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AUDITORS' REPORT

TO THE MEMBERS OF
VirStra i-TECHNOLOGY SERVICES LIMITED

1. We have audited the attached Balance Sheet of **VirStra i-TECHNOLOGY SERVICES LIMITED** as at 31 March, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

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

   d. in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   e. in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2011;

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

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

5. On the basis of written representations received from the directors, as on 31 March, 2011 and taken on record by the Board of Directors, we report that, none of the directors is disqualified as on 31 March, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

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

JITENDRA AGARWAL
Partner
Membership No. 87104

GURGAON, 30 April, 2011

ANNEXURE TO THE AUDITORS' REPORT
(Referred to in paragraph 3 of our report of even date)

1. Having regard to the nature of the Company's business/activities/results, sub clauses (ii), (viii), (x), (xi), (xii), (xiv), (xv) and (xix) of clause 4 of the Order are not applicable.

2. In respect of its fixed assets:

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

   b. The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

   c. The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

3. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and sale of services. The Company's operations did not give rise to purchase of inventory and sale of goods during the current year. During the course of our audit, we have not observed any major weakness in such internal control system.

5. Based on the examination of the books of account and related records and according to the information and explanations provided to us, there are no contracts or arrangements with companies, firms or other parties which need to be entered in the register required to be maintained under Section 301 of the Companies Act, 1956.

6. According to the information and explanations given to us, the Company has not accepted any deposits from the public during the year.

7. In our opinion, the internal audit function carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.

8. According to the information and explanations given to us in respect of statutory dues:

   a. the Company has generally been regular in depositing undisputed dues, including Income Tax, Provident Fund and Cess with the appropriate authorities during the year and there were no undisputed amounts payable in respect of Income Tax, Provident Fund and Cess in arrears as at 31 March, 2011 for a period of more than six months from the date they became payable.

   We are informed that the Company's operations during the year did not give rise to any balances in Investor Education and Protection Fund, Employees State Insurance, Sales Tax, Excise duty, Wealth Tax, Service Tax and Custom Duty.

   c. We are informed that there are no dues in respect of Income Tax, Provident Fund and Cess which have not been deposited on account of any dispute.

9. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable to the Company.

10. Based on the examination of the books of account and related records and according to the information and explanations provided to us, no term loans were obtained by the Company.

11. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.

12. According to information and explanations given to us, and the records of the Company examined by us, the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.

13. According to information and explanations given to us, the Company has not raised any money by way of public issue during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable to the Company.

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14. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

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

Jitendra Agarwal

JITENDRA AGARWAL
Partner
Membership No. 87104

GURGAON, 30 April, 2011

VirStra I-Technology Services Limited
Balance Sheet as at 31 March 2011

	Schedule Reference	As at 31 March 2011 (Rupees)	As at 31 March 2010 (Rupees)
Sources of funds			
Shareholders' funds			
Share capital	1	10,000,000	10,000,000
Reserves and surplus	2	97,433,868	250,592,590
		107,433,868	**260,592,590**
Application of funds			
Fixed assets			
Gross block	3	48,394,489	48,127,347
Less: Accumulated depreciation		(44,696,536)	(41,385,037)
Net block		3,697,953	6,742,310
Add: Capital work in progress (including capital advances)		-	105,000
		3,697,953	**6,847,310**
Investments	4	16,300,588	104,428,266
Deferred tax asset (See note 3, Schedule 13)		3,848,548	3,394,390
Current assets, loans and advances			
Sundry debtors	5	9,759,988	47,245,037
Cash and bank balances	6	19,348,422	59,853,400
Loans and advances	7	71,535,362	62,711,574
		100,643,772	**169,810,011**
Less: Current liabilities and provisions			
Current liabilities	8	9,270,944	16,611,911
Provisions	9	7,786,149	7,275,476
		17,057,093	**23,887,387**
Net current assets		**83,586,679**	**145,922,624**
		107,433,868	**260,592,590**
Significant accounting policies and notes to the accounts	13		

