fund- XXVI- Series 31- Growth Option | – | – | 5,000,000 | 50,000,000 |
| f. UTI Fixed Term Income Fund-Series XIX-VIII (368 Days) Growth | – | – | 1,000,000 | 10,000,000 |
| g. Reliance Fixed Horizon Fund XXX – Series 9-Direct-Div Payout | 3,747,632 | 37,476,320 | – | – |
| h. ICICI Prudential FMP Series 72 -368 Days Plan A Growth | 5,000,000 | 50,000,000 | – | – |
| i. UTI FIIF-QIP-III-Direct-Div Payout | 4,992,112 | 50,000,000 | – | – |
| Aggregate amount of investment | | 1,247,653,340 | | 1,006,579,079 |
| Aggregate market value of quoted and unquoted investment | | 1,259,344,376 | | 1,021,002,315 |

Notes forming part of the consolidated financial statements

(Amount in `)

| Particulars | As at 31 March 2016 | As at 31 March 2015 |
|------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| 2.16 TRADE RECEIVABLES | | |
| (Unsecured) | | |
| a. Trade receivables outstanding for a period exceeding six months from the date they were due for payment | | |
| - Considered good | 21,345,984 | 53,811,181 |
| - Considered doubtful | 38,033,733 | 24,278,779 |
| | 59,379,717 | 78,089,960 |
| Less: Provision for doubtful trade receivables | (38,033,733) | (24,278,779) |
| | 21,345,984 | 53,811,181 |
| b. Other Trade receivables | | |
| - Considered good | 838,155,349 | 792,249,262 |
| | 859,501,333 | 846,060,443 |
| 2.17 CASH AND CASH EQUIVALENTS | | |
| A. Cash and cash equivalents (As per AS 3 Cash Flow Statements) | | |
| a. Cash on hand | 131,003 | 36,655 |
| b. Remittance in transit | 12,000,876 | 7,126,608 |
| c. Cheque on hand | 341,286 | — |
| d. Balances with scheduled banks: | | |
| - in current accounts | 26,005,325 | 7,741,122 |
| - in EEFC accounts | 14,256,252 | 68,663,402 |
| e. Balance with non scheduled banks in current accounts: | | |
| - Citibank, United Kingdom | 948,451 | 630,589 |
| - Citibank, U.A.E | 1,364,186 | 1,526,105 |
| - Citibank, U.A.A | 1,028,035 | — |
| - Citibank, Singapore | 43,606,763 | 60,766,049 |
| - Citibank, Philippines | 1,389,513 | 1,116,136 |
| - PNC Bank, USA | 3,407,482 | 3,015,932 |
| - Citibank, USA | 68,333,905 | 7,693,112 |
| - Bank of Tokyo Mitsubishi, Japan | 3,132,178 | 808,829 |
| - Shinsei Bank, Japan | 27,478 | 24,748 |
| - Citibank, Japan | 4,291,754 | 17,047,315 |
| - Citibank, Australia | 1,648,404 | 312,358 |
| - Nedbank, South Africa | 356,582 | — |
| - Citibank, Netherlands | 3,149,725 | 2,391,090 |
| f. Balances with scheduled banks in deposit accounts with original maturity of less than 3 months | 65,250,931 | 14,700,000 |
| Total - Cash and cash equivalents (as per AS 3 Cash Flow Statements) (A) | 250,670,129 | 193,600,050 |
| B. Other bank balances | | |
| a. Balances with scheduled banks in earmarked accounts: | | |
| - unclaimed dividend accounts | 4,364,367 | 2,724,100 |
| b. Balances with scheduled banks in deposit accounts with original maturity of more than 3 months : | | |
| - Original maturity of more than 12 months | 987,014,127 | 1,541,383,656 |
| - Original maturity of less than 12 months | 330,109 | 68,258,120 |
| Total - Other bank balances (B) | 991,708,603 | 1,612,365,876 |
| Total Cash and cash equivalents (A+B) | 1,242,378,732 | 1,805,965,926 |

Notes forming part of the consolidated financial statements

(Amount in `)

| Particulars | As at 31 March 2016 | As at 31 March 2015 |
|-------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Details of balances as on balance sheet dates with scheduled banks in current accounts:- | | |
| - HDFC Bank | 9,013,785 | 3,151,358 |
| - Citi Bank | 16,470,683 | 3,077,148 |
| - ICICI Bank | 520,856 | 1,512,616 |
| - Citi Bank * | 12,754,023 | 61,865,360 |
| - HDFC Bank * | 1,502,230 | 6,798,042 |
| - HDFC Bank ** | 4,364,367 | 2,724,100 |
| | 44,625,944 | 79,128,624 |
| * EEFC account | | |
| ** Earmarked for unclaimed dividend | | |
| Details of fixed deposit as on balance sheet dates with scheduled banks :- | | |
| - HDFC Bank | 265,500,000 | 220,500,000 |
| - Citi Bank | 20,900,000 | 14,700,000 |
| - Kotak Mahindra Bank | — | 99,800,000 |
| - ING Vysya | 50,000,000 | 50,000,000 |
| - Bank of India | 2,60,581,042 | 374,297,478 |
| - State Bank of Travancore | 110,000,000 | 189,200,000 |
| - ICICI Bank | — | 191,753,094 |
| - Corporation Bank | 205,149,904 | 255,149,904 |
| - Punjab National Bank | 136,400,000 | 225,000,000 |
| | 1,048,530,946 | 1,620,400,476 |
| Detail of fixed deposit under lien:- | | |
| - HDFC Bank | 1,317,002 | 1,217,940 |
| - Citi Bank | 2,747,219 | 2,723,360 |
| | 4,064,221 | 3,941,300 |

2.18 SHORT-TERM LOANS AND ADVANCES

(Unsecured)

| | | |
|------------------------------------------------------------------------------|--------------------|--------------------|
| a. Security deposit (considered good) | 962,874 | 778,294 |
| b. Loans and advances to employees (considered good) | | |
| - Staff loans | 5,259,967 | 3,120,695 |
| - Employee advances | 8,903,018 | 7,590,983 |
| c. Prepaid expenses (considered good) | 38,105,129 | 40,253,391 |
| d. Balances with Government authorities (considered good) | | |
| - Advance fringe benefit tax [net of provision ` 24,915,859 (` 24,915,859)] | — | 2,089,032 |
| - Service tax / VAT credit receivable | 16,537,089 | 32,665,865 |
| - MAT credit entitlement | 5,547,604 | 14,970,597 |
| e. Others | | |
| - Supplier advances | | |
| - Considered good | 26,120,931 | 31,141,522 |
| - Considered doubtful | 749,609 | 755,807 |
| | 26,870,540 | 31,897,329 |
| Less : Provision for doubtful advances | (749,609) | (755,807) |
| | 26,120,931 | 31,141,522 |
| - Mark-to-market gain on forward contracts (considered good) (see note 2.33) | 919,969 | 6,932,867 |
| - Application money for mutual fund & preference shares (considered good) | 43,040,000 | 6,700,000 |
| - Expenses recoverable from customers (considered good) | 2,591,072 | 9,632,798 |
| | 147,987,653 | 155,876,044 |

Notes forming part of the consolidated financial statements

(Amount in `)

| Particulars | As at 31 March 2016 | As at 31 March 2015 |
|---------------------------------------------------------|------------------------|------------------------|
| 2.19 OTHER CURRENT ASSETS | | |
| (Unsecured) | | |
| a. Service income accrued but not due | | |
| Unsecured | | |
| - Considered good | 111,781,534 | 201,762,379 |
| - Considered doubtful | 29,218,544 | 26,080,063 |
| | 141,000,078 | 227,842,442 |
| Less : Provision for service income accrued but not due | (29,218,544) | (26,080,099) |
| | 111,781,534 | 201,762,343 |
| b. Interest accrued but not due on | | |
| - Fixed deposits with banks | 99,819,418 | 40,403,141 |
| - Current, non trade investments | 25,323,427 | 20,593,436 |
| c. Unamortised premium on tax free bonds | 1,893,875 | 1,551,582 |
| | 238,818,254 | 264,310,502 |

(Amount in `)

| Particulars | Year ended 31 March 2016 | Year ended 31 March 2015 |
|--------------------------------------------------------|-----------------------------|-----------------------------|
| 2.20 INCOME FROM SOFTWARE PRODUCTS AND SERVICES | | |
| a. Software development services and products | 3,487,018,796 | 3,531,395,631 |
| Total | 3,487,018,796 | 3,531,395,631 |

2.21 OTHER INCOME

| | | |
|-------------------------------------------------------|--------------------|--------------------|
| a. Interest income on | | |
| - Deposits with banks | 117,790,753 | 88,661,557 |
| - Current, non trade investments | 46,617,081 | 29,405,037 |
| - Income tax refund | 8,661,971 | 6,136,578 |
| b. Dividend income from | | |
| - Current, non trade investments | 49,074,891 | 50,135,954 |
| - Non-current, non trade investment | 8,248,240 | 125,000 |
| c. Net gain on sale of investments | | |
| - Current, non trade investments | 3,006,381 | 94,542,426 |
| d. Net Gain / (Loss) on foreign currency | | |
| - Gain / (Loss) on exchange fluctuation | 15,062,724 | 9,183,367 |
| - Gain / (Loss) on ineffective hedges (see note 2.33) | (2,369,019) | (13,080) |
| - Gain / (Loss) on consolidation | (4,422,068) | 7,564,097 |
| e. Other non-operating income | | |
| - Liabilities and provisions written back | 15,618,758 | 33,025,849 |
| - Net profit on sale of fixed assets/discarded assets | — | 1,768,469 |
| - Rental income | — | 749,014 |
| - Excess insurance claim received | — | 9,062,556 |
| - Miscellaneous income | 1,779,075 | 2,739,323 |
| | 259,068,787 | 333,086,147 |

Notes forming part of the consolidated financial statements

(Amount in `)

| Particulars | Year ended 31 March 2016 | Year ended 31 March 2015 |
|--------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| 2.22 EMPLOYEE BENEFIT EXPENSES | | |
| a. Salaries and wages | 2,089,977,375 | 1,854,384,718 |
| b. Contribution to provident and other funds | 100,957,630 | 91,759,842 |
| c. Gratuity expense (see note 2.32) | 28,512,559 | 28,026,315 |
| d. Staff welfare expenses | 48,934,437 | 40,219,016 |
| | 2,268,382,001 | 2,014,389,891 |
| Employee benefit expenses include remuneration to Key Managerial Personnel :- | | |
| a. Salary | 9,627,258 | 9,761,763 |
| b. Contribution to provident and other funds | 360,000 | 360,000 |
| | 9,987,258 | 10,121,763 |

Notes:

The above remuneration does not include expense towards retirement benefits since the same are carried out for the respective entities as a whole.

2.23 OPERATING AND OTHER EXPENSES

| | | |
|-------------------------------------------------------------------|--------------------|--------------------|
| a. Outsourced technical service expense | 77,837,229 | 58,223,201 |
| b. Cost of software purchased for delivery to clients | 20,665,615 | 37,893,366 |
| c. Power and fuel | 46,575,614 | 46,806,667 |
| d. Rent (see note 2.25) | 98,662,779 | 96,334,947 |
| e. Repair and maintenance | | |
| - Buildings | 7,028,596 | 6,946,582 |
| - Others | 30,515,821 | 25,208,784 |
| f. Insurance | 9,922,140 | 11,257,360 |
| g. Rates and taxes | 5,555,943 | 3,704,742 |
| h. Travel expenses | | |
| - Foreign | 181,675,819 | 171,295,717 |
| - Domestic | 28,195,619 | 28,799,573 |
| i. Advertisement, business development and promotion | 24,476,373 | 29,070,876 |
| j. Legal and professional (see note 2.27) | 109,238,662 | 95,151,042 |
| k. Directors remuneration (see note below) | 10,330,121 | 10,461,800 |
| l. Conveyance | 21,937,381 | 23,094,607 |
| m. Communication | 29,784,823 | 27,472,280 |
| n. Training and recruitment | 33,895,137 | 41,054,754 |
| o. Net loss on sale of fixed assets/discarded assets | 599,615 | - |
| p. Adjustment to the carrying amount of investments | - | 139,269 |
| q. Conference, exhibition and seminar | 41,025,285 | 20,140,389 |
| r. Information technology expenses | 43,284,720 | 40,106,752 |
| s. Provision for doubtful debts/advances/other current assets | 16,893,484 | 19,901,931 |
| t. Commission to channel partners | 6,659,218 | 19,225,263 |
| u. Expenditure on Corporate Social Responsibility (see note 2.37) | 12,030,000 | 7,050,000 |
| v. Miscellaneous expenses | 53,746,704 | 39,110,814 |
| | 910,536,698 | 858,450,717 |

Note :

Directors Remuneration includes :

Non Executive Directors

| | | |
|-----------------|-------------------|-------------------|
| a. Commission | 4,800,001 | 6,500,000 |
| b. Sitting fees | 5,530,120 | 3,961,800 |
| | 10,330,121 | 10,461,800 |

Notes forming part of the consolidated financial statements

| (Amount in `) | | |
|-----------------------------------|-----------------------------|-----------------------------|
| Particulars | Year ended 31 March 2016 | Year ended 31 March 2015 |
| 2.24 FINANCE COST | | |
| Bank charges | 6,141,904 | 5,446,164 |
| Interest on short term borrowings | 24,033 | - |
| | 6,165,937 | 5,446,164 |

2.25 OPERATING LEASE

Obligations on long-term, non-cancellable operating leases

The Group has acquired office premises under cancellable and non-cancellable operating lease. Operating lease rentals paid during the year ended 31 March, 2016 is ` 98,662,779 (Year ended 31 March, 2015 : ` 96,334,947). The future minimum lease payments in respect of non-cancellable leases is as follows:

| (Amount in `) | | |
|-------------------------------------------------|------------------------|------------------------|
| Particulars | As at 31 March 2016 | As at 31 March 2015 |
| Lease obligations payable | | |
| a. Not later than 1 year | 22,548,208 | 26,231,794 |
| b. Later than 1 year but not later than 5 years | 6,003,455 | 8,247,534 |
| | 28,551,663 | 34,479,328 |

2.26 COMMITMENTS

a. Contingent liabilities

Claims against the Group not acknowledged as debts

7,172,050

6,922,050

b. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances).

