Annual Report 2008-09

NUCLEUS SOFTWARE

INSIGHT FORESIGHT

thinking tomorrow

FinnOne™

Customer Acquisition System
Loan Management System
Collections

CASH@Will™

Payments/Collection
Liquidity Management

BankOnet™

Internet Banking

NUCLEUS SOFTWARE

Nucleus Software Exports Ltd.

A-39, Sector 62, NOIDA, UP-201307. INDIA

Tel: +91-120-4031400. Fax: +91-120-4031672. Email: investorrelations@nucleussoftware.com

www.nucleussoftware.com

Our Global Offices: Amsterdam • Chennai • Dubai • Hong Kong • London • Manila • Mumbai
New Delhi • New Jersey • Noida • Seoul • Singapore • Sydney • Tokyo

thinking tomorrow

"...We are today's future."

Contents

www.nucleussoftware.com

Our Vision

As a committed team we shall strive for

...being a trustworthy, customer oriented organization

...an open and warm environment where everyone is respected, listened to encouraged to excel

...actively creating and exploring opportunity for the growth of our customers and our organization

Our Mission

Nucleus Software wants to be a dependable world-class organization. We shall foster the spirit of entrepreneurship within the organization through individual development. Our endeavor is to provide our national and international customers with competitive Information Technology solutions. We shall achieve this Quality Service by comprehending their need through close interaction and by creating a global network.

Dear Shareholder,

I am pleased to share with you the performance of your Company for the financial year 2008-09. Before I update you on the financial results, I take immense pride in sharing with you that the Company's flagship product FinnOne™ has been recognized as the number one best selling Retail Lending Software by IBS Publishing for the year 2008.

It also gives me great pleasure to report that the Annual Report and Accounts of the Company for the year ended March 31, 2008, were adjudged as the BEST under the category 'Information Technology, Communication and Entertainment enterprises' of the 'ICAI Awards for Excellence in Financial Reporting', by the Institute of Chartered Accountants of India (ICAI). We received a GOLD shield in the category.

In terms of financial performance, we are pleased to announce growth in revenue for the year, despite the difficult economic scenario. Consolidated revenue for the year 2008-09 at Rs.328.40 crore recorded an increase of 14% over revenue of Rs.288.72 crore in the previous year. Total operating expense for the year was Rs.278.80 crore against Rs.215.31 crore in the previous year. Consequently the operating profit for the year was Rs.49.60 crore, 15.10 % of revenue, against Rs.73.42 crore, 25.43% of revenue in the previous year.

Consolidated net profit for the year was Rs.32.26 crore, against Rs.61.74 crore in the previous year. EPS for the year was Rs.9.97 against Rs.19.08 for the previous year. The Board of Directors have recommended a final dividend of 25%, Rs.2.50 per share, which is subject to approval of the shareholders in the ensuing Annual General Meeting.

Operating margins have been under pressure during the year due to under utilization of infrastructure and manpower and additional expenses on certain large projects. We have taken steps to rationalize the cost structure going forward. We are looking at reducing the expenses by 10% by various measures like reducing expenditure on energy usage, travel, and realignment of onsite-offshore personnel ratio.

As an IPR led Company, our focus is on aligning our intellectual capital to the dynamic banking business requirement. The year gone by has been eventful and has given Nucleus Software and many like us an opportunity to really introspect, on how we can deliver true value to our customers and their businesses. Apart from the six new modules added to our flagship product FinnOne™, we are also developing new technologies that place risk management at the center of any business strategy deployed by financial institutions in these uncertain times. In the BFSI sector, business process improvement and productivity can be increased by using systems, processes and technologies, companies like us develop. The revival of global economy will necessarily start with revival of lending business. Our FinnOne™ solution would be the best option for the leaders as they look forward to managing their lending business effectively.

The Product business revenue at Rs.219.96 crore, accounted for 66.98% of revenue for the year, against Rs.197.41 crore, 68.38 % of revenue in the previous year. This includes Rs.200.72 crore of product revenue from own business against Rs.184.58 crore in the previous year. The Company continues to focus and invest on development of niche Banking Products.

Operating cash flow for the year after working capital changes is Rs.37.52 crore against Rs.24.40 crore in the previous year. Receivables are at Rs.80.10 crore against Rs.67.81 crore. Other Current Assets are at Rs.29.43 crore against Rs.33.17 crore.

The Company continues to enjoy a high level of liquidity. 'Cash and Bank balances' and 'Current Investments' were at Rs.122.18 crore as on March 31, 2009 against Rs.94.13 crore as on March 31, 2008. We had exited from Liquid schemes and Fixed Maturity plans of mutual funds in October 2008, due to volatility in the money markets, and deployed funds in Fixed Deposits with banks. We have re-entered in liquid schemes in March 2009. Fixed deposits with banks, 100% verified by our Statutory Auditors, form 59.98 % of the total funds of Rs.122.18 crore.

Volatility in foreign exchange markets create large risks for us with 89% of our global revenue denominated in foreign currency. With continuous appreciation of the Indian Rupee in FY 08, we had increased our hedging and started FY 09 with a hedging position of US$ 30.05 million, in April 2008 at an average rate of Rs.40.39. Continuous depreciation of the Rupee in FY 09 led to losses on the hedges including mark to market losses. A sum of Rs.7.92 crore is recorded as a loss on foreign exchange during the year which is the net effect of such losses and gains on foreign currency assets.

We have reviewed our policy and reduced our hedges to US $ 9.15 million at the end of the year at an average of Rs.46.49. This includes US$ 3.40 million of options which are marked to market at the year end rate of Rs.50.74 and US $ 5.75 million of forwards, on which a mark to market loss of Rs.1.23 crore is debited to hedging reserve. While this positions us to realize gains on Rupee depreciation, we are mindful of the reverse movement, which would reduce our realization and profits.

Amidst the global meltdown and the extremely uncertain economic scenario worldwide, we won a record 29 new product orders for 96 product modules of FinnOne™, our retail loan Suite and Cash@Will™, the cash management product. We also picked up two very large orders from our existing relationships for services business. In all, 64 product modules went live in the year. As our primary objective in the coming year, we will continue to invest in enhancements and development of path beating niche products thus delivering enhanced customer value. Our prospect pipeline looks healthy; we are pursuing about 100 prospects for our product business in Japan, South East Asia, Middle East, India and Africa.

FinnOne™ 3.5 was launched during the year and also successfully deployed in new implementations in India and overseas. This year, we also completed the initial implementation of all our new ancillary modules like Lead Management and PowerPay. With the addition of the Islamic financing functionalities, FinnOne™ today provides financial institutions with single technology platform for retail, SME and Islamic product offerings.

This year we adopted a judicious approach in our hiring decisions. Resources were re-aligned and moved internally. Short term ramp-up requirements of projects were fulfilled by hiring temporary contract staff. The manpower strength as on March 31, 2009 was 2,083 against 1,936 as on March 31, 2008. Lean and Kaizen initiatives introduced during the year, have started yielding results by bringing in improvement in productivity. As a measure of reduction in expenses, realignment of onsite-offshore personnel ratio is in progress, which will lead to optimum utilization of manpower. Skill upgradation, technology upgradation, multiskillng programmes were strengthened and have become a way of life in Nucleus.

Mr. Janki Ballabh was appointed as an Additional Director on the Board of Directors of the Company with effect from November 15, 2008. Mr. Ballabh was also unanimously elected as Chairman of the Board. He took over the Chairmanship from Lt. Gen. T P Singh (Retd.) who relinquished office on November 15, 2008, consequent to his resignation from Directorship of the Company due to ill health. The Company is extremely fortunate to have Mr. Janki Ballabh join the Board, who was earlier the Chairman of State Bank of India and the State Bank Group. He is a highly respected management and banking expert whose strengths and skills would provide the stewardship to our team. His valuable oversight and directions to the strategy, operations and management of Nucleus Software would take the Company to a new orbit. We believe that in addition to his general corporate experience, his vast and rich knowledge of the BFSI sector will help the Company achieve operational excellence, as also drive innovation.

In these challenging times of recession, every stakeholder in the society has important role towards strengthening Corporate Governance and risk management frameworks. Our Corporate Governance practices are one amongst the Best and we have been ranked amongst the top 25 companies adopting "Good Corporate Governance Practices" by the Institute of Company Secretaries of India for the past three consecutive years.

I take immense pride in sharing with you that for the second year running, your Company has been listed among the '200 Best under a Billion' list (2008) by Forbes for the Asia-Pacific region. Your Company was listed among "Top 15 Exciting Emerging Companies to Work For" by NASSCOM, for the second consecutive year. Your Company was also recognized under "Best Practices" for Performance Management System by NASSCOM. These recognitions strengthen our vision of setting new standards and reaching new horizons.

The current global crisis with all advanced economies contracting and all emerging economies slowing down, started with the financial sector and has seriously damaged the balance sheets of banks worldwide. But the IT industry has demonstrated time and again that it is resilient enough to deal with these challenges. Currently, we are paying attention to downside economic risks, while maintaining our basic stance that we will conduct policy in line with our assessment of the economic scenario and risk factors. The global scenario hints to a turn around in the first quarter or coming couple of quarters of the FY 2010. After this big turn around, there may be a risk of a 'W' shaped recovery rather than a 'V' shaped one, and we have to monitor the environment carefully. The business conditions for FY 10 will be challenging and it is the time to consolidate to be in the right place to exploit meaningfully opportunities which arise even in such recessionary times.

All this and much more can never be possible without the hard-work and support of all Nucleites, guidance of our Board Members and well- wishers, support of our customers, business associates and shareholders. We thank all of you and request you to be with us in making this journey of Nucleus Software a very exciting and thrilling one.

Vishnu R Dusad

CEO & Managing Director

Date: April 26, 2009

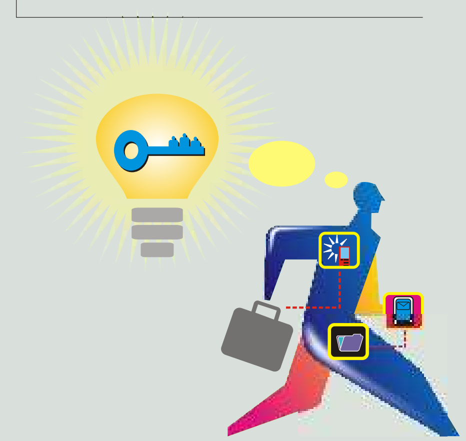
thinking **tomorrow**

In the age of business at the speed of thought, leadership belongs to those with the ability to be the first into the future.

Being the best today isn't good enough.

At Nucleus, a close and proactive association with customers worldwide, including the who's who of banking and financial services, has given us the unmatched vision to foresee emerging market realities and address them first. Country's leading intellectual property creator Nucleus' synergistic approach of aligning the intellectual capital with business requirement has enhanced customer value with its path – beating products.

Nucleus' FinnOne™, 'World's#1 Selling Lending Software Product', is just one glimpse of our future vision. Our dynamic and constantly evolving business model never ceases to raise the bar in our chosen field.



NUCLEUS SOFTWARE

thinking value

As the leading global provider of integrated software products for banks and financial institutions, at Nucleus, it's about empowering our customers and bringing more value to their business.

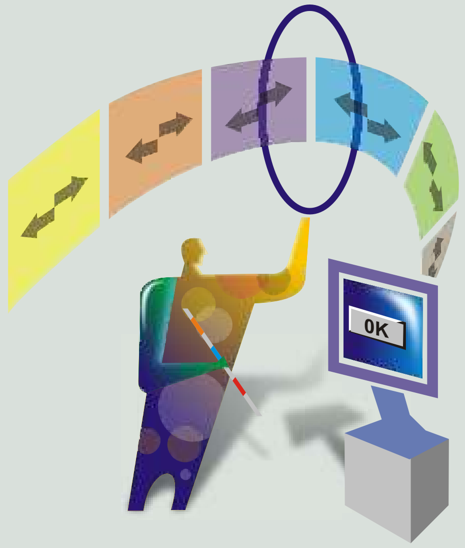
Winning the 'World's No. 1 Selling Lending Software Product' rank yet again, this is the third consecutive year that FinnOne™ has been ranked in the top two.

In FY 09, despite the global meltdown, your Company won a record 29 new orders globally, including prominent names across geographies. In the extremely uncertain economic scenario worldwide, your Company has earned the credit of adding 20 new clients globally, winning orders for 96 new product modules for FinnOne™ and Cash@Will™ Suite and bagging multiple large projects from existing relationships for services business.

These order wins and accolades are a testimony to the trust shown by the banking industry globally in the prowess of Nucleus' world-class products.

Within a span of last 12 months, your Company started the LATAM and Netherlands operations aggressively with direct sales force in the region, and added to its robust global partner network by signing 11 partners across SEA, Africa and LATAM.

The retail banking software products market has strong and sustainable drivers, and Nucleus being the global leader in retail banking loan solutions, is well positioned to capitalize on this growth.



NUCLEUS SOFTWARE

thinking innovations

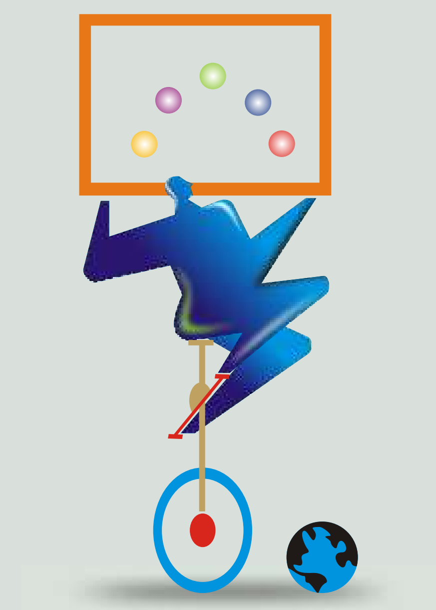
Our single- domain focus has given us the understanding and skill to customize our product offering to the depth desired by our clients.

The year gone by has been eventful and has given an opportunity to really introspect, on how to deliver true value to our customers and their businesses. At a time when the banking and financial sectors were witnessing an extremely tumultuous phase, your Company developed and launched six new modules under FinnOne™, a testimony to Nucleus' product's capability to drive innovation in the lending business.

Raising the benchmark in our chosen domain of banking and financial services, we added the Islamic Financing product to FinnOne's™ table for Islamic banks and also conventional banks, within Islamic product window and enhanced our cash management product Cash@Will™ and released an upgrade to our BankONet™ product.

The revival of global economy will necessarily start with revival of lending business. Our FinnOne™ solution would be the best option for the leaders as they look forward to managing their lending business effectively.

Your Company will continue to invest in enhancement and development of path beating niche products and delivering enhanced customer value.



NUCLEUS SOFTWARE

thinking people

With cutting-edge product development and services behind us, we are always moving forward with our team of power-thinkers. To us people were, are and shall always remain the most potent, powerful change force on earth, which is why we seek out, nurture and empower the best available talent.

The current business challenges and the requirement of high quality product oriented resources has necessitated a need for a framework which is scalable, independent, can be sustained internally and which has the ability to transform new hires and existing resource to high skilled resource in the shortest possible time in line with the business requirement.

Idea of such frame work led to the birth of what we know today as SOUL - Self Driven On the job Unique Learning. SOUL talent development framework was developed under the patronage of our thought leader Mr. Vishnu R Dusad.

His vision of making a talent development model addressing real time issue in the product and project delivery scenario laid the foundation to look for an idea which fits the idea of creating talent pool keeping the business challenges in mind.

Our continuous and incremental investment in skills updation, lateral and vertical competency evaluation and enhancement systems as well as reward policies give our people just the stimulus they need, to push the envelope with passion.

Our dedication to our people has not gone unnoticed. Nasscom has ranked Nucleus in nation's coveted list of 'Top 15 Most Exciting Emerging Companies to Work for' and has recognized our 'Performance Management System' under Best Practices.

NUCLEUS SOFTWARE

thinking excellence

- Nucleus' flagship product FinnOne™ has been ranked as **'World's No.1 Selling Lending Software Product'** by IBS publishing, UK | 2008.
- ICAI awarded Nucleus Software the Gold Shield for Excellence in Financial Reporting | 2008.
- NASSCOM ranked Nucleus Software among the top 15 **'Most Exciting Emerging IT/BPO Companies to Work For'** | 2008.
- Nucleus Software awarded the **Best ISV partner, North India by IBM India** | 2008.
- Forbes listed Nucleus Software among Asia's **'200 Best Under A Billion'** companies for the 2nd consecutive year | 2008.
- Institute of Company Secretaries of India selected Nucleus Software as one of the top 25 companies adopting **'Good Corporate Governance Practices'** for the 3rd consecutive year | 2008.
- Dun & Bradstreet India (D&B India) and Export Credit Guarantee Corporation of India Ltd (ECGC) awarded Nucleus Software the **'D&B – ECGC Indian Exporter's Excellence Award'** | 2007.
- Deloitte adjudged Nucleus Software as one of the fastest growing companies in Asia Pacific under **'Deloitte Technology Fast 500'** | 2007.
- Nucleus Software awarded the **'Oracle Partner of the Year'** in Fusion Middleware category at an APAC level | 2007.
- Nucleus Software conferred the **'Fastest Growing ISV'** award by Oracle | 2007.

Board of Directors

Janki Ballabh
Chairman

Vishnu R Dusad
CEO & Managing Director

Arun Shekhar Aran
Non-Executive Director

Prithvi Haldea
Non-Executive Director

Suresh Joshi
Non-Executive Director

Sanjiv Sarin
Non-Executive Director

Offices

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

Corporate Office
Nucleus Software Exports Ltd.
A-39, Sector 62, NOIDA - 201307, India
Ph: +91-120-4031400 Fax: +91-120-4031672

Company Secretary
Poonam Bhasin

Auditors
B S R & Co.
Chartered Accountants

Bankers
Citibank
HDFC Bank

Year at a Glance

(Rs. in crore, except per share data)

	CONSOLIDATED PERFORMANCE	
For the Year ended March 31,	**2009**	**2008**
Revenue from Operations	328.40	288.72
Operating Profit (EBITDA)	49.60	73.41
Profit after Tax (PAT)	32.26	61.74
EBITDA as a % of Revenue from Operations	15.11%	25.43%
PAT as a % of Revenue from Operations	9.82%	21.38%
EPS	9.97	19.08
Dividend Per Share	2.50	3.00
Dividend Payout	8.09	9.71
As at March 31,		
Share Capital	32.37	32.37
Reserves and Surplus	207.93	182.95
Net Worth	240.30	215.32
Total Assets	241.16	216.25
Net Fixed Assets	64.21	59.16
Investments	16.29	90.57
Current Assets	238.44	135.14
Cash and Cash Equivalents	122.18	94.13
Working Capital	158.89	66.26
Market Capitalization	164.60	615.14
No. of Shareholders	13,266	12,379
No. of Shares (Face Value of Rs.10.00 each)	32,370,024	32,367,024

Notes:

1) *Market Capitalization is calculated by considering the closing market price of the scrip at the close of the year.*

2) *While calculating the figures of group, the intergroup transactions have been ignored.*

Year at a Glance

(All figures in US$'000 except per share data)

	CONSOLIDATED PERFORMANCE	
For the Year ended March 31	**2009**	**2008**
Revenue from Operations	72,287	72,361
Operating Profit (EBITDA)	10,920	18,398
Profit after Tax	7,101	15,474
EBITDA as a % of Revenue from Operations	15.11%	25.43%
PAT as a % of Revenue from Operations	9.82%	21.38%
EPS	0.22	0.48
Dividend Per Share	0.06	0.08
Dividend Payout	1,781	2,434
As at March 31,		
Share Capital	6,380	8,113
Reserves and Surplus	40,980	45,852
Net Worth	47,359	53,965
Total Assets	47,529	54,198
Net Fixed Assets	12,655	14,827
Investments	3,210	22,699
Current Assets	46,993	33,870
Cash and Cash Equivalents	24,080	23,591
Working Capital	31,315	16,607
Market Capitalization	32,440	154,169

Notes:

1) *Market Capitalization is calculated by considering the closing market price of the scrip at the close of the year.*
2) *While calculating the figures of group, intergroup transactions have been ignored.*
3) *For the year ended March 31, 2009, the revenue and expenditure items have been translated at an average rate of Rs.45.43/US$ and Balance Sheet items at a year ended rate of Rs.50.74/US$*

DIRECTOR S' REPORT

Directors' Report

To the Members,

We have pleasure in presenting the twentieth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2009.

1. FINANCIAL RESULTS – Consolidated

(Rs. in crore)

For the Year ended March 31,	2009	*% of Revenue*	2008	*% of Revenue*
Revenue from Operations	**328.40**	***100.00***	**288.72**	***100.00***
Software Development Expenses	222.55	*67.77*	174.40	*60.40*
Gross Profit	**105.85**	***32.23***	**114.32**	***39.60***
Selling and Marketing Expenses	27.80	*8.47*	21.06	*7.29*
General and Administration Expenses	28.45	*8.66*	19.84	*6.87*
Operating Profit (EBITDA)	**49.60**	***15.10***	**73.42**	***25.43***
Depreciation	13.28	*4.04*	11.85	*4.10*
Withholding Taxes Charged off	7.26	*2.21*	4.15	*1.44*
Operating Profit After Interest, Depreciation and Withholding Taxes	**29.06**	***8.85***	**57.42**	***19.89***
Foreign Exchange Gain / (Loss)	(7.92)	*(2.41)*	(0.21)	*(0.07)*
Other Income	13.71	*4.17*	7.25	*2.51*
Profit Before Tax	**34.85**	***10.61***	**64.46**	***22.33***
Provision for Taxation				
– Current	5.38	*1.64*	8.30	*2.87*
– MAT Credit Entitlement	(2.02)	*(0.62)*	(5.96)	*(2.06)*
– Fringe Benefit	0.70	*0.21*	0.71	*0.25*
– Deferred	(1.49)	*(0.45)*	(0.28)	*(0.10)*
– Earlier Year Tax	0.02	*0.01*	(0.05)	*(0.02)*
Profit After Tax	**32.26**	***9.82***	**61.74**	***21.38***
EPS (in Rs. for Equity Share of Rs. 10 each)				
– Basic	**9.97**		**19.08**	
– Diluted	**9.96**		**18.93**	

FINANCIAL RESULTS – Nucleus Software Exports Limited

(Rs. in crore)

For the Year ended March 31,	2009	*% of Revenue*	2008	*% of Revenue*
Revenue from Operations	**209.43**	***100.00***	**196.95**	***100.00***
Software Development Expenses	130.73	*62.42*	109.81	*55.76*
Gross Profit	**78.70**	***37.58***	**87.14**	***44.24***
Selling and Marketing Expenses	18.73	*8.94*	14.24	*7.23*
General and Administration Expenses	21.77	*10.39*	15.61	*7.93*
Operating Profit (EBITDA)	**38.20**	***18.24***	**57.29**	***29.09***
Depreciation	10.12	*4.83*	8.10	*4.11*
Withholding Taxes Charged off	7.26	*3.47*	4.15	*2.11*
Operating Profit After Interest, Depreciation and Withholding Taxes	**20.82**	***9.94***	**45.04**	***22.87***
Foreign Exchange Gain / (Loss)	(8.81)	*(4.21)*	2.14	*1.09*
Other Income	16.56	*7.91*	14.88	*7.56*
Profit Before Tax	**28.57**	***13.64***	**62.06**	***31.51***
Provision for Taxation				
– Current	3.36	*1.60*	6.20	*3.15*
– MAT Credit Entitlement	(0.52)	*(0.25)*	(5.41)	*(2.75)*
– Fringe Benefit	0.70	*0.33*	0.72	*0.37*
– Deferred	(1.31)	*(0.63)*	(0.22)	*(0.11)*
– Earlier Year Tax	0.19	*0.09*	–	–
Profit After Tax	**26.15**	***12.49***	**60.77**	***30.86***
Dividend	8.09		9.71	
Tax on Dividend	0.65		1.65	
Transferred to General Reserve	2.61		6.08	
Profit Retained in Profit & Loss Account	14.07		43.33	
EPS (in Rs. for Equity Share of Rs. 10 each)				
– Basic	**8.08**		**18.78**	
– Diluted	**8.07**		**18.63**	

2. RESULTS OF OPERATIONS

(a) Consolidated Operations

Your Company's revenue from operations, on a consolidated basis, increased by 14 % to Rs.328.40 crore for the year against Rs.288.72 crore in the previous year. Total operational expenses for the year are at Rs.278.80 crore against Rs.215.30 crore in the previous year, an increase of 29 %. The operating profit (EBITDA) is, as such, at Rs.49.60 crore, 15% of revenue, against Rs.73.42 crore, 25% of revenue in the previous year.

The fall in EBITDA of 10 percentage points and a foreign exchange loss of Rs.7.92 crore in the year resulted in a lower Profit after Tax for the year at Rs.32.26 crore compared to Rs.61.74 crore in the previous year.

(b) Standalone Operations

The total revenue from operations of your Company for the year increased by 6% to Rs.209.43 crore from Rs.196.95 crore in the previous year. Total operating expenses for the year were Rs.171.23 crore against Rs.139.66 crore in the previous year, an increase of 23%. Operating profit (EBITDA) is, as such, at Rs.38.20 crore, 18% of revenue, against Rs.57.29 crore, 29% of revenue in the previous year.

The fall in EBITDA of 11 percentage points and a foreign exchange loss of Rs.8.81 crore in the year resulted in a lower Profit after Tax for the year at Rs.26.15 crore compared to Rs.60.77 crore in the previous year.

3. DIVIDEND

Your Directors are pleased to recommend a dividend of 25% (Rs.2.50 per equity share of Rs.10 each), subject to the approval by the Shareholders at the forthcoming Annual General Meeting.

The total amount of dividend payout will be Rs.8.09 crore, 25% of consolidated profits for the year against a payout of Rs.9.71 crore, 16% of consolidated profits in the previous year.

The Register of Members and Share Transfer Register shall remain closed during the period 1st July to 8th July 2009 (both days inclusive) for the purpose of Annual General Meeting and for payment of dividend. The dividend, if approved at the Annual General Meeting, will be payable to members whose names appear on the Register of Members of the Company on July 1, 2009, being the first day of Book-Closure and to those whose names appear as beneficial owner in the records of National Securities Depositories Ltd. and Central Depository Services (India) Ltd. on close of business as on June 30, 2009.