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

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

JITENDRA AGARWAL
Partner

Place: Gurgaon
Date: 30 APRIL, 2011

For and on behalf of the Board of Directors

Vishnu R Dusad
Director

P K Sanghi
Director

Place: Noida
Date: 30 APRIL, 2011

VirStra i-Technology Services Limited
Profit and Loss Account for the year ended 31 March 2011

	Schedule Reference	Year ended 31 March 2011 (Rupees)	Year ended 31 March 2010 (Rupees)
Income			
Sales and services		183,108,891	289,632,733
Software support expenses	10	95,670,051	162,296,915
Gross profit		87,438,840	127,335,818
General and administration expenses	11	-	5,820,946
Operating profit before depreciation		87,438,840	121,514,872
Depreciation	3	3,311,499	5,650,857
Less: Reimbursed by customer (See note 6, Schedule 13)		(3,290,441)	(5,585,727)
Operating profit after depreciation		87,417,782	121,449,742
Other income	12	5,033,757	1,934,676
Profit before taxation		92,451,539	123,384,418
Provision for tax			
- Current		17,539,288	21,686,350
- MAT credit entitlement		(17,397,875)	(21,487,450)
- Deferred tax credit		(454,258)	(493,135)
Profit after taxation		**92,764,384**	**123,678,653**
Profit for the year		92,764,384	123,678,653
Add: Balance brought forward		198,278,965	168,864,677
Total amount available for appropriation		291,043,349	292,543,330
Interim dividend		210,000,000	70,000,000
Corporate dividend tax		34,878,375	11,896,500
Transferred to general reserve		9,276,438	12,367,865
Balance carried forward to the Reserves and Surplus		**36,888,535**	**198,278,965**
Earnings per share (face value Rs. 10 each) (See note 14, Schedule 13)			
Basic and diluted		92.76	123.68
Number of shares used in computing earnings per equity share			
Basic and diluted		1,000,000	1,000,000
Significant Accounting policies and notes to the accounts	13		

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

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Jitendra Agarwal

JITENDRA AGARWAL
Partner

Place: Gurgaon
Date: 30 APRIL, 2011

For and on behalf of the Board of Directors

Vishnu R Dusad
Director

P K Sanghi
Director

Place: Noida
Date: 30 APRIL, 2011

VirStra i-Technology Services Limited
Cash Flow Statement for the year ended 31 March 2011

	Year ended 31 March 2011 (Rupees)	Year ended 31 March 2010 (Rupees)
A. Cash flow from operating activities		
Net profit before tax	92,451,539	123,384,418
Adjustment for:		
Exchange difference on translation of foreign currency accounts	(129,306)	(2,033,389)
Depreciation	3,311,499	5,650,857
Dividend recieved from non trade investments	(4,940,049)	(1,673,137)
Interest income	(10,512)	(261,539)
Profit on sale of fixed assets	(79,000)	-
Profit on sale of investments	(4,196)	-
Loss on sale of vehicle	-	251,690
Provision for diminution in value of investments	-	5,569,256
Operating profit before working capital changes	90,599,975	130,888,156
Adjustments for:		
Decrease/ (increase) in debtors	37,446,810	42,978,227
Decrease in loans and advances	8,892,234	4,731,269
(Decrease) / increase in current liabilities and provisions	(7,875,025)	(2,168,193)
	129,063,994	**176,429,459**
Income tax paid	(17,866,251)	(21,598,302)
Net cash from operating activities (A)	**111,197,743**	**154,831,157**
B. Cash flow from investing activities		
Purchase of fixed assets/capital work in progress	(162,143)	(2,787,495)
Purchase of current investments	(790,365,625)	(374,213,502)
Proceeds on sale of current investments	878,580,806	294,856,339
Interest earned	15,023	460,288
Dividend received from investments	4,940,049	1,673,137
Net cash used in investing activities (B)	**93,008,110**	**(80,011,233)**
C. Cash flow from financing activities		
Interim dividend paid	(210,000,000)	(70,000,000)
Corporate dividend tax paid	(34,878,375)	(11,896,500)
Net cash used in financing activities (C)	**(244,878,375)**	**(81,896,500)**
Net (decrease) / increase in cash and cash equivalents (A+B+C)	**(40,672,522)**	**(7,076,576)**
Cash and cash equivalents at the beginning of the year	**59,853,400**	**66,613,755**
Exchange difference on translation of foreign currency accounts	167,544	316,221
Cash and cash equivalents at the end of the year	**19,348,422**	**59,853,400**