3,180,687

3,149,016

c. Other Commitments

As on 31 March, 2016, the Company has outstanding bank guarantee and letter of credits of ` 14,301,565 (As at 31 March, 2015 : ` 23,744,551). These are secured to the extent of ` 150,000,000 against all present and future receivables of the Company.

d. The Group does not have any pending litigations which would impact its financial position.

e. The Group does not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

| (Amount in `) | | |
|---------------|-----------------------------|-----------------------------|
| Particulars | Year ended 31 March 2016 | Year ended 31 March 2015 |

2.27 Auditors Remuneration (excluding tax) (Refer note below)

| | | |
|------------------------------|-------------------|-------------------|
| a. As auditors | 8,864,445 | 8,492,001 |
| b. For taxation matters | 3,145,000 | 280,000 |
| c. For other services | 1,777,631 | 1,472,286 |
| d. Reimbursement of expenses | 270,078 | 219,986 |
| | 14,057,154 | 10,464,273 |

Note :

Includes payment to other auditors ` 2,857,076 (Year ended 31 March, 2015 : ` 2,590,736).

Notes forming part of the consolidated financial statements

(Amount in `)

| Particulars | Year ended 31 March 2016 | Year ended 31 March 2015 |
|-------------------------------------------------------------------------|-----------------------------|-----------------------------|
| 2.28 Earnings per share | | |
| a. Profit after taxation available to equity shareholders (Rupees) | 324,653,159 | 647,140,379 |
| b. Weighted average number of equity shares used in calculating basic | 32,383,724 | 32,383,724 |
| c. Effect of dilutive issue of shares | — | — |
| d. Weighted average number of equity shares used in calculating diluted | 32,383,724 | 32,383,724 |
| e. Basic earnings per share (Rupees) | 10.03 | 19.98 |
| f. Diluted earnings per share (Rupees) | 10.03 | 19.98 |

2.29 RELATED PARTY TRANSACTIONS

Key managerial personnel:

- Vishnu R Dusad (Managing Director)
 - Kapil Gupta (Director, Subsidiary Company) (till 22 February, 2016)
 - Mark McCoy (Director, Subsidiary Company)
 - Thomas Zachariah (Director, Subsidiary Company) (w.e.f 17 March, 2016)
 - Yasmin Javeri Krishan (Director, Subsidiary Company) (w.e.f 22 February, 2016)
- Nucleus Software Foundation (see note 2.37)

Enterprise over which KMP are able to exercise significant influence

- Avon Solutions and Logistics Private Limited (w.e.f 17 March, 2016)

(Amount in `)

| Particulars | Year ended 31 March 2016 | Year ended 31 March 2015 |
|----------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Transactions with related parties | | |
| Managerial remuneration [including perquisite value of ` 723,677 (previous year ` 716,830)] | | |
| - Vishnu R Dusad (Managing Director) | 7,083,677 | 7,076,830 |
| - Kapil Gupta (Director, Subsidiary Company) | 2,323,350 | 2,569,981 |
| - Mark McCoy (Director, Subsidiary Company) | 1,053,281 | 1,191,783 |
| - Thomas Zachariah (Director, Subsidiary Company) | 31,613 | — |
| - Yasmin Javeri Krishan (Director, Subsidiary Company) | 219,015 | — |
| | 10,710,936 | 10,838,593 |
| Expenditure on Corporate Social Responsibility | | |
| - Nucleus Software Foundation | 12,030,000 | 7,050,000 |
| Miscellaneous expenses | | |
| - Avon Solutions and Logistics Private Limited | 16,452 | — |
| Interest on short-term borrowings | | |
| - Thomas Zachariah (Director, Subsidiary Company) | 24,033 | — |
| Short-term borrowings | | |
| - Thomas Zachariah (Director, Subsidiary Company) | 7,011,350 | — |
| Interest accrued on short-term borrowings | | |
| - Thomas Zachariah (Director, Subsidiary Company) | 448,450 | — |
| Trade and other payables | | |
| - Thomas Zachariah (Director, Subsidiary Company) | 798,358 | — |
| - Avon Solutions and Logistics Private Limited | 16,600 | — |

Notes forming part of the consolidated financial statements

2.30 Research and development expenditure

Expenditure on research and development as per Accounting Standard 26

(Amount in `)

| Particulars | Year ended 31 March 2016 | Year ended 31 March 2015 |
|-------------|-----------------------------|-----------------------------|
| Revenue | 192,293,170 | 190,208,441 |

The Company had been accorded initial recognition for the in-house Research and Development (R&D) unit by the Department of Scientific and Industrial Research (DSIR) for its R&D center at Noida effective 31 December, 2012 which was valid till 31 March, 2015. The Company has further received renewal of recognition for its R&D center for three years starting from 1 April, 2015.

2.31 Segment reporting – Basis of preparation

a. Segment accounting policies

The Segment reporting policy complies with the accounting policies adopted for preparation and presentation of financial statements of the Group and is in conformity with Accounting Standard-17 on “Segment Reporting” specified as per Section 133 of the Companies Act, 2013 (“the 2013 Act”), as applicable. The segmentation is based on the Geographies (reportable primary segment) in which the Group operates and internal reporting systems. The secondary segmentation is based on the nature and type of services rendered.

b. Composition of reportable segments

The Group operates in seven main geographical segments: India, Far East, South east Asia, Europe, Middle East, Africa and Australia which individually contribute 10% or more of the Group’s revenue and segment assets.

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 Group 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. Most of the fixed assets of the Group are located in India. These have not been identified to any of the reportable segments, as these are used interchangeably between segments and across geographies. Other items which are not directly attributable to any particular segment and which cannot be reasonably allocated to various segments are consolidated under “Unallocated” head.

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

Information in respect of primary segment

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

a. For the year ended 31 March, 2016

(Amount in `)

| Description | India | Far East | South East Asia | Europe | Middle East | Africa | Australia | Others | Total |
|-----------------------------------|-------------|-------------|--------------------|-------------|-------------|-------------|-------------|------------|---------------|
| Revenue from operations | 679,224,504 | 575,971,090 | 784,357,626 | 414,934,834 | 568,827,785 | 135,827,740 | 246,154,092 | 81,721,125 | 3,487,018,796 |
| Expenses | 585,469,786 | 287,393,354 | 665,384,312 | 289,863,069 | 274,662,135 | 69,145,316 | 106,022,167 | 44,592,462 | 2,322,532,601 |
| Segment result | 93,754,718 | 288,577,736 | 118,973,314 | 125,071,765 | 294,165,650 | 66,682,424 | 140,131,925 | 37,128,663 | 1,164,486,195 |
| Unallocated corporate expenditure | | | | | | | | | 984,799,130 |
| Operating profit before tax | | | | | | | | | 179,687,065 |
| Other income | | | | | | | | | 259,068,787 |
| Profit before tax | | | | | | | | | 438,755,852 |
| Tax Expense | | | | | | | | | |
| Net current tax expense | | | | | | | | | 121,955,975 |
| Net deferred tax credit | | | | | | | | | (7,853,282) |
| | | | | | | | | | 114,102,693 |
| Profit for the year | | | | | | | | | 324,653,159 |

Notes forming part of the consolidated financial statements

b. For the year ended 31 March, 2015

(Amount in `)

| Description | India | Far East | South East Asia | Europe | Middle East | Africa | Australia | Others | Total |
|-----------------------------------|-------------|-------------|-----------------|-------------|-------------|-------------|-------------|-------------|--------------------|
| Revenue from operations | 558,749,287 | 587,273,419 | 785,109,857 | 344,380,127 | 681,177,779 | 197,638,932 | 269,606,230 | 107,460,000 | 3,531,395,631 |
| Expenses | 394,371,690 | 319,286,112 | 577,820,943 | 181,728,035 | 258,046,930 | 71,405,004 | 55,671,950 | 90,383,550 | 1,948,714,214 |
| Segment result | 164,377,597 | 267,987,307 | 207,288,914 | 162,652,092 | 423,130,849 | 126,233,928 | 213,934,280 | 17,076,450 | 1,582,681,417 |
| Unallocated corporate expenditure | | | | | | | | | 1,049,240,717 |
| Operating profit before tax | | | | | | | | | 533,440,700 |
| Other income | | | | | | | | | 333,086,147 |
| Profit before tax | | | | | | | | | 866,526,847 |
| Tax Expense | | | | | | | | | |
| Net current tax expense | | | | | | | | | 165,127,511 |
| Net deferred tax credit | | | | | | | | | 54,258,957 |
| | | | | | | | | | 219,386,468 |
| Profit for the year | | | | | | | | | 647,140,379 |

Assets and liabilities of reportable primary segment are as follows:

a. As at 31 March, 2016

(Amount in `)

| Description | India | Far East | South East Asia | Europe | Middle East | Africa | Australia | Others | Total |
|-----------------------------------|-------------|-------------|-----------------|------------|-------------|------------|------------|-------------|----------------------|
| Segment assets | 516,949,489 | 145,846,449 | 273,210,510 | 84,817,245 | 143,294,859 | 56,843,538 | 12,466,329 | 103,812,514 | 1,337,240,933 |
| Unallocated corporate assets | | | | | | | | | 4,472,438,605 |
| Total assets | | | | | | | | | 5,809,679,538 |
| Segment liabilities | 344,454,921 | 69,704,568 | 263,401,849 | 79,347,204 | 231,302,592 | 78,147,567 | 32,523,677 | 20,246,536 | 1,119,128,912 |
| Unallocated corporate liabilities | | | | | | | | | 121,624,088 |
| Total liabilities | | | | | | | | | 1,240,753,000 |
| Capital employed | | | | | | | | | 4,568,926,538 |

b. As at 31 March, 2015

(Amount in `)

| Description | India | Far East | South East Asia | Europe | Middle East | Africa | Australia | Others | Total |
|-----------------------------------|-------------|------------|-----------------|-------------|-------------|-------------|------------|------------|----------------------|
| Segment assets | 343,257,806 | 97,962,648 | 300,586,196 | 121,206,325 | 207,406,808 | 109,389,750 | 83,198,774 | 35,031,170 | 1,298,039,477 |
| Unallocated corporate assets | | | | | | | | | 4,265,201,450 |
| Total assets | | | | | | | | | 5,563,240,927 |
| Segment liabilities | 171,788,388 | 37,269,064 | 205,430,353 | 65,978,473 | 212,486,800 | 111,889,981 | 18,859,919 | 25,460,287 | 849,163,265 |
| Unallocated corporate liabilities | | | | | | | | | 330,418,717 |
| Total liabilities | | | | | | | | | 1,179,581,982 |
| Capital employed | | | | | | | | | 4,383,658,945 |

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

a. For the year ended 31 March, 2016

(Amount in `)

| Description | India | Far East | South East Asia | Europe | Middle East | Africa | Australia | Others | Total |
|-----------------------------------------------------------|-------------------|----------------|------------------|----------|--------------------|------------------|-----------|----------------|--------------------|
| Capital expenditure | 59,338,295 | 234,120 | 2,539,754 | – | – | 268,804 | 84,501 | – | 62,465,474 |
| Total capital expenditure | | | | | | | | | 62,465,474 |
| Depreciation expenditure | 115,820,944 | 2,736,816 | 3,224,463 | – | – | 34,545 | 9,323 | 421,004 | 122,247,095 |
| Total depreciation | | | | | | | | | 122,247,095 |
| Segment non-cash expense other than depreciation | 13,920,080 | 373,358 | (209,971) | – | (2,271,084) | 4,834,752 | – | 246,347 | 16,893,483 |
| Total non cash expenditure other than depreciation | 13,920,080 | 373,358 | (209,971) | – | (2,271,084) | 4,834,752 | – | 246,347 | 16,893,483 |

Notes forming part of the consolidated financial statements

b. For the year ended 31 March, 2015

(Amount in `)

| Description | India | Far East | South East Asia | Europe | Middle East | Africa | Australia | Others | Total |
|-----------------------------------------------------------|------------------|------------------|------------------|----------------|------------------|------------------|-----------|----------|--------------------|
| Capital expenditure | 82,567,081 | 6,283,431 | 3,681,511 | – | – | – | – | 55,848 | 92,587,871 |
| Total capital expenditure | | | | | | | | | 92,587,871 |
| Depreciation expenditure | 113,966,703 | 2,790,261 | 2,182,176 | – | – | – | – | 729,020 | 119,668,160 |
| Total depreciation | | | | | | | | | 119,668,160 |
| Segment non-cash expense other than depreciation | 5,510,313 | 2,711,901 | 1,425,594 | 162,350 | 2,172,405 | 8,058,637 | – | – | 20,041,200 |
| Total non cash expenditure other than depreciation | 5,510,313 | 2,711,901 | 1,425,594 | 162,350 | 2,172,405 | 8,058,637 | – | – | 20,041,200 |

Information in respect of secondary segment

Information for business segments

(Amount in `)

| Description | Products | Software projects and services | Total |
|---------------------------------------------|---------------|--------------------------------|---------------|
| a. For the year ended 31 March, 2016 | | | |
| Revenue | 2,616,954,950 | 870,063,845 | 3,487,018,796 |
| Carrying amount of segment assets | 100,3579,127 | 333,661,806 | 1,337,240,933 |
| b. For the year ended 31 March, 2015 | | | |
| Revenue | 2,556,245,330 | 975,150,301 | 3,531,395,631 |
| Carrying amount of segment assets | 939,602,270 | 358,437,207 | 1,298,039,477 |

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

2.32 Employee Benefit Obligations

Defined contribution plans

An amount of ` 99,124,911 for the year ended 31 March, 2016 (Year ended 31 March, 2015 ` 91,709,670), have been recognized as an expense in respect of Group's contribution for Provident Fund and other funds and ` 118,035 (Year ended 31 March, 2015 ` 50,172) for Employee State Insurance Fund deposited with the government authorities and has been shown under employee benefit expenses in the Statement of Profit and Loss.