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

Dividend for the Year	Amount of Unpaid Dividend
2000-2001 – Interim Dividend	Rs.28,762
2000-2001 – Final Dividend	Rs.74,339
2001-2002 – 1st Interim Dividend	Rs.58,921
2001-2002 – 2nd Interim Dividend	Rs.50,979

4. INCREASE IN SHARE CAPITAL

During the year, the paid up share capital of the Company increased from 32,367,024 equity shares of Rs.10 each on March 31, 2008 to 32,370,024 equity shares of Rs.10 each on March 31, 2009.

The increase is consequent to allotment of 3,000 fully paid up equity shares of Rs.10 each in pursuance of stock options exercised in July 2008 (adjusted for bonus issue in the ratio of 1:1).

The Company received listing and trading approval for the abovementioned equity shares from National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd. and Madras Stock Exchange Ltd.

5. REVIEW OF BUSINESS & OUTLOOK

We are a Software Products Company operating in the Banking and Financial Services Domain. Our customers are banks and non-banking financial institutions and our products are largely in the origination and management of "Retail Loans". The current global crisis, with all advanced economies contracting and all emerging economies slowing down, started with the financial sector and has seriously damaged the balance sheets of a majority of banks worldwide.

Governments and Central Banks across the globe have responded to the financial crisis by infusing fresh equity and providing financial bailouts running into trillions of dollars. Despite these measures, the financial crisis spread to the "Real" economy and one stark feature of the same is the fall in exports of countries like Japan by 40 to 50% year on year and a 40% contraction in the worldwide car industry with consequent effects in demand for commodities.

With banks shoring up their balance sheets, averseness to risk has accentuated. The typical initial response has been to dramatically reduce lending, which has its own downsides - lower income and lower profits. One consequence of this is lower IT spends, on which your Company is significantly dependent.

While the start of the current fiscal is pointing towards some recovery in the world economies, business conditions in FY 10 will continue to be challenging. Your Company is gearing up towards consolidation, to be in the right place and exploit meaningfully the opportunities which arise even in such recessionary times. It is focusing on the proposition that banks, more than ever, need to use more technology to increase their profitability and that your Company is an ideal choice for low cost technology solutions.

6. NOTABLE ACCOLADES RECEIVED DURING THE YEAR

- Nucleus Software's flagship product FinnOne™ was recognized as the "No. 1 Best Selling Retail Lending Software" by IBS Publishing for the year 2008.
- Nucleus Software's Annual Report and Accounts for the year ended March 31, 2008, were adjudged as the BEST under the category 'Information Technology, Communication and Entertainment enterprises' of the 'ICAI Awards for Excellence in Financial Reporting', by the Institute of Chartered Accountants of India (ICAI).
- Nucleus Software was selected as one of the top 25 companies adopting "Good Corporate Governance Practices in India" by the Institute of Company Secretaries of India (ICSI) for the third consecutive year in 2008.
- Nucleus Software has been listed amongst the top '15 most exciting emerging IT/BPO companies to work for' by Nasscom, 2008.
- Nucleus Software has been recognized under "Best Practices" for Performance Management System by NASSCOM, 2008.
- Nucleus Software, for the second year running, has been listed among the '200 Best under a Billion' list by Forbes for the Asia-Pacific region, 2008 .
- Nucleus Software was recognized as the Top Exporter in the IT & ITES sector and was conferred the "D&B - ECGC Indian Exporters' Excellence Award" by D&B India and ECGC India, 2007.

7. SUBSIDIARIES

The Company had following wholly owned subsidiaries as on March 31, 2009:

Name of Subsidiary	Location
• Nucleus Software Solutions Pte. Ltd.	Singapore
• Nucleus Software Inc.	USA
• Nucleus Software Japan Kabushiki Kaiga	Japan
• Nucleus Software (Australia) Pty Ltd.	Australia
• Nucleus Software (HK) Ltd.	Hong Kong
• VirStra I- Technology Services Ltd.	India
• Nucleus Software Netherlands BV	Netherlands
• Nucleus Software Ltd.	India
Step Down Subsidiary of Nucleus Software Exports Ltd.	
• VirStra I- Technology (Singapore) Pte. Ltd.	Singapore

Your Company incorporated a wholly-owned subsidiary, Nucleus Software Ltd., in April 2008 in India, as a part of expansion plans and made an investment of Rs.10 crore by subscribing to its equity share capital. In addition, your Company disbursed an interest free loan of Rs.2.51 crore to this subsidiary, which is repayable after three years from the date of commencement of operations. To begin with, this subsidiary has acquired land and received approval from the Government of India for setting up a SEZ unit at Mahindra World City, Jaipur.

Your Company also made an additional investment of Euro 100,000 in Nucleus Software Netherlands B. V., by subscribing to its equity share capital.

Your Company received an interim dividend of Rs. 4.25 crore from VirStra i-Technology Services Ltd., a wholly owned subsidiary, during the year.

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

As per Section 212 of the Companies Act, 1956, a Company is required to attach the Directors' Report, Balance Sheet and Profit and Loss Account of all subsidiaries to its balance sheet. Your Company has been presenting the audited consolidated accounts in the Annual Report in the past in accordance with Indian GAAP, which give a full and fair presentation of the Company's financials in keeping with global best practices. Accordingly, your Company applied to the Central Government for an exemption from attaching detailed accounts of the subsidiaries. The Government has granted exemption to the Company from Section 212 of the Companies Act, 1956 and accordingly, the financial statements of the subsidiaries are not attached in the Annual Report.

For providing information to Shareholders, the annual accounts of these subsidiary Companies along with related information are available for inspection during business hours at the Company's registered office and at the concerned subsidiary's offices.

8. INFRASTRUCTURE

Your Company has offices across the globe. The area and seating capacity of these offices is detailed below:

Office location	Area in Sq. ft.	Seating capacity - no. of persons
Noida		
Unit - I	87,423	705
Unit - II	90,265	778
Multi Facility Block	30,433	194
Total	**208,122**	**1,677**
Chennai	13,524	209
Singapore	12,379	201
New Delhi	10,000	140
Pune	9,573	120
Mumbai	3,250	31
Dubai	1,290	17
Japan	728	10
Amsterdam	561	7
USA	410	4
Total	**259,836**	**2,416**

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

9. SPECIAL ECONOMIC ZONE PROJECT

During the year, Nucleus Software Ltd., a wholly-owned subsidiary of the Company acquired 17.41 acres of land in a SEZ in Jaipur at a private sector multi-product Special Economic Zone,"Mahindra World City". The Letter of Approval to set up the SEZ unit from the specified authorities was received on June 29, 2008 and the Lease Deed was signed on June 30, 2008.

As per the Special Economic Zones Act, 2005, units established in SEZ will be eligible for a deduction of 100% of profits or gains derived from the export of services for the first five years from commencement of provision of services and 50% of such profits or gains for a further five years. Certain tax benefits are also available for a further five years subject to the unit meeting defined conditions. In addition, units are eligible for waiver of indirect taxes.

Nucleus Software Ltd. is finalizing plans for commencement of construction activity at the site in close co-ordination with the parent Company keeping in mind the global business outlook.

10. QUALITY PROCESSES

Your Company continues its focus on Quality. During the year, special focus was laid on Lean Thinking; the processes were modified and deployed. Thematic goal of process compliance was supported by enhanced audit activity. To strengthen this further, frequent training sessions on standard processes were conducted. The Capability Maturity Model Integration (CMMI) initiative progressed further with an appraisal of implementation status of different process areas for maturity level 3. This helped in institutionalizing processes across the organization in a stronger and sustained manner.

To empower professionals for better management of software product and projects, your Company initiated extensive training on Function Point Analysis and related tools which aided in quantitative software project management. New and enhanced processes were defined to eliminate waste and enhance work efficiencies and were included in the standard software processes to be followed by every individual. The core methodology is based on Lean principles:

- Which are essentially about ensuring that the customer value as defined by the customer remains the focus of the organization.
- Any wastage that may occur should be minimized or eliminated. This has been detailed under 'Waste Elimination'.

11. HUMAN RESOURCE MANAGEMENT

Your Company strongly believes that investing in people will make the organization achieve higher returns, which in turn would ensure better performance and sustainability of the organization, the society, the economy and the environment. Being a knowledge-based industry, a high intellectual capital lends competitive advantage to a firm. Intellectual capital comprise of human capital and intellectual assets. It is business- critical in your Company to simulate an environment conducive to foster greater learning in the areas of Banking and the latest developments in the Information Technology (IT) segment which helps business to run faster and more effectively.

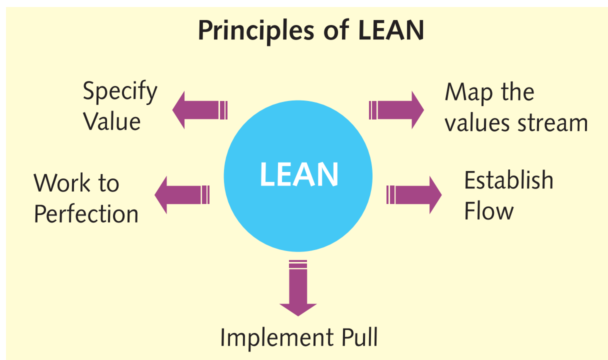
Optimum utilization of distinct manpower by relocation of the resources to various development centers within and outside India, internal transfer in business units, skill upgradation, technology upgradation and multiskillng programmes were strengthened during the year and have become a way of life in Nucleus. The year also saw some organizational restructuring whereby business units were regrouped to bring in more management focus and review at the grass-root level. The year gone by has been particularly more challenging and hence resource utilization and productivity increase were key objectives practiced across business units.

Training and Development initiative of SOUL (Self driven, On the job, Unique Learning) program were further developed by launch of programs for use by employees through learning management system. Internal soft skills and team building programs were developed and implemented successfully. They were aligned to the needs of the Company and proved successful.

Your Company was listed amongst the top '15 most exciting emerging IT/BPO companies to work for' by Nasscom.

12. WASTE ELIMINATION

In current scenario of global recession, industries across the globe are returning to the basics to become more efficient and competitive. In a tougher market, each organization has to prove its mettle by delivering even better results. It is a challenging task for your Company also and we adopted some new initiatives this year which have helped us in displaying better performances and deliver value to our clients across the globe.



By introducing Lean Management and Kaizen initiatives at the workplace, your Company has been able to satisfy the twin objectives of customer satisfaction while keeping the associated costs at minimum, reducing wastage and making utmost use of the resources.

Lean Management is a philosophy which means producing more with less. Your Company has adopted the Lean Management philosophy, because the only way to survive is to abandon the current paradigms and think Lean.

We are aggressively trying to bring five principles of Lean Management in our core functioning and are confident it would prove extremely helpful for us, and more importantly for our customers.

Kaizen implies continuing improvement involving everyone. It is a strategy that begins and ends with people. It requires the leadership to ensure sustained improvement to continuously improve the Company's ability to meet expectations of high quality, low cost products and on-time delivery.

Nucleites came forward with a large number of suggestions for considerable reduction of waste and increase in quality and output. They were identified as Kaizen and teams were formed to spread it across the organization. A few of the Kaizen projects were Paper Saving, Energy Saving, Water Saving and Punctuality to Meetings. With the help of these initiatives, your Company is constantly striving to provide more and more value to the customers and compete in all three aspects, quality, speed and price simultaneously while constantly trimming costs to offset profit-destroying price erosion.

13. ADDITIONAL INFORMATION TO SHAREHOLDERS

Detailed information to the shareholders in the form of "Shareholders' Referencer" is provided elsewhere in the report.

14. SECRETARIAL AUDIT

In order to strengthen the internal process of the secretarial department of your Company, a comprehensive audit is being conducted by a professional Company Secretary at specified intervals. The recommendations made by the Secretarial Auditor are implemented in order to improve the processes in the secretarial department.

15. LIQUIDITY AND CASH EQUIVALENTS

Your Company retains its status as a debt-free Company. It has been consistently following a conservative investment policy over the years, maintaining a reasonably high level of cash and cash equivalents which enable the Company to eliminate short and medium term liquidity risks.

Our liquidity position continues to be strong with cash and cash equivalents reaching 50% of our total assets at Rs.122.18 crore against Rs.94.13 crore in the previous year.

During the year, internal cash accruals more than adequately covered the working capital requirements, capital expenditure and dividend payments. In the second quarter of the year, with adverse developments in money markets, the Company exited/redeemed on maturity, all mutual fund investments in FMPs and liquid funds. These funds were then largely redeployed in fixed deposits. On a slight improvement in the money markets in the last quarter of FY 09, funds were partly re-invested in mutual funds.

16. FOREIGN EXCHANGE RISK

The weakening of the Indian currency against the US Dollar in September 2008 signaled that Indian Rupee would remain under pressure during the FY 2009. The Indian Rupee depreciated by almost 19% against the US Dollar in the year 2008-09,as the second worst performing Asian currency. However, the Rupee bounced back by about 3% by the end of December 2008. The positive rub-off on the earnings front due to Rupee's depreciation was partially offset by hedging losses.

With the US Dollar being the dominant currency for billing at your Company, volatility and the depreciation of the Rupee has undoubtedly had a positive effect on turnover and profit margins during the year under review. While the Company cannot directly influence the exchange rates, it is incumbent upon management to follow a well thought out policy to hedge the foreign currency, but without taking speculative positions.

Inadequacies in the hedging mechanisms to deal with exchange rate fluctuation could expose the Company to even larger losses than envisaged. Nevertheless, the depreciating Rupee is a positive indication and with hedge positions significantly reduced to US$ 9.15 million at the end of the year, against US$ 30.05 million at the beginning of the year, we expect positive effects on our revenues favouring the earnings. The results of the hedging strategy are reported through a well-designed reporting mechanism to, and reviewed by, the Audit Committee every quarter.

Meanwhile, we continue to examine an economic global product development and delivery model and look for competitive advantage wherever available, including in overseas geographies.

17. FIXED DEPOSITS

Your Company has not accepted any deposits and, as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

18. AUDITORS

B S R & Co. the Statutory Auditors of the Company, retire at the forthcoming Annual General Meeting and are eligible for re-appointment. The retiring Auditors have furnished a certificate of their eligibility for re-appointment under Section 224(1B) of the Companies Act, 1956 and have indicated their willingness to continue.

19. DIRECTORS

Articles of Association of the Company provide that at least two-thirds of our Directors shall be subject to retirement by rotation. One third of these retiring directors must retire from office at each Annual General Meeting of the shareholders. A retiring Director is eligible for re-election.

Mr. Suresh Joshi and Mr. Prithvi Haldea, Directors of the Company, shall retire at the ensuing Annual General Meeting. Mr.Suresh Joshi has placed a notice before the Board expressing his inability to be re-appointed as Director at the ensuing Annual General Meeting due to his advancing age. Mr. Prithvi Haldea offers himself for re-appointment.

Your Company is pleased to inform you that Mr. Janki Ballabh was appointed as an Additional Director on the Board of Directors of the Company with effect from

November 15, 2008. Mr. Ballabh was also unanimously elected as Chairman of the Board. He took over the Chairmanship from Lt. Gen. T. P. Singh (Retd.) who relinquished office on November 15, 2008, consequent to his resignation from Directorship of the Company due to his ill health. Lt. Gen. Singh had joined the Board of Directors of your Company in 1994 and served the Company as the Chairman of its Board since 1996. As a Chairman, he contributed immensely in guiding the Company on the path of success and playing a pivotal role in framing our strategic roadmap.

Mr. Ballabh, an eminent banker and former Chairman of the State Bank of India and State Bank Group, has vast experience and expertise in finance, banking and corporate management. He is presently Chairman of UTI Trustee Company of UTI Mutual Fund, and is Director on the boards of Tata AIG Life Insurance Co. Ltd., Small Industries Development Bank of India (SIDBI) ,Tata Capital Ltd. and GIFT CIMC Ltd. and a Member of the Asia Pacific Advisory Committee of Barclays Bank plc. London. In addition to his general corporate experience, his vast and rich experience, consistent with Nucleus strategy will provide operational excellence to the Company and capability to drive innovation. His appointment is an indicator of our continuous efforts to develop the core team to help achieve the mission of the Company.

20. CORPORATE GOVERNANCE

In these challenging times of recession compounded with increasing incidence of corporate frauds, business controls and Corporate Governance are key tools to manage the business and mitigate organizational risks. It is of utmost importance that your Company strengthens the framework of governance, implement strong risk measurement tools, increase the reliability of reporting, and be more transparent in order to improve investors', customers', employees' and regulators' confidence. Good Corporate Governance and risk management frameworks at Nucleus put in place over the years ensure sound business practice, fundamentally strong control environment, strong information systems, effective early warning mechanisms and real-time response system.

The Corporate Governance philosophy of your Company is not to just comply with all the statutory requirements, but to voluntarily formulate and adhere to a set of strong Corporate Governance practices. Your Company's goal is to continuously find creative and productive ways of keeping the investors, customers and associates informed and build their confidence, while fulfilling the role of a responsible corporate committed to best practices.

In addition to being compliant with all the statutory provisions of Clause 49 of the Listing Agreement, your Company has put in place several non-mandatory recommendations including Training of Board members, "Whistle Blower Policy" and "Remuneration Committee".

In recognition of the above, your Company was short listed as one of the Top 25 Companies adopting "Good Corporate Governance Practices" by the Institute of Company Secretaries of India for the third consecutive year in 2008.

21. EMPLOYEE STOCK OPTION PLAN

Your Company has introduced various Employee Stock Option Plans (ESOP) providing for issue of stock options to independent Directors and employees of the Company that can be converted into Equity Shares after a specified period.

Particulars	1999 Plan	2002 Plan	2005 Plan	2006 Plan
(a) Total number of options under the Plan	170,000	225,000	6,00,000	1,000,000
(b) Pricing formula	Rs.24/- per Equity Share of Rs.10/- each	75% of the Fair Market Price as on date of grant	100% of the Fair Market Price as on date of grant	100% of the Fair Market Price as on date of grant
(c) Options granted during the year	–	–	–	–
(d) Options vested as of March 31, 2009	–	48,400	85,200	176,858
(e) (i) Options exercised during the year	–	1,500	–	–
(ii) Total number of shares arising as a result of exercise of above options during the year*	–	3,000	–	–
(f) Options forfeited during the year	–	–	–	60,000
(g) Option lapsed during the year	–	14,000	–	–
(h) Variation of terms of options during the year	–	–	–	–
(i) Amount realized by exercise of options during the year	–	360,000	–	–
(j) Total number of options in force as on March 31,2009	–	126,050	142,000	189,860
(k) Details of options granted during the year ended March 31, 2009 to:				
(i) Senior managerial personnel of the Company:	–	–	–	–
(ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.	–	–	–	–
(iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversion) of the Company at the time of grant.	–	–	–	–
(l) Weighted average exercise price of options	–	351.34	356.48	508.70
(m) Weighted average fair value of the options	–	346.87	227.35	372.32

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

Your Company has used intrinsic value of stock options to determine compensation cost. If the compensation cost for the ESOPs had been determined in a manner with the fair value approach, the Company's net income and EPS would have been impacted as below:

Net Income		
	As Reported	**Rs.26.15 crore**
	Less: Adjusted Amount	**Rs.1.81 crore**
	Adjusted Net Income	**Rs.24.34 crore**
Basic and Diluted EPS		
	As Reported	
	Basic	Rs.8.08
	Diluted	Rs.8.07
	After Adjustment	
	Basic	Rs.7.52
	Diluted	Rs.7.51

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

The significant assumptions are:

1.	Risk free interest rate	8.00%
2.	Expected life	1-4 years
3.	Expected volatility	42.06% to 149.75%
4.	Expected dividend yield	0.84%
5.	Market price grant wise, Plan wise on date of grant:	(In Rs.)
	ESOP (1999)	408.45
	ESOP (2002)	193.95 to 505.00
	ESOP (2005)	357.00 and 320.00
	ESOP (2006)	368.00 to 568.00

22. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies act, 1956, read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, are set out in Annexure-A which forms part of this Report.

23. PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report for the year ended March 31, 2009 is annexed as Annexure-B.

24. DIRECTOR'S RESPONSIBILITY

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

(i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) the Directors have selected such accounting policies and applied them consistently, except where otherwise stated in the notes on accounts, and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

(iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the Directors have prepared the annual accounts on a going concern basis.

25. ACKNOWLEDGMENTS

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

Your Directors also thank all the customers, vendors, shareholders and bankers for their support to the Company. The Board, in specific, wishes to place on record its sincere appreciation of the contribution made by all the employees towards growth of the Company.

For and on behalf of the Board of Directors

Noida (U.P.)
April 26, 2009

Janki Ballabh
Chairman

Annexure A

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. DETAILS OF CONSERVATION OF ENERGY

The operations of the Company involve low energy consumption. Adequate measures have, however, been taken to conserve energy, including the following:

1. Use of latest technology such as T5 and CFL lights to economize our electrical consumptions.
2. Use of eco-friendly gas (FM 200) in the fire suppression system in the data center.
3. Rain water harvesting.
4. Use of AAC blocks in construction for keeping the load and pressure on air-conditioning minimal.
5. Use of furniture and equipment products that are standard and branded, and which comply with environment-friendly specification.
6. Implementation of Green building designs and construction which dramatically reduces the enormous amounts of energy that buildings consume in heating, cooling, lighting and water use.
7. Regular AC plant maintenance to ensure efficient working of the equipments.
8. New DG synchronization panel was procured during the year, to run the DG set at optimum load.

Various other measures were also taken to reduce the wastages of Energy by, adopting it as a kaizen project and spreading awareness across the organization.

Your Company is always in a look out for innovative and efficient energy conservation technologies and applies them prudently.

B. RESEARCH AND DEVELOPMENT

Research and development is the key to sustained development and your Company firmly believes in the same. Your Company is a Product Company and to continuously bring about improvements in our products and to provide more and better value to our customers, we continually invest in research and development of new products and services, designs, frameworks, processes and methodologies. This effort creates a strong quality culture and enhances productivity and customer satisfaction.

1. R&D Initiatives in Specific Areas

Your Company is one of the few IT companies in India, which are focused on the business of building their own Intellectual Property. Since 1989, Nucleus has been continuously involved in research and development activities to develop new business applications for the banking industry. There is a constant need for your Company, being a Product development Company to develop and upgrade new software and associated services. R&D is a critical source of value creation for your Company. The Company needs to develop and release new products, relatively frequently, to remain competitive. Two major challenges are associated with it:

- Allocating resources to work on tomorrow's next hit product
- Maintaining margins, particularly for legacy and non-core products.

The Research and Development investments of your Company are focused to get a deep understanding of the banking business processes and develop technologies and products which can improve these processes by bringing about fundamental changes in the way businesses operate.

The R&D expenditure is focused on two fronts:

1. To develop new business applications covering new areas of banking, and
2. To conduct core research in the arena of new technologies.

To maintain the competitive edge in the market place, apart from the technology upgradation being undertaken, six new modules were added to the flagship product FinnOne™. New technologies are being developed that will place risk management at the centre of any business strategy deployed by financial institutions in these uncertain times.

2. Benefits of the Above R&D

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

In line with the goal of serving the customers in a better way, a strategy has been built of making major releases once in every six months. In line with the strategy, during the year, we completed the initial implementation of all the new ancillary modules like Lead Management and PowerPay.

The upgraded FinnOne™ product version 3.5 was successfully deployed in all the latest implementations in India and overseas. With the addition of the Islamic financing functionalities, FinnOne™ now provides financial institutions with single technology platform for retail, SME and now Islamic product offerings. FinnOne™ is currently being upgraded to a new technology architecture and then it will be available on the Java J2EE architecture platform.

Efforts are also being made to migrate the current Cash@Will™ product to the Java J2EE architecture by the next year.

Continued R&D effort and investment enables the Company to maintain a technology edge in rapidly evolving market and innovate in introduction of new products and solutions.

3. **Future Plan of Action**

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

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

C. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Efforts towards Technology Absorption, Adaptation and Innovation

Your Company realizes the importance of innovation and constant improvement in key areas of business. As business and technologies are changing constantly, investment in research and development activities is of paramount importance. Your Company continued its focus on quality up gradation of software development processes and software product enhancements. This has helped maintain margins despite changes in technology. In order to create a conducive environment which propels adaptation of new ideas, skills and methodologies, your Company has instituted a culture of quality consciousness at grass-root level.

Your Company not only encourages innovation, but also recognizes and rewards it suitably. This policy is not restricted to technology, but includes innovation in non-IT processes and Human resource initiatives.

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

   We are looking for opportunities in developed countries arising from the current turmoil in consumer finance and also through replacement of legacy system. We are pursuing prospects for product business from Japan, Southeast Asia, Middle East, India, and Africa. There have been some new prospects from the European region too. We have signed five new partners in Latin America, Argentina, Brazil, Chile, Columbia, and Mexico.

   In FY 09, foreign exchange earnings from software products and services, at Rs.171.21 crore, 81.75% of total revenue grew by 4.87% over Rs.163.25 crore, 83% of the total revenue in FY 08.