Notes:
1. Cash and cash equivalents include balances with scheduled banks in current accounts, fixed deposits amounting to Rs. 300,000 (previous year Rs. 300,000) under lien with bank on account of gurantees issued on behalf of the Company.
2. The above cash flow statement has been prepared in accordance with the 'Indirect method' as set out in the Accounting Standard 3 on 'Cash Flow Statements' prescribed under Compnies (Accounting Standard) Rules, 2006.

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

JITENDRA AGARWAL
Partner

Place: Gurgaon
Date: 30 APRIL, 2011

For and on behalf of the Board of Directors

Vishnu R Dusad
Director

P K Sanghi
Director

Place: Noida
Date: 30 APRIL, 2011

	As at 31 March 2011 (Rupees)	As at 31 March 2010 (Rupees)
SCHEDULE 1		
Share capital		
Authorised capital		
1,000,000 (previous year 1,000,000) equity shares of Rs. 10 each	**10,000,000**	**10,000,000**
Issued, subscribed and paid up		
Issued, subscribed and paid up:		
1,000,000 (previous year 1,000,000) equity shares of Rs. 10 each, fully paid up	10,000,000	10,000,000
Of the above 999,994 (previous year 999,994) equity shares, fully paid up are held by Nucleus Software Exports Ltd., the Holding Company as well as the Ultimate Holding Company and 6 (previous year 6) equity shares, fully paid up, are held by nominees on behalf of the Holding Company		
SCHEDULE 2		
Reserves and surplus		
General reserve		
Opening balance	49,654,815	37,286,950
Transferred from profit and loss account	9,276,438	12,367,865
	58,931,253	**49,654,815**
Hedging reserve (See note 7, Schedule 13)	**1,614,079**	**2,658,810**
Profit and Loss Account	**36,888,535**	**198,278,965**
	97,433,868	**250,592,590**

Schedule 3

Fixed Assets (At Cost)

(All amounts in Rupees)

	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2010	Additions	Deductions / adjustments	As at 31 March 2011	As at 1 April 2010	Depreciation for the year	Deductions / adjustments	As at 31 March 2011	As at 31 March 2011	As at 31 March 2010
Tangibles										
Computers	23,071,103	60,637	9,200	23,122,540	20,566,484	1,242,643	-	21,889,127	1,313,413	2,504,619
Office and other equipment	13,260,444	27,200	-	13,287,644	9,557,675	1,856,181	-	11,413,856	1,873,788	3,702,769
Vehicle	-			-	-			-	-	-
Furniture and fixtures	571,130	132,575	-	703,705	136,320	136,378	-	272,698	431,007	434,810
Intangibles										
Software	11,224,670	55,930	-	11,280,600	11,124,558	76,297	-	11,200,855	79,745	100,112
Current year	**48,127,347**	**276,342**	**9,200**	**48,394,489**	**41,385,037**	**3,311,499**	**-**	**44,696,536**	**3,697,953**	**6,742,310**
Previous year	45,910,768	3,062,495	845,916	48,127,347	36,328,406	5,650,857	594,226	41,385,037	6,742,310	9,582,362