Defined benefit plans

The Gratuity scheme of the Holding Company and subsidiary companies incorporated in India provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service or part thereof in excess of 6 months subject to a maximum limit of ` 1,000,000 in terms of the provisions of the Payment of Gratuity Act, 1972. Vesting occurs upon completion of 5 years of service.

Provision in respect of gratuity and compensated absence has been determined using the Projected Unit Credit method, with actuarial valuations being carried out at the balance sheet date.

The Holding Company and subsidiary companies incorporated in India have made contributions to their respective employees Group Gratuity Assurance Scheme, which has made further contributions to Employees Group Gratuity Scheme of Life Insurance Corporation of India.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation as on 31 March, 2016 :

(Amount in `)

| Particulars | As at 31 March 2016 | As at 31 March 2015 |
|-------------------------------------------------------|------------------------|------------------------|
| a. Change in defined benefit obligations (DBO) | | |
| Obligation at beginning of the year | 130,899,767 | 109,432,122 |
| Current service cost | 19,557,892 | 16,315,630 |
| Interest cost | 10,659,678 | 9,997,048 |
| Actuarial losses/(gains) | 9,480,854 | 5,371,986 |
| Benefits paid | (18,820,756) | (10,217,019) |
| Obligation at year end | 151,777,435 | 130,899,767 |

Notes forming part of the consolidated financial statements

| (Amount in `) | | |
|-------------------------------------------------------------------|------------------------|------------------------|
| Particulars | As at 31 March 2016 | As at 31 March 2015 |
| b. Change in Plan Assets | | |
| Plan assets at year beginning, at fair value | 128,225,291 | – |
| Expected return on asset plan | 9,856,020 | – |
| Contributions by employer | 19,746,242 | 134,718,320 |
| Actuarial (losses)/gains | 1,329,843 | 3,723,990 |
| Benefits paid | (18,820,756) | (10,217,019) |
| Plan assets at year end, at fair value | 140,336,640 | 128,225,291 |
| c. Net asset / (liability) recognised in the Balance Sheet | | |
| Present value of defined benefit obligation | 151,777,435 | 130,899,767 |
| Fair value of plan assets | 140,336,640 | 128,225,291 |
| Funded status- Surplus/ (Deficit) | (11,440,795) | (2,674,476) |
| Unrecognised past service costs | – | – |
| Net liability recognised in the Balance Sheet | (11,440,795) | (2,674,476) |
| d. Expected employer's contribution next year | 21,000,000 | 21,000,000 |

| e. Gratuity cost for the year: | (Amount in `) | |
|---------------------------------------|-----------------------------|-----------------------------|
| Particulars | Year ended 31 March 2016 | Year ended 31 March 2015 |
| Current service cost | 19,557,892 | 16,315,630 |
| Interest cost | 10,659,678 | 9,997,048 |
| Expected return on asset plan | (9,856,020) | – |
| Actuarial losses/(gains) | 8,151,009 | 1,647,996 |
| Net gratuity cost | 28,512,559 | 27,960,674 |

| d. Experience adjustment | (Amount in `) | | | | |
|-------------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Particulars | Year ended 31 March 2012 | Year ended 31 March 2013 | Year ended 31 March 2014 | Year ended 31 March 2015 | Year ended 31 March 2016 |
| Defined benefit obligation | 89,191,105 | 98,409,206 | 109,432,122 | 130,899,767 | 151,777,435 |
| Plan assets | – | – | – | 128,225,291 | 140,336,640 |
| Surplus/(Deficit) | (89,191,105) | (98,409,206) | (109,432,122) | (2,674,476) | (11,440,795) |
| Experience adjustment on plan liabilities | (1,145,180) | (2,428,767) | 3,223,503 | (409,849) | 7,026,656 |
| Experience adjustment on plan assets | – | – | – | 3,723,990 | 1,329,845 |

| e. Economic assumptions : | Actuarial assumptions for gratuity and long-term compensated absences | |
|----------------------------------|-----------------------------------------------------------------------------|------------------------|
| Particulars | As at 31 March 2016 | As at 31 March 2015 |
| Discount rate | 7.55% | 7.90% |
| Salary escalation rate | 8.00% | 8.00% |
| Expected return on plan assets | 8.00% | 8.00% |

Notes forming part of the consolidated financial statements

Discount rate:

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

Salary escalation rate:

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

Expected return on plan assets:

The expected rate of return on plan assets is determined after considering several applicable factors such as the composition of the plan assets, investment strategy, market scenario, etc.

f. Demographic assumptions

| | | |
|-----------------|--------------------------------|--------------------------------|
| Retirement age | 58 years | 58 years |
| Mortality table | IALM Mortality (2006-08) | IALM Mortality (2006-08) |

g. Withdrawal rates

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

2.33 Forward contract and option in foreign currency

| a. Forward contract outstanding | Buy/Sell | As at 31 March 2016 | As at 31 March 2015 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|------------------------|------------------------|
| In USD | Sell | 6,475,000 | 10,140,326 |
| Equivalent amount in Rupees | Sell | 429,033,500 | 633,770,375 |
| b. Short term loans and advances include net marked to market gain of ` 919,969 (Previous year ended 31 March, 2015 : ` 6,932,687) relating to forward contracts which are outstanding as at year end. The gain on such forward contract which are designated as effective, aggregating to ` 3,288,988/- (Previous year ended 31 March 2015 : gain of ` 6,945,947) have been credited to Hedging Reserve. The loss on ineffective contracts aggregating to ` 2,369,019/- (Previous year ended 31 March 2015 : Loss ` 13,080) has been charged to Statement of Profit and Loss. | | | |

2.34 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS (Unaudited)

| (Amount in `) | | |
|---------------------------------------------|-----------------------------|-----------------------------|
| Particulars | Year ended 31 March 2016 | Year ended 31 March 2015 |
| Software development services and products | 3,487,018,796 | 3,531,395,631 |
| Software development expenses | 2,250,009,199 | 2,044,848,846 |
| Gross Profit | 1,237,009,597 | 1,486,546,785 |
| Selling and marketing expenses | 538,896,256 | 465,870,500 |
| General and administration expenses | 396,179,181 | 367,567,425 |
| Operating profit before depreciation | 301,934,160 | 653,108,860 |
| Depreciation and amortisation expense | 122,247,095 | 119,668,160 |
| Operating profit after depreciation | 179,687,065 | 533,440,700 |
| Other income | 259,068,787 | 333,086,147 |
| Profit before tax | 438,755,852 | 866,526,847 |
| Tax expense: | | |
| Net current tax expense | 121,955,975 | 165,127,511 |
| Net deferred tax credit | (7,853,282) | 54,258,957 |
| Profit for the year | 324,653,159 | 647,140,379 |

Notes forming part of the consolidated financial statements

2.35 Additional information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Companies Act, 2013

| Name of the entity | Net assets, i.e., total assets minus total liabilities | | Share of profit/ (loss) | |
|--------------------------------------------------------|--------------------------------------------------------|---------------|-------------------------------------|---------------|
| | As % of consolidated net assets | Amount in INR | As % of consolidated profit or loss | Amount in INR |
| Nucleus Software Exports Limited (Consolidated) | 100.00% | 4,568,926,538 | 100.00% | 324,653,159 |
| Parent Company | | | | |
| Nucleus Software Exports Limited | 89.18% | 4,074,688,114 | 90.74% | 294,580,513 |
| Indian Subsidiaries | | | | |
| 1. Virstra I Technology Services Limited | 2.15% | 98,068,837 | -43.03% | (139,685,192) |
| 2. Nucleus Software Limited | 3.62% | 165,388,600 | -3.29% | (10,692,021) |
| 3. Avon Mobility Solutions Pvt. Ltd. | -0.28% | (12,948,295) | -0.14% | (444,235) |
| Foreign Subsidiaries | | | | |
| 1. Nucleus Software Inc., USA | 1.52% | 69,245,331 | -7.31% | (23,731,778) |
| 2. Nucleus Software Australia Pty. Limited | -0.18% | (8,280,138) | -17.83% | (57,876,005) |
| 3. Nucleus Software Netherlands B.V. | 0.05% | 2,125,920 | 1.22% | 3,952,496 |
| 4. Nucleus Software Japan K.K | 0.81% | 36,862,176 | 35.87% | 116,442,323 |
| 5. Nucleus Software Solutions Pte. Ltd, Singapore | 3.13% | 143,191,052 | 45.93% | 149,097,959 |
| 6. Nucleus Software South Africa Pty. Ltd. | 0.01% | 584,941 | -2.15% | (6,990,901) |

2.36 During the year ended 31 March, 2016 as per provision of Income-tax Act, 1961, the Holding Company has taken credit of corporate dividend tax aggregating ` 17,304,300 (Previous year ` Nil) on account of tax paid on dividend received from one of its subsidiaries.

2.37 EXPENDITURE ON CORPORATE SOCIAL RESPONSIBILITY

| Particulars | (Amount in `) | |
|----------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| | Year ended 31 March, 2016 | Year ended 31 March, 2015 |
| Gross amount required to be spent by Group during the year ended 31 March, 2016 / 31 March, 2015 : | 15,016,881 | 11,853,562 |
| Amount spent during the year on purposes other than Construction/acquisition of any asset | 12,030,000 | 7,050,000 |
| <u>Details of related party transactions:</u> | | |
| Nucleus Software Foundation | 12,030,000 | 7,050,000 |

2.38 ADDITIONAL DISCLOSURES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

| Particulars | (Amount in `) | |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| | As at 31 March, 2016 | As at 31 March, 2015 |
| (i) Goodwill on consolidation | | |
| Opening Balance | — | — |
| Add: On acquisition of subsidiary during the year | 31,704,781 | — |
| Closing balance | 31,704,781 | — |
| (ii) The effect of acquisition of subsidiary | | |
| The effect of acquisition of subsidiary on the financial position and results as included in the Consolidated Financial Statements is given below: | | |
| <u>Liabilities as at 17 March 2016</u> | | |
| - Current liabilities | 15,072,884 | — |

Notes forming part of the consolidated financial statements

(Amount in `)

| Particulars | As at 31 March, 2016 | As at 31 March, 2015 |
|-----------------------------------------------------|-------------------------|-------------------------|
| Assets as at 17 March 2016 | | |
| - Non-current assets | 1,707,038 | — |
| - Current assets | 861,785 | — |
| Revenue for the period ended March 31, 2016 | 58,731 | — |
| Expenses for the period ended March 31, 2016 | 514,931 | — |
| Loss before tax for the period ended March 31, 2016 | (456,200) | — |
| Loss after tax for the period ended March 31, 2016 | (444,234) | — |

- (iii) On March 17, 2016, the Company has acquired 96% stake in Avon Mobility Solutions Pvt. Ltd. ('Avon'), a Mobile Technology Solutions provider for a purchase consideration of ` 19,200,720. The Company has also taken over Avon's net liabilities aggregating to ` 12,504,061. Further, the Company has an option to acquire the remaining 4% shares of Avon as per terms and conditions of share purchase agreement executed with the shareholders of Avon. Subsequent to year end, the Company has further subscribed 1,750,000 11% redeemable preference shares of face value of ` 10 per share, for a minimum tenor of 5 years and maximum tenor of 20 years.