2. **Foreign Exchange Earned and Used**

(Rs. in crore)

For the Year ended March 31,	2009	2008
Foreign Exchange earnings	171.21	163.25
Foreign Exchange outgo (including capital goods)	38.43	24.57

For and on behalf of the Board of Directors

Noida (U.P.)
April 26, 2009

Janki Ballabh
Chairman

Annexure B

Statement under Section 217 (2A) of the Companies Act, 1956 read with (Particulars of Employees) Rules 1975

Sl. No.	Employee Name	Designation	Qualification	Age	Date of Joining	Total Experience	Gross Remuneration	Designation - Previous Employment
1	Abhijit Mittra	Vice President	MA, PGDM Com. Soft. Appl.	45	21-Jul-99	23	4,811,711	Manager - RPG ITOCHU Finance Ltd
2	Anurag Bhatia	Senior Vice President	MCA	43	15-Jan-96	19	3,389,260	System Analyst - TCS Limited
3	Dr. Asha Goyal	Vice President & Head Quality	B.E., B.Sc., M. Tech., Ph. D.	63	2-Jan-07	35	2,830,544	VP - IBM
4	Dharamvir Rohilla	Vice President	M.Sc.	55	23-Nov-06	32	3,691,644	Group Manager - Perot System
5	Inamdar Balchandra C.	Vice President	M.Sc.	48	5-Jan-04	24	2,619,556	General Manager (Operations) - Walchand Infotech
6	Kamal Nayyar	Associate Vice President	B.Sc., MCA	37	1-Feb-97	12	2,511,983	N.A.
7	Kishore Tambe	Vice President	B.Sc., MCA	44	1-Feb-96	19	3,243,073	Senior Engineer - Softek Ltd.
8	Mukta Arora*	Vice President	B.Sc,, PGDBA	44	5-May-06	22	2,801,082	Head Delivery - Servitium Solutions Pvt. Ltd.
9	Niraj Vedwa	President - Global Sales & Marketing	PGDSM	43	8-Mar-99	21	7,021,312	National Sales Manager - Modicorp Ltd
10	Parag Bhise	Vice President	MCA	44	3-Oct-89	19	3,135,019	Project Trainee - Cooperative Milk Producers Federation of Patna
11	Pinakin G. Pujara	Associate Vice President	B. Com, MBA	50	22-Aug-05	28	4,766,515	VP Finance - Transformers & Rectifiers (India) Ltd.
12	Piramanayagam T	Associate Vice President	MDBA	44	4-May-04	18	2,657,617	Senior Consultant - Patni Computers
13	Prakash Pai	President - Product Management	M.Sc.	48	1-Jun-94	25	7,664,507	Chief Officer (EDO) - Bank of India
14	Pramod K. Sanghi	President - Finance & Chief Financial Officer	B. Com(H), PGDM	54	15-Apr-02	31	6,150,562	Executive Director (Finance) - Pearl Global Limited
15	R. P. Singh	President - Deliveries	B.A (Hons), PG Diploma	48	1-Apr-94	22	6,695,455	President (Technologies) - Nucleus Software Workshop (P) Ltd
16	Rajesh Garg	Associate Vice President	B. Tech.	38	20-Nov-06	16	2,668,592	Director - ISS - Infogain India Pvt. Ltd.
17	Ravi Verma	President - Human Resource	Masters in Public Administration, PGDPM	50	8-Feb-06	27	5,616,917	Vice President (Human Resources) - Reliance Industries Limited
18	Sandhya Verma*	Vice President	M.Sc.	50	22-Dec-05	23	2,046,901	Director - Aayam Technologies
19	Sanjeev Kulshrestha	Vice President	MCA, M.Sc.	45	7-Feb-96	17	3,121,377	Software Engineer - Information Technologies (INDIA) Ltd
20	Suneel Sehgal	Associate Vice President	B.Com, MBA	37	20-Oct-03	16	3,088,219	Manager - ICICI Infotech
21	Sushil Tyagi**	Vice President	MBA	39	12-Mar-01	18	659,513	Business Development Manager - Cannon India Ltd
22	Dr. Vishnu Rao Nandamuri*	Vice President	B.E., LL.B., MBA, M. Tech., Ph.D.	45	8-Sep-08	19	1,739,899	Senior Consultant - Iflex Solutions
23	Vishnu R Dusad	Managing Director & CEO	B. Tech.	52	9-Jan-89	28	20,302,905	N.A.

* *Employed for part of the year*
** *Employed in foreign branch office of the Company for part of the year*

Note:

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

For and on behalf of the Board of Directors

Janki Ballabh
Chairman

Noida (U.P.)
April 26, 2009

Annexure - C

AUDITOR'S CERTIFICATE

(Under Clause 49 of the Listing Agreement)

To the Members of
Nucleus Software Exports Limited

We have examined the compliance of conditions of Corporate Governance by Nucleus Software Exports Limited ("the Company"), for the year ended on 31 March 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures adopted by the Company, for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We further 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 **B S R & Co.**
Chartered Accountants

Sd/-
Vikram Advani
Partner
Membership no.: 091765

Gurgaon
April 26, 2009

CERTIFICATION BY MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER OF THE COMPANY

We, Vishnu R. Dusad, Managing Director and Pramod K. Sanghi, 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 year ended March 31, 2009 along with its schedules and notes on accounts, as well as the cash flow statements; and the Directors' Report;
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 flow of the Company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and applicable laws and regulations;
4. Based on our knowledge and information, no transactions entered into by the Company during the period, which are fraudulent, illegal or violative of the Company's code of conduct.
5. We are responsible for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal controls systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee of the Company's Board of Directors, deficiencies in the design or operation of internal controls and steps proposed to be taken to rectify these deficiencies.
6. We have disclosed, based on our most recent evaluation, to the Company's Auditors and the Audit Committee of the Company's Board of Directors:
   a. Significant changes in internal control over financial reporting during the period:
   b. There are no significant changes in accounting policies during the year; and
   c. There no instances of significant fraud of which we have become aware and the involvement, therein, of the management or and employee having significant role in the Company's internal control system over financial reporting.
7. We further declare that all Board Members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

Noida (U.P.)	**Vishnu R. Dusad**	**Pramod K. Sanghi**
April 26, 2009	**Managing Director**	**Chief Financial Officer**

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

Forming Part of the Financial Statments for the year ended March 31, 2009

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

A. INDUSTRY STRUCTURE AND DEVELOPMENTS

FY 2009 has been a transformational year for the Indian Information Technology sector, as it began to re-engineer itself to face the challenges presented by a macro-economic environment which witnessed substantial volatility in commodity prices, decline in GDP rates, cross-currency movement, finally culminating in the economic downturn. The Indian economy has also been impacted by the recessionary trends with a slowdown in GDP growth and the global liquidity crisis which started in late September 2008 slowed the economy's story of nine per cent growth.

The domestic market presents a significant opportunity as IT spending in India is growing at a pace faster than any other country in the Asia Pacific region. The demand for off shoring is driven by specialized skill sets and not just labor arbitrage. Domestic IT services are expected to grow by 20 per cent in FY 2009, driven by increased acceptance of IT as a growth enabler, and a competitive tool for Indian corporations looking to compete in an increasingly globalised environment. Increased IT adoption in not only the large/mid-sized companies, but also the 35 million strong small and medium business (SMB) segment is expected to drive growth in the future. While the 2009 outlook for global technology related spending is affected by the recessionary environment, a rebound is expected from 2010 onwards.

Moving forward, the IT sector faces a transforming macro-economic environment, rapidly changing customers and needs, evolving services and business models, and rising stakeholder (employees, investors) aspirations. These forces are expected to redefine the nature of demand and supply for the industry, and also redefine the strategic imperatives for businesses in 2009. *(Source - The* ***Strategic Review 2009 by Nasscom)***

According to the report by Nasscom, the total spending on vertical-specific software in the BFSI sector is forecast to grow from USD 17.4 billion in 2008 to USD 30.3 billion in 2015. Emerging areas in the BFSI space, such as risk management and compliance software, asset and wealth management software can be effectively catered to by Indian software product companies by leveraging on the domain expertise available in the country.

Over the past 3 years, the annual revenue aggregate of Indian software product businesses has grown at a CAGR of 44 per cent and Indian IT has emerged as a global hub for product research and development (R&D) activity, especially in the technology industry. Some of the Indian firms have developed their own product IP and are commercializing it through the licensing model. *(Source-IT Product Study Report by Nasscom)*

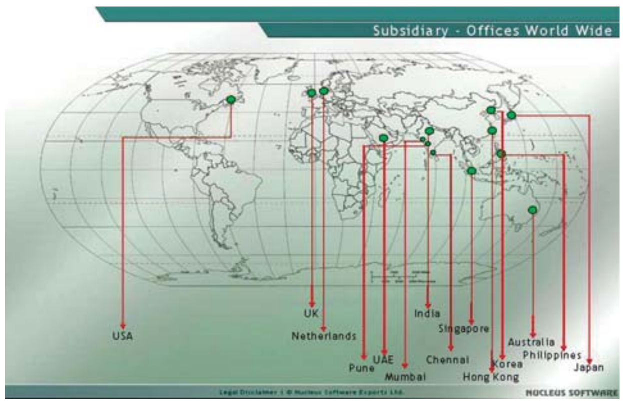
While India's contributions to global technology intellectual property (IP) creation has recorded a steady growth, relatively only a few Indian software product businesses have achieved significant global success. However, recent trends in market activity aided by a maturing ecosystem indicate that Indian software product businesses are now approaching an inflection point in their evolution. The next decade will be a period of disruptive growth for this segment, with the annual revenue aggregate of Indian software product businesses forecast to grow from USD 1.4 billion in FY 2008 to USD 9.5 to 12 billion by FY 2015. *(IT Product Study Report by Nassom)*

B. COMPANY BACKGROUND

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

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

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



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

Over the years Nucleus has gained tremendous experience working closely with IT leaders in the Banking and Financial Services industry, leading to, not only a thorough but also an unmatched insight into the unique needs of the sector. Headquartered in Delhi, India, the Company has following wholly owned Subsidiaries.

Date of Incorporation	Name of Subsidiary Company	Location	% of Holding
February 25, 1994	Nucleus Software Solutions Pte. Ltd.,	Singapore	100%
August 5, 1997	Nucleus Software Inc.	USA	100%
November 2, 2001	Nucleus Software Japan Kabushiki Kaiga	Japan	100%
March 20, 2002	Nucleus Software (HK) Ltd.	Hongkong	100%
May 7, 2002	Nucleus Software (Australia) Pty Ltd.	Australia	100%
May 6, 2004	VirStra-I Technology Services Limited	India	100%
February 3, 2006	Nucleus Software Netherlands B.V.	Netherlands	100%
April 21, 2008	Nucleus Software Ltd.	India	100%

The Company incorporated a wholly-owned subsidiary, Nucleus Software Limited in April 2008 in India, as a part of the expansion plans. The subsidiary has acquired land and received approval from the Government of India for setting up an SEZ unit at Mahindra World City, Jaipur.

In addition, there is a step-down subsidiary VirStra I-Technology (Singapore) Pte. Limited incorporated in Singapore, which is a fully owned Subsidiary of VirStra I-Technology Services Limited.

The Company has branch offices in Chennai and Mumbai in India and also in London and Dubai. The Singapore subsidiary has branch offices in Seoul in Korea and Manila in Philippines. These Subsidiaries/branch offices help the Company in providing front-end support to clients and explore new opportunities.

The Board of Directors, at their meeting held on April 26, 2009, approved closure of two wholly owned subsidiaries viz. Nucleus Software (Australia) Pty Ltd., Australia and Nucleus Software (HK) Ltd., Hong Kong subject to approvals, which may be required from regulatory authorities in India and respective host countries. The future prospects in these countries would be looked after by the Singapore subsidiary, Nucleus Software Solutions Pte. Ltd.

THE STRATEGY

The Company has been pursuing a consistent Strategy of: -

- **Investing in Products** - Since incorporation your Company has kept its constant focus on the product business and is proud to have achieved international recognition for its products, which have been implemented across countries with leading institutions. Your Company has and will always focus its efforts on the products business.
- **Investing in People** – Human Resource is one of the most critical asset of any organization. Your Company has focused its efforts on engaging the pool of talent of employees and train them in order to get the desired results. Your Company has always kept its constant focus on employee motivation and satisfaction.
- **Investing in global markets** - Start with the home market to build a reference base and then achieve a global presence. Your Company has kept its constant focus on the emerging markets for creating global presence.
- **Investing in improving Efficiency and Productivity** - The year gone by has been one of new policies and important plans. In the present challenging times, the customer is forced to make every dollar count and is looking for much higher value for money. It means offering the troubled customer a lower price point, which is achievable only through higher efficiency. Productivity improvisation is the key to higher efficiency, and has been the thrust area for your Company.

  The above strategy has resulted in your Company becoming one of the few Indian IT Companies, which has proven its capability to deliver results that satisfy the requirements of both national and international clients.

  For better management of product software, focus was also improved towards strengthening the internal process compliances in the Company by building a robust and focused team to pay attention on Process Compliances. New processes were identified and extensive plans drawn to improve the existing processes. Responsibilities were assigned and continuous monitoring of the gaps was done by the core team to strengthen the existing processes. CMMI related audits were done and level three related process gaps addressed in process enhancements.

Some of the notable accolades won by Nucleus are:

- Nucleus Software's FinnOne™ has been ranked **'World's No 1 Selling Lending Software product ' (for year 2008) by IBS Publishing of U.K**.This is the third consecutive year, that it has been ranked amongst the top two.
- **Annual Report and Accounts of Nucleus Software for year ended March 31, 2008 have been adjudged as the BEST** under the category 'Information Technology, Communication and Entertainment enterprises' of the 'ICAI Awards for Excellence in Financial Reporting' by the Institute of Chartered Accountants of India (ICAI). **This award signifies that the accounting policies followed by Nucleus Software are the Best amongst the category.**
- Nucleus Software has been **ranked among the Top 25 Companies adopting "Good Corporate Governance Practices in India"** for the third consecutive year in 2008.
- Nucleus Software has been Ranked Amongst **India's Top 15 Exciting Emerging Companies to Work For by Nasscom.**

- Nucleus Software has been recognized under **"Best Practices" for Performance Management System by NASSCOM, 2008**
- Nucleus is selected as **one of Forbes ASIA's 200 Best Under A Billion companies**, for the second consecutive year, list released in September 2008.
- Nucleus Software has been conferred the **Best Independent Software Vendor (ISV) Partner (North India for 2008) award by IBM**
- Nucleus Software was awarded the "**D&B – ECGC Indian Exporters' Excellence Award"** by Dun & Bradstreet India (D&B India) and Export Credit Guarantee Corporation of India Ltd (ECGC) for the year 2007.
- Nucleus Software was adjudged as **one of the fastest growing companies in Asia Pacific under Deloitte Technology Fast 500 – 2007.**
- Nucleus Software was conferred with **Oracle Partner of the Year Award in Fusion Middleware category at an APAC level.**
- Nucleus Software was awarded for being the **Fastest Growing ISV in 2007 by Oracle Corporation.**
- Nucleus Software was ranked **13th in Dataquest Top 20 Best Employers Survey 2006.** Survey was conducted by IDC-Dataquest amongst 200 IT employers across India.
- Received the award for "**Excellence in Financial Reporting" by the Institute of Chartered Accountants of India (ICAI) for financial year 2005**. Our Annual Report was adjudged No.2 in the category of 'Information Technology, Communication and Entertainment Enterprises' companies.
- Annual Report for financial year 2005 received the '**Merit Award' for "Best Presented Accounts Award" by the South Asian Federation of Accountants in January 2007** in the category of 'Communication and Information Technology Sector".
- Nucleus Software received the **best Partner award for "Building World Class Loan Management Solution on 9iAS technology"** by Oracle Corporation in 2003.
- Nasscom ranked Nucleus as one of the **Top 5 Indian Product Companies in its annual software and services industry performance report** for the financial year 2002.

C. COMPANY MANAGEMENT

The Company is managed through a Board of Directors with Mr. Vishnu R Dusad as the Managing Director & CEO. All the Directors are eminent individuals who have had successful stint in their careers. The Board of Directors play a pivotal role in framing strategic roadmap, analyzing the business opportunities and the inherent risks involved and in the decision making process. As a consequence, the Company's operations have been streamlined and consolidated for profitable and sustainable growth.

The Company has a concept of Matrix Structure, which puts together the advantages of functional reporting and geographical reporting. At the senior most level, a 'Management Team' consisting of the CEO and Global Heads for Technology and Delivery, Sales and Marketing, Product Management, Finance, HR, Quality, meet every week to discuss strategy issues and frame policies. Concurrently, a "Management Council" which includes Management Team members and other Vice Presidents of the Company, meets regularly to collectively address policy implementation and operations across the Company.

At the Parent Company level, global responsibilities for Software Delivery, Quality Assurance, Product and Account Management, Sales and Marketing, Finance and Human Resources have been defined to achieve the objectives.

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

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

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

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

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

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

D. OPPORTUNITIES AND THREATS

Over the years, from a beginning as Software Services Company, Nucleus has transformed in to a Software Product Company operating in the Retail Lending space The IMF estimates global financial losses at US $ 4 trillion, with two thirds of this in Banks and only one third of it recognized so far. Apart from the risk of a negative feedback loop, this implies an enormous constraint on lending going forward. The lesson from modern financial history is that recoveries from financial crises are always slow and this has been an unusually synchronized global downturn, the upturn may be slower.

We believe there are opportunities as well as constraints and we are exploring different business models to effectively meet customer expectations on cost effective business solutions. Despite the near-term uncertainties, India's medium to long-term economic outlook remains positive and supports forecasts of increasing technology penetration. Strategically, our focus is on the "Retail Banking" niche and consequent specialization enables us to explore our IPR to reasonable value.

E. OUTLOOK

Nucleus Software foresees a strong demand for our niche product from across the globe. There are proposals submitted across South East Asia, India, Middle East, Africa, Europe, Australia, Japan, Latin America, CIS region, for FinnOne™ and Cash@Will™. To strengthen our hold in other parts of the world, we have signed five new partners in Latin America, Argentina, Brazil, Chile, Columbia, and Mexico to increase share of business in theses countries.

As the global lending market is evolving, Nucleus finds itself strategically placed with wide array of products to cater to the demand. Nucleus believes that in future, Indian product companies will gain greater market share in global software markets and is all set to capitalize on the upswing in the industry. In the face of global financial crisis like the sub prime crisis, many financial institutions are realizing the strengths and value of the products and solutions offered by Indian IT companies operating in the BFSI domain. Banks and financial institutions across the globe are now looking at increased operational efficiency in their lending business through automated solutions with robust credit appraisal mechanism thereby reducing the cost of lending. At this juncture, transformation from existing legacy systems to technologically advanced and cost effective lending solutions from Indian IT vendors is the key.

F. RISKS AND CONCERNS

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

G. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Absence of well-defined and scalable processes and procedures can have a serious impact on execution of projects and smooth flow of work. The Company is fully aware, that any gap in execution of project not only leads to delays but also adversely affects our long-term relations with the customers.

The Company has well defined roles, responsibilities and authorities for employees at all levels. The Company aims at promoting operational efficiency while emphasizing adherence to policies and processes. The Company has appointed internal auditors to check on the validity and correctness of internal reporting, which would in turn validate financial reporting.

The risks inherent in non adoption of Corporate Governance frameworks in their true spirit emanates from the reluctance of Management to introduce transparency and professionalism in their businesses. The more important conclusion is that companies with high Corporate Governance standards have less to hide and thereby create greater value for shareholders.

The Company has a strong whistle blower policy, which helps the employees to work in good faith.

The following measures are in place to ensure financial responsibility:

- Any unbudgeted expenses are approved by the Managing Director & CEO.
- All capital expenditure beyond specified limits is approved by the Managing Director & CEO.
- Financial reviews of performance are held monthly with focus on revenue, cost of delivery and project execution.
- All Business Units have business targets for each financial year, which are tracked regularly by senior management. Monthly review meetings are held of all key matrices defined in the goals for the financial year.
- To further ensure better internal control, the Board empowers the all-independent Audit Committee, with the authority to investigate any matter relating to the internal control system and to review the scope of Internal Audit.

The Company is committed to instill quality at all levels of implementation of projects. Moreover adequacy of internal controls across various processes are continuously monitored to rectify any deficiencies identified from time to time.

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

H. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

Being a knowledge-based industry, a high intellectual capital lends competitive advantage to a firm. Intellectual capital comprise of human capital and intellectual assets.

Tough times don't last for long, but enduring the same seems almost endless in the process. For the management and employees of organizations who have been struck by the whip of recession, it is would still take some time for the ordeal to end. (In the meantime, Nucleus Management treats it as its responsibility to ensure that employee welfare initiatives should not be put on the back burner in the name of cutting costs). Your Company has been creating a motivating environment that promotes job satisfaction, thereby developing employees who are motivated, productive and fulfilled. In these un-certain times of the global economy, Nucleites are being inspired to deliver maximum possible efficiency, and are realizing their true potential and the ways and means to put it to the best possible usage for the Company.

Optimum utilization of distinct manpower by relocation of the resources to various development centers within and outside India, internal transfer in business units, skill up gradation, technology up gradation, multiskillng programmes were strengthened during the year and have become a way of life in Nucleus. The year also saw some organization restructuring whereby business units were regrouped to bring in more management focus and review at the grass-root level. The year gone by has been challenging and hence resource utilization and productivity increase were key objectives practiced across business units.

Training and Development initiative of SOUL (Self driven, On the job, Unique Learning) program were further developed by launch of programs for use by employees through learning management system. Internal soft skills and team building programs were developed and implemented successfully. They were aligned to the needs of the Company and proved successful.

A judicious approach was adopted in hiring decisions and resources were re-aligned and moved internally. Short term ramp-up requirements of projects were fulfilled by hiring temporary contract staff. The manpower strength moved to 2078 as on March 31, 2009 from 1936 as on March 31, 2008.

Our efforts for improving the work environment and making Nucleus a better work-place, was recognized by Nassom and Nucleus was ranked amongst Top 15 Exciting Emerging Companies to Work for.

I. FINANCIAL CONDITION

Results of Operations *(Rs. in crore)*

For the Year ended March 31,	2009	*% of Revenue*	2008	*% of Revenue*	*Growth %*
Revenue From Operations	**209.43**	***100.00***	**196.95**	***100.00***	***6.34***
Software Development Expenses	130.73	*62.42*	109.81	*55.76*	19.04
Gross Profit	**78.70**	***37.58***	**87.14**	***44.24***	**(9.66)**
Selling and Marketing Expenses	18.73	*8.94*	14.24	*7.23*	31.62
General and Administration Expenses	21.77	*10.39*	15.61	*7.93*	39.46
Operating Profit (EBITDA)	**38.20**	***18.24***	**57.29**	***29.09***	***(33.33)***
Depreciation	10.12	*4.83*	8.10	*4.11*	24.94
Withholding Taxes	7.26	*3.47*	4.15	*2.11*	74.94
Operating Profit After Interest, Depreciation and Withholding Taxes	**20.82**	***9.94***	**45.04**	***22.87***	***(53.78)***
Other Income	16.56	*7.91*	14.88	*7.56*	11.29
Foreign Exchange Gain/ (Loss)	(8.81)	*(4.21)*	2.14	*1.09*	NA
Profit Before Tax	**28.57**	***13.64***	**62.06**	***31.51***	***(53.97)***
Provision for Taxation					
– Current	3.36	*1.60*	6.20	*3.15*	(45.81)
– MAT credit entitlement	(0.52)	*(0.25)*	(5.41)	*(2.75)*	(90.39)
– Fringe Benefit	0.70	*0.33*	0.72	*0.37*	(2.78)
– Deferred	(1.31)	*(0.63)*	(0.22)	*(0.11)*	NA
– Earlier year tax	0.19	*0.09*	–	–	NA
Profit After Tax	**26.15**	***12.49***	**60.77**	***30.86***	***(56.97)***

Revenue

We derive our revenue from the following business segments:

- Products
- Projects and Services

During the year total revenue was Rs.209.43 crore against Rs.196.95 crore for the previous year representing an increase of 6.34%. The revenue of the Company from its product business constituted 85.61% of revenue and from projects and professional services constituted 14.39 % of revenue during the year.

Expenditure

Software Development Expenses

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

During the year, our software development expenses were Rs.130.73 crore at 62.42% of revenue against Rs.109.81 crore at 55.76% of revenue in the previous year.

(Rs. in crore)

For the Year ended March 31,	2009	% of Revenue	2008	% of Revenue	Growth %
Employee Costs	92.70	*44.26*	76.86	*39.03*	*20.61*
Travel Expenses	13.33	*6.36*	13.87	*7.04*	*(3.89)*
Cost of Software Purchased for Delivery to Clients	5.38	*2.57*	6.49	*3.30*	*(17.10)*
Communication	1.51	*0.72*	1.36	*0.69*	*11.03*
Power and Fuel	2.46	*1.17*	2.06	*1.05*	*19.42*
Rent, Rates and Taxes	0.53	*0.25*	0.56	*0.28*	*(5.36)*
Software and Other Development Charges	7.93	*3.79*	1.21	*0.61*	*NA*
Legal and Professional	1.83	*0.87*	1.59	*0.81*	*15.09*
Conveyance	1.10	*0.53*	1.05	*0.53*	*4.76*
IT Expenses	0.92	*0.44*	0.62	*0.31*	*48.39*
Repairs and Maintenance	1.19	*0.57*	1.04	*0.53*	*14.42*
Training and Recruitment	1.15	*0.55*	2.25	*1.14*	*(48.89)*
Insurance	0.32	*0.15*	0.31	*0.16*	*3.23*
Others	0.38	*0.18*	0.54	*0.28*	*(30.91)*
Total Software Development Expenses	**130.73**	***62.42***	**109.81**	***55.76***	***19.04***
Revenue	***209.43***	***100.00***	***196.95***	***100.00***	***6.34***

Overall these expenses have increased sharply by 19.04% over the previous year. During the year, we were geared up for delivering higher revenue, but adverse market conditions resulted in underutilization of resources.

Employee costs increased by 20.61% over the previous year with the effect of annual performance reviews. These employee costs include costs on employees in "Product Development", which are expensed. Software and other development charges have increased due to hiring of consultants for implementation at customer sites and contracting of development work overseas.

The Gross margin for the current financial year was Rs.78.70 crore at 37.58% of revenue against Rs.87.14 crore at 44.24% of revenue in the previous year.

Selling and Marketing Expenses

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

During the year our selling and marketing expenses were Rs.18.73 crore at 8.94% of revenue against Rs.14.24 crore at 7.23% of revenue in the previous year, representing an increase of 31.62%.

(Rs. in crore)

For the Year ended March 31,	2009	% of Revenue	2008	% of Revenue	Growth %
Employee Costs	9.09	*4.34*	7.59	*3.85*	*19.76*
Travel Expenses	2.71	*1.29*	2.31	*1.17*	*17.32*
Rent, Rates and Taxes	0.85	*0.41*	0.54	*0.27*	*57.41*
Advertisement and Business Promotion	0.89	*0.42*	1.05	*0.53*	*(15.24)*
Communication	0.14	*0.07*	0.21	*0.11*	*(33.33)*
Conference, Exhibition and Seminar	1.28	*0.61*	0.77	*0.39*	*66.23*
Commission on Sales	0.57	*0.27*	0.45	*0.23*	*26.67*
Legal and professional charges	1.36	*0.65*	0.22	*0.11*	*NA*
Printing and stationary	0.17	*0.08*	0.42	*0.21*	*(58.54)*
Others	1.67	*0.80*	0.68	*0.35*	*NA*
Total Selling and Marketing Expenses	**18.73**	***8.94***	**14.24**	***7.23***	***31.62***
Revenue	***209.43***	***100.00***	***196.95***	***100.00***	***6.34***

Employee costs have increased by 19.76% with appointment of personnel overseas in Egypt, Japan, Middle East and UK. Our participation at SIBOS in Vienna was at a larger scale this year and we continue to invest in marketing across markets.