	As at 31 March 2011 (Rupees)	As at 31 March 2010 (Rupees)
SCHEDULE 4		
Investments		
Long term investments		
Equity shares in wholly owned subsidiary - Unquoted		
199,998 (previous year 199,998) equity shares of SGD 1 each, fully paid up in Virstra i- Technology (Singapore) Pte Ltd, Singapore	5,569,256	5,569,256
Less : Provision for diminution in value of investment in Virstra i - Technology (Singapore) Pte Ltd	(5,569,256)	(5,569,256)
Current investments		
Investments in mutual funds - Non trade and unquoted		
Nil (previous year 47,295) units of face value of Rs. 100 each of ICICI Prudential Flexible Income Plan Premium -Daily Dividend Option	-	5,000,765
Nil (Previous year 5,397,483) units of face value of Rs. 10 each of LICMF Income Plus Fund- Daily Dividend Plan	-	53,974,829
Nil (Previous year 4,545,267) units of face value of Rs. 10 each of LICMF Savings Plus Fund- Daily Dividend Plan	-	45,452,672
120,354 (Previous year Nil) units of face value of Rs. 100 each of ICICI Prudential Liquid Super Institutional Plan -Daily Dividend Option	12,038,254	-
4,182 (Previous year Nil) units of face value of Rs. 1000 each of UTI Liquid Fund Cash Plan- Daily Dividend Option	4,262,334	-
	16,300,588	**104,428,266**

Notes:

1. Net Asset Value (NAV) of current investments: Rs. 16,300,588 (previous year Rs. 104,428,266) as at 31 March 2011
2. See note 4, Schedule 13 for details of investments purchased and sold during the year

	As at 31 March 2011 (Rupees)	As at 31 March 2010 (Rupees)
SCHEDULE 5		
Sundry debtors (Unsecured, considered good)		
Debts outstanding for a period less than six months*	9,759,988	47,245,037

*represents amount due from Nucleus Software Solution Pte. Ltd., Singapore, a body corporate under the same management within the meaning of Sub-section (1-B) of section 370 of the Companies Act, 1956.

	As at 31 March 2011 (Rupees)	As at 31 March 2010 (Rupees)
SCHEDULE 6		
Cash and bank balances		
Cash in hand	-	4,036
Balances with scheduled bank		
- in current accounts	19,048,422	59,549,364
- in fixed deposit accounts*	300,000	300,000
	19,348,422	**59,853,400**

*include fixed deposits of Rs. 300,000 (previous year Rs. 300,000) under lien with bank on account of guarantees issued on behalf of the Company

	As at 31 March 2011 (Rupees)	As at 31 March 2010 (Rupees)
SCHEDULE 7		
Loans and advances (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	444,351	832,688
Advances recoverable on account of reimbursement of expenses **	3,233,581	12,064,280
Security deposits	6,107,130	4,717,850
MAT credit entitlement (See note 18, Schedule 13)	59,451,229	42,053,354
Prepaid expenses	55,188	49,118
Advance tax [(Net of provision for tax Rs. 59,984,369 (Previous year 42,482,437)]	603,538	276,575
Mark to Market on forward contracts (See note 7, Schedule 13)	1,585,960	2,658,814
Interest accrued but not due	54,385	58,895
	71,535,362	**62,711,574**

**includes amount due from Nucleus Software Solution Pte. Ltd., Singapore, [maximum amount outstanding during the year Rs. 16,315,598 (previous year Rs. 21,616,968)] a body corporate under the same management within the meaning of Sub-section (1-B) of section 370 of the Companies Act, 1956.