2.39 Previous year figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification/ disclosure.

For and on behalf of the Board of Directors

NUCLEUS SOFTWARE EXPORTS LIMITED

Sd/-

JANKI BALLABH

Chairman

Sd/-

VISHNU R DUSAD

*Managing Director &
Chief Executive Officer*

Sd/-

ASHISH NANDA

Chief Financial Officer

Sd/-

POONAM BHASIN

*AVP (Secretarial) &
Company Secretary*

Place : Noida

Date : 04 May, 2016

FORM AOC -1

Statement containing salient features of the financial statement of subsidiaries

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Part A : Subsidiaries

| | | | |
|----|-----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|------------|
| 1 | Name of the subsidiary | NUCLEUS SOFTWARE AUSTRALIA PTY LTD wholly owned subsidiary | |
| 2 | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | 1 April, 2015 to 31 March, 2016 | |
| 3 | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries | AUD = INR 50.98 | |
| | | AUD | INR |
| 4 | Share capital | 100,000 | 5,098,000 |
| 5 | Reserves & surplus | 2,583 | 131,681 |
| 6 | Total assets | 311,189 | 15,864,415 |
| 7 | Total Liabilities | 208,606 | 10,634,734 |
| 8 | Investments | — | — |
| 9 | Turnover | 1,229,619 | 62,685,977 |
| 10 | Profit/(Loss) before taxation | 55,316 | 2,820,010 |
| 11 | Provision for taxation | 31,928 | 1,627,689 |
| 12 | Profit/(Loss) after taxation | 23,388 | 1,192,320 |
| 13 | Proposed Dividend | — | — |
| 14 | % of shareholding | 100% | 100% |

| | | | |
|----|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------|
| 1 | Name of the subsidiary | NUCLEUS SOFTWARE NETHERLANDS B.V. wholly owned subsidiary | |
| 2 | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | 1 April, 2015 to 31 March, 2016 | |
| 3 | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries | Euro = INR 74.40 | |
| | | Euro | INR |
| 4 | Share capital | 750,000 | 55,800,000 |
| 5 | Reserves & surplus | (704,301) | (52,399,994) |
| 6 | Total assets | 72,954 | 5,427,778 |
| 7 | Total Liabilities | 27,255 | 2,027,772 |
| 8 | Investments | — | — |
| 9 | Turnover | 97,349 | 7,242,728 |
| 10 | Profit/(Loss) before taxation | (22,791) | (1,695,654) |
| 11 | Provision for taxation | — | — |
| 12 | Profit/(Loss) after taxation | (22,791) | (1,695,654) |
| 13 | Proposed Dividend | — | — |
| 14 | % of shareholding | 100% | 100% |

| | | |
|---|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| 1 | Name of the subsidiary | NUCLEUS SOFTWARE INC. wholly owned subsidiary |
| 2 | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | 1 April, 2015 to 31 March, 2016 |
| 3 | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries | USD = INR 66.26 |

| | | USD | INR |
|----|-------------------------------|-----------|-------------|
| 4 | Share capital | 350,000 | 23,191,000 |
| 5 | Reserves & surplus | 790,053 | 52,348,932 |
| 6 | Total assets | 1,313,279 | 87,017,800 |
| 7 | Total Liabilities | 173,225 | 11,477,889 |
| 8 | Investments | — | — |
| 9 | Turnover | 621,755 | 41,197,502 |
| 10 | Profit/(Loss) before taxation | (15,497) | (1,026,815) |
| 11 | Provision for taxation | 15,180 | 1,005,833 |
| 12 | Profit/(Loss) after taxation | (30,677) | (2,032,648) |
| 13 | Proposed Dividend | — | — |
| 14 | % of shareholding | 100% | 100% |

| | | |
|---|-----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|
| 1 | Name of the subsidiary | NUCLEUS SOFTWARE SOLUTIONS PTE LTD wholly owned subsidiary |
| 2 | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | 1 April, 2015 to 31 March, 2016 |
| 3 | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries | SGD = INR 49.27 |

| | | SGD | INR |
|----|-------------------------------|------------|-------------|
| 4 | Share capital | 625,000 | 30,793,750 |
| 5 | Reserves & surplus | 2,429,410 | 119,697,031 |
| 6 | Total assets | 4,924,197 | 242,615,186 |
| 7 | Total Liabilities | 1,869,787 | 921,24,405 |
| 8 | Investments | — | — |
| 9 | Turnover | 18,506,975 | 911,838,658 |
| 10 | Profit/(Loss) before taxation | 2,185,536 | 107,681,359 |
| 11 | Provision for taxation | 298,791 | 14,721,433 |
| 12 | Profit/(Loss) after taxation | 1,886,745 | 92,959,926 |
| 13 | Proposed Dividend | — | — |
| 14 | % of shareholding | 100% | 100% |

| | | | |
|----|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|-------------|
| 1 | Name of the subsidiary | NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA wholly owned subsidiary | |
| 2 | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | 1 April, 2015 to 31 March, 2016 | |
| 3 | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries | JPY = INR 0.5899 | |
| | | JPY | INR |
| 4 | Share capital | 10,000,000 | 5,899,000 |
| 5 | Reserves & surplus | 36,483,710 | 21,521,740 |
| 6 | Total assets | 140,199,403 | 82,703,628 |
| 7 | Total Liabilities | 93,715,693 | 55,282,887 |
| 8 | Investments | — | — |
| 9 | Turnover | 555,542,378 | 327,714,449 |
| 10 | Profit/(Loss) before taxation | 24,224,650 | 14,290,121 |
| 11 | Provision for taxation | 3,052,306 | 1,800,555 |
| 12 | Profit/(Loss) after taxation | 21,172,344 | 12,489,566 |
| 13 | Proposed Dividend | — | — |
| 14 | % of shareholding | 100% | 100% |

| | | | |
|----|---------------------------------------------------------------------------------------------------------|-------------------------------------------------|--------------|
| 1 | Name of the subsidiary | AVON MOBILITY SOLUTIONS PVT. LTD. Subsidiary | |
| 2 | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | 1 April, 2015 to 31 March, 2016 | |
| | | | INR |
| 3 | Share capital | | 111,100 |
| 4 | Reserves & surplus | | (13,059,395) |
| 5 | Total assets | | 2,530,472 |
| 6 | Total Liabilities | | 15,478,767 |
| 7 | Investments | | — |
| 8 | Turnover | | 2,927,251 |
| 9 | Profit/(Loss) before taxation | | (5,786,909) |
| 10 | Provision for taxation | | 57,457 |
| 11 | Profit/(Loss) after taxation | | (5,844,366) |
| 12 | Proposed Dividend | | — |
| 13 | % of shareholding | | 96% |

| | | | |
|----|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------|--------------|
| 1 | Name of the subsidiary | NUCLEUS SOFTWARE LIMITED wholly owned subsidiary | |
| 2 | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | 1 April, 2015 to 31 March, 2016 | |
| | | | INR |
| 3 | Share capital | | 100,000,000 |
| 4 | Reserves & surplus | | (14,871,046) |
| 5 | Total assets | | 152,833,008 |
| 6 | Total Liabilities | | 81,427,037 |
| 7 | Investments | | 13,722,983 |
| 8 | Turnover | | 9,496,296 |
| 9 | Profit/(Loss) before taxation | | (363,154) |
| 10 | Provision for taxation | | 832,568 |
| 11 | Profit/(Loss) after taxation | | (1,195,722) |
| 12 | Proposed Dividend | | — |
| 13 | % of shareholding | | 100% |

| | | |
|----|---------------------------------------------------------------------------------------------------------|---------------------------------------|
| 1 | Name of the subsidiary | VIRSTRA I-TECHNOLOGY SERVICES LIMITED |
| | | wholly owned subsidiary |
| 2 | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | 1 April, 2015 to 31 March, 2016 |
| | | INR |
| 3 | Share capital | 10,000,000 |
| 4 | Reserves & surplus | 103,229,855 |
| 5 | Total assets | 68,876,921 |
| 6 | Total Liabilities | 13,289,036 |
| 7 | Investments | 57,641,970 |
| 8 | Turnover | 170,154,218 |
| 9 | Profit/(Loss) before taxation | 45,237,081 |
| 10 | Provision for taxation | 13,980,493 |
| 11 | Profit/(Loss) after taxation | 31,256,588 |
| 12 | Proposed Dividend | — |
| 13 | % of shareholding | 100% |

| | | | |
|----|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|-----------|
| 1 | Name of the subsidiary | NUCLEUS SOFTWARE SOUTH AFRICA PTY. LTD. wholly owned subsidiary | |
| 2 | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | 1 April, 2015 to 31 March, 2016 | |
| 3 | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries | ZAR = INR 4.50 | |
| | | ZAR | INR |
| 4 | Share capital | 612,000 | 2,754,000 |
| 5 | Reserves & surplus | 157,323 | 707,954 |
| 6 | Total assets | 860,930 | 3,874,185 |
| 7 | Total Liabilities | 91,607 | 412,232 |
| 8 | Investments | — | — |
| 9 | Turnover | 1,642,462 | 7,391,078 |
| 10 | Profit/(Loss) before taxation | 218,505 | 983,270 |
| 11 | Provision for taxation | 61,181 | 275,316 |
| 12 | Profit/(Loss) after taxation | 157,323 | 707,955 |
| 13 | Proposed Dividend | — | — |
| 14 | % of shareholding | 100% | 100% |

For and on behalf of the Board of Directors

NUCLEUS SOFTWARE EXPORTS LIMITED

Sd/-

JANKI BALLABH

Chairman

Sd/-

ASHISH NANDA

Chief Financial Officer

Sd/-

VISHNU R DUSAD

Managing Director & Chief Executive Officer

Sd/-

POONAM BHASIN

AVP (Secretarial) & Company Secretary

Place : Noida

Date : May 4, 2016

SHAREHOLDERS' REFERENCER

Shareholders' Referencer

A. Corporate

- Nucleus was incorporated in New Delhi in 1989 as Nucleus Software Exports Private Limited, as per the Indian Companies Act, 1956. The Company became a Public Limited Company in 1994.
- The Company made an IPO in August 1995. 1,168,900 equity shares, face value ₹ 10/-each were issued to Indian public at a premium of ₹ 40/- per share and 331,500 equity shares, face value ₹ 10/-each, were issued to Non Resident Indians at a premium of ₹ 50/-per share.
- History of Bonus issues at Nucleus is as follows:

| Allotment Date | Ratio | No. of Shares |
|--------------------|--------|---------------|
| September 24, 1994 | 60:1 | 876,000 |
| December 27, 1994 | 57:100 | 576,270 |
| October 22, 2001 | 1:2 | 2,637,050 |
| August 10, 2004 | 1:1 | 8,045,406 |
| August 8, 2007 | 1:1 | 16,182,312 |

- The Company's Registered Office is situated at 33-35, Thyagraj Market, New Delhi-110003, India and Corporate office at A-39, Sector 62, Noida 201 301, India.

B. Preferential Issue

The Company had allotted 1,875,500 equity shares of ₹ 10/- each on preferential basis to the promoter/associates and permanent employees of the Company at a price of ₹ 103.15/- per share inclusive of share premium on June 22, 2001.

C. Share Related Data

- Shares of Nucleus are listed on The National Stock Exchange of India Limited and BSE Ltd.
- Scrip Code of Nucleus on NSE is NUCLEUS and on BSE is 531209. The Company's shares are traded in "Group B" category at the BSE Ltd.
- International Securities Identification Number (ISIN code- NSDL and CDSL) is INE096B01018.
- Face value of the Company's equity shares is ₹ 10.
- Shares of the Company are compulsorily traded in demat form.
- 99.57% of the Company's equity shares are in demat form.
- The Company had 17,257 shareholders as on March 31, 2016.
- The Company has not issued any GDRs/ADR.
- The Company launched ESOP (2015) scheme during FY 2014-15 via trust route. There are no options granted under the scheme as on March 31, 2016.

D. Dividend Related Data

i. Dividend Policy

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

- Provisions of The Companies Act, 2013 and other applicable laws, and
- Cash flows of the Company

The Board of Directors reviews the Dividend Policy periodically.

ii. Dividend Paid for FY 16

In accordance with the above policy, the Company has paid dividend for the 16th consecutive year. During the year, the Board of Directors had declared an interim dividend of 50% (₹ 5.00 per equity share of ₹ 10 each). Last year, the dividend declared (final) and approved by shareholders was also 50% (₹ 5.00 per equity share of ₹ 10 each). During the year, the Company paid a total dividend of ₹ 32.38 crore, of which ₹ 16.19 crore was paid as final dividend for FY14-15 in July 2015 and ₹ 16.19 crore was paid as interim dividend for the FY15-16 in March 2016.

iii. Dividend History

The Dividend declared and paid in the previous financial years is given below:

| Financial Year | Dividend | | |
|----------------|----------------|------------------|----------------------|
| | Percentage (%) | Per Share (in ₹) | Pay out (In ₹ crore) |
| 2015-16 | 50% | 5.00 | 16.19 |
| 2014-15 | 50% | 5.00 | 16.19 |
| 2013-14 | 60% | 6.00 | 19.44 |
| 2012-13 | 30% | 3.00 | 9.72 |
| 2011-12 | 25% | 2.50 | 8.10 |
| 2010-11 | 25% | 2.50 | 8.10 |
| 2009-10 | 25% | 2.50 | 8.10 |
| 2008-09 | 25% | 2.50 | 8.09 |
| 2007-08* | 30% | 3.00 | 9.71 |
| 2006-07 | 35% | 3.50 | 5.64 |
| 2005-06 | 35% | 3.50 | 5.64 |
| 2004-05* | 25% | 2.50 | 4.02 |
| 2003-04 | 25% | 2.50 | 2.01 |
| 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.

iv. Unclaimed Dividend

Section 124 of the Companies Act 2013 mandates that Companies transfer dividend that has been unclaimed for a period of 7 years from the "Unpaid Dividend Account" to the Investor Education and Protection Fund (IEPF).

Shareholders are cautioned that once unclaimed dividend is transferred to IEPF, no claim shall lie in respect thereof with the Company.

Unclaimed dividends for the financial years 2000-2001, 2001-2002, 2002-03, 2003-04, 2004-05 2005-06, 2006-07 and 2007-08 have been transferred to the IEPF.

Shareholders' Referencer

The dates for declaration of dividend for each financial year and due dates for transfer to IEPF is mentioned herein below:

| Financial Year | Date of Declaration of Dividend | Last date for claiming unpaid Dividend | Due date for transfer to IEPF |
|-----------------|---------------------------------|----------------------------------------|-------------------------------|
| 2008-09 (Final) | July 8, 2009 | July 7, 2016 | August 6, 2016 |
| 2009-10 (Final) | June 24, 2010 | June 23, 2017 | July 22, 2017 |
| 2010-11 (Final) | July 08, 2011 | July 07, 2018 | August 6, 2018 |
| 2011-12 (Final) | July 11, 2012 | July 10, 2019 | August 9, 2019 |
| 2012-13 (Final) | July 10, 2013 | July 9, 2020 | August 8, 2020 |
| 2013-14 (Final) | July 10, 2014 | July 9, 2021 | August 9, 2021 |

Shareholders who have not encashed their dividend warrant(s) relating to one or more of the financial year (s) are requested to claim such dividend from Registrars of the Company at the following address:

Karvy Computershare Pvt. Ltd.