Legal and Professional charges have increased due to hiring of consultants in overseas locations by your Company during the year.

General and Administrative Expenses

Our general and administrative expenses comprise of compensation to our employees in Corporate Office, Finance, HR, Administration and other general functions; travel, communication, legal and professional charges, repairs and maintenance, insurance, provision for doubtful debts, bad debts and other allocated infrastructure expenses.

During the year the Company incurred general and administrative expenses of Rs.21.77 crore at 10.39% of revenue against Rs.15.61 crore at 7.93% of revenue in the previous year, representing an increase of 39.46%

(Rs. in crore)

For the Year ended March 31,	2009	*% of Revenue*	2008	*% of Revenue*	*Growth %*
Employee Costs	10.44	*4.98*	8.38	*4.25*	*24.58*
Travel Expenses	1.57	*0.75*	0.33	*0.17*	*NA*
Legal and Professional Charges	1.87	*0.89*	0.97	*0.49*	*92.78*
Communication	0.20	*0.10*	0.26	*0.13*	*(23.08)*
Provision for Doubtful Debts	3.07	*1.47*	0.59	*0.30*	*NA*
Rent, Rates and Taxes	0.26	*0.12*	0.49	*0.25*	*(46.94)*
Conveyance	0.22	*0.11*	0.35	*0.18*	*(37.14)*
Printing and Stationery	0.11	*0.05*	0.15	*0.08*	*(26.67)*
Power and Fuel	0.22	*0.11*	0.21	*0.11*	*4.76*
Advertisement	0.14	*0.07*	0.27	*0.14*	*(48.15)*
Advances and current assets written off	0.48	*0.23*	0.66	*0.34*	*(27.27)*
Miscellaneous expenses	3.19	*1.52*	2.95	*1.50*	*8.14*
Total General and Administrative Expenses	**21.77**	***10.39***	**15.61**	***7.93***	***39.46***
Revenue	***209.43***	***100.00***	***196.95***	***100.00***	***6.34***

Employee costs have increased by 24.58% with effect of annual performance reviews. Provision for Doubtful Debts and advances for the year have increased to Rs.3.07 crore against Rs.0.59 crore in the previous year and management costs have increased as reflected in increase in Legal and Professional charges to Rs.1.87 crore from Rs.0.97 crore in the previous year.

Operating Profit

During the year our operating income was Rs.38.20 crore, 18.24% of revenue against Rs.57.29 crore, 20.09 % of revenue in the previous year.

Depreciation

Depreciation on fixed assets was Rs.10.12 crore, 4.83% of revenue for the year against Rs.8.10 crore, 4.11% of revenue in the previous year.

Increase in depreciation charge for the year by Rs.2.02 crore is attributable to increase in following asset heads:

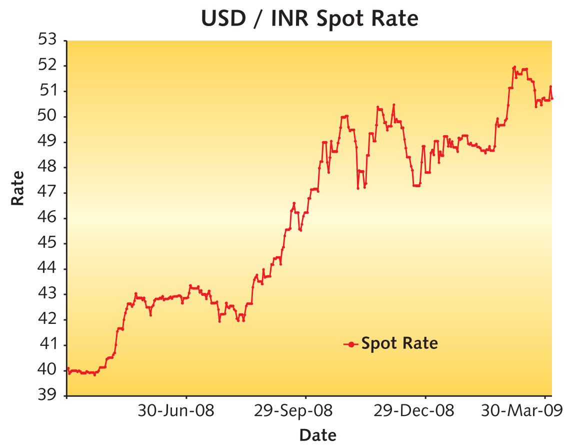
Leasehold Improvements Rs.0.13 crore, Building Rs.0.06 crore, Computers Rs.0.64 crore, Office and other equipments Rs.0.51 crore, Vehicles Rs.0.02 crore, Software Rs.0.58 crore, Furniture and Fixtures Rs.0.08 crore on respective major additions during the year.

Withholding Taxes

Withholding taxes charged off represent withholding taxes charged to the Profit and Loss Account. During the year, withholding taxes net of credits available at Rs.7.26 crore as against Rs.4.15 crore in the previous year. These relate to taxes withheld by customers/subsidiaries on overseas transactions.

Foreign Exchange Gain/Loss:

The US$ Rupee exchange rate was extremely volatile during the year as evident below:



Foreign Exchange Gain (Loss) includes gain (loss) from cancellation of options and forward contracts other than those covered by hedge accounting, translation of current assets and liabilities at quarter end rates and those arising from realization /payments of receivables/payables respectively. During the year, the Company had a foreign exchange loss of Rs.8.81 crore against a gain of Rs.2.14 crore for the previous year.

Our hedging position was US$ 28.92 million as on March 31, 2008 and with continuous depreciation of the Rupee during the year , we reduced our position to US$ 8.15 million as on March 31, 2009. We are consistently monitoring the exchange markets to maintain coverage at a reasonable risk mitigation level.

Other Income

Other Income represents income received in the form of dividends from non-trade investments, interest on fixed deposits, capital gains on the sale of current investments, profit on sale of fixed assets and foreign exchange gains.

(Rs. in crore)

For the Year ended March 31,	2009	2008
On Investments		
– Capital Gain	6.70	2.48
– Dividend	5.64	11.64
Interest Income	3.48	0.09
Profit on sale of assets	–	0.09
Others	0.74	0.58
Total	**16.56**	**14.88**

Other income for the year is Rs.16.56 crore against Rs.14.88 crore for the previous year. This increase is largely attributable to:

1. Exercise of the put option on investments of Rs.13.69 crore in 10,040,000 Equity Shares of GMAC Financial Services India Ltd. in FY 08. The transfer of shares after various regulatory approvals was completed in June 2008 and full payment received in July 2008. Long term capital gain on the transfer was Rs.2.18 crore.
2. Higher income from profit on sale of mutual funds when the Company exited/ redeemed on maturity, all mutual fund investments in FMPs and liquid funds on maturity due to adverse developments in money markets from October to December 2008.

Funds released from mutual funds were invested in fixed deposits with banks, Rs.71.89 crore as on March 31, 2009 against Rs.1.15 crore as on March 31, 2008, resulting in higher interest income of Rs.3.48 crore as compared to the previous year income of Rs.0.09 crore. With the markets stabilizing gradually, investments were made in some liquid funds at the end of the year.

The Company also received a dividend of Rs.10.00 crore from the wholly owned subsidiary, VirStra-I Technology Services Limited.

Provision for Income Tax

Income taxes represent the provision for corporate & income taxes. In estimating these taxes, adjustments are made for deferred tax assets and liabilities.

(Rs. in crore)

For the Year ended March 31,	2009	2008
Provision for Taxation		
– Current Tax	3.36	6.20
– Fringe Benefit Tax	0.70	0.72
– MAT Credit Entitlement	(0.52)	(5.41)
– Deferred Tax Expense	(1.31)	(0.22)
– Earlier Year Tax	0.19	–
Total	**2.42**	**1.30**

Your Company currently enjoys benefits of tax holidays notified by the Government of India for the export of software services from Software Technology Parks. With effect from the financial year ended 31 March 2008, Tax Authorities in India have extended 'Minimum Alternate Tax' MAT provisions to the profits on overseas income earned by the parent Company in India. The MAT amount determined in accordance with the statutory provisions is set off against withholding taxes and is further allowed to be carried forward to future years.

As a result of these benefits, the tax liability of the Company in India is significantly low. We expect the tax liability of the Company to increase post the expiry of tax holiday. Total tax is 8.47% of Profit Before Tax in comparison to 2.09% of Profit Before Tax for the previous year.

Net Income

Net profit for the year was Rs.26.15 crore, 12.49% of revenue, representing a decrease of 56.97% over net income of Rs.60.77 crore, 30.86% of revenue, during the previous year.

FINANCIALS

Share Capital

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

Share Capital of the Parent Company increased from 32,367,024 Equity Shares of Rs.10/- each as on March 31, 2008 to 32,370,024 Equity Shares of Rs.10/- each as on March 31, 2009.

The increase is consequent to allotment of 3,000 fully paid up Equity Shares of Rs.10/- each in pursuance of stock options exercised in July 2008 (adjusted for Bonus issue in the ratio of 1:1). The Company received listing and trading approval for the abovementioned Equity Shares from National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd. and Madras Stock Exchange Ltd.

Share Capital Details

	2009		2008	
	Equity shares (No.)	Rs. crore	Equity shares (No.)	Rs. crore
Balance at the beginning of the year	**32,367,024**	**32.37**	**16,160,312**	**16.16**
Shares issued upon conversion of options under :		–		
ESOP 1999	–	–	5,700	0.01
ESOP 2002	1500	–	17,500	0.02
ESOP 2005	–	–	–	–
ESOP 2006	–	–	–	–
Bonus Shares issued on ESOP	1500	–	1,200	–
Bonus Shares	–	–	16,182,312	16.18
Balance at the end of the year	**32,370,024**	**32.37**	**32,367,024**	**32.37**

Retained Earnings

During the year, Company earned net profit of Rs.26.15 crore. The Company has proposed dividend of Rs.8.09 crore and transferred Rs.2.61 crore to general reserve. During the previous year, the Company paid dividend of Rs.9.71 crore and transferred Rs.6.08 crore to general reserve. Dividend tax for the year was Rs.0.65 crore (Rs.1.65 crore for the previous year).

Reserves and Surplus

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

(Rs. in crore)

Particulars	Opening Balance as on April 1, 2008	Additions/ (Deletions) during the year	Closing Balance as on March 31, 2009
General Reserve	59.22	2.62	61.84
Securities Premium	2.05	0.05	2.10
Capital Reserve	0.18	0.07	0.25
Employee Stock Options (net of deferred employee compensation)	0.93	0.31	1.24
Hedging Reserve	–	(1.04)	(1.04)
Profit and Loss Account Balance	93.55	14.79	108.34
Total	**155.93**	**16.80**	**172.73**

Fixed Assets

(Rs. in crore)

For the Year ended March 31,	2009	2008	Growth %
Gross Block			
Freehold land	0.34	0.34	–
Leasehold land	6.64	6.64	–
Building	24.30	24.29	0.04
Office and other equipment	13.93	11.49	21.24
Computers	22.51	18.81	19.67
Vehicles	1.73	1.65	4.85
Furniture and fixtures	4.69	4.53	3.53
Software	13.2	10.22	29.16
Leasehold improvement	1.25	0.91	37.36
Total	**88.59**	**78.88**	**12.31**
Less; Accumulated Depreciation	**39.38**	**29.26**	**34.59**
Net Block	**49.21**	**49.62**	**(0.83)**
Add: Capital Work In Progress	0.09	2.05	(95.61)
Net Fixed Assets	**49.30**	**51.67**	**(4.59)**

As at March 31, 2009, gross block of fixed assets including investment in technology assets was Rs.88.59 crore (Rs.78.89 crore as on March 31, 2008). The increase in gross block of fixed assets is primarily on account of balance capitalization of second facility in Sector-62, Noida.

The net fixed assets after depreciation are Rs.49.21 crore as on March 31, 2009 compared to Rs.49.62 crore as on March 31, 2008.

Capital work in progress as on March 31, 2009 is Rs.0.09 crore against Rs.2.05 crore as on March 31, 2008.

Investments

The investment of the Company in Equity Share capital of its subsidiaries stood as follows:

(Rs. in crore)

Name of Subsidiary, Location	As at March 31, 2009	2008
Nucleus Software Solutions Pte. Ltd., Singapore	1.63	1.63
Nucleus Software Inc., USA	1.63	1.63
Nucleus Software Japan Kabushiki Kaiga, Japan	0.41	0.41
Nucleus Software (HK) Ltd., Hongkong*	–	0.06
Nucleus Software (Australia) Pty. Ltd., Australia*	–	0. 49
Virstra I-Technology Services Limited, India	1.00	1.00
Nucleus Software Netherlands B.V., Netherlands	1.18	0.54
Nucleus Software Limited, India	10.00	–
Step down Subsidiary		
VirStra I-Technology (Singapore) Pte. Ltd., Singapore	0.56	0.56

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

Investment in Mututal Funds of the Company include:

- Rs.5.26 crore in ICICI Prudential Institutional Liquid Plan-Super Institutional-(D)
- Rs.3.01 crore in HDFC Cash Management Fund-Savings Plan-(D)
- Rs.1.51 crore in HDFC Liquid Fund Premium Plan-(D)
- Rs.3.00 crore in Reliance Liquid Fund-Treasury Plan Institutional Option-(D)
- Rs.0.75 crore in LICMF Liquid Fund-(D)

Investment in mutual funds is in low risk liquid funds.

Other Long Term Investments

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

The Company exercised the put option on investments in 10,040,000 equity share of face value of Rs.10 each, Rs.13.69 crore in Equity Shares of GMAC Financial Services India Ltd. in FY 08. The transfer of shares after various regulatory approvals was completed in June 2008 and full payment received in July 2008.

Current Investments and Bank Balances

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

As of March 31, 2009, the cash and bank balances stood at Rs.82.48 crore (Rs.5.72 crore on March 31, 2008) and current investments in liquid schemes and Fixed Maturity Plans of mutual funds were Rs.13.53 crore (Rs.75.82 crore on March 31, 2008). As a part of its financial policies, the Company believes in maintaining high level of liquidity, as it provides immense support against contingencies and uncertainties.

(Rs. in crore)

As at March 31,	2009	2008
Cash and cheque in hand	0.19	0.03
Balances with Bank		
– In Current Accounts	7.62	4.54
– In Fixed Deposit Account	71.89	1.15
Investments in Mutual Funds	13.53	75.82
Remittance in transit	2.78	–
Total	**96.01**	**81.54**

With adverse developments in money markets, the Company exited/redeemed on maturity, all mutual fund investments in FMPs and liquid funds, these funds released from mutual funds were invested in fixed deposits with banks. With the markets stabilizing gradually, investments were made in some liquid funds with low total maturity period This change has led to a major shift in the profile of the Company's liquid funds.

Our net cash flow from operating activities before working capital changes was Rs.27.71 crore for the financial year as compared to Rs.58.16 crore in the previous year. After considering working capital changes, operating cash flow is Rs.21.50 crore against Rs.17.30 crore, and reduction which merits further analysis.

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 our performance on this criteria is satisfactory.

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

As at March 31,	2009	2008
Operating cash flow as % of revenue	10.26%	8.78%
Days of sale receivable	84	77
Cash and bank balances as % of assets	40.10%	3.03%
Cash and bank balances as % of revenue	39.38%	2.90%
Current investments as % of assets	6.58%	40.12%
Current investments as % of revenue	6.46%	38.50%

Trade Receivables

Our trade receivables (net of provision) as on March 31, 2009 were Rs.51.27 crore against Rs.44.99 crore on March 31, 2008. In the opinion of Management, all the trade receivables are recoverable.

(Rs. in crore)

As at March 31,	2009	2008
Due from		
– Subsidiaries	3.77	8.81
– Others	47.50	36.17
Total	**51.27**	**44.98**

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

As at March 31,	2009	2008
Less than 6 months	83.08%	92.69%
More than 6 months	16.92%	7.31%
Days of sales receivables (DSR)	84	77

Management is making all efforts to reduce the DSR.

Loans and Advances

(Rs. in crore)

As at March 31,	2009	2008
Advances recoverable in cash or in kind or for value to be received	1.14	2.18
Loans and advances to subsidiaries	2.51	0.01
Security deposits	0.99	0.97
Advance income tax	4.16	0.85
Prepaid expenses	2.12	2.40
Advance fringe benefit tax	0.26	0.27
MAT credit entitlement	5.73	5.41
Total	**16.91**	**12.09**

Advances recoverable in cash or in kind or for value to be received are primarily towards amounts paid in advance for value and services to be received in future, and staff advances. The amount is Rs.1.14 crore as on March 31,2009 (Rs.2.18 crore as on March 31,2008)

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs.0.99 crore as on March 31, 2009 (Rs.0.97 crore as on March 31, 2008). Advance income tax has increased due to income tax deducted at source by customers.

Pursuant to the changes in the Indian Income Tax Act, 1961, the Company has calculated its tax liability after considering Minimum Alternate Tax (MAT). A sum of Rs.5.73 crore is carried forward and shown under Loans and Advances as at March 31, 2009 to be set off against future tax liabilities, against Rs.5.41 crore as at March 31, 2008.

Other Current Assets

Other current assets as on March 31, 2009 are Rs.30.21 crore (Rs.32.89 crore as on March 31, 2008).

(Rs. in crore)

As at March 31,	2009	2008
Service income accrued but not due	27.54	32.78
Interest accrued but not due	2.67	0.11
Total	**30.21**	**32.89**

Service income accrued but not due as on March 31, 2009 is Rs.27.54 crore (Rs.32.78 crore as on March 31, 2008), which is service income not billed.

Current Liabilities

Sundry Creditors represent amounts payable for the supply of goods and services.

(Rs. in crore)

As at March 31,	2009	2008
Sundry Creditors	20.26	19.31
Witholding tax	2.58	2.78
Due to Subsidiaries	0.69	1.25
Advances from customers	5.98	9.62
Mark to Market on Options/ Forward Contracts	4.04	–
Unclaimed dividend	0.12	0.11
Other liabilities	3.40	2.37
Total	**37.07**	**35.44**

Current Liabilities have increased to Rs.37.07 crore with "Advances from Customers" decreasing to Rs.5.98 crore and other components increasing.

The total amount of Sundry Creditors as on March 31, 2009 is Rs.20.26 crore (Rs.19.31 crore as on March 31, 2008). The increase in Sundry Creditors is primarily on account of increase in liabilities related to staff, suppliers for services, capital goods and managerial remuneration.

Withholding tax payable represents the amount of withholding taxes to be deducted/deductible by the overseas clients/ Subsidiaries on income billed to them by the Parent Company. The total amount of withholding tax liability as on March 31, 2009 is Rs.2.58 crore (Rs.2.78 crore as on March 31, 2008).

Advances from customers as on March 31, 2009 is Rs.5.98 crore (Rs.9.62 crore as on March 31, 2008). These consist of advance payments received from customers and "Unearned Revenue". Unearned Revenue is defined as client billing for which related costs have not incurred or product license delivery is at later date.

At the end of the year Rs.4.04 crore is the liability on Mark to Market options /Forward contracts in foreign exchange consisting of Rs.1.23 crore on forward contracts and Rs.3.00 crore on options. Details of the same are given in Notes to the financials.

The amount of Unclaimed Dividend as on March 31, 2009 is Rs.0.12 crore (Rs.0.11 crore as on March 31, 2008).

Other liabilities represent amounts accrued for Statutory dues for the taxes deducted at source by the Company, staff provident fund, employee state insurance liabilities, sales tax, etc. The total amount of other liabilities as on March 31,2009 is Rs. 3.40 crore (Rs 2.37 crore as on March 31,2008).

Provisions

Provisions as on March 31, 2009 are Rs.18.51 crore (Rs.18.61 crore as on March 31, 2008). The break-up of provision at the year-end is given below:

(Rs. in crore)

As at March 31,	2009	2008
Gratuity	5.13	3.55
Leave encashment	3.91	3.70
Fringe Benefit Tax	–	–
Dividend	8.09	9.71
Corporate dividend tax	1.38	1.65
Total	**18.51**	**18.61**

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

Provision for Dividend as on March 31, 2009 is Rs.8.09 crore, with a provision for corporate dividend tax of Rs.1.38 crore.

AUDITORS' REPORT

For the Financial Statements for the year ended March 31, 2009

Auditors' Report

To the Members of

Nucleus Software Exports Limited

We have audited the attached Balance Sheet of Nucleus Software Exports Ltd. ('the Company') as at 31 March 2009, the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date, 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.

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

As required by the Companies (Auditor's Report) Order, 2003 ('the Order') 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.

Further to our comments in the Annexure referred to above, we report that:

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

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

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

(d) in our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards prescribed by Companies (Accounting Standards) Rules, 2006, to the extent applicable;

(e) on the basis of written representations received from the Directors, as on 31 March 2009, and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on 31 March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and

(f) 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 2009;

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

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

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

Sd/-
Vikram Advani
Partner
Membership no.: 091765

Gurgaon
April 26, 2009

Annexure to the Auditors' report

The Annexure referred to in our report to the members of Nucleus Software Exports Ltd. ('the Company') for the year ended 31 March 2009. We report that:

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

(b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, management has during the year physically verified computers and furniture and fixtures at its facility in Noida. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancies were noticed on such verification.

(c) None of the fixed assets were disposed off during the year.

(ii) The Company is a service company, primarily rendering software services. Accordingly it does not hold any physical inventories. Thus, the provisions of paragraph 4(ii) of the Order are not applicable to the Company.

(iii) (a) The Company has granted an interest free loan to one of its wholly owned subsidiary company, covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs.25,114,849 and the year end balance of such loan as at 31 March 2009 was Rs. 25,114,849. As informed to us, the Company has not granted any other loan, secured or unsecured to other companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

(b) According to the information and explanations given to us, we are of the opinion that the terms and conditions on which the loan has been granted to the subsidiary company listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.

(c) According to the terms of the interest free loan agreement between the Company and its wholly owned subsidiary company per (iii) (a) above, no portion of principal amount was repayable during the current year.

(d) There are no amounts overdue as at 31 March 2009 in respect of loan granted to the company mentioned in (iii) (a) above in accordance with the terms of the interest free loan agreement.

(iv) In our opinion and according to the information and explanations given to us and having regard to the explanation that services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.

(v) (a) In our opinion and according to the information and explanation given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.

(b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time except for purchase and sale of certain types of services which are for the specialized requirements of the Company and the buyers respectively and for which alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size of the company and nature of its business.

(viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 in respect of services rendered by the Company.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Customs duty, Investor Education and Protection Fund and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the provisions of Excise duty are not applicable to the Company.

There were no dues on account of cess under Section 441A of the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Customs duty and other material statutory dues were in arrears as at 31 March 2009 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Wealth tax, Service tax, and Customs duty which have not been deposited with the appropriate authorities on account of any dispute. As explained to us, the provisions of Excise duty are not applicable to the Company. In respect of Cess refer to our comments in para (ix) (a) above.

(x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

(xi) The Company did not have any outstanding dues to any financial institution, banks or debentureholders during the year.

(xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) 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.

(xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xvi) The Company did not have any term loans outstanding during the year.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that funds raised on short-term basis have not been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to companies, firms or parties covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money by public issues.