	As at 31 March 2011 (Rupees)	As at 31 March 2010 (Rupees)
SCHEDULE 8		
Current liabilities		
Sundry creditors *	5,360,200	7,160,540
Due to holding company	328,085	4,031,692
Other liabilities	1,541,547	2,100,737
Advance from customer	2,041,112	3,318,942
	9,270,944	**16,611,911**

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

	As at 31 March 2011 (Rupees)	As at 31 March 2010 (Rupees)
SCHEDULE 9		
Provisions		
Gratuity	4,487,241	3,801,602
Leave encashment	3,298,908	3,473,874
	7,786,149	**7,275,476**

	Year ended 31 March 2011 (Rupees)	Year ended 31 March 2010 (Rupees)
SCHEDULE 10		
Software support expenses		
Salaries and allowances	88,111,348	103,217,615
Contribution to provident and other funds	4,443,355	5,587,787
Staff welfare	1,627,845	1,738,833
Travelling & Conveyance	7,702,414	28,923,935
Communication expenses	4,333,828	4,969,965
Rent	7,350,884	6,557,160
Assets hire charges	684,260	1,750,743
Rates and taxes	9,803	-
Legal and professional charges	1,082,415	4,582,225
Repair and maintenance - others	835,441	433,704
Training and recruitment	1,980,162	2,985,934
Insurance	522,125	1,199,493
Consultancy charges	4,136,250	17,020,000
Electricity and water	2,468,485	2,391,357
Loss on foreign exchange fluctuation (net)	846,236	14,409,883
Miscellaneous expenses	2,165,129	1,942,662
	128,299,980	197,711,296
Less: Reimbursed by customer (See note 6, Schedule 13)	(32,629,929)	(35,414,381)
	95,670,051	**162,296,915**
SCHEDULE 11		
General and Administration expenses		
Provision for diminution in value of investments	-	5,569,256
Accounting charges	2,217,030	1,985,400
Bank charges	213,084	436,297
Loss on sale of Vehicle (net)	-	251,690
	2,430,114	8,242,643
Less: Reimbursed by customer (See note 6, Schedule 13)	(2,430,114)	(2,421,697)
	-	**5,820,946**
SCHEDULE 12		
Other income		
Dividend received from non-trade investments	4,940,049	1,673,137
Interest on fixed deposits [gross of tax deducted at source Rs. 1,052 (previous year Rs. 58,064)]	10,512	261,539
Profit on sale of fixed assets (net)	79,000	-
Profit on sale of investments	4,196	-
	5,033,757	**1,934,676**

SCHEDULE 13:

Significant accounting policies and notes to the accounts

1. Background

VirStra *i*-Technology Services Limited ('Virstra' or 'the Company') was incorporated in May 2004 in India. Virstra is a wholly owned subsidiary company of Nucleus Software Exports Ltd. The Company's business broadly consists of offshore and onsite software support services to other group companies.

2. Significant accounting policies

a. Basis of preparation

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") and mandatory accounting standards prescribed by the Companies (Accounting Standard) Rules, 2006 and as per the provisions of the Companies Act, 1956. All income and expenditure having a material bearing on the financial statements are recognised on the accrual basis. 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 standard on an ongoing basis.

b. Use of estimates

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

c. Revenue recognition

Revenue from software services comprises income from time and material contracts, which is recognised as the services are rendered.

Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sales price and the then carrying value of the investment.

Interest on the deployment of surplus funds is recognised using the time-proportion method, based on the rates implicit in the transaction.

d. Fixed assets

Fixed assets are stated at the cost of acquisition less accumulated depreciation. Cost is inclusive of freight, duties, taxes and other directly attributable costs incurred to bring assets to their working condition for intended use.

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

e. Depreciation

Depreciation on fixed assets is provided on the straight-line method based on useful lives of respective assets as estimated by the management. Depreciation is charged on a pro-rata basis for assets purchased/ sold during the year. Assets costing less than Rs. 5,000 are fully depreciated in the year of purchase.