Karvy Selenium Tower B, Plot number 31 & 32,
Financial District, Nanakramguda, Serilingampally Mandal,
Hyderabad – 500032, India
Tel: 040-23420815-18
Fax: 040-23420814
E-mail: mailmanager@karvy.com

E. Stock Market Data

i. BSE Ltd.

Monthly open, close, high and low quotations and volume of the Company's shares traded at BSE Ltd. during the year 2015-16

| Date | Open | High | Low | Close | Traded Qty. |
|----------------------------|--------|--------|--------|--------|-------------------|
| (Share Price in `) | | | | | |
| Apr-15 | 170.40 | 244.70 | 170.40 | 198.30 | 1,934,441 |
| May-15 | 198.00 | 295.00 | 195.00 | 268.30 | 2,742,576 |
| Jun-15 | 267.90 | 275.80 | 232.60 | 239.40 | 1,280,387 |
| July-15 | 240.00 | 353.00 | 240.00 | 283.70 | 3,053,435 |
| Aug-15 | 286.40 | 305.30 | 221.80 | 245.90 | 1,880,308 |
| Sep-15 | 246.50 | 251.90 | 226.20 | 236.20 | 481,257 |
| Oct-15 | 244.00 | 281.00 | 224.30 | 241.70 | 1,185,090 |
| Nov-15 | 242.20 | 282.20 | 220.00 | 265.60 | 449,453 |
| Dec-15 | 265.90 | 290.90 | 247.50 | 259.80 | 552,582 |
| Jan-16 | 261.70 | 271.80 | 218.10 | 220.00 | 316,794 |
| Feb-16 | 221.90 | 226.30 | 145.20 | 151.00 | 241,156 |
| Mar-16 | 151.60 | 209.90 | 151.00 | 193.10 | 546,158 |
| Total Shares traded | | | | | 14,663,637 |

ii. National Stock Exchange of India Ltd.

Monthly open, close, high and low quotations and volume of the Company's shares traded at National Stock Exchange of India Ltd. during the year 2015-2016.

| Date | Open | High | Low | Close | Traded Qty. |
|----------------------------|--------|--------|--------|--------|-------------------|
| (Share Price in `) | | | | | |
| Apr-15 | 168.45 | 244.90 | 168.45 | 197.90 | 6,985,730 |
| May-15 | 202.00 | 295.00 | 191.60 | 267.90 | 10,079,298 |
| Jun-15 | 268.00 | 275.70 | 232.10 | 238.35 | 3,142,408 |
| July-15 | 241.60 | 352.90 | 238.00 | 283.70 | 9,395,912 |
| Aug-15 | 283.95 | 306.00 | 222.00 | 245.50 | 5,747,773 |
| Sep-15 | 243.90 | 251.95 | 226.00 | 235.85 | 1,529,198 |
| Oct-15 | 240.95 | 281.00 | 225.00 | 241.95 | 3,467,459 |
| Nov-15 | 240.00 | 282.50 | 220.10 | 265.25 | 1,783,804 |
| Dec-15 | 267.30 | 290.90 | 245.70 | 258.10 | 1,807,104 |
| Jan-16 | 259.50 | 272.00 | 217.00 | 219.25 | 1,509,275 |
| Feb-16 | 220.40 | 225.50 | 144.55 | 151.50 | 1,266,439 |
| Mar-16 | 153.05 | 209.70 | 149.20 | 193.35 | 2,157,159 |
| Total Shares traded | | | | | 48,871,559 |

Note:

1. The highest share price of the Nucleus scrip at BSE was ` 353 in July 2015 and the lowest share price was ` 145.20 in February 2016.
2. The highest share price of the Nucleus scrip at National Stock Exchange was ` 352.90 in July 2015 and the lowest share price was ` 144.55 in February 2016.
- iii. **Quarterly high-low price history of the Company's share for the year 2015-16**

| (Share Price in `) | | | | | |
|-----------------------------|--|--------|--------|--------|--------|
| | | BSE | | NSE | |
| | | High | Low | High | Low |
| During Quarter ended | | | | | |
| June 30, 2015 | | 295.00 | 170.40 | 295.00 | 168.45 |
| September 30, 2015 | | 353.00 | 221.80 | 352.90 | 222.00 |
| December 31, 2015 | | 290.90 | 220.00 | 290.90 | 220.10 |
| March 31, 2016 | | 271.80 | 145.20 | 272.00 | 144.55 |

F. Financial Reporting to the Shareholders

i Quarterly/Annual Results

- The Company releases Quarterly Report for each quarter (except fourth quarter) in the form of soft copy and is uploaded on the Company's website www.nucleussoftware.com. This ensures prompt information to the shareholders and also contributes in saving paper thus saving trees and making the planet greener.

These reports contain audited financials of the parent Company along with the Auditors Report thereon; Unaudited consolidated financials of the Company and subsidiaries and a detailed analysis of results under "Management's Discussion and Analysis".

Shareholders' Referencer

- The Company communicates quarterly/annual financial results via email to all its shareholders who have valid e-mails ids registered with their Depository Participants (DP).
- The Company sends an instant email alert of the quarterly/annual financial results, to all persons who get themselves registered on the Company's website.
- Earnings conference calls are conducted after announcement of quarterly/annual financial results wherein the Management updates the investor community on the progress made by the Company and also answers their queries. The audio as well as the transcript of the call is uploaded on the website www.nucleussoftware.com, for public information.
- The Company publishes official news releases and they are also uploaded on the website www.nucleussoftware.com.

The Company uses a wide array of communication tools including face-to-face, online and offline channels to ensure that information reaches all the stakeholders in their preferred medium.

G. Investors' Services

i. Details of request/complaints received during the year 2015-16:

| Nature of complaints / requests | No. of complaints/requests | | |
|---------------------------------------|----------------------------|--------------------------|-------------------------|
| | Received during the year | Resolved during the year | Pending at the year end |
| Non- Receipt of Dividend Warrant | 4 | 4 | Nil |
| Revalidation of Dividend warrants | 50 | 50 | Nil |
| Issue of duplicate share certificates | 1 | 1 | Nil |
| Non receipt of share certificate | Nil | Nil | Nil |
| Non-Receipt of Annual Report | 1 | 1 | Nil |

The Company has attended to most of the investor's grievances/correspondence within a period of 7-10 days from the date of receipt of the same, during the year 2015-16.

ii. Registrars of Company

Share Transfers in physical form and other communication regarding share certificates, dividends, de-materialization of physical shares and change of address may be addressed to the Registrars of the Company at the address as given earlier in this Shareholders' Referencer.

iii. Share Transfer System

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

The Stakeholder Relationship Committee is authorised to approve transfer of shares, which are received in physical

form, and the said Committee approves transfer of shares.

The Company obtains from a Company Secretary in practice half-yearly certificate of compliance with the share transfer formalities as required under Regulation 40 (9) of the SEBI (LODR) Regulations, 2015 and files a copy of the certificate with the Stock Exchanges

iv. Dematerialization of Shares and Liquidity

The Company shares are tradeable compulsorily in the Electronic form. Through Karvy Computershare Pvt. Ltd., Registrar and Share Transfer agents, we have established a connectivity with both the depositories i.e National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL)

All requests for dematerialisation of shares are processed and confirmation is given to the respective Depositories within 15 days.

The Company has De-materialised 32,246,178 shares (99.57%) of the paid up share capital) as at March 31, 2016.

To enable us to serve our investors better, we request our shareholders whose shares are in physical mode to dematerialize their shares and update their bank accounts with the respective depository participants.

v. Investor Service and Grievance Handling Mechanism

The largest Registrar in the country, Karvy Computershare Private Ltd., handles all share related transactions viz. transfer, transmission, transposition, nomination, dividend, change of name/address /signature, registration of mandate / Power of attorney, replacement/split consolidation of share certificates / demat / remat of share issue of duplicate certificates etc.

Report on shareholders' requests/grievances received and resolved is placed before the Stakeholder Relationship Committee.

Investors are requested to correspond directly with Karvy, on all share related matters. The Company has an established mechanism for investor service and grievance handling with Karvy and the Compliance Office of the Company.

vi. Designated e-mail Address for Investor Services

In terms of Regulations 13 and 46 of the SEBI (LODR) Regulations, 2015, the designated e-mail address for investor complaints is investorrelations@nucleussoftware.com.

vii. Reconciliation of Share Capital

A qualified practising Company Secretary carries out Secretarial Audit every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. and the total issued and listed capital. The audit confirms that the total issued / paid up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

viii. Legal Proceedings

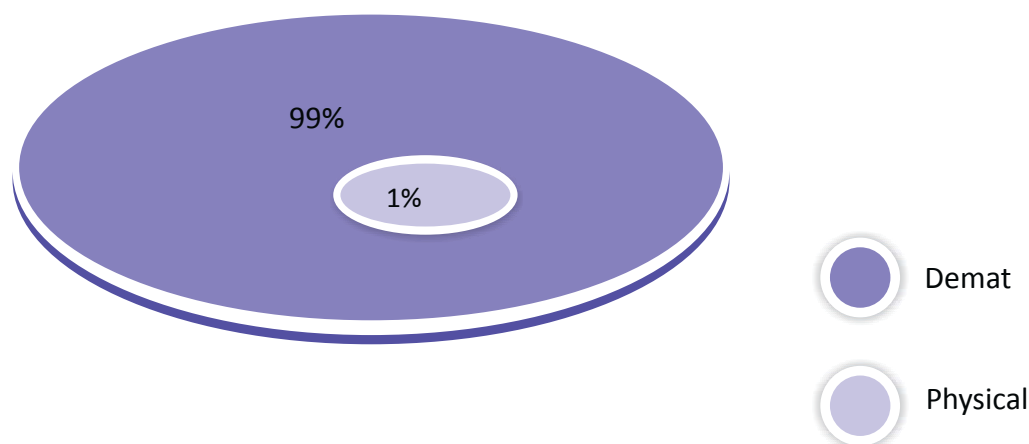
There is one legal proceeding pending against the Company in Court.

Shareholders' Referencer

H. Shareholding Data

i. Distribution of Shareholding

| No. of Equity Shares Held | | As on March 31, 2016 | | | | As on March 31, 2015 | | | |
|---------------------------|-----------|----------------------|---------------|-------------------|---------------|----------------------|---------------|-------------------|---------------|
| | | Share Holders | | Shares | | Share Holders | | Shares | |
| From | To | (Nos.) | % | (Nos.) | % | (Nos.) | % | (Nos.) | % |
| 1 | 100 | 10,719 | 62.11 | 460,662 | 1.42 | 10,046 | 60.55 | 441,344 | 1.36 |
| 101 | 200 | 2,132 | 12.35 | 370,572 | 1.14 | 2,161 | 13.03 | 376,634 | 1.16 |
| 201 | 500 | 2,034 | 11.78 | 739,638 | 2.28 | 2,128 | 12.83 | 765,507 | 2.36 |
| 501 | 1,000 | 1,213 | 7.03 | 936,169 | 2.89 | 1,163 | 7.01 | 879,907 | 2.72 |
| 1,001 | 5,000 | 932 | 5.40 | 2,058,018 | 6.36 | 875 | 5.27 | 1,913,972 | 5.91 |
| 5,001 | 10,000 | 127 | 0.74 | 891,531 | 2.76 | 105 | 0.63 | 753,364 | 2.33 |
| 10,001 | and above | 100 | 0.59 | 26,927,134 | 83.15 | 111 | 0.68 | 27,252,996 | 84.16 |
| Total | | 17,257 | 100.00 | 32,383,724 | 100.00 | 16,589 | 100.00 | 32,383,724 | 100.00 |



ii. Categories of Shareholders

| Category | As on March 31, 2016 | | | As on March 31, 2015 | | |
|----------------------------------|----------------------|---------------------|--------------------|----------------------|---------------------|--------------------|
| | Share Holders (Nos.) | Voting Strength (%) | Shares Held (Nos.) | Share Holders (Nos.) | Voting Strength (%) | Shares Held (Nos.) |
| Promoter and Promoter Group | 11 | 60.62 | 19,631,866 | 11 | 60.62 | 19,631,866 |
| Individuals | 16,303 | 24.08 | 7,798,541 | 15,720 | 23.95 | 7,754,395 |
| Bodies Corporate | 529 | 2.94 | 951,647 | 444 | 2.39 | 773,810 |
| NRI's | 395 | 1.97 | 636,360 | 390 | 1.99 | 645,681 |
| FII's | 14 | 8.84 | 2,863,669 | 17 | 8.58 | 2,777,999 |
| Mutual Funds | 3 | 1.26 | 408,507 | 5 | 2.36 | 764,284 |
| Banks and Financial Institutions | 2 | 0.29 | 93,134 | 2 | 0.11 | 35,689 |
| Total | 17,257 | 100.00 | 32,383,724 | 16,589 | 100.00 | 32,383,724 |

Shareholders' Referencer

iii. Shares under Lock-in

There are no shares under Lock in as on March 31, 2016.

iv. Share Transfers, Demat and Remat :

The details of shares transferred in physical form, dematerialised and rematerialised during the year ended March 31, 2016 are given below:

| No. of Shares | |
|------------------------------|-------|
| Transferred in physical form | 1,248 |
| Dematerialised | 3,924 |
| Rematerialised | 350 |