(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

Sd/-
Vikram Advani
Partner
Membership no.: 091765

Gurgaon
April 26, 2009

Balance Sheet as at 31 March 2009

Amount in Rupees

	Schedule	As at 31 March 2009	As at 31 March 2008
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	323,715,240	323,685,240
Advance pursuant to Stock Option Schemes		5,999,100	6,754,100
Reserves and Surplus	2	1,727,290,025	1,559,362,156
		2,057,004,365	1,889,801,496
		2,057,004,365	1,889,801,496
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	885,944,866	788,863,849
Less: Accumulated Depreciation		(393,789,994)	(292,612,908)
Net Block		492,154,872	496,250,941
Add: Capital Work in Progress (including capital advances)		919,233	20,487,398
		493,074,105	516,738,339
Investments	4	296,293,234	955,144,959
Deferred Tax Asset (refer note 3, schedule 16)		14,721,892	1,620,506
Current Assets, Loans and Advances			
Sundry Debtors	5	512,700,324	449,919,498
Cash and Bank Balances	6	824,813,049	57,191,639
Loans and Advances	7	169,103,521	120,841,809
Other Current Assets	8	302,072,562	328,920,411
		1,808,689,456	956,873,357
Less: Current Liabilities and Provisions			
Current Liabilities	9	(370,679,290)	(354,422,319)
Provisions	10	(185,095,032)	(186,153,346)
		(555,774,322)	(540,575,665)
Net Current Assets		1,252,915,134	416,297,692
		2,057,004,365	1,889,801,496
Significant accounting policies and notes to the accounts	16		

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

As per our report of even date attached

For B S R & Co.
Chartered Accountants

Vikram Advani
Partner
Membership No.: 091765

Gurgaon
April 26, 2009

For and on behalf of the Board of Directors

Janki Ballabh
Chairman

Vishnu R Dusad
Managing Director

Noida (U.P)
April 26, 2009

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Profit and Loss Account for the year ended 31 March 2009

Amount in Rupees

	Schedule	For the year ended 31 March 2009	For the year ended 31 March 2008
Sales and Services	11	2,094,346,387	1,969,518,038
Software Development Expenses	12	1,307,267,825	1,098,157,839
Gross Profit		787,078,562	871,360,199
Selling and Marketing Expenses	13	187,345,955	142,309,982
General and Administration Expenses	14	217,724,001	156,096,021
Operating Profit Before Depreciation and Withholding Tax		382,008,606	572,954,196
Depreciation	3	101,177,086	81,017,846
Withholding Taxes Charged off		72,624,682	41,497,730
Operating Profit After Depreciation and Withholding Tax		208,206,838	450,438,620
Other Income	15	165,629,052	148,773,509
(Loss)/Gain on Foreign Exchange Fluctuation (net)		(88,096,691)	21,378,027
Profit Before Taxation		285,739,199	620,590,156
Provision For Tax – current income tax		33,500,000	61,900,000
– MAT credit (entitlement) / reversal (refer note 9, schedule16)		(5,200,000)	(54,100,000)
– fringe benefit tax		7,020,686	7,167,414
– deferred tax (credit) / charge (refer note 3, schedule16)		(13,101,386)	(2,141,712)
– income tax for earlier years		1,943,173	–
Provision for Wealth Tax		88,047	70,040
Profit After Taxation		261,488,679	607,694,414
Profit Available for Appropriation			
Profit for the Year		261,488,679	607,694,414
Add: Balance Brought Forward		935,567,064	502,245,490
Total Amount Available for Appropriation		1,197,055,743	1,109,939,904
Proposed Dividend		80,925,060	97,101,072
Corporate Dividend Tax (refer note 23, schedule 16)		6,530,339	16,502,327
Transferred to General Reserve		26,148,868	60,769,441
Balance Carried Forward to the Balance Sheet		1,083,451,476	935,567,064
Earnings Per Equity Share (par value Rs.10 each) (refer note 17, schedule 16)			
Basic		8.08	18.78
Diluted		8.07	18.63
Number of shares used in computing earnings per equity share			
Basic		32,369,568	32,358,999
Diluted		32,377,620	32,615,059
Significant accounting policies and notes to the accounts	16		

The schedules referred to above form an integral part of the Financial Statements

As per our report of even date attached

For B S R & Co.
Chartered Accountants

Vikram Advani
Partner
Membership No.: 091765

Gurgaon
April 26, 2009

For and on behalf of the Board of Directors

Janki Ballabh
Chairman

Vishnu R Dusad
Managing Director

Noida (U.P)
April 26, 2009

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Cash Flow Statement for the year ended 31 March 2009

Amount in Rupees

	For the year ended 31 March 2009	For the year ended 31 March 2008
A. Cash Flow from operating activities		
Net profit before tax	285,739,199	620,590,156
Adjustment for:		
Depreciation	101,177,086	81,017,846
Exchange difference on translation of foreign currency accounts	9,665,202	(285,402)
Dividend received from non-trade investments	(13,916,401)	(16,430,650)
Dividend received from subsidiary	(42,500,000)	(100,000,000)
Interest on fixed deposits	(34,769,928)	(809,091)
Interest on loan to subsidiaries	–	(120,149)
Profit on sale of investments	(66,988,868)	(24,833,708)
Amortisation of employees stock compensation expenses	3,220,673	5,990,268
Profit on sale of fixed assets (net)	–	(907,591)
Advances and other current assets written off	4,846,684	6,609,696
Provision for doubtful debts / advances / other current assets	30,679,934	5,866,055
Provisions written back	(5,511,808)	–
Provision for dimunition in the value of investments	5,515,363	4,895,477
Operating profit before working capital changes	277,157,136	581,582,907
(Increase) / decrease in sundry debtors	(69,417,582)	(77,133,518)
(Increase) / decrease in loans and advances	12,824,301	(32,363,816)
(Increase) / decrease in other current assets	60,902,154	(181,227,207)
(Decrease) / increase in current liabilities and provisions	(8,418,249)	(85,230,921)
	273,047,760	205,627,446
Income tax paid (net)	(51,127,761)	(22,651,128)
Wealth tax paid	(88,047)	–
Fringe benefit tax paid	(6,880,686)	(9,969,688)
Net cash from operating activities (A)	**214,951,266**	**173,006,630**
B. Cash Flow from investing activities		
Purchase of fixed assets/capital work in progress	(81,187,982)	(135,233,054)
Sale of fixed assets	–	2,810,333
Purchase of current investments	(1,685,829,309)	(2,263,695,055)
Proceeds on sale of current investments	2,353,813,139	2,023,304,424
Proceeds on sale of non trade investments	158,732,400	–
Investments in shares of subsidiaries	(106,391,000)	–
Loans and advances to subsidiaries (net)	(30,367,749)	2,821,875
Interest on fixed deposits and loan to subsidiaries	9,150,848	739,397
Income tax paid	(15,415,620)	(2,067,602)
Dividend received from non-trade investments	13,916,401	16,430,650
Dividend received from subsidiary	42,500,000	100,000,000
Net cash from / (used in) investing activities (B)	**658,921,128**	**(254,889,032)**
C. Cash Flow from financing activities		
Dividend paid (including corporate dividend tax)	(106,380,524)	–
Advance pursuant to employee stock option scheme / proceeds from employee stock option excercised	360,000	5,191,800
Net cash from / (used) in financing activities (C)	**(106,020,524)**	**5,191,800**
Net increase / (decrease) in cash and cash equivalents (A+B+C)	767,851,870	(76,690,603)
Opening cash and cash equivalents	57,191,639	134,345,157
Exchange difference on translation of foreign currency bank accounts	(230,460)	(462,915)
Closing cash and cash equivalents*	**824,813,049**	**57,191,639**

*include fixed deposits amounting to Rs.5,365,165 (Rs.6,412,120) under lien with bank on account of guarantees issued on behalf of the Company and other fixed deposits amounting to Rs.713,577,049 (Rs.5,124,055)

Note:

1. The above cash flow statement has been prepared in accordance with the 'Indirect method' as set out in the Accounting Standard 3 on "Cash Flow Statements" prescribed under Companies (Accounting Standard) Rules, 2006.
2. Cash and cash equivalents consist of cash in hand, remttance in transit, balances in current accounts and fixed deposits with scheduled banks / non scheduled banks.

As per our report of even date attached

For B S R & Co.
Chartered Accountants

Vikram Advani
Partner
Membership No.: 091765

Gurgaon
April 26, 2009

For and on behalf of the Board of Directors

Janki Ballabh
Chairman

Vishnu R Dusad
Managing Director

Noida (U.P)
April 26, 2009

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Schedules forming part of the financial statements

Amount in Rupees

	As at 31 March 2009	As at 31 March 2008
SCHEDULE 1		
SHARE CAPITAL		
Authorised capital		
40,000,000 (40,000,000) equity shares of Rs.10 each	400,000,000	400,000,000
Issued, subscribed and paid up		
Issued		
32,372,824 (32,369,824) equity shares of Rs.10 each	323,728,240	323,698,240
Subscribed and paid up		
32,370,024 (32,367,024) equity shares of Rs.10 each, fully paid up	323,700,240	323,670,240
Of the above:		
16,185,012 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2008 8,045,406 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2005 2,637,050 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of general reserve and securities premium account during the year ended 31 March 2002 1,452,270 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of general reserve during the year ended 31 March 1995		
Add: 2,800 (2,800) forfeited equity shares pending for reissue	15,000	15,000
	323,715,240	**323,685,240**
SCHEDULE 2		
RESERVES AND SURPLUS		
General reserve		
Balance as at 1 April	592,242,991	531,473,550
Add: Transferred from Profit and Loss Account	26,148,868	60,769,441
	618,391,859	592,242,991
Securities premium account		
Balance as at 1 April	20,484,589	173,199,509
Add: Securities premium received	360,000	5,191,800
Add : On conversion of stock options issued to employees	123,600	3,928,400
Less: Amount utilised for issuance of bonus shares	15,000	161,835,120
	20,953,189	20,484,589
Capital reserve account		
Balance as at 1 April	1,800,030	1,573,030
Add: Amount forfeited against employees stock option plan	740,000	227,000
	2,540,030	1,800,030
Employee stock options		
Balance as at 1 April	15,248,208	19,234,288
Less: Reversal on forfeiture of stock options granted	784,000	57,680
Less: Transferred to securities premium account on exercise of stock options	123,600	3,928,400
	14,340,608	15,248,208
Less: Deferred employee compensation	(1,976,054)	(5,980,726)
	12,364,554	9,267,482
Hedging reserve (refer note 4, schedule16)		
	(10,411,083)	–
	(10,411,083)	–
Profit and Loss Account		
Balance as at 1 April	935,567,064	502,245,490
Add: Profit for the year	261,488,679	607,694,414
Less: Transferred to general reserve	26,148,868	60,769,441
Less: Proposed dividend	80,925,060	97,101,072
Less: Corporate dividend tax	6,530,339	16,502,327
	1,083,451,476	935,567,064
	1,727,290,025	**1,559,362,156**

Schedules forming part of the financial statements

SCHEDULE 3

FIXED ASSETS

Amount in Rupees

	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2008	Additions	Deductions / adjustments	As at 31 March 2009	As at 1 April 2008	Depreciation for the year	Deductions / adjustments	As at 31 March 2009	As at 31 March 2009	As at 31 March 2008
Tangible assets										
Freehold land	3,360,720	–	–	3,360,720	–	–	–	–	3,360,720	3,360,720
Leasehold land	66,395,000	–	–	66,395,000	4,377,181	751,556	–	5,128,737	61,266,263	62,017,819
Leasehold improvements	9,105,792	3,434,163	–	12,539,955	1,831,870	3,097,980	–	4,929,850	7,610,105	7,273,922
Buildings	242,917,825	108,166	–	243,025,991	19,462,875	8,075,681	–	27,538,556	215,487,435	223,454,950
Plant and machinery (including Office equipment)	114,916,615	24,386,732	–	139,303,347	50,839,976	23,321,322	–	74,161,298	65,142,049	64,076,639
Computers	188,098,858	37,030,095	–	225,128,953	103,632,897	38,625,897	–	142,258,794	82,870,159	84,465,961
Vehicles	16,554,013	724,351	–	17,278,364	6,249,336	3,357,607	–	9,606,943	7,671,421	10,304,677
Furniture and fixtures	45,281,071	1,621,814	–	46,902,885	26,260,934	6,327,966	–	32,588,900	14,313,985	19,020,137
Intangible assets										
Softwares	102,233,955	29,775,696	–	132,009,651	79,957,839	17,619,077	–	97,576,916	34,432,735	22,276,116
Total	**788,863,849**	**97,081,017**	**–**	**885,944,866**	**292,612,908**	**101,177,086**	**–**	**393,789,994**	**492,154,872**	**496,250,941**
Previous year	548,039,427	248,170,761	(7,346,339)	788,863,849	217,038,659	81,017,846	(5,443,597)	292,612,908	496,250,941	–

Amount in Rupees

	As at 31 March 2009	As at 31 March 2008
SCHEDULE 4		
INVESTMENTS		
Long term investments		
Equity shares - Trade and unquoted		
Nil (10,040,000) equity shares of Rs.10 each, fully paid up, in GMAC Financial Services India Limited	–	136,882,640
[Of the above, Nil (80,000) equity shares are held by nominees on behalf of the Company]		
25,000 (25,000) equity shares of Rs.100 each, fully paid up, in Ujjivan Financial Services Private Limited	2,500,000	2,500,000
	2,500,000	139,382,640
Equity shares in wholly owned subsidiaries - Unquoted		
625,000 (625,000) equity shares of Singapore Dollar 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore, a wholly owned subsidiary	16,319,950	16,319,950
1,000,000 (1,000,000) equity shares of US Dollar 0.35 each, fully paid up, in Nucleus Software Inc., USA, a wholly owned subsidiary	16,293,150	16,293,150
200 (200) equity shares of Japanese Yen 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaiga, Japan, a wholly owned subsidiary	4,092,262	4,092,262
316,000 (316,000) equity shares of Australian Dollar 1 each, fully paid up, in Nucleus Software (Australia) Pty. Ltd., Australia, a wholly owned subsidiary	9,790,955	9,790,955
Less: Provision for diminution in value of investment in Nucleus Software (Australia) Pty. Ltd., Australia	(9,790,955)	(4,895,477)
100,000 (100,000) equity shares of Hong kong Dollar 1 each, fully paid up, in Nucleus Software (HK) Ltd., Hong Kong, a wholly owned subsidiary	619,885	619,885
Less: Provision for diminution in value of investment in Nucleus Software (HK) Ltd., Hong Kong	(619,885)	–
1,000,000 (1,000,000) equity shares of Rs.10 each, fully paid up, in VirStra *i*-Technology Services Limited, India, a wholly owned subsidiary [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company]	10,000,000	10,000,000
2,000 (1,000) equity shares of Euro 100 each, fully paid up, in Nucleus Software Netherlands B.V., Netherlands, a wholly owned subsidiary	11,756,000	5,365,000
10,000,000 (Nil) equity shares of Rs.10 each, fully paid up, in Nucleus Software Limited, India a wholly owned subsidiary [Of the above, 6 (Nil) equity shares are held by nominees on behalf of the Company]	100,000,000	–
	158,461,362	57,585,725
Current investments		
Investments in bonds and mutual funds - Non trade and unquoted		
Nil (5,000,000) units of face value of Rs.10 each of UTI Fixed Maturity HFMP 03/08 I Plan E- Inst. (D)	–	50,000,000
Nil (2,500,000) units of face value of Rs.10 each of ICICI Prudential FMP Series 34-One Year Plan B Inst. (G)	–	25,000,000
Nil (1,821,275) units of face value of Rs.10 each of ICICI Prudential Flexible Income Plan - (D)	–	19,257,256
Nil (1,025,916) units of face value of Rs.10 each of ICICI Prudential Interval Fund II Qtrly Interval Plan C - (D)	–	10,259,156
5,255,930 (Nil) units of face value of Rs.10 each of ICICI Prudential Institutional Liquid Plan-Super Institutional-(D)	52,561,930	–
Nil (1,024,881) units of face value of Rs.10 each of Birla Interval Income Fund -Inst. Quarterly series- 3-(D)	–	10,248,882
Nil (1,500,000) units of face value of Rs.10 each of ING Long Term FMP 1 Inst. (G)	–	15,000,000
Nil (2,500,000) units of face value of Rs.10 each of ABN AMRO FTPS5 14 Mths Plan Inst (G)	–	25,000,000
Nil (2,500,000) units of face value of Rs.10 each of ABN AMRO FTPS8-Yly Plan A-Inst.(G)	–	25,000,000

Amount in Rupees

	As at 31 March 2009	As at 31 March 2008
Nil (1,500,000) units of face value of Rs.10 each of HSBC Fixed Term Series-27 Inst. (G)	–	15,000,000
Nil (1,000,000) units of face value of Rs.10 each of HSBC Fixed Term Series-28 Inst. (G)	–	10,000,000
Nil (6,000,000) units of face value of Rs.10 each of HSBC Fixed Term Series-44 Inst. (G)	–	60,000,000
Nil (1,091,130) units of face value of Rs.10 each of HDFC FMP 367D April 2007 (5)-Wholesale Plan (G)	–	10,911,300
Nil (5,000,000) units of face value of Rs.10 each of HDFC FMP 13M March 2008 (VII)(2) -Wholesale Plan (G)	–	50,000,000
2,828,469 (Nil) units of face value of Rs.10 each of HDFC Cash Management Fund-Savings Plan-(D)	30,084,727	–
1,231,736 (Nil) units of face value of Rs.10 each of HDFC Liquid Fund Premium Plan-(D)	15,100,840	–
Nil (2,500,000) units of face value of Rs.10 each of Principal Pnb FMP 385 Days-Series IV-Mar 07 Inst. (G)	–	25,000,000
1,966,813 (Nil) units of face value of Rs.10 each of Reliance Liquid Fund -Treasury Plan Institutional Option-(D)	30,067,057	–
Nil (1,500,000) units of face value of Rs.10 each of Reliance Fixed Horizon Fund III-Annual Plan S-I-Inst. (G)	–	15,000,000
Nil (1,500,000) units of face value of Rs.10 each of Reliance Fixed Horizon Fund III-Annual Plan S-IV-Inst. (G)	–	15,000,000
684,631 (Nil) units of face value of Rs.10 each of LICMF Liquid Fund-(D)	7,517,318	–
Nil (2,000,000) units of face value of Rs.10 each of Kotak FMP 14M Series-4 - Inst. (G)	–	20,000,000
Nil (2,500,000) units of face value of Rs.10 each of Kotak FMP 13M Series 2 Inst. (G)	–	25,000,000
Nil (2,500,000) units of face value of Rs.10 each of DWS Fixed Term Fund Series 24-Inst. (G)	–	25,000,000
Nil (2,000,000) units of face value of Rs.10 each of DWS Fixed Term Fund Series 33-Inst. (G)	–	20,000,000
Nil (5,000,000) units of face value of Rs.10 each of DWS Fixed Term Fund Series 47-Inst. (G)	–	50,000,000
Nil (750,000) units of face value of Rs.10 each of Standard Chartered Fixed Maturity Plan B Yearly Series 11 (G)	–	7,500,000
Nil (4,000,000) units of face value of Rs.10 each of Templeton Fixed Horizon Fund Series II-Plan B-Inst. (G)	–	40,000,000
Nil (10,000) units of face value of Rs.1000 each of DSP Merrill Lynch FTP Series 3D-Inst. (G)	–	10,000,000
Nil (4,000,000) units of face value of Rs.10 each of DSP Merrill Lynch FMP 12 1/2M Series1-Inst. (G)	–	40,000,000
Nil (2,500,000) units of face value of Rs.10 each of Lotus India FMP 375 Days Series II Inst. Growth	–	25,000,000
Nil (1,500,000) units of face value of Rs.10 each of Lotus India FMP 375 Days Series VII Inst. Growth	–	15,000,000
Nil (3,000,000) units of face value of Rs.10 each of Sundaram BNP Paribas Fixed Term Plan D- Inst. (G)	–	30,000,000
Nil (2,000,000) units of face value of Rs.10 each of Sundaram BNP Paribas Fixed Term Plan E- Inst. (G)	–	20,000,000
Nil (5,000,000) units of face value of Rs.10 each of IDFC Fixed Maturity Plan-Yearly Series 19-Plan B-(G)	–	50,000,000
	135,331,872	**758,176,594**
	296,293,234	**955,144,959**

Notes:

1. Net asset value (NAV) of current investments is Rs.135,331,872 (Rs.788,836,182) as at 31 March 2009.
2. Refer note 8, schedule 16 for details of investments purchased and sold during the year ended 31 March 2009.

Amount in Rupees

	As at 31 March 2009	As at 31 March 2008
SCHEDULE 5		
SUNDRY DEBTORS (UNSECURED)		
Debts outstanding for a period exceeding six months		
– Considered good	86,754,261	32,883,242
– Considered doubtful	14,314,413	6,935,163
	101,068,674	39,818,405
Less: Provision for doubtful debts	(14,314,413)	(6,935,163)
	86,754,261	32,883,242
Other debts (considered good)*	425,946,063	417,036,256
	512,700,324	**449,919,498**

* includes debt amounting to Rs.10,615,001 (Rs.14,408,112) from Nucleus Software Inc., USA, Rs.7,696,718 (Rs.28,251,263) from Nucleus Software Japan Kabushiki Kaiga, Rs.16,029,068 (Rs.45,492,600) from Nucleus Software Solutions Pte. Ltd., Singapore, Rs.610,246 (Rs.96,127) from Nucleus Sofware Netherlands B.V., Netherlands and Rs.2,704,526 (Rs.Nil) from VirStra *i*-Techonolgy Services Limited, India, being companies under the same management within the meaning of section 370 (1-B) of the Companies Act, 1956.

	As at 31 March 2009	As at 31 March 2008
SCHEDULE 6		
CASH AND BANK BALANCES (refer note 7, schedule16)		
Cash in hand	1,854,881	252,925
Balances with scheduled banks:		
– in current accounts	74,676,490	43,510,213
– in fixed deposit accounts*	718,942,214	11,536,175
Balance with non scheduled banks:		
– in current account (Citibank, United Kingdom) [Maximum amount outstanding during the year Rs.2,307,184 (Rs.2,020,956)]	1,019,739	816,658
– in current account (Citibank, U.A.E) [Maximum amount outstanding during the year Rs.3,212,886 (Rs.2,210,768)]	476,810	1,075,668
Remittance in transit	27,842,915	–
	824,813,049	**57,191,639**

*include fixed deposits amounting to Rs.5,365,165 (Rs.6,412,120) under lien with bank on account of guarantees issued on behalf of the Company

	As at 31 March 2009	As at 31 March 2008
SCHEDULE 7		
LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	11,440,354	21,168,252
Loans and advances to subsidiaries*	25,114,849	–
Security deposits	9,891,046	9,702,487
Mark to Market on Options/Forward contracts	–	667,502
Advance income tax [net of provision Rs.61,606,885 (Rs.37,246,234)]	41,566,786	8,466,578
Advance fringe benefit tax [net of provision Rs.24,583,704 (Rs.17,563,018)]	2,592,274	2,732,274
MAT credit entitlement (refer note 9, schedule16)	57,300,000	54,100,000
Prepaid expenses	21,198,212	24,004,716
	169,103,521	**120,841,809**

* includes loan amounting to Rs.Nil (Rs.Nil) to Nucleus Software Inc., USA, [maximum amount outstanding during the year Rs.Nil (Rs.2,821,875)] and Rs.25,114,849 (Rs.Nil) to Nucleus Software Limited, [maximum amount outstanding during the year Rs.25,114,849 (Rs.Nil)], being companies under the same management within the meaning of section 370 (1-B) of the Companies Act, 1956.

	As at 31 March 2009	As at 31 March 2008
		Amount in Rupees
SCHEDULE 8		
OTHER CURRENT ASSETS		
Service income accrued but not due [net of provision of Rs.12,010,692 (Rs.1,690,037)]*	275,369,926	327,836,855
Interest accrued but not due	26,702,636	1,083,556
	302,072,562	**328,920,411**

* includes service income accrued but not due amounting to Rs.Nil (Rs.7,047137) from Nucleus Software Inc., USA, Rs.52,292,340 (Rs.100,895,679) from Nucleus Software Japan Kabushiki Kaiga and Rs.Nil (Rs.2,714,067) from Nucleus Software Solutions Pte. Ltd., Singapore, being companies under the same management within the meaning of section 370 (1-B) of the Companies Act, 1956.

	As at 31 March 2009	As at 31 March 2008
SCHEDULE 9		
CURRENT LIABILITIES		
Sundry creditors *#	202,633,269	193,111,259
Withholding tax	25,770,224	27,772,507
Due to subsidiaries	6,891,872	12,492,355
Advances from customers	59,815,181	96,178,719
Mark to Market on Options / Forward contracts (refer note 4, schedule16)	40,417,880	–
Unclaimed dividends	1,194,215	1,085,191
Other liabilities**	33,956,649	23,782,288
	370,679,290	**354,422,319**

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

Includes salary, bonus and incentives payable of Rs.54,367,100 (Rs.35,605,319).

** Includes contribution to provident and other funds payable of Rs.8,499,304 (Rs.7,353,616).

	As at 31 March 2009	As at 31 March 2008
SCHEDULE 10		
PROVISIONS		
Gratuity	51,341,655	35,529,286
Leave encashment	39,075,103	37,020,661
Proposed dividend	80,925,060	97,101,072
Corporate dividend tax	13,753,214	16,502,327
	185,095,032	**186,153,346**

Amount in Rupees

	For the year ended 31 March 2009	For the year ended 31 March 2008
SCHEDULE 11		
SALES AND SERVICES		
Software development services and products		
– Domestic	382,272,032	336,999,848
– Overseas	1,712,074,355	1,632,518,190
	2,094,346,387	**1,969,518,038**
SCHEDULE 12		
SOFTWARE DEVELOPMENT EXPENSES		
Salaries and allowances	853,455,537	703,779,243
Contribution to provident and other funds	48,499,723	37,531,770
Directors' remuneration [including stock compensation expenses Rs.Nil (Rs.125,089)]	6,210,000	10,493,089
Employee's stock compensation expenses (net)	2,737,584	4,791,600
Staff welfare	16,133,330	11,979,555
Conveyance	10,954,723	10,471,320
Communication	15,060,620	13,595,297
Rent	5,331,569	5,604,825
Legal and professional	18,333,397	15,892,577
Repair and maintenance		
– Buildings	558,689	1,425,432
– Others	11,293,073	8,924,722
Training and recruitment	11,495,603	22,471,393
Printing and stationery	922,899	1,270,307
Insurance	3,165,838	3,093,513
Software and other development charges	79,306,710	12,109,684
Cost of software purchased for delivery to clients	53,811,355	64,871,485
Travelling	133,363,188	138,684,760
Power and fuel	24,563,233	20,576,723
Conference, exhibition and seminar	–	212,690
Information technology expenses	9,210,475	6,207,442
Miscellaneous expenses	2,860,279	4,170,412
	1,307,267,825	**1,098,157,839**
SCHEDULE 13		
SELLING AND MARKETING EXPENSES		
Salaries and allowances	80,466,585	61,551,033
Contribution to provident and other funds	2,503,103	2,368,477
Directors' remuneration [including stock compensation expenses Rs.Nil (Rs.125,089)]	6,210,000	10,493,089
Employee's stock compensation expenses (net)	196,123	366,506
Staff welfare	1,556,938	1,137,253
Conveyance	2,904,912	2,533,613
Communication	1,350,934	2,147,696
Rent	8,544,802	5,375,271
Legal and professional	13,610,004	2,161,712
Repair and maintenance		
– Buildings	29,330	78,510
– Others	592,842	499,354
Training and recruitment	448,948	1,223,762
Printing and stationery	1,727,967	4,132,414
Insurance	175,979	139,610
Travelling	27,050,489	23,135,913
Advertisement and business promotion	8,897,607	10,513,439
Power and fuel	1,926,985	1,446,910
Conference, exhibition and seminar	12,840,739	7,705,625
Information technology expenses	352,399	284,157
Commission to channel partners	5,658,663	4,517,151
Miscellaneous expenses	10,300,606	498,487
	187,345,955	**142,309,982**

Amount in Rupees

	For the year ended 31 March 2009	For the year ended 31 March 2008
SCHEDULE 14		
GENERAL AND ADMINISTRATION EXPENSES		
Salaries and allowances	92,634,600	70,368,142
Contribution to provident and other funds	5,893,266	4,194,447
Directors' remuneration [including stock compensation expenses Rs.Nil (Rs.62,545)]	3,105,000	6,791,545
Employee's stock compensation expenses (net)	286,966	519,439
Staff welfare	2,472,713	1,897,170
Conveyance	2,189,302	3,494,733
Communication	2,042,499	2,574,840
Rent	228,199	260,699
Rates and taxes	2,388,574	4,618,937
Legal and professional	18,743,171	9,741,310
Repair and maintenance		
– Buildings	145,045	368,327
– Others	2,931,883	2,302,428
Training and recruitment	1,783,081	2,545,101
Printing and stationery	1,089,036	1,451,076
Insurance	307,902	310,675
Bank charges	1,767,758	1,661,660
Travelling	15,718,451	3,266,312
Advertisement and business promotion	1,381,390	2,680,087
Power and fuel	2,189,656	2,118,456
Conference, exhibition and seminar	34,510	254,211
Information technology expenses	896,415	620,068
Advances and other current assets written off	4,846,684	6,609,696
Provision for doubtful debts /advances / other current assets *	30,679,934	5,866,055
Provision for dimunition in the value of investments	5,515,363	4,895,477
Miscellaneous expenses	18,452,603	16,685,130
	217,724,001	**156,096,021**

* Includes bad debts written off Rs.12,790,985 (Rs.8,613,363)

	For the year ended 31 March 2009	For the year ended 31 March 2008
SCHEDULE 15		
OTHER INCOME		
Dividend received from non-trade investments	13,916,401	16,430,650
Dividend received from subsidiary	42,500,000	100,000,000
Interest on fixed deposits [gross of tax deducted at source Rs.1,888,316; (Rs.25,974)]	34,769,928	809,091
Interest on loan to subsidiary	–	120,149
Profit on sale of fixed assets (net)	–	907,591
Profit on sale of investments		
– Long term trade investment	21,849,760	–
– Current non trade investments	45,139,108	24,833,708
Provisions written back	5,511,808	–
Miscellaneous income	1,942,047	5,672,320
	165,629,052	**148,773,509**

SCHEDULE 16

Significant accounting policies and notes to the accounts

1. Company Overview

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

2. Significant accounting policies

(i) Basis of preparation

The financial statements are prepared under the historical cost convention on the accrual basis, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") and mandatory accounting standards as prescribed in the Companies (Accounting Standard) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India ("SEBI"). Accounting policies have been consistently applied except where a newly issued accounting standard, if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

(ii) Use of estimates

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

(iii) Revenue recognition

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

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

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

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

(iv) Expenditure

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

(v) Fixed assets and capital work in progress

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

(vi) Depreciation

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

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

Asset category	Useful life (in years)
Building	30
Plant and machinery (including office equipment)	5
Computers	4
Vehicles	5
Furniture and fixtures	5
Software	3
Temporary wooden structures (included in furniture and fixtures)	1

(vii) Investments

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

(viii) Research and development

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

(ix) Foreign exchange transactions

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

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

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

Foreign exchange forward contracts where there is an underlying are accounted in accordance with AS 11 – "The Effects of Changes in Foreign Exchange Rates" i.e.,

a) the premium or discount on all such contracts arising at the inception of each contract is amortised as income or expense over the life of the contract.

b) the exchange difference is calculated as the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date, or the settlement date where the transaction is settled during the reporting period, and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences is recognised in the Profit and Loss Account in the reporting period in which the exchange rates change.

c) any profit or loss arising on the cancellation or renewal of such contracts is recognised as income or as expense for the year.