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

Tangible assets	**Useful life (in years)**
Office and other equipment	5
Computers	4
Vehicles	5
Furniture and fixtures	5
Intangible assets	
Software	3

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

f. 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.

g. Foreign exchange transactions

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

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

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

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

h. Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

Defined benefit plans

Gratuity

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

Other employee benefits

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

i. Operating leases

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

j. Earning per share

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

k. Taxation

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

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

l. Impairment of assets

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.

m. Contingencies

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

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

3. Net deferred tax asset / (liability)

Components of net deferred tax asset / (liability):

	As at 31 March, 2011 (Rupees)	As at 31 March 2010 (Rupees)
Deferred tax asset		
Provision for retirement benefits	2,526,216	2,398,746
Difference of depreciation as per Income-tax laws and books of account	1,322,432	995,644
Net deferred tax asset/(liability)	3,848,648	3,394,390

4. Details of investments purchased and sold during the year ended 31 March 2011

Name of the investment	Face value Amount (Rupees)	Purchased during the year		Sold during the year	
		Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
ICICI Prudential Flexible Income Plan – Daily dividend	100	176,473	18,659,373	223,768	23,660,138
ICICI Quarterly Institutional Dividend	10	2,538,657	25,386,573	2,538,657	25,386,573
ICICI Prudential Liquid Super Institutional Plan – Daily Dividend Plan	100	1,439,846	144,017,016	1,319,491	131,977,759
LIC Income Plus Fund-Daily Dividend Plan	10	-	-	5,406,334	54,063,336
LIC Savings Plus Fund - Daily Dividend Plan	10	5,478,187	54,781,868	10,023,454	100,234,540
LIC Liquid Fund-Dividend Plan	10	11,339,714	124,511,195	11,339,714	124,511,195
Reliance Liquidity Fund	10	10,464,366	104,697,030	10,464,366	104,697,030
Reliance Liquidity Fund - Treasury Plan	10	10,990,426	168,015,034	10,990,426	168,015,034
Reliance Medium Term Fund - Daily dividend Plan	10	4,139,166	70,762,767	4,139,166	70,762,767
UTI Liquid Cash Plan	1000	44,437	45,300,778	40,255	41,038,443
UTI Fixed Income Interval Fund	10	3,423,365	34,233,991	3,423,365	34,233,991
Total		50,034,637	790,365,625	59,908,996	878,580,806

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

Name of the investment	Face value Amount (Rupees)	Purchased during the year		Sold during the year	
		Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
ICICI Prudential Institutional Liquid Plan – Daily dividend	100	49,997	5,000,765	49,997	5,000,765
LIC Income Plus Fund- Daily dividend plan	10	1,000,000	10,000,000	1,000,000	10,000,000
LICMF Liquid Fund- dividend plan	10	14,190,257	155,810,446	14,190,257	155,810,446
Reliance Medium Term Fund- Daily dividend plan	10	1,413,674	24,167,466	1,413,674	24,167,466
Reliance Liquid fund- Treasury plan	10	4,893,411	74,806,559	4,893,411	74,806,559
Total		**21,547,339**	**269,785,236**	**21,547,339**	**269,785,236**

5. Employee Benefit Obligations

Defined contribution plans

An amount of Rs. 4,443,355 (previous year Rs. 5,587,787) has been recognized as an expense in respect of Company's contribution for Provident Fund deposited with the government authorities.

Defined benefit plans

The Company operates a gratuity plan wherein every employee is entitled to the benefit equivalent to 15 days of total basic salary last drawn for each completed year of service. Gratuity is payable to all eligible employees of the Company on retirement, separation, death or permanent disablement, in terms of the provisions of the Payment of Gratuity Act, subject to a maximum of Rs. 1,000,000.

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

(Amounts in Rupees)

Particulars	As at 31 March 2011	As at 31 March 2010
Obligation at period beginning	3,801,602	3,129,414
Current service cost	1,084,529	1,098,395
Interest cost	319,142	268,295
Actuarial losses / (gain)	(139,378)	(591,000)
Benefits paid	(634,404)	(104,192)
Obligations at period end	**4,487,241**	**3,801,602**

Jh

Gratuity cost for the period:

	Year ended 31 March 2011	Year ended 31 March 2010
Current Service Cost	1,084,529	1,098,395
Interest Cost	319,142	268,985
Actuarial losses / (gains)	(139,378)	(591,000)
Net gratuity cost	**685,639**	**776,380**