I. Directors, Senior Management and Employees of the Company

The Directors of the Company and executive officers including of Subsidiaries, their respective ages and their respective positions with the Company are as follows:

i. Management Structure

| Name | Position | Age (In Yrs.) |
|--------------------------|--------------------------------------------|------------------|
| Janki Ballabh | Chairman | 73 |
| Vishnu R Dusad | Managing Director & CEO | 59 |
| R.P Singh | Executive Director & President-Products | 53 |
| S.M Acharya | Independent Director | 67 |
| Prithvi Haldea | Independent Director | 65 |
| Elaine Mathias | Independent Director | 62 |
| Prof. Trilochan Sastry | Independent Director | 56 |
| N. Subramaniam | Independent Director | 55 |
| Avnish Datt | Executive Vice President | 48 |
| Ashutosh Pandey | Executive Vice President | 50 |
| Pankaj Bhatt | Executive Vice President | 53 |
| Ashish Nanda | Chief Financial Officer | 42 |
| Anurag Bhatia | Senior Vice President | 50 |
| Mohammad Shamim | Senior Vice President | 53 |
| Sudeep Verma | Senior Vice President | 50 |
| Anil Aggarwal | Vice President | 50 |
| Anurag Mantri | Vice President | 47 |
| Anurag Pandey | Vice President | 42 |
| Arup Das | Vice President | 45 |
| Ashish Nayyar | Vice President | 45 |
| Ashutosh Arvind Kapuskar | Vice President | 59 |
| Ashwani Arora | Vice President | 43 |
| Barbara Crane | Vice President | 41 |
| Brajesh Khandelwal | Vice President | 46 |
| Daragh Patrick O'byrne | Vice President | 44 |
| Himanshu Pande | Vice President | 38 |
| Jitesh Malik | Vice President | 46 |
| K D Singh | Vice President | 45 |
| Lokesh Chandra Pathak | Vice President | 41 |
| Mark Spencer Looi | Vice President | 45 |
| Megha Dalela | Vice President | 42 |
| Naresh Kumar Gupta | Vice President | 43 |
| Parag Bhise | Vice President | 51 |
| Pradeep Kapoor | Vice President | 57 |
| Percy Eric Thaver | Vice President | 42 |
| Raj Kumar Srivastava | Vice President | 47 |

| Name | Position | Age (In Yrs.) |
|----------------------|----------------|------------------|
| R. Venkatraman | Vice President | 46 |
| Ramesh Gopal | Vice President | 48 |
| Sanjeev Kulshreshtha | Vice President | 52 |
| Vijay Kumar Sharma | Vice President | 51 |

ii. Employee Structure

a) Employee strength globally including employees of subsidiaries

| As at March, 31 | 2016 | | 2015 | |
|----------------------------------------------------------------|--------------|------------|--------------|------------|
| | No | % | No | % |
| Technical Staff | 1,287 | 82 | 1,205 | 80 |
| Non-Technical Staff including Business Development Group | 278 | 18 | 307 | 20 |
| Grand Total | 1,565 | 100 | 1,512 | 100 |

Gender classification of employees is:-

| As at March, 31 | 2016 | | 2015 | |
|--------------------|--------------|------------|--------------|------------|
| | No | % | No | % |
| Male | 1,202 | 77 | 1,147 | 76 |
| Female | 363 | 23 | 365 | 24 |
| Grand Total | 1,565 | 100 | 1,512 | 100 |

b) The age profile of employees -

| As at March, 31 | 2016 | | 2015 | |
|-------------------------|--------------|------------|--------------|------------|
| | No | % | No | % |
| Between 20 and 25 years | 414 | 26 | 372 | 25 |
| Between 26 and 30 years | 396 | 25 | 379 | 25 |
| Between 31 and 40 years | 574 | 37 | 618 | 41 |
| Between 41 and 50 years | 153 | 10 | 126 | 8 |
| 51 years and above | 28 | 2 | 17 | 1 |
| Grand Total | 1,565 | 100 | 1,512 | 100 |

J. Financial Calendar for the year 2016-17

(Tentative and subject to change)

i. Financial Reporting

| | |
|---------------------------------------------|---------------------------------------------------------------|
| First quarter ending June 30, 2016 | between 20th to 31 st of July 2016 |
| Second quarter ending September 30, 2016 | between 20th to 31 st of October 2016 |
| Third quarter ending December 31, 2016 | between 20th to 31 st of January 2017 |
| Year ending March 31, 2017 | between 21 st to 30 th of April 2017 |

ii. Annual General Meeting

| | |
|-------------------------------|--------------|
| Year ending March 31, 2016 | July 8, 2016 |
| Year ending March 31, 2017 | July, 2017 |

iii. Dividend

| | |
|---------------------------------|----------------------------------------------------------|
| Date of Book Closure for AGM | July 1, 2016 to July 8, 2016 (both days inclusive) |
|---------------------------------|----------------------------------------------------------|

iv. The fiscal year of Nucleus is from April 1 to March 31.

Shareholders' Referencer

K. Shareholder Satisfaction Survey

Your Company is in constant endeavor to offer better and prompt services to its shareholders and in an effort to achieve this objective, a Shareholder Satisfaction Survey is conducted, to assess the level of satisfaction among Nucleus shareholders and identify areas of strengths and weakness of Nucleus perceived by the shareholders.

A Shareholder Satisfaction Survey is conducted through a shareholder feedback form uploaded on investors section of the Company website, for online filing. It is our constant endeavor to provide efficient and prompt services to the shareholders. responses received through this survey it help us :

- o to assess the level of satisfaction among Nucleus shareholders and
- o identify areas of strengths and weakness of Nucleus as perceived by the shareholders.

L. Frequently Asked Questions

i. Dividend

What is the ECS facility and how does it work?

Reserve Bank of India's Electronic Clearance Service (ECS) Facility provides investors an option to collect dividend/ interest directly through their bank accounts rather than receiving the same through post. Under this option, investor's bank account is directly credited and an advice thereof is issued by the Company after the transaction is effected. The concerned bank branch credits investor's account and indicate the credit entry as "ECS" in his/ her passbook / statement of account. If any investor maintains more than one bank account, payment can be received at any one of his / her accounts as per the preference of the investor. The investor does not have to open a new bank account for the purpose.

What are the benefits of ECS facility?

Some of the major benefits of ECS Facility are:

- a. Shareholder need not make frequent visits to his bank for depositing the physical paper instruments.
- b. Prompt credit to the bank account of the investor through electronic clearing at no extra cost.
- c. Exposure to delays / loss in postal service avoided.
- d. As there can be no loss in transit of warrants, issue of duplicate warrants is avoided.
- e. Fraudulent encashment of warrants is avoided.

How to avail ECS facility?

Investors holding shares in physical form may send their ECS Mandate Form, duly filled in, to the Company's R&T Agent. ECS Mandate Form is enclosed for immediate use of investors. The Form may also be downloaded from the Company's website under the section "Investors". However, if shares are held in dematerialised form, ECS mandate has to be sent to the concerned Depository Participant (DP) directly, in the format prescribed by the DP.

Can ECS Facility be opted out by the investors?

ECS would be an additional mode of payment. Investors have the right to opt out from this mode of payment by

giving an advance notice of four weeks either to the Company's R&T Agent or to the concerned DP, as the case may be.

What is payment of dividend through NEFT Facility and how does it operate?

NEFT denotes payment of dividend electronically through RBI clearing to selected bank branches, which have implemented Core Banking solutions (CBS). This extends to all over the country, and is not necessarily restricted to the 68 designated centres where payment can be handled through ECS. To facilitate payment through NEFT, the shareholder is required to ensure that the bank branch where his/her account is operated, is under CBS and also records the particulars of the new bank account with the DP with whom the demat account is maintained.

What should one do in case he does not receive dividend?

Shareholders may write to the Company's R&T Agent furnishing the particulars of the dividend not received and quoting the folio number/client ID particulars (in case of dematerialized shares). The R&T Agent shall check the records and issue duplicate dividend warrant if the dividend remains unpaid in the records of the Company after expiry of the validity period of the warrant. The Company would request the concerned shareholders to execute an indemnity before issuing the duplicate warrant. If the validity period of the lost dividend warrant has not expired, shareholders will have to wait till the expiry date since duplicate warrant cannot be issued during the validity of the original warrant. On expiry of the validity period, if the dividend warrant is still shown as unpaid in records of the Company, duplicate warrant will be issued. However, duplicate warrants will not be issued against those shares wherein a 'stop transfer indicator' has been instituted either by virtue of a complaint or by law, unless the procedure for releasing the same has been completed. No duplicate warrant will be issued in respect of dividends, which have remained unpaid / unclaimed for a period of seven years in the unpaid dividend account of the Company as they are required to be transferred to the Investor Education and Protection Fund (IEPF) constituted by the Central Government.

Why should one wait till the expiry of the validity period of the original warrant?

Since the dividend warrants are payable at par at several centers across the country, banks do not accept stop payment' instructions. Hence, shareholders have to wait till the expiry of the validity of the original warrant.

How to get dividend by direct electronic deposit to bank account?

While opening accounts with Depository Participants (DPs), shareholders are required to give details of their Bank Accounts, which will be used by the Company for direct credit of the dividend to the respective accounts. However, members who wish to receive dividend in an Account other than the one specified while opening the Depository Account may notify their DPs about any change in Bank account details. Members are requested to furnish

Shareholders' Referencer

complete details of their bank accounts including MICR codes of their banks to their DPs.

ii. Dematerialization/Rematerialisation

What is De-materialisation of shares?

Dematerialisation (Demat) is the process by which securities held in physical form evidencing the holding of securities by any person are cancelled and destroyed and the ownership thereof is entered into and retained in a fungible form on a depository by way of electronic balances. The two depositories presently functioning in India are National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Why dematerialise shares? What are the benefits of Dematerialising the Share Certificate?

SEBI has notified various companies whose shares shall be traded in demat form only. By virtue of such notification, the shares of the Company are also subject to compulsory trading only in demat form on the stock exchange.

Benefits of Demat

- Elimination of bad deliveries.
- Elimination of all risks associated with physical certificates.
- No stamp duty on transfers.
- Faster settlement cycle.
- Immediate transfer/trading of securities.
- Faster disbursement of non-cash corporate benefits like rights, bonus etc.
- Lower brokerage is charged by many brokers for trading in dematerialised securities.
- Periodic status reports and information available on Internet.
- Ease related to change of address of investors.
- Elimination of problems related to transmission of demat shares.
- Ease in portfolio monitoring.

How to dematerialise shares?

The procedure for dematerialising the shares is as under:

- Open Beneficiary Account with a Depository Participant (DP) registered with SEBI.
- Submit Demat Request Form (DRF) as given by the DP, duly signed by all the holders with the names and signatures in the same order as appearing in the concerned certificate(s) and the Company's records.
- Obtain acknowledgment from the DP on handling over the share certificate (s) along with the DRF.
- Demat confirmations are required to be completed in 21 days as against 30 days (excluding time for dispatch) for physical transfer. Service standards prescribed by the Company for completing demat is three days from the date of receipt of requisite documents for the purpose.
- Receive a confirmation statement of holdings from the DP. Statement of holdings is sent by the DPs from time

to time. Presently confirmation is given by DPs on an immediate basis through email or SMS facilities, thus enabling shareholders to further trade in the securities immediately.

What is the SMS alert facility?

NSDL and CDSL have launched SMS Alert facility for demat account holders whereby investors can receive alerts for debits (transfers) to their demat accounts and for credits in respect of corporate actions for IPO and offer for sale. Under this facility, investors can receive alerts, a day after such debits (transfers)/credits take place. These alerts are sent to those account holders who have provided their mobile numbers to their Depository Participants (DPs). Alerts for debits are sent, if the debits (transfers) are up to five ISINs in a day. In case debits (transfers) are for more than five ISINs, alerts are sent with a message that debits for more than five ISINs have taken place and that the investor can check the details with the DP.

How does the Company pay dividend on shares Dematerialised?

The dividend warrants in respect of all shares, whether held in electronic form or by way of share certificates, are sent by the company directly to the shareholders whose names are on the company's register of members or in the electronic form under the depository system on the designated date to be notified by the Company. While opening Accounts with Depository Participants (DPs), shareholders are required to give details of their bank Accounts, which will be used by the Company for direct credit of the dividend to the respective accounts.

Why cannot the Company take on record bank details in case of dematerialized shares?

As per the Depository Regulations, the Company is obliged to pay dividend on dematerialised shares as per the details furnished by the concerned DP. The Company cannot make any change in such records received from the Depository.

How are transactions effected through the Depository?

After you open an account with a DP, you can buy or sell shares in the electronic form without share certificate or transfer forms, provided the seller/buyer also holds shares in the electronic form.

You can sell the shares in the depository mode through any share broker. All you need to do is to provide him the details of your account with the DP, with a delivery instruction to debit your share account with the number of shares sold by you. When you buy shares in the depository mode, you must, similarly, inform the broker about your depository account details so that the shares bought would be credited to your account with the DP.

What is rematerialisation of shares?

It is the process through which shares held in demat form are converted into physical form by issuance of share certificate(s).

What is the procedure for rematerialisation of shares?

- Shareholders should submit duly filled in Rematerialisation Request Form (RRF) to the concerned DP.

Shareholders' Referencer

- DP intimates the relevant Depository of the request through the system.
- DP submits RRF to Company's R&TA.
- Depository confirms rematerialisation request to the Company's R&TA.
- The Company's R&TA updates accounts and prints certificate(s) and informs the Depository.
- Depository updates the Beneficiary Account of the shareholder by deleting the shares so rematerialised.
- Share certificate(s) is despatched to the shareholder.

Can one get his original share Certificate?

No, as the share certificates on De-materialisation are cancelled you will not receive the same share certificate on Re-materialisation. The shares represented by De-materialised share certificates are fungible and, therefore, certificate numbers and distinctive numbers become irrelevant.

iii. Transfer / duplicate Certificates etc.

How to get shares registered in favour of transferee(s)?