Till previous year, foreign exchange forward contracts in respect of highly probable/forecasted transactions and foreign exchange options were marked to market and any resultant gain/ loss was recognized in the Profit and Loss Account.

Effective 1 April 2008, the Company adopted hedge accounting in respect of highly probable/forecasted transactions in accordance with principles set out in AS 30. The Company records the gain or loss on effective hedges in the hedging reserve until the transactions are complete. On completion, the gain or loss is transferred to the Profit and Loss Account of that year. To designate a forward contract or option as an effective hedge, management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as effective hedge, a gain or loss is recognized in the Profit and Loss Account.

(x) Employee stock option based compensation

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

(xi) Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

Defined benefit plans

Gratuity

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

Other long term employee benefits

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

(xii) Operating leases

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

(xiii) Earnings per share

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

(xiv) Taxation

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

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

Consequent to the introduction of Fringe Benefits Tax ("FBT") effective 1 April 2005, in accordance with the guidance note on accounting for fringe benefits tax issued by the Institute of Chartered Accountants of India, the Company has made a provision for FBT in accordance with the provisions of the Income tax Act, 1961.

(xv) 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.

(xvi) Contingencies

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

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

3. Deferred tax asset/(liability)

Components of net deferred tax asset/(liability):

Amount in Rupees

	As at 31 March 2009	As at 31 March 2008
Deferred tax asset		
Provision for doubtful debts	3,260,917	652,173
Provision for retirement benefits	28,293,037	19,681,623
	31,553,954	20,333,796
Deferred tax liability		
Difference of depreciation as per Income-tax laws and books of accounts	(16,832,062)	(18,713,290)
Net deferred tax asset	14,721,892	1,620,506

4. Forward contracts and options in foreign currency

	As at 31 March 2009	As at 31 March 2008
Forward contract outstanding		
In USD	4,750,000	8,517,624
Equivalent amount in Rupees	241,015,000	339,853,198
Options contract outstanding		
In USD	3,400,000	20,400,000
Equivalent amount in Rupees	172,516,000	813,960,000

Effective 1 April 2008, the Company adopted hedge accounting in accordance with principles set out in AS 30. As at 31 March 2009, the Company has recorded marked to market loss of Rs.10,411,083 relating to forward contracts that are designated as effective cash flow hedges with a corresponding debit to hedging reserves. Further as at 31 March 2009, the Company has recorded marked to market loss of Rs.30,006,797 relating to foreign currency options which does not qualify for hedging and accordingly the loss has been recognized in the Profit and Loss Account. Had the Company not adopted hedge accounting, net profit before tax for the year ended 31 March 2009, would have been lower by Rs.9,729,126; further, as at 31 March 2009, debit balance in hedging reserve would have been lower by Rs.10,411,083 and credit balance in the profit and loss account and sundry creditors would have been lower by Rs.681,957.

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

Current Assets					
As at 31 March 2009			As at 31 March 2008		
Amount in foreign currency		Amount in rupees	Amount in foreign currency		Amount in rupees
USD	12,464,731	616,920,280	USD	15,644,921	624,232,361
EURO	12,206	792,382	EURO	134,427	8,478,295
SGD	1,166,923	39,195,408	SGD	1,639,118	47,681,934
AED	468,056	6,379,597			
RM	1,211,277	16,957,876			
			GBP	2,062	164,189
			RO	47,822	4,967,251
			JPY	11,107,960	4,437,630

Creditors					
As at 31 March 2009			As at 31 March 2008		
Amount in foreign currency		Amount in rupees	Amount in foreign currency		Amount in rupees
USD	2,704,414	124,706,872	USD	3,295,485	131,471,532
AUD	16,211	567,385	AUD	14,862	914,968
SGD	200,169	6,663,637	SGD	299,237	10,657,091
AED	4,081	55,623			

5. Employees Stock Option Plan ("ESOP")

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

The Company currently has four ESOP schemes, ESOP scheme-1999 (instituted in 2000), ESOP scheme- 2002 (instituted in 2002), ESOP scheme-2005 (instituted in 2005) and ESOP scheme-2006 (instituted in 2006). These schemes were duly approved by the Board of Directors and Shareholders in their respective meetings. The 1999 scheme provides for the issue of 170,000 options, 2002 scheme for 225,000 options, 2005 scheme for 600,000 options and 2006 scheme for 1,000,000 options to eligible employees. These schemes are administered by the Compensation Committee comprising four members, the majority of whom are independent directors. On exercise of stock options, option holders are entitled to bonus shares in the ratio of 1:1, pursuant to approval of bonus shares by the shareholders in the annual general meeting held on 6 July 2007.

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

2002 Stock Option Scheme

	Year ended 31 March 2009	Year ended 31 March 2008
Options outstanding at the beginning of the year	141,550	159,750
Options granted	–	–
Options forfeited	(14,000)	(700)
Options exercised	(1,500)	(17,500)
	126,050	**141,550**

2005 Stock Option Scheme

	Year ended 31 March 2009	Year ended 31 March 2008
Options outstanding at the beginning of the year	142,000	142,000
Options granted	–	–
Options forfeited	–	–
Options exercised	–	–
	142,000	**142,000**

2006 Stock Option Scheme

	Year ended 31 March 2009	Year ended 31 March 2008
Options outstanding at the beginning of the year	249,860	271,860
Options granted	–	–
Options forfeited	(60,000)	(22,000)
Options exercised	–	–
	189,860	249,860

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

Amount in Rupees

	Year ended 31 March 2009	Year ended 31 March 2008
Balance brought forward	5,980,726	12,028,674
Add: Recognised during the year	–	–
Less: Amortisation expense*	4,004,672	5,990,268
Less: Reversal due to forfeiture	–	57,680
Balance carried forward	**1,976,054**	**5,980,726**

* excluding write back of stock compensation expense in respect of forfeited/ lapsed options of Rs.784,000 (Rs.312,723).

6. (a) Managerial remuneration

Amount in Rupees

	Year ended 31 March 2009	Year ended 31 March 2008
A. Managing Director		
Salary and perquisites	6,000,000	6,000,000
Contribution to provident and other funds	360,000	360,000
Commission	5,525,000	13,960,000
	11,885,000	**20,320,000**

Amount in Rupees

	Year ended 31 March 2009	Year ended 31 March 2008
B. Non Executive Directors		
Stock based compensation	–	312,723
Commission	2,375,000	5,600,000
Sitting fees	1,625,000	1,545,000
	4,000,000	**7,457,723**

Note:

The above remuneration does not include expense towards retirement benefits since the same is based on actuarial valuations carried out for the Company as a whole.

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

Amount in Rupees

	Year ended 31 March 2009	Year ended 31 March 2008
Profit after taxation	261,488,679	607,694,414
Add: (i) Remuneration paid to the directors	14,260,000	26,232,723
(ii) Depreciation as per accounts	101,177,086	81,017,846
(iii) Provision for doubtful debts/advances/other current assets (net)	17,888,949	(2,747,308)
(iv) Tax for the year	24,250,520	12,895,742
(v) Directors' sitting fees	1,625,000	1,545,000
(vi) Provision for diminution in value of investment	5,515,363	4,895,477
Less: (i) Profit on sale of investments	66,988,868	24,833,708
(ii) Depreciation as per section 350	101,177,086	81,017,846
Net profit for the purpose of managerial remuneration	258,039,643	625,682,340
Commission paid / payable to Managing Director [maximum 5% being Rs.12,172,000 (Rs.29,513,318)]	11,885,000	13,960,000
Commission payable to non-wholetime directors [maximum 1% being Rs.2,434,000 (Rs.5,902,664)]	2,375,000	5,600,000

7. Bank Balances

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

Amount in Rupees

Name of Bank	As at 31 March 2009	As at 31 March 2008
Canara Bank	86,026	86,026
Citi Bank	6,922,063	10,874,020
Citi Bank - EEFC accounts in US dollar	57,259,931	11,257,953
DBS Bank	247,809	25,000
HDFC Bank - EEFC accounts in US dollar	2,320,022	14,458,364
HDFC Bank	4,637,947	4,492,360
HDFC Bank - Unclaimed dividend accounts	802,973	639,298
HSBC Bank - Unclaimed dividend accounts	394,042	448,693
ICICI Bank	1,710,969	1,152,123
State Bank of India	233,332	15,000
Vijaya Bank	61,376	61,376
Total	**74,676,490**	**43,510,213**

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

Amount in Rupees

Name of Bank	As at 31 March 2009	As at 31 March 2008
HDFC Bank	222,234,512	734,512
Canara Bank	181,007,037	979,572
Citi Bank	35,000,665	9,822,091
DBS Bank	22,500,000	–
Punjab National Bank	66,000,000	–
ICICI Bank	127,300,000	–
State Bank of India	7,500,000	–
Corporation Bank	37,400,000	–
Bank of India	20,000,000	–
Total	**718,942,214**	**11,536,175**

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

Amount in Rupees

Name of Bank	As at 31 March 2009	As at 31 March 2008
Citi Bank, U.A.E	476,810	1,075,668
Citi Bank, United Kingdom	1,019,739	816,658
Total	**1,496,549**	**1,892,326**

8. Details of investments purchased and sold during the year ended 31 March 2009

Name of the investment	Face value Amount (Rupees)	Purchased during the year Quantity	Purchased during the year Amount (Rupees)	Sold during the year Quantity	Sold during the year Amount (Rupees)
ICICI Prudential Flexible Income Plan-Dividend	10	10,256,033	108,442,165	10,256,033	108,442,165
HDFC Cash Management Fund- Savings Plus Plan-Wholesale-Dividend	10	5,035,685	50,515,476	5,035,685	50,515,476
Mirae Asset Liquid Plus Fund-IP-Dividend	1,000	21,089	21,118,683	21,089	20,741,296
ABN AMRO Money Plus Fund-IP-Dividend	10	840,402	8,404,123	840,402	8,406,624
DWS Fixed Term Fund- Series 57-Dividend	10	5,000,000	50,000,000	5,000,000	50,000,000
Lotus India FMP- 3 Months-Series XXXV-Dividend	10	2,040,077	20,400,850	2,040,077	20,410,558
Canara Robeco Monthly Interval Fund-Dividend	10	2,044,490	20,450,302	2,044,490	20,444,903
SBI Debt Fund Series -90 Days -26-Dividend	10	5,104,510	51,045,100	5,104,510	51,045,100
SBI Debt Fund Series -90 Days -29-Dividend	10	3,000,000	30,000,000	3,000,000	30,000,000
JM Interval Fund-Quarterly Plan 5 - Institutional Dividend Plan-Dividend	10	3,506,723	35,067,233	3,506,723	35,067,233
JM Fixed Maturity Fund-Series XII Quarterly Plan 3- Institutional-Dividend	10	3,478,772	34,787,722	3,478,772	34,787,722
DSPML FMP 3M Series 12-Institutional Dividend-Dividend	10	2,500,000	25,000,000	2,500,000	25,359,000
Reliance Fixed Horizon Fund-X -Series 13- Super Institutional Dividend Plan	10	1,017,815	10,178,146	1,017,815	10,325,220
Reliance Liquid Plus Fund-Institutional-Dividend	1,000	41,169	41,215,471	41,169	41,215,471
DWS Liquid Plus Fund-Regular-Dividend	10	549,548	5,503,559	549,548	5,503,559
Canara Robeco Liquid Plus -Institutional Plan-Dividend	10	5,917,090	73,413,925	5,917,090	73,413,925
JP Morgan India Liquid Plus Fund-Super Inst-Dividend	10	15,133,945	151,474,142	15,133,945	151,474,142
LIC MF Liquid Plus Fund-Dividend	10	30,245,862	302,458,623	30,245,862	302,458,623
JP Morgan India Liquid Fund-Super Inst-Dividend	10	11,320,238	113,294,838	11,320,238	113,294,838
LIC MF Liquid Fund-Dividend	10	1,366,389	15,003,087	1,366,389	15,003,087
ICICI Prudential Institutional Liquid Plan- Super Institutional-Dividend	10	7,001,001	70,013,508	7,001,001	70,013,508
Canara Robeco Liquid Fund -Institutional Plan-Dividend	10	4,303,209	43,208,526	4,303,209	43,208,526
Sundaram BNP Paribas Liquid Plus -Super IP-Dividend	10	5,021,563	50,341,170	5,021,563	50,341,170
JM Money Manager Fund Super Plus Plan- Daily Dividend-Dividend	10	3,369,827	33,712,084	3,369,827	33,712,084
SBI SHF Liquid Plus Plus-IP-Dividend	10	1,003,064	10,035,659	1,003,064	10,035,659
Reliance Fixed Horizon Fund-VIII- Series 10-Institutional-Dividend	10	2,000,000	20,000,000	2,000,000	20,000,200
Sundaram BNP Paribas Interval Fund-Qly-Plan-C-Inst-Dividend	10	1,017,552	10,177,525	1,017,552	10,175,525
HDFC FMP 90D May 2008 (VIII) (2)-Wholesale Plan-Dividend	10	5,000,000	50,000,000	5,000,000	50,000,000
Reliance Fixed Horizon Fund-VIII-Series 11-Inst-Dividend	10	1,000,000	10,000,000	1,000,000	10,000,000
IDFC Fixed Maturity Plan- Quarterly Series 34-Dividend	10	1,017,690	10,176,900	1,017,690	10,176,900
HDFC Liquid Fund Premium Plan-Dividend	10	2,854,859	35,000,000	2,854,859	35,000,000
Reliance Medium Term Fund-Dividend	10	1,465,628	25,055,638	1,465,628	25,055,638
Reliance Liquid Fund-Treasury Plan-IP-(D)	10	981,408	15,002,982	981,408	15,002,982

Details of investments purchased and sold during the year ended 31 March 2008

Name of the investment	Face value Amount (Rupees)	Purchased during the year Quantity	Purchased during the year Amount (Rupees)	Sold during the year Quantity	Sold during the year Amount (Rupees)
DSP Merrill Lynch Cash Plus-Regular-Weekly-(Dividend)	1,000	30,195	30,224,103	30,195	30,224,103
DSP Merrill Lynch Cash Plus-Institutional-(Dividend)	1,000	50,074	50,078,701	50,074	50,078,701
UTI Liquid Plus Fund-Institutional Plan-(Dividend)	1,000	10,135	10,137,499	10,135	10,137,499
DWS Credit Opportunities Cash Fund-(Dividend)	10	4,272,042	43,199,339	4,272,042	43,399,673
LICMF Liquid Plus Fund-(Dividend)	10	5,174,727	51,747,270	5,174,727	51,750,539
Reliance Liquid Plus Fund-Institutional Option-(Dividend)	1,000	147,371	147,534,219	147,371	147,522,961
ICICI Prudentail Flexible Income Plan-(Dividend)	10	3,414,510	36,103,319	3,414,510	36,103,319
ING Liquid Plus Fund-Institutional-(Dividend)	10	17,208,071	172,137,494	17,208,071	172,137,494
Sundaram BNP Paribsa Liquid Plus-Super Inst.-(Dividend)	10	8,805,443	88,264,001	8,805,443	88,264,001
Lotus India Liquid Fund-(Dividend)	10	1,018,743	10,197,810	1,018,743	10,192,523
UTI Liquid Cash Plan-Institutional Plan-(Dividend)	1,000	9,820	10,011,084	9,820	10,011,084
Birla Cash Plus-Instl Prem.-(Dividend)	10	5,991,527	60,032,101	5,991,527	60,032,101
HDFC Cash Management Fund-Savings Plus Plan-Wholesale-(Dividend)	10	2,748,204	27,568,607	2,748,204	27,568,607
Standard Chartered Liquidity Manager-Plus-(Dividend)	1,000	30,057	30,063,534	30,057	30,063,534
DWS Money Plus Fund-Institutional Plan-(Dividend)	10	5,072,460	50,766,192	5,072,460	50,766,192
AIG India Treasury Plus Fund-Institutional-(Dividend)	10	4,006,549	40,109,166	4,006,549	40,109,166
AIG India Treasury Plus Fund-Super Institutional-(Dividend)	10	10,010,024	100,210,353	10,010,024	100,210,353
ABN AMRO Money Plus-Institutional Plan-(Dividend)	10	1,508,181	15,081,958	1,508,181	15,081,958
Sundaram BNP Paribas Liquid Plus-(Dividend)	10	5,760,997	57,652,644	5,760,997	57,651,795
DWS Money Plus Fund-Regular-(Dividend)	10	1,999,263	20,044,407	1,999,263	20,044,407
Lotus India Liquid Plus Fund-(Dividend)	10	8,538,102	85,515,066	8,538,102	85,515,066
ABN AMRO Flexible Short Term Plan Ser C-(Dividend)	10	2,035,224	20,352,243	2,035,224	20,352,243
Sundaram BNP Paribas FTP Series XXIX-(Dividend)	10	2,543,718	25,437,175	2,543,718	25,437,175
Birla FTP-Quarterly-Series 14-Dividend-Payout	10	1,000,000	10,000,000	1,000,000	10,210,372
DSP Merrill Lynch FTP Plan Series 1N-(Dividend)	1,000	25,440	25,439,824	25,440	25,445,884
Kotak FMP 3M Series 20-(Dividend)	10	2,035,146	20,351,465	2,035,146	20,351,465
ICICI Prudential Liquid Plan-Super IP-(Dividend)	10	4,016,724	40,167,239	4,016,724	40,167,239
Tata Liquidity Management Fund-(Dividend)	1,000	14,988	15,021,412	14,988	15,021,412
Standard Chartered Liquidity Manager-(Dividend)	1,000	30,104	30,109,551	30,104	30,109,551
HDFC Cash Management-Savings Plan-(Dividend)	10	941,913	10,018,559	941,913	10,018,559
Reliance Quarterly Interval Fund-Series II-Institutional-(Dividend)	10	1,016,912	10,169,530	1,016,912	10,169,730
ING Fixed Maturity Fund-34 Inst.-(Dividend)	10	2,000,000	20,000,000	2,000,000	20,000,000
Lotus India FMP-3 Months-Series XIX-(Dividend)	10	1,017,134	10,171,340	1,017,134	10,173,171
Kotak FMP 3M Series 26-(Dividend)	10	2,034,412	20,344,156	2,034,412	20,344,121
Reliance Quarterly Interval Fund-Series III-Institutional-(Dividend)	10	2,071,679	20,717,646	2,071,679	20,717,828
Lotus India Quarterly Interval Fund-Plan B-(Dividend)	10	1,018,507	10,185,077	1,018,507	10,185,577
Sundaram BNP Paribas Interval Fund-Qly-Plan - A-Inst-(Dividend)	10	1,553,402	15,534,019	1,553,402	15,534,019
ABN Amro Flexible Short Term Plan Ser C -QFMP (Dividend)	10	1,553,362	15,533,679	1,553,362	15,533,623
HSBC Interval Fund-Plan 2-Institutional-(Dividend)	10	3,563,583	35,636,241	3,563,583	35,658,641
DSP Merrill Lynch Fixed Maturity Plan 3M Series 2-Instl-(Dividend)	10	2,587,693	25,877,034	2,587,693	25,882,880

Name of the investment	Face value Amount (Rupees)	Purchased during the year Quantity	Purchased during the year Amount (Rupees)	Sold during the year Quantity	Sold during the year Amount (Rupees)
Reliance Fixed Horizon Fund VI-Series 1-Inst-(Dividend)	10	1,000,000	10,000,000	1,000,000	10,000,000
UTI Fixed Income Interval Fund-Quarterly Interval Plan Series -I-Inst-(Dividend)	10	1,018,327	10,183,671	1,018,327	10,183,271
UTI Fixed Maturity Plan Quarterly Series-QFMP-0907/I-INST-(Dividend)	10	2,032,725	20,327,246	2,032,725	20,346,557
Reliance Interval Fund-Quarterly Plan-Series I-Inst-(Dividend)	10	2,034,604	20,349,334	2,034,604	20,351,534
DSP Merrill Lynch Fixed Term Plan Series 1P-Institutional-(Dividend)	1,000	25,413	25,413,408	25,413	25,418,644
SBI Debt Fund Series-90 Days-15-(Sep 07)-(Dividend)	10	1,524,986	15,249,855	1,524,986	15,249,855
ING Fixed Maturity Fund-XXVI-(Dividend)	10	1,500,000	15,000,000	1,500,000	15,000,000

9. Most of the operations of the company are conducted through Software Technology Park ('STP'). Income from STP are tax exempt for the earlier of 10 years commencing from the fiscal year in which the unit commences software development or 31 March 2010

Pursuant to the change in the Indian Income-tax Act, 1961, the company has calculated its tax liability after considering Minimum Alternative Tax (MAT). The MAT credit entitlement can be carried forward and set off against the future tax liability. Accordingly a sum of Rs.57,300,000 (Rs.54,100,000) was carried forward and shown under "Loans and advances" in the balance sheet as at 31 March 2009.

10. Employee Benefit Obligations

Defined contribution plans

An amount of Rs.56,896,091 (Rs.44,094,694) for the year ended, have been recognized as an expense in respect of Company's contribution for Provident Fund and Employee State Insurance Fund deposited with the government authorities and has been shown under personnel expenses in the Profit and Loss Account.

Defined benefit plans

The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to 15 days of total basic salary last drawn for each completed year of service. 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.

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

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

Amount in Rupees

Particulars	As at 31 March 2009	As at 31 March 2008
Obligation at period beginning	35,529,286	20,377,128
Current service cost	9,511,710	5,667,581
Interest cost	3,166,637	1,466,767
Actuarial losses	4,839,397	10,018,058
Benefits paid	(1,705,375)	(2,000,248)
Obligation at year end	**51,341,655**	**35,529,286**
Change in plan assets		
Plan Assets at period beginning, at fair value	–	–
Contributions	1,705,375	2,000,248
Benefits paid	(1,705,375)	(2,000,248)
Plan assets at year end, at fair value	**–**	**–**

The Scheme does not have any assets as at the valuation date to meet the gratuity liability.

Gratuity cost for the year:

Amount in Rupees

	Year ended 31 March 2009	Year ended 31 March 2008
Current service cost	9,511,710	5,667,581
Interest cost	3,166,637	1,466,767
Actuarial losses	4,839,397	10,018,058
Net gratuity cost	**17,517,744**	**17,152,406**

Assumptions	**As at 31 March 2009**	**As at 31 March 2008**
Discount rate	6.65%	7.50% p.a
Salary escalation rate	10% p.a for first 4 years & 7% p.a thereafter	10% p.a for first 5 years & 7% p.a thereafter

a) Discount rate:

The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

b) Salary escalation rate:

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

Demographic assumptions	**As at 31 March 2009**	**As at 31 March 2008**
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%

11. Segment reporting - Basis of preparation

(i) Segment accounting policies

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

(ii) Composition of reportable segments

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

Income and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while the remainder of the costs are categorised in relation to the associated turnover and/or number of employees. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably across geographies. The Company believes that it is not practicable to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and directly charged against total income.