Principal actuarial assumptions in respect of provision for gratuity at the Balance Sheet date are as follows:

Economic assumptions:

	As at 31 March 2011	As at 31 March 2010
Discount Rate	7.90% p.a.	7.05% p.a.
Salary Escalation Rate	10% p.a for first 2 years, 7% thereafter	5% p.a.

i. **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.

ii. **Salary Escalation Rate:**

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

Demographic assumptions:

Retirement age	58 years	58 years
Mortality table	LIC(1994-96) duly modified	LIC(1994-96) duly modified
Withdrawal rates	Ages- withdrawal Rate(%)	Ages- withdrawal Rate(%)
	21-50 years -20%	21-50 years -20%
	51-54 years - 2%	51-54 years - 2%
	55-57 years - 1%	55-57 years - 1%

Experience adjustments:

	Year ended 31 March 2011	Year ended 31 March 2010	Year ended 31 March 2009	Year ended 31 March 2008	Year ended 31 March 2007
Plan Liabilities	(597,423)	(514,557)	300,680	(144,404)	(268,315)
Plan assets	-	-	-	-	-

6. The Company has entered into a service level agreement with Nucleus Software Solutions Pte. Ltd., Singapore ("NSS"), a body corporate under the same management as defined under section 370 (1-B) of the Companies Act, 1956. As per terms of the agreement, the Company provides software support services to NSS against which certain expenses incurred by the Company are reimbursed by NSS. The details of reimbursements are tabulated below:

Particulars	**Year ended 31 March 2011**	**Year ended 31 March 2010**
Software support expenses		
Salaries and allowances	8,160,588	4,154,852
Staff welfare	625,910	512,504
Travelling & Conveyance	3,174,347	5,434,931
Communication expenses	3,580,185	4,053,063
Bandwidth charges	2,188,260	2,407,166
Rent	7,350,884	6,557,160
Assets hire charges	684,260	1,750,743
Legal and professional charges	1,082,415	4,582,225
Repair and maintenance	835,441	433,704
Training and recruitment	1,980,162	2,985,934
Insurance	522,125	1,199,493
Electricity and water	2,468,485	2,391,357
Miscellaneous expenses	2,165,127	1,358,415
Sub-total (A)	**32,629,929**	**35,414,381**
General and administration expenses		
Accounting charges	2,217,030	1,985,400
Bank charges	213,084	436,297
Sub-total (B)	**2,430,114**	**2,421,697**
Depreciation (C)	3,290,441	5,585,727
Grand Total (A+B+C)	**38,350,484**	**43,421,805**

7. Forward Contracts

	As at 31 March, 2011	As at 31 March, 2010
Forward contract outstanding in USD	1,250,000	2,500,000
Forward contract outstanding in INR	55,850,000	112,725,000

As at 31 March, 2011, the company has recorded marked to market profit of Rs. 1,614,079 (Previous year Rs. 2,658,810) relating to forward contracts that are designated as effective cash flow hedges with a corresponding credit to the hedging reserves.

The Company's exposure in respect of foreign currency denominated receivables not hedged as on 31 March, 2010 by derivative instruments or otherwise is as follows;

	As at 31 March, 2011	As at 31 March, 2010
Current Assets in USD	290,814	1,315,354
Forward contract outstanding in INR	12,993,570	59,309,318

8. Segment Reporting

Based on the guiding principles stated in Accounting Standard 17 on Segment Reporting as specified in the Companies (Accounting Standard) Rules 2006, the Company has identified its business of providing software support services to the only customer in single country as one reportable segment only. Accordingly, no additional disclosure for segment reporting has been made in the financial statements.

9. Related party disclosures

a) Related parties where control exists:

Holding company:

- Nucleus Software Exports Ltd.