Transferee(s) need to send share certificate(s) alongwith share transfer deed in the prescribed Form SH.4, duly filled in, executed and affixed with share transfer stamps, to the Company's R&T Agent. The statutory time limit for processing the transfer is one month.

Is Permanent Account Number for transfer of shares in physical form mandatory?

SEBI vide its Circular dated May 20, 2009 has stated that for securities market transactions and off-market transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company/ RTA for registration of such transfer of shares.

How can the change in order of names (i.e. transposition) be effected?

Share certificates alongwith a request letter duly signed by all the joint holders may be sent to the Company's R&T Agent for change in order of names, known as 'transposition'. Transposition can be done only for the entire holdings under a folio and therefore, requests for transposition of part holding cannot be accepted by the Company / R&T Agent.

What is the procedure for obtaining duplicate share certificate(s) in case of loss / misplacement of original share certificate(s)?

Shareholders who have lost / misplaced share certificate(s) should inform the Company's R&T Agent, immediately about loss of share certificate(s) quoting their folio number and details of share certificate(s), if available. The R&T Agent shall immediately mark a 'stop transfer' on the folio to prevent any further transfer of shares covered by the lost share certificate(s). It is recommended that the shareholders should lodge a FIR with the police regarding loss of share certificate(s). They should send their request for duplicate shares to the Company's R&T Agent. Documents

required to be submitted alongwith the application include Indemnity Bond, Surety Form, copy of FIR, Memorandum of Association and Certified Copy of Board Resolution (in case of companies).

iv. Change of Name

What is the procedure for registering change of name of shareholders?

Shareholders may request the Company's R&T Agent for effecting change of name in the share certificate(s) and records of the Company. Original share certificate(s) alongwith the supporting documents like marriage certificate, court order etc. should be enclosed. The Company's R&T Agent, after verification, will effect the change of name and send the share certificate(s) in the new name of the shareholders. Shareholders holding shares in demat form, may request the concerned DP in the format prescribed by DP.

v. Change of Address

What is the procedure to get changes in address registered in the Company's records?

Shareholders holding shares in physical form, may send a request letter duly signed by all the holders giving the new address alongwith Pin Code. Shareholders are also requested to quote their folio number and furnish proof such as attested copies of Ration Card / PAN Card / Passport / Latest Electricity or Telephone Bill / Lease Agreement etc. If shares are held in dematerialised form, information about change in address need.

Can there be multiple addresses for a single folio?

There can only be one registered address for one folio.

vi. Nomination Facility:

Statutory Provisions governing Nomination

Section 72 of the Companies Act, 2013 provides the facility of nomination to Shareholders. This facility is mainly useful for individuals holding shares in sole name. In the case of joint holding of shares by individuals, nomination will be effective only in the event of the death of all joint holders.

Investors, especially those who are holding shares in single name, are advised to avail of the nomination facility by submitting the prescribed Form SH.13 to the Company's R&TA. However, if shares are held in dematerialised form, nomination has to be registered with the concerned DP directly, as per the format prescribed by the DP.

Appointment of Nominee

Individual Shareholders holding the shares in single name or joint names can appoint a nominee. While an individual can be appointed as a nominee, a trust, society body corporate, partnership firm, Karta of HUF or a power of attorney holder will not be nominee(s). Minors can, however, be appointed as nominee. There can be only one nomination for one folio.

Revocation / Variation of a nomination once made

It is possible to revoke / vary a nomination once made. If nomination is made by joint holders, and one of the joint

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holder dies, the remaining joint holder(s) can make a fresh nomination by revoking the existing nomination.

Status of joint holders

Joint holders are not nominees; they are joint holder of the relevant shares having joint rights on the same. In the event of death any one of the joint holders, the surviving joint holder(s) of the shares is/ are the only person(s) recognized under law as holder(s) of the shares. Joint Shareholders may together appoint a nominee.

Rights of nominee

The nominee is entitled to all the rights of the deceased shareholder to the exclusion of all other persons. In case of joint holding, all the rights shall vest in the nominee only in the event of death of all the joint holders. The nominee is required to apply to the Company by reporting the death of the nominator and submitting the death certificate. The nominee has an option to decide to register himself as a shareholder or he could send an application to have the shares transferred to any other person to whom the nominator could have otherwise transferred the shares. If the nominee opts to transfer the shares to a third party, he should submit to the Company's R&TA, the transfer deed(s) duly stamped and executed accompanied by the relevant certificate(s) and other documentary proof(s).

If shares are held in dematerialized form, nomination has to be registered with the concerned DP directly as per the format prescribed.

Certain forms for the assistance of the shareholders are available on the investors page of the Company website www.nucleussoftware.com.

M. Additional Recommendations to the Shareholders /Investors

In order to minimize /avoid unnecessary risk while dealing with Securities and related matters, the following are Company's recommendations to share holders /investors:

- **Open Demat Account and Dematerialise Your share**

Investors should convert their physical holding of securities into demat holdings. Holding securities in demat form help investors to get immediate transfer of securities. No stamp duty is payable on transfer of shares held in demat form and risk associated with physical certificates such as forged transfers, fake certificates and bad deliveries are avoided.

- **Consolidate Multiple Folios**

Investors should consolidate their shareholding held in multiple folios. This would facilitate one-stop tracking of all corporate benefits on the shares and would reduce time and efforts required to monitor multiple folios.

- **Register ECS Mandate and furnish correct bank account particulars with Company/ Depository Participant**

Investor should provide an ECS mandate to the Company in case of shares held in physical form and ensure that the correct and updated particulars of their bank account are available with the Depository Participant (DP) in case of shares held in demat form. This would facilitate in their receiving direct credits of dividends, refunds etc from companies and avoiding postal delays and loss in transit.

- **Keep holding details confidential**

Folio number (Client ID and DP ID number in respect of dematerialised securities) should not be disclosed to unknown persons. Signed blank transfer deeds (delivery instruction slips in respect of dematerialised shares) should not be given to unknown persons.

- **Deal with Registered Intermediaries**

Investors should transact through a registered intermediary who is subject to regulatory discipline of SEBI, as it will be responsible for its activities, and in case intermediary does not act professionally, investors can take up the matters with SEBI.

- **Mode of Postage**

Share certificates and high value dividend warrants / cheques/ demand drafts should not be sent by ordinary post. It is recommended that investors should send such instruments by registered post or courier.

- **Permanent Account Number (PAN)**

It has become mandatory to quote PAN before entering into any transaction in the securities market. The Income Tax Department of India has highlighted the importance of PAN on its website incometaxindia.gov.in wherein lot of queries with respect to PAN has been replied in the FAQ section.

- **Register e-mail address**

To contribute towards greener environment and to receive all documents, notices including Annual Reports and all other communications of the Company, investors are required to register their e-mail addresses with Karvy , if shares are held in physical mode or with DP , if the holding is in electronic mode.

N. Miscellaneous

- **Insider Trading**

The Securities and Exchange Board of India vide its Notification dated January 15, 2015 has notified The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 2015 . These Regulations have come into effect from May 15, 2015. Under these Regulations, the requirement of initial disclosures are applicable to promoter, key managerial personnel and Director of a Company and requirements of continual disclosures are applicable to promoter, employee and Director of a Company.

- **Takeover Regulations**

SEBI (Substantial Acquisition of Shares and Takeover) Regulation 2011 cast obligation on the investor (acquirer) to make disclosure w.r.t acquisition and disposal of shares. The relevant provisions as considered in the Regulation 29(1), (2) and (3) are given below:

Disclosure of acquisition

Any acquirer who acquires shares (including convertible securities) or voting rights in a target company which taken together with shares or voting rights, if any, held by him and by persons acting in concert with him in such target

Shareholders' Referencer

company, aggregating to five per cent or more of the shares of such target company, should disclose their aggregate shareholding and voting rights in such target company, to target company and Stock Exchanges within 2 working days to the receipt of intimation of the allotment / acquisition, as the case may be.

Disclosure, in case of change in holding

Any person, who together with persons acting in concert with him, holds shares or voting rights entitling them to five per cent or more of the shares or voting rights in a target company, should disclose the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below five per cent, if there has been change in such holdings from the last disclosure made; and such change exceeds two per cent of total shareholding or voting rights in such

target company, to target company and Stock Exchanges within 2 working days of such change

- **E-Voting**

The Companies Act 2013 and Regulation 44 of SEBI (LODR) Regulations, 2015 requires a listed Company to provide e-voting facility to its shareholders, in respect of all shareholders resolutions, to be passed at General meetings

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

Ashish Nanda

Chief Financial Officer

+91 (120) 4031400, ashish.nanda@nucleussoftware.com

Poonam Bhasin

Company Secretary & Compliance Officer

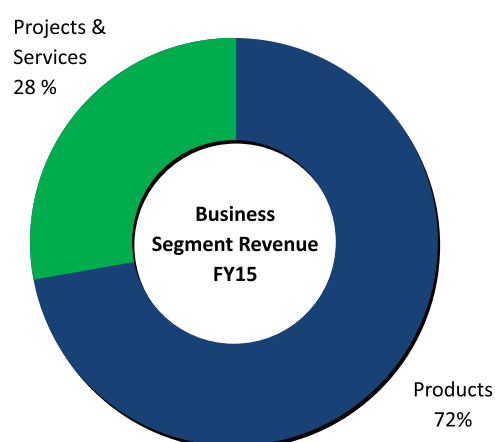
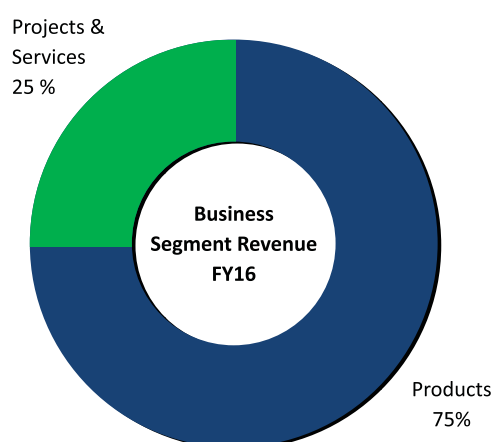
+91 (120) 4031400, poonam@nucleussoftware.com

SEGMENT INFORMATION AND RATIO ANALYSIS

Consolidated Segment Information of Nucleus Software Group

(` in crore)

| REVENUE BY | For the Year Ended March 31, | | | |
|--------------------------------|------------------------------|---------------|---------------|---------------|
| | 2016 | % of Revenue | 2015 | % of Revenue |
| GEOGRAPHICAL SEGMENTS | | | | |
| India | 67.92 | 19.48 | 55.88 | 15.82 |
| Far East | 57.60 | 16.52 | 58.73 | 16.63 |
| South East Asia | 78.44 | 22.49 | 78.51 | 22.23 |
| Europe/ U.K. | 41.49 | 11.90 | 34.43 | 9.75 |
| Americas | 2.81 | 0.80 | 4.16 | 1.18 |
| Middle East | 56.88 | 16.31 | 68.12 | 19.29 |
| Africa | 13.58 | 3.90 | 19.76 | 5.60 |
| Australia | 24.62 | 7.06 | 26.96 | 7.63 |
| Rest of the World | 5.36 | 1.54 | 6.59 | 1.87 |
| TOTAL | 348.70 | 100.00 | 353.14 | 100.00 |
| CURRENCY SEGMENT | | | | |
| Indian Rupee | 67.92 | 19.48 | 55.88 | 15.82 |
| US \$ | 155.26 | 44.53 | 168.58 | 47.74 |
| Japanese Yen | 23.94 | 6.86 | 24.24 | 6.86 |
| Singapore \$ | 35.91 | 10.30 | 36.07 | 10.21 |
| Malaysian Ringgit | 2.52 | 0.72 | 4.66 | 1.32 |
| Euro | 18.00 | 5.16 | 9.60 | 2.72 |
| South Korean Won | - | - | 0.49 | 0.14 |
| British Pound | 2.75 | 0.79 | 1.68 | 0.48 |
| Swiss Franc | 0.14 | 0.04 | 0.16 | 0.05 |
| Australian \$ | 24.61 | 7.06 | 26.96 | 7.63 |
| AED | 13.69 | 3.92 | 22.62 | 6.41 |
| ZAR | 3.96 | 1.14 | 2.20 | 0.62 |
| TOTAL | 348.70 | 100.00 | 353.14 | 100.00 |
| BUSINESS SEGMENT | | | | |
| Products | 261.69 | 75.05 | 255.62 | 72.38 |
| Own | 259.24 | 74.35 | 250.91 | 71.05 |
| Traded | 2.45 | 0.70 | 4.71 | 1.33 |
| Projects & Services | 87.01 | 24.95 | 97.52 | 27.62 |
| TOTAL | 348.70 | 100.00 | 353.14 | 100.00 |