Segment assets and liabilities represent the net assets put up and liabilities of that segment. All the fixed assets of the Company are located in India. These have not been identified to any of the reportable segments, as these are used interchangeably between segments and across geographies. Other items which are not directly attributable to any particular segment and which cannot be reasonably allocated to various segments are consolidated under "Unallocated" head.

a) Information in respect of primary segment

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

For the year ended 31 March 2009

Amount in Rupees

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

For the year ended 31 March 2008

Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Revenue from external customers	336,999,849	817,734,611	129,747,381	154,101,145	286,932,912	244,002,140	1,969,518,038
Expenses	298,259,978	458,696,694	118,742,292	63,763,489	207,591,528	185,337,344	1,332,391,325
Segment result	38,739,871	359,037,917	11,005,089	90,337,656	79,341,384	58,664,796	637,126,713
Unallocated corporate expenditure							186,688,093
Operating profit before taxation							450,438,620
Other income							148,773,509
Foreign Exchange gain /(loss)							21,378,027
Profit before tax							620,590,156
Provision for taxation							
– current income tax							61,900,000
– MAT credit entitlement							(54,100,000)
– fringe benefit tax							7,167,414
– deferred tax							(2,141,712)
– income tax for earlier years							–
Provision for wealth tax							70,040
Net profit after taxation							**607,694,414**

Assets and liabilities of reportable primary segment are as follows:

As at 31 March 2009 Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Segment assets	120,246,029	258,594,953	58,198,463	40,592,828	176,480,847	133,957,131	788,070,251
Unallocated corporate assets							1,824,708,436
Total assets							**2,612,778,687**
Segment liabilities	58,186,070	161,976,114	17,879,252	15,302,725	56,146,660	51,742,862	361,233,683
Unallocated corporate liabilities							194,540,639
Total liabilities							**555,774,322**
Capital employed							**2,057,004,365**

As at 31 March 2008 Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Segment assets	93,478,271	259,102,553	58,061,461	21,238,498	122,634,203	223,241,370	777,660,226
Unallocated corporate assets							1,652,716,935
Total assets							**2,430,377,161**
Segment liabilities	43,557,318	125,281,022	30,138,646	81,295,237	1,636,308	75,554,991	357,463,522
Unallocated corporate liabilities							183,112,143
Total liabilities							**540,575,665**
Capital employed							**1,889,801,496**

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

For the year ended 31 March 2009 Amount in Rupees

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

For the year ended 31 March 2008 Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Capital expenditure (unallocated)							138,199,906
Total capital expenditure							**138,199,906**
Depreciation expenditure (unallocated)							81,017,846
Total depreciation							**81,017,846**
Segment non-cash expense other than depreciation	3,686,190	2,012,080	5,227,235	555,153	38,974	11,841,864	23,361,496
Total non cash expenditure other than depreciation	3,686,190	2,012,080	5,227,235	555,153	38,974	11,841,864	**23,361,496**

b) Information in respect of secondary segment

i) Information for business segments

For the year ended 31 March 2009 Amount in Rupees

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

For the year ended 31 March 2008 Amount in Rupees

Description	**Products**	**Software projects and services**	**Total**
Revenue	1,704,031,122	265,486,916	1,969,518,038
Carrying amount of segment assets	707,377,276	70,282,949	777,660,226

As mentioned earlier, all the fixed assets of the Company are located in India. These have not been identified to any of the reportable segments, as these are used interchangeably between segments. Further, information related to carrying amount of assets by location of assets, to the extent possible, has been provided in primary segmentation.

12. Related party transactions

a) List of related parties - where control exists

Wholly owned subsidiary companies

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

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

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

Other related parties:

Key managerial personnel:

- Vishnu R Dusad (Managing director)

b) Transactions with related parties Amount in Rupees

	Year ended 31 March 2009	**Year ended 31 March 2008**
i. Software development, services and products		
– Nucleus Software Japan Kabushiki Kaiga.	417,357,972	562,924,334
– Nucleus Software Solutions Pte Ltd.	80,976,770	91,963,385
– Others	16,670,012	24,892,185
ii. Other income		
Dividend income		
– Virstra i-Technology Services Limited	42,500,000	100,000,000

	Year ended 31 March 2009	Year ended 31 March 2008
		Amount in Rupees
iii. Managerial remuneration		
– Vishnu R Dusad (Managing director)	11,885,000	20,320,000
iv. Reimbursement of expenses		
From wholly owned subsidiary companies :		
– VirStra i-Technology Services Limited	2,118,955	8,346,841
– Nucleus Software Solutions Pte Ltd	9,385,249	7,473,929
– Nucleus Software Japan Kabushiki Kaiga.	3,597,274	5,130,647
– Nucleus Software Inc.	110,033	9,327,039
– Others	–	114,470
To wholly owned subsidiary companies:		
– Nucleus Software Solutions Pte Ltd.	5,097,361	2,926,882
– Nucleus Software Japan Kabushiki Kaiga.	4,896,652	337,139
– Others	–	187,797
v. Cost of services hired		
To wholly owned subsidiary company:		
– Nucleus Software Solutions Pte Ltd.	3,030,384	14,249,492
vi. Software and Other Development Charges		
To wholly owned subsidiary company:		
– Nucleus Software Japan Kabushiki Kaiga.	28,104,350	–
vii. Commission paid		
To wholly owned subsidiary companies:		
– Nucleus Software (Australia) Pty Ltd.	–	560,502
– Nucleus Software Inc.	1,116,280	–
viii. Interest received		
From wholly owned subsidiary companies		
– Nucleus Software Inc.	–	120,149
ix. Loans and advances		
Given to wholly owned subsidiary company		
– Nucleus Software Limited	27,114,849	–
Repaid by wholly owned subsidiary company		
– Nucleus Software Limited	2,000,000	–
– Nucleus Software Inc.	–	2,570,325
– Virstra i - Technology Services Limited	–	12,400,000
x Investments		
– Nucleus Software Limited	100,000,000	–
– Nucleus Software Netherlands B.V	6,391,000	–

Outstanding balances as at year end

Amount in Rupees

	As at 31 Marech 2009	As at 31 March 2008
Loans and advances		
To wholly owned subsidiaries		
– Nucleus Software Limited	25,114,849	–
Debtors		
Wholly owned subsidiaries		
– Nucleus Software Japan Kabushiki Kaiga.	7,696,718	28,251,263
– Nucleus Software Solutions Pte Ltd.	16,029,068	45,492,600
– VirStra i -Technology Services Limited	2,704,526	–
– Nucleus Software Inc.	10,615,001	14,408,112
– Others	610,246	96,127
Service income accrued but not due		
Wholly owned subsidiary Company		
– Nucleus Software Japan Kabushiki Kaiga.	52,292,340	100,895,679
– Nucleus Software Inc.	–	7,047,138
– Nucleus Software Solutions Pte Ltd.	–	2,714,067
Sundry creditors		
Due to wholly owned subsidiaries		
– Nucleus Software Solutions Pte Ltd.	6,324,487	10,657,091
– VirStra i -Technology Services Limited	–	920,296
– Nucleus Software (Australia) Pty Ltd.	567,385	914,968
– Nucleus Software Japan Kabushiki Kaiga.	–	1,258,606

Amount in Rupees

	Year ended 31 March 2009	Year ended 31 March 2008
13. Legal and professional (includes payment to auditors)*		
Audit fees	1,535,000	1,500,000
Other services	1,465,000	840,000
Out of pocket expenses	155,110	140,000
Total	**3,155,110**	**2,480,000**
*excluding service tax		
14. CIF value of import		
Capital goods	67,646,097	30,152,545
Total	**67,646,097**	**30,152,545**

	Year ended 31 March 2009	Year ended 31 March 2008
		Amount in Rupees
15. Expenditure in foreign currency		
Travelling expenses	132,274,994	123,933,220
Professional charges	17,024,177	6,386,194
Cost of software purchased for delivery to clients	36,419,156	49,183,822
Conference, exhibition and seminar	10,880,495	8,838,926
Salary	32,470,142	8,797,478
Software and other development charges	59,514,224	2,439,252
Others	28,039,554	15,960,448
Total	**316,622,742**	**215,539,340**
16. Earnings in foreign currency		
Income from software development services and products	1,712,074,355	1,632,518,190
Interest	2,458	2,706
Total	**1,712,076,813**	**1,632,520,896**
17. Earnings per share		
Profit after taxation available to equity shareholders (Rupees)	261,488,679	607,694,414
Weighted average number of equity shares used in calculating basic earnings per share	32,369,568	32,358,999
Add: Effect of dilutive issue of shares	8,052	256,060
Weighted average number of equity shares used in calculating diluted earnings per share	32,377,620	32,615,059
Basic earnings per share (Rupees)	8.08	18.78
Diluted earnings per share (Rupees)	8.07	18.63

18. Capital commitments and contingent liabilities

a. Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances) Rs.1,309,533 (Rs.111,489,712).

b. Claim against the Company not acknowledged as debt Rs.324,000 (previous year Rs.324,000).

19. Operating lease

The Company has acquired office premises under cancellable and non-cancellable operating lease. Operating lease rentals paid during the year ended 31 March 2009 is Rs.14,104,570 (Rs.11,240,795). The future minimum lease expense in respect of such leases is as follows:

Amount in Rupees

	As at 31 March 2009	As at 31 March 2008
Not later than 1 year	–	5,209,325
Total	**–**	**5,209,325**

20. The following are the aggregate amounts incurred on certain specific expenses that are required to be disclosed under Schedule VI to the Companies Act, 1956

Amount in Rupees

	Year ended 31 March 2009	Year ended 31 March 2008
Salaries and allowances	1,026,556,722	835,698,418
Contribution to provident and other funds	56,896,091	44,094,694
Directors' remuneration (including stock compensation expense Rs.Nil; Rs.312,723)	15,525,000	27,777,723
Employee's stock compensation expenses	3,220,673	5,677,545
Staff welfare	20,162,982	15,013,978
Training and recruitment	13,727,632	26,240,256
Software and other development charges	79,306,710	12,109,684
Cost of software purchased for delivery to clients	53,811,355	64,871,485
Travelling	176,132,128	165,086,985
Conveyance	16,048,937	16,499,666
Communication	18,454,053	18,317,833
Rent	14,104,570	11,240,795
Rates and taxes	2,388,574	4,618,937
Legal and professional	50,686,572	27,795,599
Power and fuel	28,679,874	24,142,089
Repair and maintenance		
– Buildings	733,063	1,872,269
– Others	14,817,798	11,726,504
Advertisement and business promotion	10,278,996	13,193,526
Conference, exhibition and seminar	12,875,249	8,172,526
Information technology expenses	10,459,290	7,111,667
Advances and other current assets written off	4,846,684	6,609,696
Commission to channel partners	5,658,663	4,517,151
Provision for doubtful debts/advances/other current assets	30,679,934	5,866,055
Provision for dimunition in the value of investments	5,515,363	4,895,477
Printing and stationery	3,739,902	6,853,797
Insurance	3,649,719	3,543,798
Bank charges	1,767,758	1,661,660
Miscellaneous expenses	31,613,489	21,354,029
Total	**1,712,337,781**	**1,396,563,842**

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

22. One of the subsidiaries of the Company has been granted a Letter of Approval (LOA) from Office of Development Commissioner, Special Economic Zone, the Government of India on 25 June 2008. According to this, the subsidiary has to commence operations within one year from the date of LOA. As per the management, the subsidiary is yet to commence its operations and is in the process of filing an application for extension of LOA. Based on the assessment of the management, extension will be granted and would undertake requisite steps to comply with the conditions stipulated in the LOA.

23. During the current year, as per provision of Income-tax Act, 1961, the Company has taken credit of corporate dividend tax aggregating Rs.7,222,875 on account of dividend received from one of its subsidiaries.

24. Revenue recognised upto the reporting date in respect of contracts in progress at the reporting date aggregates Rs.1,457,086,628 (Rs.883,717,310).

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

For and on behalf of the Board of Directors

	Janki Ballabh *Chairman*	**Vishnu R Dusad** *Managing Director*
Noida (U.P) **April 26, 2009**	**P K Sanghi** *Chief Financial Officer*	**Poonam Bhasin** *Company Secretary*

Balance Sheet Abstract and Company's General Business Profile

I.	**Registration details**	
	Registration No.	55-34594
	State Code	55
	Balance Sheet Date	31 March 2009
II.	**Capital raised during the year (Rupees in thousands)**	
	Public issue	Nil
	Right issue	Nil
	Bonus issue	Nil
	Private placement	Nil
III.	**Position of mobilization and deployment of funds (Rupees in thousands)**	
	Total liabilities	2,612,779
	Total assets	2,612,779
	Sources of funds	
	Paid-up capital*	323,715
	Reserves and surplus**	1,733,289
	Secured loans	Nil
	Unsecured loan	Nil
	Deferred tax liability	Nil
	Application of funds	
	Net fixed assets***	493,074
	Investments	296,293
	Net current assets	1,252,915
	Deferred tax asset	14,722
	Accumulated losses	Nil
	Miscellaneous expenditure	Nil
IV.	**Performance of company(Rupees in thousand except earnings per share)**	
	Turnover (including other income)	2,259,975
	Total expenditure	1,974,236
	Profit before tax	285,739
	Profit after tax	261,489
	Earnings per share (in Rupees)	8.08 (Basic)
		8.07 (Diluted)
	Dividend rate%	25
V.	**Generic names of Principal Products / Services of Company (as per monetary terms)**	
	Products description:	Software services
	Item code (ITC code):	Not applicable
	Product description:	Software products
	Item code (ITC code):	Not applicable
	Product description:	Software solutions and sytems integration
	Item code (ITC code):	Not applicable

* includes forfeited equity shares pending for reissue of Rs.15 thousands
** includes advance pursuant to stock option of Rs.5,999 thousands
***includes capital work in progress of Rs.919 thousands

For and on behalf of the Board of Directors

Janki Ballabh
Chairman

Vishnu R Dusad
Managing Director

Noida (U.P)
April 26, 2009

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Statement pursuant to Section 212 of the Companies Act 1956 relating to Subsidiary Company

Subsidiary	Nucleus Software Solutions Pte Ltd	Nucleus Software Inc	Nucleus Software Japan Kabushiki Kaiga	Nucleus Software (Australia) Pty Ltd	Nucleus Software (HK) Ltd	Nucleus Software Netherlands B.V	Virstra I-Technology Services Ltd	Virstra I-Technology (Singapore) Pte Ltd (Step down subsidiary Company)	Nucleus Software Limited
Financial Year of the Subsidiary Company ended on	March 31, 2009	March 31, 2009	March 31, 2009	March 31, 2009	March 31, 2009	March 31, 2009	March 31, 2009	March 31, 2009	March 31, 2009
No. of shares of the Subsidiary Company	625,000 shares of S$1 each fully paid up	100,000 shares of US$0.35 each fully paid up	200 shares of 50,000 Yen each fully paid up	316,000 shares of Australian $1 each fully paid up	100,000 Shares of Hongkong $1 each fully paid up	2,000 Shares of Euro 100 each fully paid up	1,000,000 Shares of Rs.10 each fully paid up	200,000 Shares of SG $ 1 each fully paid up	10,000,000 Shares of Rs.10 each fully paid up
Percentage of holding (Equity)	100%	100%	100%	100%	100%	100%	100%	100%	100%
Percentage of holding (Preference)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
The net aggregate of profit/losses of the Subsidiary Company for its Financial Year so far as they concern the members of the Holding Company									
a) Dealt with in the Accounts for the period ended 31.3.2009	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Not dealt with in the Accounts for the period ended 31.3.2009	Singapore $1,000,186 (Equivalent to Rs.33,296,192)	US $(397,355) (Equivalent to Rs.20,161,793)	Yen (57,435,476) (Equivalent to Rs.29,493,117)	Australian $ (6,977) (Equivalent to Rs.244,195)	HK $ (20,937) (Equivalent to Rs.136,719)	Euro (70,557) (Equivalent to Rs.4,731,552)	Rs.136,412,131	SG $ (546,869) (Equivalent to Rs.18,205,269)	(Rs.2,367,277)
The net aggregate of profit/losses of the Subsidiary Company for its Financial Year since it became a subsidiary so far as they concern the members of the Holding Company									
a) Dealt with in the Accounts for the period ended 31.3.2009	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Not dealt with in the Accounts for the period ended 31.3.2009	Singapore $5,119,465 (Equivalent to Rs.170,426,990)	US $ (30,055) (Equivalent to Rs.1,524,991)	Yen 44,547,333 (Equivalent to Rs.22,875,055)	Australian $ (300,185) (Equivalent to Rs.10,506,475)	HK $ (118,215) (Equivalent to Rs.771,944)	Euro (49,494) Equivalent to Rs.3,319,068)	Rs.67,881,832	SG $ (223,576) (Equivalent to Rs.7,442,845)	N.A.*

**The Company was incorporated during the financial year 2008-2009.*

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, 2009

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

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

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

Overview

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

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

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

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

Company Strengths

The Company's business broadly consists of Development and Marketing of Software Products and Software Services for business entities in the Banking and Financial Services (BFSI) vertical. From a modest beginning with product development for a leading bank, Nucleus is today a major player in the "Banking Products" industry and is one of the few Indian Companies whose products are installed at multiple locations internationally.

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

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

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

Some of the notable accolades won by Nucleus are:

- Nucleus Software's FinnOne™ has been ranked **'World's No 1 Selling Lending Software product ' (for year 2008) by IBS Publishing of U.K**.This is the third consecutive year, that it has been ranked amongst the top two.
- **Annual Report and Accounts of Nucleus Software for year ended March 31, 2008 have been adjudged as the BEST** under the category 'Information Technology, Communication and Entertainment enterprises' of the 'ICAI Awards for Excellence in Financial Reporting' by the Institute of Chartered Accountants of India (ICAI). **This award signifies that the accounting policies followed by Nucleus Software are the Best amongst the category.**
- Nucleus Software has been **ranked among the Top 25 Companies adopting "Good Corporate Governance Practices in India"** for the third consecutive year in 2008.
- Nucleus Software has been Ranked Amongst **India's Top 15 Exciting Emerging Companies to Work For by Nasscom.**
- Nucleus Software has been recognized under **"Best Practices" for Performance Management System by NASSCOM, 2008**
- Nucleus is selected as **one of Forbes ASIA's 200 Best Under A Billion companies**, for the second consecutive year, list released in September 2008.
- Nucleus Software has been conferred the **Best Independent Software Vendor (ISV) Partner (North India for 2008) award by IBM**
- Nucleus Software was awarded the "**D&B – ECGC Indian Exporters' Excellence Award"** by Dun & Bradstreet India (D&B India) and Export Credit Guarantee Corporation of India Ltd (ECGC) for the year 2007.
- Nucleus Software was adjudged as **one of the fastest growing companies in Asia Pacific under Deloitte Technology Fast 500 – 2007.**
- Nucleus Software was conferred with **Oracle Partner of the Year Award in Fusion Middleware category at an APAC level.**

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

A brief on the functionality of our products is given below:

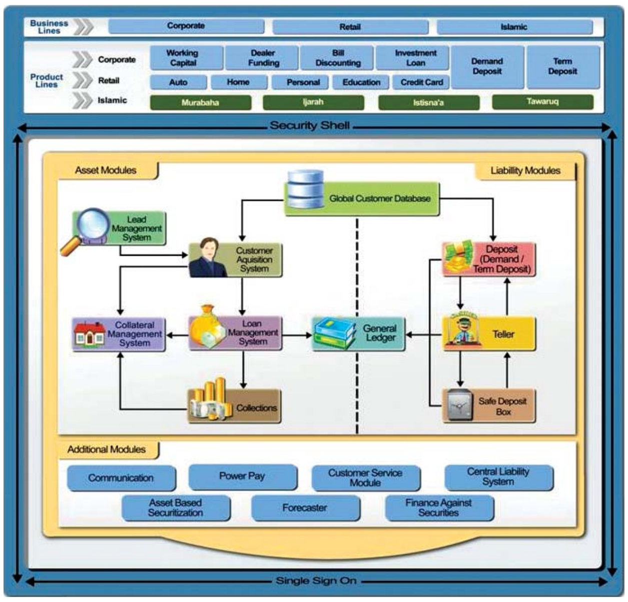
FinnOne™, the flagship product of Nucleus, is an integrated suite of applications designed to support the business offerings of Banks and Financial Services companies. **FinnOne™** provides solutions for both the asset as well as the liability side of the business, core financial accounting and customer service. **FinnOne™** caters to the business needs of banks, financial institutions, captive auto finance companies and retail businesses.

The FinnOne™ Suite offers the following line of products for banks and financial institutions to streamline their processes:

- **Customer Acquisition System (CAS)** automates and manages the complete application processing flow of retail loans, corporate loans and credit card applications. It allows online credit evaluation, and if desired, automatic credit evaluation of the application and processing till disbursement initiation. The user can define the various parameters as per the policies of the banking or financial services Company, thereby reducing the time and manpower involved in the scrutiny of applications. A variety of tools such as online calculators, activity schedulers, mailers, and contact activity planners help in improving the efficiency of the acquisition process. In addition to a strong Deduplication module, CAS can also take data feeds from external agencies, such as credit bureaus and Central Banks. CAS has a robust scoring module wherein the parameters and rules, which are used by the system to generate credit scores, are maintained. With the centralized and controlled master set-up, the organizations can effectively introduce quick-to-market products and schemes to hone their competitive edge of being change leaders.
- **Loan Management System (LMS)** focuses on the loan servicing aspects of a retail and corporate loans business. The system supports the financial institution in the billing, accrual, rescheduling or restructuring, prepayments, termination, interest and overdue calculation, classification of non-performing assets and its relevant provisioning, repossession of asset. LMS is also the backbone of all customer servicing activities with respect to the loans with the objective of providing operational control. LMS also has robust feature pertaining to repayment from customer through various modes like cheque, auto debit or ECS. LMS also has integrated cheque printing system for printing payment of cheque's or draft. The system supports the accounting as defined by the user at various stages of loan life cycle.
- **Collections Management System** focuses on the tracking and management of delinquent customers. The system helps to queue up delinquent agreements cases based on severity of client risk profiles. The system then automatically allocates the cases to collectors based on user-defined logic or hierarchy. Manual allocation and reallocation of agreements is also feasible in the system. It builds customer delinquency history and also aids in the building of the defaulters' databases. Collectors are provided with periodical work-list and contact recording facilities. The system also facilitates escalation of agreement to effectively monitor and administer the agreements.
- **Islamic Financing** is a new offering comprising of CAS ad LMS modules designed as per Islamic/Shariah rules. It is designed with function specific modules, managing the complete finance cycle starting from the origination till after sales transactions. Islamic Financing has integrated process flow as per Islamic rules of transaction by providing dynamic user defined workflows. Islamic Financing caters to the originating and servicing requirements of finance. It supports the requirements of the Vehicle/Goods Finance (Murabaha, Ijarah), Service Ijarah (Rent, Education, Medical, Travel and Wedding), Home Finance (Murabaha, Ijarah and Istisna'a) and Tawaruq business. The product covers the entire life cycle of a finance transaction right from product definition, application processing and documentation tracking, billing and accruals to rescheduling, foreclosures and terminations.
- **Customer Service Module (CSM)** delivers business solutions by integrating the front and back office of banks to enable execution of a customer-centric business strategy. CSM will help its users to record all customer interactions and help provide standard services within defined timelines. The system helps its users monitor service level agreements, take care of user inaction through escalations, and instances of errors can be analyzed using root cause analysis for future remedial and preventive actions. The system also supports features such as workflow based request assignment, root cause analysis, escalations and graphical representation of data in form of dashboards.
- **Collateral Management System (CMS)** is pluggable component that can be integrated with any credit origination system, servicing system or any other system where collateral details are captured and various activities are performed on the captured information. CMS offers end-to-end collateral management services relevant in the lending scenario. This includes collateral acceptance, collateral maintenance, verification, valuation, lien marking, full or partial release of collateral and liquidation. The system also supports features such as multi currency handling, rule based collateral rating and collateral dedupe.
- **Central Liability System (CLS)** is an integrated system that collates limits and exposures from disparate source systems and provides a consolidated view of exposure limits for

tracking and monitoring. These help risk manager, business managers and top management to take decisions on the level of exposures that the lending organization can take at obligor level or obligor group level and manage the product portfolio effectively. With the help of CLS, business managers and risk managers can segregate the business areas where the bank has taken more exposure which needs to be tracked or curtailed and also the areas where the bank can concentrate for increasing exposures. The system supports features such as consolidated information on credit risk & exposure for monitoring, earmarking and sub-allocation.

- **Finance Against Securities (FAS)** is a comprehensive solution that establishes credit lines to individuals and corporate against the pledging of financial securities like shares, mutual funds and bonds. The objective of the product is to value the collateral security provided by the customer and determine the credit limits that may be granted to a customer. The credit limits are computed based on a number of risk and exposure parameters. As the market value of the security offered is volatile in nature, the system conducts valuation at regular intervals.



- **Deposits** system caters to the requirements of the liability business of a financial institution. The system enables the banks to launch and setup term and demand deposit schemes. The system is capable of handling the lifecycle of the deposit business like account opening, financial transactions on these accounts like cash withdrawal/deposit, funds transfer, FD booking, revision, premature closure, standing instructions, tax deduction, interest accrual and account closure. The system has predefined reports to monitor the performance of the business, prepare MIS for statutory reporting to Central Bank.
- **General Ledger (GL)** is a double entry accounting system that comprehensively manages accounting procedures including those specific to the financial services industry. Besides chart of account maintenance, and balance sheet and P& L statement generation, it has a number of innovative features like soft closing of periods, allocation of cost centers over profit centers, budgets, profitability analysis and bank reconciliation. GL also has a strong sub module on bank reconciliation.
- **Forecaster** system is a web-based data-mining tool that involves access to and manipulation of business data available with the organization. It is used to identify patterns and relationships in data and do a case-based reasoning. Based on this reasoning, it creates models that can be used to visualize the situation and hence make informed decisions and do predictive analysis. It uses advanced statistics and data mining algorithms such as decision tree, logistic and multiple linear regressions. The system provides an end to end solution to implement data mining projects by using Cross Industry Standard process (CRISP) for data mining.
- **PowerPay** is an effective tool to enable bank and finance companies to calculate the commissions and other payouts payable to various service providers. The system takes data from various source systems and calculates the payouts based on various parameters defined. Before calculating the payout, it provides facility to get the data validated from respective business partners. It provides facility of handling disputes raised by any business partner. It also facilitates claw back of payouts already given.
- **Lead Management System** is an effective tool for sales and marketing management. The Lead Management System is an independent module providing tools for effective and systematic customer acquisition process by handling the lead throughout its lifecycle. The system will automate the process of lead capture, tracking, follow up, and closure. The system supports dedupe functionality, prospect/lead curing, and reference management. The system provides a flexible rule based lead classification and allocation process.

Cash@Will™ is a comprehensive cash management solution that caters to Collections, Payments and Liquidity Management aspects of cash management business. It is a web-enabled solution that provides a competitive edge to banks and financial institutions through flexible, speedy and efficient execution of cash management processes. The seamlessly integrated modules and components of Cash@Will™ act as powerhouse for the bank to provide operational services support to the customer's asset and liability business lines. The collection and payment modules empower the bank in managing the inflows and outflows for the corporate. Using the liquidity management module the bank can assist the corporate in re-aligning funds and managing the overall cash position.