Wholly owned subsidiary company

- VirStra *i*-Technology (Singapore) Pte Limited, Singapore

b) Other related parties with whom transactions have taken place during the year:

Fellow Subsidiary:

- Nucleus Software Solution Pte Limited, Singapore
- Nucleus Software Japan Kabushiki Kaiga, Japan

c) Transactions with related parties

		Year ended 31 March, 2011 (Rupees)	Year ended 31 March, 2010 (Rupees)
i.	**Software support services rendered**		
	Nucleus Software Solution Pte Limited, Singapore	178,086,766	281,608,856
ii	**Reimbursement of expenses**		
	Nucleus Software Solution Pte Limited, Singapore	40,529,712	43,421,805
	Nucleus Software Exports Ltd.	374,376	1,675,025
	Nucleus Software Japan Kabushiki Kaiga, Japan	-	609,210
		40,904,088	**45,706,040**
iii.	**Consultancy charges paid**		
	Nucleus Software Exports Ltd.	4,136,250	16,545,000
iv.	**Interim Dividend**		
	Nucleus Software Exports Ltd.	210,000,000	70,000,000

d) Outstanding balances at year end

		As at 31 March, 2011 (Rupees)	As at 31 March, 2010 (Rupees)
i.	**Sundry debtors**		
	Nucleus Software Solution Pte Limited, Singapore	9,759,989	47,245,037
ii.	**Loans and advances**		
	Nucleus Software Solution Pte Limited, Singapore	3,233,581	12,064,280
iii.	**Advances from customers**		
	Nucleus Software Solution Pte Limited, Singapore	2,041,112	3,318,942
iv.	**Sundry creditors**		
	Nucleus Software Exports Ltd.	328,085	4,031,692
	Nucleus Software Japan Kabushiki Kaiga, Japan	-	609,210

10. Auditors' remuneration*

	Year ended 31 March, 2011 (Rupees)	Year ended 31 March, 2010 (previous auditor) (Rupees)
Audit fees	600,000	600,000
Other services	-	225,000
Out of pocket expenses	-	8,532
Total	**600,000**	**833,532**

*exclusive of service tax.

11. CIF value of imports

	Year ended 31 March 2011 (Rupees)	Year ended 31 March 2010 (Rupees)
Capital goods	-	1,801,496

12. Expenditure in foreign currency

Travel expenses	4,387,778	23,580,031
Telephone expenses	708,843	600,688
Internet charges	44,535	555,246
Total	**5,141,156**	**24,735,965**

13. Earnings in foreign currency

Income from software support services	178,086,766	281,608,856

14. Earnings per share

Profit after taxation available to equity Shareholders (Rupees)	92,764,386	123,678,653
Weighted average number of equity Shares used in calculation of basic and diluted earnings per share	1,000,000	1,000,000
Basic and diluted earnings per share (Rupees)	92.76	123.68

15. 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) Rs. 85,707 (Previous year Rs. 45,000)

16. The Company leases office space under operating lease. The lease rental expense recognised in the Profit and Loss account for the year in respect of such lease is Rs. 7,376,690 (previous year Rs. 6,557,160). The future minimum lease payment in respect of such lease is as follows:

	As at 31 March 2011 (Rupees)	As at 31 March 2010 (Rupees)
Not later than one year	7,540,716	1,092,860
Later than one year but not later than five years	8,797,502	-
	16,338,218	**1,092,860**

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

18. Operations of the company are conducted through Software Technology Park ('STP'). Income from STP are exempt up to 31 March 2011.

Pursuant to the change in the Indian Income Tax Act, 1961, the company has calculated it's tax liability after considering Minimum Alternative Tax (MAT). The MAT credit entitlement can be carried forward and set off against the future tax liability. Accordingly a sum of Rs. 59,451,229 (Previous year Rs. 42,053,354) was carried forward and shown under "Loans and advances" in the balance sheet.

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

For and on behalf of the Board of Directors

Vishnu R Dusad	**P K Sanghi**
Director	Director

Place: Noida
Date: 30 APRIL, 2011