Ratio Analysis

Consolidated Performance

| Particulars | 2016 | 2015 | 2014 | 2013 | 2012 |
|-----------------------------------------------------|---------|--------|--------|--------|-------|
| Ratios- Financial Performance | | | | | |
| Export Revenue/ Revenue (%) | 80.52 | 84.18 | 79.82 | 81.85 | 81.88 |
| Domestic Revenue/ Revenue (%) | 19.48 | 15.82 | 20.18 | 18.15 | 18.12 |
| Total Operating Expenses/ Revenue (%) | 91.34 | 81.51 | 80.77 | 84.38 | 87.40 |
| Operating Profit/ Revenue (%) | 8.66 | 18.49 | 19.23 | 15.63 | 12.60 |
| Depreciation/ Revenue (%) | 3.51 | 3.39 | 2.29 | 2.07 | 2.64 |
| Other Income/ Revenue (%) | 7.19 | 8.96 | 6.88 | 5.94 | 5.98 |
| Tax/ Revenue (%) | 3.27 | 6.21 | 5.45 | 5.07 | 4.59 |
| Effective Tax Rate - Tax/ PBT (%) | 26.01 | 25.32 | 22.67 | 24.79 | 26.83 |
| PAT from Ordinary Activities/ Revenue(%) | 2.12 | 9.36 | 11.71 | 9.44 | 6.55 |
| PAT from Ordinary Activities/Net Worth(%) | 1.62 | 7.54 | 10.21 | 7.92 | 5.88 |
| Ratios- Return | | | | | |
| ROCE (PBIT/ Average Capital Employed) (%) | 9.80 | 20.75 | 22.28 | 18.09 | 16.05 |
| ROANW (PAT/Average Net Worth) (%) | 7.25 | 15.49 | 17.23 | 13.60 | 11.74 |
| Ratios - Balance Sheet | | | | | |
| Debt-Equity Ratio | — | — | — | — | — |
| Debtors Turnover (Days) | 101 | 87 | 44 | 87 | 114 |
| Asset Turnover Ratio | 0.76 | 0.81 | 0.87 | 0.84 | 0.90 |
| Current Ratio | 3.20 | 3.60 | 3.80 | 3.89 | 3.91 |
| Cash and Equivalents/Shareholders' funds (%) | 54.50 | 64.16 | 75.07 | 76.21 | 62.44 |
| Cash and Equivalents/ Revenue (%) | 71.41 | 79.64 | 86.08 | 90.80 | 69.50 |
| Depreciation/Average Gross Block(%) | 8.31 | 8.51 | 6.09 | 5.02 | 6.49 |
| Technology Investment/ Revenue (%) | 1.34 | 2.24 | 4.62 | 2.36 | 1.19 |
| Ratios - Growth (YoY) | | | | | |
| Growth in Total Revenue (%) | (1.26) | 2.00 | 17.86 | 4.08 | 4.35 |
| Growth in Export Revenue (%) | (5.54) | 7.56 | 14.95 | 4.03 | 0.65 |
| Operating Expenses Growth (%) | 10.66 | 2.93 | 12.82 | 0.47 | 2.79 |
| Operating Profit Growth (%) | (53.77) | (1.91) | 45.05 | 29.11 | 16.63 |
| PAT Growth (%) | (49.82) | 0.58 | 42.44 | 27.82 | 34.17 |
| EPS Growth (%) | (49.82) | 0.55 | 42.45 | 27.86 | 34.19 |
| Per- Share Data (Period End) | | | | | |
| Earning Per Share from Ordinary Activities (₹) | 2.28 | 10.21 | 12.52 | 8.56 | 5.71 |
| Earning Per Share (Including Other Income) (₹) | 10.03 | 19.98 | 19.87 | 13.95 | 10.91 |
| Cash Earning Per Share from Ordinary Activities (₹) | 6.06 | 13.91 | 14.96 | 10.44 | 8.00 |
| Cash Earning Per Share (Including Other Income)(₹) | 13.80 | 23.68 | 22.32 | 15.83 | 13.21 |
| Book Value Per Share (₹) | 141.09 | 135.37 | 122.60 | 108.08 | 97.00 |
| Price/Earning (Annualized) | 19.29 | 8.46 | 10.97 | 5.20 | 5.67 |
| Price/ Cash Earning (Annualized) | 14.01 | 7.14 | 9.76 | 4.58 | 4.68 |
| Price/Book Value | 1.37 | 1.25 | 1.78 | 0.67 | 0.64 |
| Dividend Per Share (DPS) | 5.00 | 5.00 | 6.00 | 3.00 | 2.50 |
| Dividend (%) | 50 | 50 | 60 | 30 | 25 |
| Dividend Payout (In ₹ Crore) | 16.19 | 16.19 | 19.43 | 9.72 | 8.10 |

Notes:

1. While calculating the consolidated figures of group, inter group transactions have been ignored.
2. Previous year figures have been regrouped/ reclassified wherever necessary.
3. Cash and Equivalents includes cash and bank balances and current investments.

Glossary

| | |
|----------------|----------------------------------------------------------------|
| ADR | American Depository Receipt |
| ADM | Application Development & Maintenance |
| BFS | Banking & Financial Services |
| BSE | Bombay Stock Exchange Ltd. |
| BPO | Business Process Outsourcing |
| CAGR | Compound Annual Growth Rate |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CSR | Corporate Social Responsibility |
| DP | Depository Participant |
| DRF | Demat Requisition Form |
| EBITDA | Earnings Before Interest, Taxes, Depreciation and Amortization |
| ESOP | Employee Stock Option Plan |
| EU | European Union |
| FAQ | Frequently Asked Questions |
| GDP | Gross Domestic Product |
| GDR | Global Depository Receipt |
| ICAI | Institute of Chartered Accountants of India |
| ICSI | Institute of Company Secretaries of India |
| IPO | Initial Public Offer |
| IT | Information technology |
| ITES | Information Technology Enabled Services |
| IP | Intellectual Property |
| MCA | Ministry of Corporate Affairs |
| MDA | Management Discussion and Analysis |
| MD | Managing Director |
| NASSCOM | National Association of Software and Services Companies |
| NSE | National Stock Exchange of India Ltd. |
| NGO | Non Governmental Organisation |
| PDF | Portable Document Format |
| PAT | Profit After Tax |
| PBT | Profit Before Tax |
| RBI | Reserve Bank of India |
| SEBI | Securities & Exchange Board of India |
| SEZ | Special Economic Zone |
| STPI | Software Technology Parks of India |

Particulars of Employees

The information required under Section 197 of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

A. The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year:

The ratio of the remuneration of each Director to the median remuneration of the employees of the Company:

| Independent Directors | Ratio to median remuneration (FY16) |
|------------------------|-------------------------------------|
| Mr. Janki Ballabh | 2.71 |
| Mr. S.M. Acharya* | 0.19 |
| Mr. Prithvi Haldea | 3.80 |
| Mrs. Elaine Mathias | 3.27 |
| Prof. Trilochan Sastry | 3.52 |
| Mr. N. Subramaniam | 2.85 |

* Mr. S.M. Acharya was appointed as an Independent Director w.e.f. March 19, 2016

| Executive Directors | Ratio to median remuneration (FY16) |
|-----------------------|-------------------------------------|
| Mr. Vishnu R. Dusad | 10.57 |
| Mr. Ravi Pratap Singh | 18.41 |

B. (1) The percentage increase in remuneration of each Director:

Remuneration paid to Whole time Directors

| Name of the Director | Title | Remuneration in fiscal 2016 (in Rs. lacs) | Remuneration in fiscal 2015 (in Rs.lacs) | No. of stock options / RSUs granted in fiscal 2016 | % increase of remuneration in 2016 as compared to 2015 | Excl. WTD Ratio of remuneration to MRE | Incl. WTD Ratio of remuneration to MRE and WTD | Ratio of remuneration to Revenues (fiscal 2016) | Ratio of remuneration to Net Profit (fiscal 2016) |
|-----------------------|-------------------------|-------------------------------------------|------------------------------------------|----------------------------------------------------|--------------------------------------------------------|----------------------------------------|------------------------------------------------|-------------------------------------------------|---------------------------------------------------|
| Mr. Vishnu R. Dusad | CEO & Managing Director | 60,49,633 | 60,80,404 | Nil | -0.51 | 10.57 | 10.57 | 0.22 | 1.35 |
| Mr. Ravi Pratap Singh | Executive Director | 1,05,39,442 | 90,65,061 | Nil | 16.26 | 18.42 | 18.41 | 0.38 | 2.36 |

RSU - Restricted Stock Units

WTD - Whole-time Director

MRE - Median Remuneration of Employees

Remuneration paid to Independent Director

| Name of the Director | Remuneration in fiscal 2016 | Remuneration in fiscal 2015 | Number of Stock Options/ RSU's granted in fiscal 2015 | % increase of remuneration (2016 over 2015) |
|------------------------|-----------------------------|-----------------------------|-------------------------------------------------------|---------------------------------------------|
| Mr. Janki Ballabh | 1,554,302 | 1,874,167 | - | -17% |
| Mr. S.M. Acharya* | 108,491 | - | - | NA |
| Mr. Prithvi Haldea | 2,174,302 | 2,394,167 | - | -9% |
| Mrs. Elaine Mathias** | 1,874,302 | 1,156,037 | - | 62% |
| Mr. Sanjiv Sarin*** | - | 367,295 | - | NA |
| Prof. Trilochan Sastry | 2,014,302 | 2,154,167 | - | -6% |
| Mr. N. Subramaniam | 1,634,302 | 1,954,167 | - | -16% |

* Mr. S.M. Acharya was appointed as an Independent Director w.e.f. March 19, 2016

** Mrs. Eliane Mathias was appointed as an Independent Director w.e.f. September 20, 2014

*** Mr. Sanjiv Sarin retired w.e.f July 8, 2014

- (2) The percentage increase in remuneration of Key Managerial Personnel (KMP) in the financial year and comparison of the remuneration of each Key Managerial Personnel (KMP) against the performance of the Company:

Remuneration of other Key Managerial Personnel (KMP)

| Name of the KMP | Title | Remuneration in fiscal 2015 | Remuneration in fiscal 2015 | No. of stock options / RSUs granted in fiscal 2016 | % increase of remuneration in 2016 as compared to 2015 | Excl. WTD | Incl. WTD | Ratio of remuneration to | |
|-------------------|-------------------------|-------------------------------------------|-----------------------------|----------------------------------------------------|--------------------------------------------------------|------------------------------|--------------------------------------|--------------------------|--------------------------|
| | | Remuneration in fiscal 2016 (in Rs. Lacs) | (in Rs. Lacs) | | | Ratio of remuneration to MRE | Ratio of remuneration to MRE and WTD | Revenues (fiscal 2016) | Net Profit (fiscal 2016) |
| Mr. Ashish Nanda | Chief Financial Officer | 58,25,484 | 40,67,798 | Nil | 43.21 | 10.18 | 10.18 | 0.21 | 1.10 |
| Ms. Poonam Bhasin | Company Secretary | 26,18,414 | 24,24,616 | Nil | 7.99 | 4.58 | 4.57 | 0.09 | 0.50 |

RSU - Restricted Stock Units

WTD - Whole-time Director

MRE - Median Remuneration of Employees

The Aggregate remuneration of KMP decreased by 19% to Rs. 8,443,898 in the Fiscal 2016 against Rs. 10,383,851 in the Fiscal 2015.

The revenue decreased by 0.31% during FY16 over FY15 and net profit declined by 26.47%.

C. The percentage increase in the median remuneration of employees in the financial year:

The Median Remuneration of Employees (MRE) excluding Whole-time Directors (WTDs) was Rs. 5,72,193/- and Rs. 5,08,002/- in fiscal 2016 and fiscal 2015 respectively. The increase in MRE (excluding WTDs) in fiscal 2016, as compared to fiscal 2015 is 12.64%

The Median Remuneration of Employees (MRE) including Whole-time Directors (WTDs) was Rs. 5,72,487/- and Rs. 5,08,117/- in fiscal 2016 and fiscal 2015 respectively. The increase in MRE (including WTDs) in fiscal 2016, as compared to fiscal 2015 is 12.67%

D. The number of permanent employees on the rolls of Company:

The number of permanent employees on the rolls of the Company as of March 31, 2016 and March 31, 2015 was 1329 and 1287 respectively.

E. The explanation on the relationship between average increase in remuneration and Company performance:

On an average, employees received an annual increase of 9.24% in India. The increase in remuneration is in line with the industry benchmarks. In order to ensure that remuneration reflects Company performance, the Variable Salary of the employees above a particular grade is also linked to organization performance, apart from an individual's performance.

F. Variations in the market capitalisation of the Company, price earnings ratio as at the closing date of the current financial year and previous financial year:

The Company market capitalization increased by 11.34% to Rs. 626.14 crore as of March 31, 2016 from Rs. 547.61 crore as of March 31, 2015. The price earnings ratio was 19.28 as of March 31, 2016 which was an increase of 127.90%, as compared to March 31, 2015. The closing price of the Company's equity shares on the NSE and BSE as of March 31, 2016 was Rs. 193.35 and Rs. 193.10 respectively.

G. Percentage increase over decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer:

| Particulars | March 31 2015 (In Rs.) | August 1995 (IPO) (In Rs.) | August 1995 (IPO)* (In Rs.) | % Change |
|--------------------|---------------------------|-------------------------------|--------------------------------|----------|
| Market Price (BSE) | 193.10 | 50 | 4.17 | 4536 |
| Market Price (NSE) | 193.35 | 50 | 4.17 | 4542 |

* Adjusted for bonus issue in 2001, 2004 and 2007

H. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

The average annual increase was around 9.24%. Increase in the managerial remuneration for the year was 9.53%.

I. The key parameters for any variable component of remuneration availed by the Directors:

The members have, at the AGM of the Company on July 8, 2015 approved payment of commission to the non-executive Directors within the ceiling of 1% of the net profits of the Company as computed under the applicable provisions of the Act. The said commission is decided each year by the Board of Directors and distributed amongst the non-executive Directors.

J. The ratio of the remuneration of the highest paid Director to that of the employees who are not Directors but receive remuneration in excess of the highest paid Director during the year:

0.84

K. Affirmation that the remuneration is as per the remuneration policy of the Company:

The Company affirms remuneration is as per the remuneration policy of the Company.

L. The statement containing particulars of employees as required under Section 197(12) of the Act read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in a separate annexure forming part of this report. Further, the report and the accounts are being sent to the members excluding the aforesaid annexure. In terms of Section 136 of the Act, the said annexure is open for inspection at the Registered Office of the Company. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary.

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