BankONet™ is an Internet banking solution which offers the bank's customers one more delivery channel, that will help the customers to make banking transactions from office, home and in today's wireless technology even when on the road. BankONet™ is the powerful Internet banking platform that fully exploits the Internet to boost bank's relationship with customers. BankONet™, the Internet banking front end will be interfaced with the bank backend processors to provide a wide range of services for which the customer is eligible and has subscribed. BankONet™ empowers a bank with an integrated online financial service to its customers using the Internet. BankONet™ provides the bank with the framework to provide various online banking services. It serves as a front end for the bank thus enabling the bank to offer single point access to various value added products and services to its customers. The services can be accessed by establishing secured connections with the bank's website using Internet browser software.

Group Structure

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

At the Parent Company level, global responsibilities for Software Delivery, Quality Assurance, Product and Account Management, Sales and Marketing, Finance and Human Resources have been defined to achieve the objectives.

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

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

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

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

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

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

FINANCIAL CONDITION

RESULTS OF OPERATIONS

The consolidated financial results as below:

(Rs. in crore)

For the Year ended March 31,	2009	*% of Revenue*	2008	*% of Revenue*	*Growth %*
Revenue from Operations	**328.40**	***100.00***	**288.72**	***100.00***	***13.74***
Software Development Expenses	222.55	*67.77*	174.40	*60.40*	*27.61*
Gross Profit	**105.85**	***32.23***	**114.32**	***39.60***	***(7.41)***
Selling and Marketing Expenses	27.80	*8.47*	21.06	*7.29*	*32.00*
General and Administration Expenses	28.45	*8.66*	19.84	*6.87*	*43.40*
Operating Profit (EBITDA)	**49.60**	***15.10***	**73.42**	***25.43***	***(32.44)***
Depreciation	13.28	*4.04*	11.85	*4.10*	*12.07*
Withholding Taxes Charged off	7.26	*2.21*	4.15	*1.44*	*74.94*
Operating Profit After Interest, Depreciation and Withholding Taxes	**29.06**	***8.85***	**57.42**	***19.89***	***(49.39)***
Foreign Exchange Gain / (Loss)	(7.92)	*(2.41)*	(0.21)	*(0.07)*	*NA*
Other Income	13.71	*4.17*	7.25	*2.51*	*89.10*
Profit Before Tax	**34.85**	***10.61***	**64.46**	***22.33***	***(45.94)***
Provision for Taxation					
– Current	5.38	*1.64*	8.30	*2.87*	*(35.18)*
– MAT credit entitlement	(2.02)	*(0.62)*	(5.96)	*(2.06)*	*(66.11)*
– Fringe Benefit	0.70	*0.21*	0.71	*0.25*	*(1.41)*
– Deferred	(1.49)	*(0.45)*	(0.28)	*(0.10)*	*432.14*
– Earlier year tax	0.02	*0.01*	(0.05)	*(0.02)*	*NA*
Profit After Tax	**32.26**	***9.82***	**61.74**	***21.38***	***(47.75)***

REVENUE

We derive our revenue from the following business segments:

- Products
- Projects and Services

During the year the total revenue was Rs.328.40 crore against Rs.288.72 crore for the previous year representing an increase of 13.74%.

Products

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

Product revenue was Rs.219.96 crore during the year constituting 66.98% of the total revenue against Rs.197.41 crore, 68.38% of total revenue, in the previous year.

Projects and Services

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

Revenue from software projects and services segment during the year was Rs.108.44 crore constituting 33.02% of the total revenue against Rs.91.31 crore constituting 31.62% of total revenue in the previous year. Two large projects were secured from an existing customer in this segment.

EXPENDITURE

Software Development Expenses

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

During the year our software development expenses were Rs.222.55 crore, 67.77% of revenue against Rs.174.40 crore, 60.40% of revenue in the previous financial year.

(Rs. in crore)

For the Year ended March 31,	2009	*% of Revenue*	2008	*% of Revenue*	*Growth %*
Employee Costs	137.38	*41.83*	114.27	*39.58*	*20.22*
Travel Expenses	16.43	*5.00*	17.40	*6.03*	*(5.57)*
Rent	13.82	*4.21*	9.86	*3.42*	*40.16*
Cost of Software Purchased for Delivery to Clients	15.06	*4.59*	9.17	*3.18*	*64.23*
Communication	2.11	*0.64*	1.99	*0.69*	*6.03*
Consultancy Charges	19.12	*5.82*	9.24	*3.20*	*NA*
Power and Fuel	2.65	*0.81*	2.45	*0.85*	*8.16*
Software and Other Development Charges	7.93	*2.41*	1.28	*0.44*	*NA*
Legal and Professional	1.87	*0.57*	1.68	*0.58*	*11.31*
Conveyance	1.31	*0.40*	1.20	*0.42*	*9.17*
IT Expenses	0.97	*0.30*	0.70	*0.24*	*38.57*
Repairs and Maintenance	1.35	*0.41*	1.20	*0.42*	*12.50*
Training and Recruitment	1.27	*0.39*	2.54	*0.88*	*(50.00)*
Insurance	0.61	*0.19*	0.54	*0.19*	*12.96*
Others	0.67	*0.20*	0.88	*0.30*	*(23.86)*
Total Software Development Expenses	**222.55**	***67.77***	**174.40**	***60.40***	***27.61***
Revenue	***328.40***	***100.00***	***288.72***	***100.00***	***13.74***

Overall these expenses have increased sharply by 27.61% over the previous year. During the year we were geared up for delivering higher revenue but adverse market conditions resulted in underutilization of resources. In addition Software development work for a large implementation was contracted out in Japan to Japanese vendors which was not planned earlier.

Employee costs increased by 20.22% over the previous year with the effect of annual performance reviews. These employee costs include costs on employees in "Product Development", which are expensed.

Rent has increased to Rs.13.82 crore against Rs.9.86 crore in previous year and includes rent paid in Japan for accommodation for onsite personnel. 'Cost of Software Purchased' has increased to Rs.15.06 crore against Rs.9.17 crore in previous year, due to implementation of Power Card, a comprehensive bought out card systems at two customer sites.

Software and other development charges have increased to Rs.7.93 crore against Rs.1.28 crore in previous year due to hiring of consultants for implementation at customer sites and contracting of development work overseas.

Selling and Marketing Expenses

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

During the year selling and marketing expenses were Rs.27.80 crore at 8.47% of revenue against Rs.21.06 crore at 7.29% of revenue in the previous year representing an increase of 32.00%.

(Rs. in crore)

For the Year ended March 31,	2009	*% of Revenue*	2008	*% of Revenue*	*Growth %*
Employee Costs	15.60	*4.75*	11.65	*4.04*	*33.91*
Travel Expenses	3.34	*1.02*	3.09	*1.07*	*8.09*
Rent	1.62	*0.49*	0.82	*0.28*	*97.56*
Advertisement and Business Promotion	1.27	*0.39*	1.51	*0.52*	*(15.89)*
Communication	0.62	*0.19*	0.58	*0.20*	*6.90*
Conference, Exhibition and Seminar	1.28	*0.39*	0.80	*0.28*	*60.00*
Channel Partner Payments	0.45	*0.14*	0.82	*0.28*	*(45.12)*
Others	3.62	*1.10*	1.79	*0.62*	*102.23*
Total Selling and Marketing Expenses	**27.80**	***8.47***	**21.06**	***7.29***	***32.00***
Revenue	***328.40***	***100.00***	***288.72***	***100.00***	***13.74***

Employee costs have increased 33.91% with appointment of personnel overseas in Middle East, Egypt, U.K and Japan. Our participation at SIBOS in Vienna was at a larger scale this year and we continue to invest in marketing across markets.

General and Administrative Expenses

Our general and administrative expenses comprise of compensation to our employees in Corporate Office, Finance, HR, Administration and other general functions; travel, communication, legal and professional charges, repairs and maintenance, insurance, provision for doubtful debts, bad debts and other allocated infrastructure expenses.

During the year our general and administrative expenses were Rs.28.45 crore at 8.66% of revenue against Rs.19.84 crore at 6.87% of revenue in the previous year, representing an increase of 43.40%.

(Rs. in crore)

For the Year ended March 31,	2009	*% of Revenue*	2008	*% of Revenue*	*Growth %*
Employee Costs	12.81	*3.90*	10.17	*3.52*	*25.96*
Travel Expenses	1.61	*0.49*	0.61	*0.21*	*NA*
Legal and Professional	2.89	*0.88*	1.86	*0.64*	*55.38*
Communication	0.31	*0.09*	0.38	*0.13*	*(18.42)*
Rent, Rates and Taxes	0.62	*0.19*	0.85	*0.29*	*(27.06)*
Provision for Doubtful Debts/Advances/ Other Current Assets written off	5.31	*1.62*	1.34	*0.46*	*NA*
Printing and Stationery	0.23	*0.07*	0.21	*0.07*	*9.52*
Conveyance	0.25	*0.08*	0.38	*0.13*	*(34.21)*
Power and Fuel	0.23	*0.07*	0.22	*0.08*	*4.55*
Advertisement	0.14	*0.04*	0.27	*0.09*	*(48.15)*
Bank Charges	0.30	*0.09*	0.30	*0.10*	–
Consultancy Charges	–	–	0.52	*0.18*	*NA*
Loss on foreign exchange fluctuation on consolidation (net)	0.34	*0.10*	–	–	*NA*
Loss on sale of fixed assets/discarded assets	0.76	*0.23*	–	–	*NA*
Others	2.65	*0.81*	2.73	*0.95*	*(2.93)*
Total General and Administrative Expenses	**28.45**	***8.66***	**19.84**	***6.87***	***43.40***
Revenue	***328.40***	***100.00***	***288.72***	***100.00***	***13.74***

Employee costs have increased 25.96% with effect of annual performance reviews.

Provision for Doubtful Debts and advances has increased to Rs.5.31 crore against Rs.1.34 crore in the previous year and management costs have increased as reflected in increase in Legal and Professional charges to Rs.2.89 crore from Rs.1.86 crore in the previous year.

Operating Profit

During the year our operating income was Rs.49.60 crore, 15.10% of revenue against Rs.73.42 crore, 25.43% of revenue in the previous year.

Depreciation

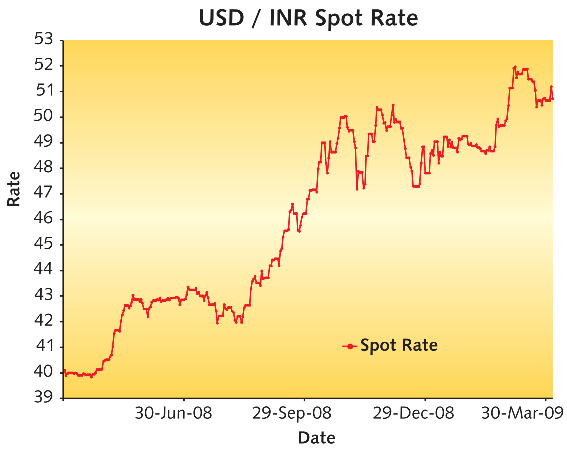
Depreciation on fixed assets was Rs.13.28 crore, 4.04% of revenue for the year against Rs.11.85 crore, 4.10% of revenue in the previous year. Increase in depreciation charge for the year is of Rs.1.43 crore.

Withholding Taxes

Withholding taxes charged off represent withholding taxes charged to Profit and Loss Account. During the year withholding taxes, net of credits available are at, Rs.7.26 crore against Rs.4.15 crore in the previous year. These relate to taxes withheld by customers/subsidiaries on overseas transactions.

Foreign Exchange Gain (Loss)

The US$ Rupee exchange rate was extremely volatile during the year as evident below:



Foreign Exchange Gain (Loss) includes gain (loss) from cancellation of options and forward contracts other than those covered by hedge accounting , translation of current assets and liabilities at quarter end rates and those arising from realization /payments of receivables/payables respectively. During the year, the Company had a foreign exchange loss of Rs. 7.92 crore against Rs. 0.21 crore for the previous year.

Our hedging position was US$ 30.05 million as on March 31, 2008 and with continuous depreciation of the Rupee during the year , we reduced our position to US$ 9.15 million as on March 31, 2009. We are consistently monitoring the exchange markets to maintain coverage at a reasonable risk mitigation level.

Other Income

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

(Rs. in crore)

For the Year ended March 31,	2009	2008
On Investments		
– Capital Gain	6.70	2.48
– Dividend	1.49	2.14
Interest Income	3.56	0.14
Forex Gain / (Loss) on consolidation	–	0.11
Others	1.96	2.38
Total	**13.71**	**7.25**

Other income for the year was Rs.13.71 crore compared to Rs.7.25 crore for the previous year representing an increase of Rs.6.46 crore. This increase is largely attributable to:

1. Exercise of the put option on investments of Rs.13.69 crore in 10,040,000 Equity Shares of GMAC Financial Services India Ltd. in FY 08. The transfer of shares after various regulatory approvals was completed in June 2008 and full payment received in July 2008. Long term capital gain on the transfer was Rs.2.18 crore.
2. Higher income from profit on sale of mutual funds when the Company exited/redeemed on maturity, all mutual fund investments in FMPs and liquid funds due to adverse developments in money markets from October to December 2008.

   Funds released from mutual funds were invested in fixed deposits with banks, Rs.73.28 crore as on March 31, 2009 against Rs.1.18 crore as on March 31, 2008, resulting in higher interest income of Rs.3.56 crore as compared to the previous year income of Rs.0.14 crore. With the markets stabilizing gradually, investments were made in some liquid funds at the end of the year.

Provision for Income Tax

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

(Rs. in crore)

For the Year ended March 31,	2009	2008
Provision for Taxation		
– Current Tax	5.38	8.30
– Fringe Benefit Tax	0.70	0.71
– MAT Credit Entitlement	(2.02)	(5.96)
– Deferred Tax Expense	(1.49)	(0.28)
– Earlier Year Tax	0.02	(0.05)
Total	**2.59**	**2.72**

Your Company currently enjoys benefits of tax holidays notified by the Government of India for the export of software services from Software Technology Parks. With effect from the financial year ended 31 March 2008, Tax Authorities in India have extended ‘Minimum Alternate Tax’ MAT provisions to the profits on overseas income earned by the parent Company in India. The MAT amount determined in accordance with the statutory provisions is set off against withholding taxes and is further allowed to be carried forward to future years.

As a result of these benefits, the tax liability of the Company in India is significantly low. We expect the tax liability of the Company to increase post the expiry of tax holiday.

Total tax is 7.43% of Profit Before Tax in comparison to 4.21% of Profit Before Tax for the previous year.

Net Income

Our net income for the year was Rs.32.26 crore, 9.82% of revenue, against Rs.61.74 crore, 21.38% of revenue, during the previous year.

FINANCIALS

Share Capital

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

Share Capital of the Parent Company increased from 32,367,024 Equity Shares of Rs.10/- each as on March 31, 2008 to 32,370,024 Equity Shares of Rs.10/- each as on March 31, 2009. The increase is consequent to allotment of 3,000 fully paid up Equity Shares of Rs.10/- each in pursuance of stock options exercised in July 2008 (adjusted for Bonus issue in the ratio of 1:1). The Company received listing and trading approval for the abovementioned Equity Shares from National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd. and Madras Stock Exchange Ltd.

	2009		2008	
	Equity shares (No.)	Rs. crore	Equity shares (No.)	Rs. crore
Balance at the beginning of the year	**32,367,024**	**32.37**	**16,160,312**	**16.16**
Shares issued upon conversion of options under:				
ESOP 1999	–	–	5,700	0.01
ESOP 2002	1,500	–	17,500	0.02
ESOP 2005	–	–	–	–
ESOP 2006	–	–	–	–
Bonus Shares issued on ESOP	1,500	–	1,200	–
Bonus Shares	–	–	16,182,312	16.18
Balance at the end of the year	**32,370,024**	**32.37**	**32,367,024**	**32.37**

Subsidiaries

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

Name of Subsidiary Company, Location No. of Equity Shares	Currency	As at March 31, 2009		As at March 31, 2008	
		In foreign Currency	Eqv. Rupees (in crore)	In foreign Currency	Eqv. Rupees (in crore)
Nucleus Software Solutions Pte. Ltd., Singapore 625,000 equity shares of S$ 1 each	**SGD**	625,000	1.63	625,000	1.63
Nucleus Software Inc., USA 1,000,000 shares of US$ 0.35 cents each	**USD**	350,000	1.63	350,000	1.63
Nucleus Software Japan Kabushiki Kaiga, Japan 200 equity shares of JPY 50,000 each	**JPY**	10,000,000	0.41	10,000,000	0.41
Nucleus Software (HK) Ltd., Hong Kong* 100,000 equity shares of HK$ 1 each	**HKD**	100,000	0.06	100,000	0.06
Nucleus Software (Australia) Pty Ltd., Australia* 316,000 equity shares of Aus $ 1 each	**AUS $**	316,000	0.98	316,000	0.98
VirStra I-Technology Services Ltd., India 1,000,000 equity shares of Rs.10 each	**INR**	–	1.00	–	1.00
Nucleus Software Netherlands BV, Netherlands 2,000 equity shares of EURO 100 each	**EURO**	200,000	1.18	100,000	0.54
Nucleus Software Limited, India 10,000,000 equity shares of Rs.10 each	**INR**	–	10.00	–	–
Step down Subsidiary of Nucleus Software Exports Ltd.					
Virstra (Singapore) Pte Ltd., Singapore 200,000 equity shares of S$ 1 each	**SGD**	200,000	0.56	200,000	0.56

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

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

The Company made an investment of Rs.10 crore by subscribing to the Equity Share capital of Nucleus Software Limited, the wholly owned subsidiary incorporated in April 2008 in India. The share capital of Nucleus Software Netherlands B. V., increased due to additional investment of EURO 100,000 by the Company, by way of subscribing to the Equity Share capital of the subsidiary.

Reserves and Surplus

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

(Rs. in crore)

Particulars	Opening Balance as on April 1, 2008	Additions/ (Deletions) during the year	Closing Balance as on March 31, 2009
General Reserve	61.45	3.98	65.43
Securities Premium	2.05	0.05	2.10
Capital Reserve	0.18	0.07	0.25
Employee Stock Options (net of deferred employee compensation)	0.93	0.31	1.24
Foreign Currency Translation Reserve	1.23	2.99	4.22
Hedging Reserve	–	(1.23)	(1.23)
Profit and Loss Account Balance	117.12	18.81	135.93
Total	**182.96**	**24.98**	**207.94**

Fixed Assets

(Rs. in crore)

As at March 31,	2009	2008	*Inc/Dec %*
Gross Block			
Freehold land	0.34	0.34	–
Leasehold land	18.78	6.64	*NA*
Building	24.3	24.29	*0.04*
Office and other equipment	16.7	14.18	*17.77*
Computers	29.09	25.11	*15.85*
Vehicles	1.81	1.74	*4.02*
Furniture and fixtures	5.38	5.12	*5.08*
Software	14.37	11.33	*26.83*
Leasehold improvement	1.25	6.28	*(80.10)*
Total	**112.02**	**95.03**	***17.88***
Less; accumulated depreciation	48.12	37.93	*26.87*
Net Block	**63.90**	**57.10**	***11.91***
Add: Capital Work In Progress	0.31	2.05	*(84.88)*
Net Fixed Assets	**64.21**	**59.15**	***8.55***

As at March 31, 2009, gross block of fixed assets including investment in technology assets was Rs. 112.02 crore (Rs. 95.03 crore as on March 31, 2008).

The major increase in fixed assets is on account of purchase of land by Nucleus Software Ltd., a wholly owned subsidiary for Rs.12.14 crore and other additions in Plant & Machinery, computers and software.

The net fixed assets after depreciation are Rs.63.90 crore as on March 31, 2009 compared to Rs.57.10 crore as on March 31, 2008.

Other Long-Term Investment

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

The Company exercised the put option on investments in 10,040,000 Equity Share of face value of Rs.10 each, Rs.13.69 crore in Equity Shares of GMAC Financial Services India Ltd. in FY 08. The transfer of shares after various regulatory approvals was completed in June 2008 and full payment was received in July 2008.

Current Investments and Bank Balances

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

As of March 31, 2009 the cash and bank balances stood at Rs.106.14 crore (Rs.17.50 crore on March 31, 2008) and current investments in liquid schemes and Fixed Maturity Plans of mutual funds were Rs.16.04 crore (Rs.76.63 crore on March 31, 2008).

(Rs. in crore)

As at March 31,	2009	2008
Cash and cheque in hand	0.19	0.06
Balances with Bank		
– In Current Accounts	29.89	16.24
– In Fixed Deposit Account	73.28	1.20
Remittance in transit	2.78	–
Investments in Mutual Funds	16.04	76.63
Total	**122.18**	**94.13**

With adverse developments in money markets, the Company exited/redeemed on maturity, all mutual fund investments in FMPs and liquid funds, these funds released from mutual funds were invested in fixed deposits with banks. With the markets stabilizing gradually, investments were made in some liquid funds with low total maturity period. This change has led to a major shift in the profile of the Company's liquid funds.

Complete details of Bank Balances and Fixed Deposits which are fully verified by the Statutory Auditors of the Company are given below:

(Rs. in crore)

As at March 31,	2009	2008
Balances with Banks		
In Current Accounts in INDIA		
Canara Bank	0.01	0.01
Citi Bank	1.01	1.51
Citi Bank – EEFC accounts in US dollar	10.58	1.57
DBS Bank	0.03	0.003
HDFC Bank – EEFC accounts in US dollar	0.24	1.44
HDFC Bank	0.64	0.47
HDFC Bank – Unclaimed dividend accounts	0.08	0.06
HSBC Bank – Unclaimed dividend accounts	0.04	0.04
ICICI Bank	0.17	0.12
State Bank of India	0.02	0.002
Vijaya Bank	0.01	0.01
In Current Accounts in OVERSEAS locations		
ANZ Bank, Australia	0.05	0.03
Bank of Tokyo Mitshubishi,Japan	4.72	1.38
Citi Bank, Korea	1.55	2.00
Citi Bank, Netherlands	0.44	0.32
Citi Bank, Philippines	0.15	–
Citi Bank, Singapore	6.94	2.78
Citi Bank, Singapore	0.08	0.03
Citi Bank, HongKong	0.002	0.003
Citi Bank, UK	0.10	0.08
Citi Bank, UAE	0.05	0.11
PNC Bank, USA	0.75	2.40
Shinsei Bank, Japan	2.23	1.88
Total Balances in Current Accounts	**29.89**	**16.24**
In Fixed Deposit Accounts		
ANZ Bank, Australia	0.002	0.02
Bank of India	2.00	–
Canara Bank	18.10	0.10
Citi Bank	4.89	1.01
Corporation Bank	3.74	–
DBS Bank	2.25	–
HDFC Bank	22.22	0.07
ICICI Bank	12.73	–
Punjab National Bank	6.60	–
State Bank of India	0.75	–
Total Balances in Fixed Deposit Accounts	**73.28**	**1.20**
Remittance in Transit	**2.78**	**–**
Cash In Hand	**0.19**	**0.06**
Total Bank Balance & Fixed Deposits	**106.14**	**17.50**

Our net cash flow from operating activities before working capital changes was Rs.46.76 crore for the financial year as compared to Rs.73.19 crore in the previous year. After considering working capital changes, operating cash flow is Rs.37.52 crore against Rs.24.40 crore in the previous year.

Operating cash flow is today considered a better measure of operations of the Company than the net profits as it measures the cash generated by the operations and our performance on this criteria is satisfactory.

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

As at March 31,	2009	2008
Operating cash flow as % of revenue	11.43	8.45
Days of sale receivable	84	79
Cash and bank balances as % of assets	44.01	8.09
Cash and bank balances as % of revenue	32.32	6.06
Current investments as % of assets	6.65	35.44
Current investments as % of revenue	4.88	26.54

Trade Receivables

Our trade receivables (net of provision) as on March 31, 2009 were Rs.80.10 crore against Rs.67.81 crore as on March 31, 2008. In the opinion of management all the trade receivables are recoverable.

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

As at March 31,	2009	2008
Less than 6 months	88.37%	94.48%
More than 6 months	11.63%	5.52%
Days of sales receivables (DSR)	84	79

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

Loans and Advances

The amount is Rs.22.77 crore as on March 31, 2009 (Rs.16.66 crore as on March 31,2008).

(Rs. in crore)

As at March 31,	2009	2008
Advances recoverable in cash or in kind or for value to be received	4.55	3.58
Security deposits	2.77	2.92
Advance income tax	4.78	0.84
Advance fringe benefit tax	0.26	0.27
MAT credit entitlement	7.79	5.97
Prepaid expenses	2.62	3.08
Total	**22.77**	**16.66**

Advances recoverable in cash or in kind or for value to be received are primarily towards amounts paid in advance for value and services to be received in future, and staff advances. The amount is Rs.4.55 crore as on March 31, 2009 (Rs.3.58 crore as on March 31, 2008).

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs.2.77 crore as on March 31, 2009 (Rs.2.92 crore as on March 31, 2008).

Advance income tax has increased due to income tax deducted at source by customers.

Pursuant to the changes in the Indian Income Tax Act, 1961, the Company has calculated its tax liability after considering Minimum Alternate Tax (MAT). A sum of Rs.7.79 crore is carried forward and shown under Loans and Advances as at March 31, 2009 to be set off against future tax liabilities (Rs.5.97 crore as on March 31, 2008.)

Other Current Assets

Other current assets as on March 31, 2009 are Rs.29.43 crore (Rs.33.17 crore as on March 31, 2008).

(Rs. in crore)

As at March 31,	2009	2008
Service income accrued but not due	26.76	33.06
Interest accrued but not due	2.67	0.11
Total	**29.43**	**33.17**

Service income accrued but not due as on March 31, 2009 is Rs.26.76 crore (Rs.33.06 crore as on March 31, 2008), which is service income not billed.

Current Liabilities

The Current Liabilities as on March 31, 2009 is Rs. 60.07 crore against (Rs.48.70 crore as on March 31, 2008).

(Rs. in crore)

As at March 31,	2009	2008
Sundry Creditors for supply of goods and services	38.07	26.09
Witholding tax	2.58	2.78
Advances from customers	10.37	13.59
Unclaimed dividend	0.12	0.11
Mark to Market on Options / Forward contracts	4.23	–
Other liabilities	4.70	6.13
Total	**60.07**	**48.70**

Sundry Creditors represent amounts payable for the supply of goods and services and has increased by Rs.12.00 crore mainly due to unpaid liabilities for services at Japan.

The total amount of Sundry Creditors as on March 31, 2009 is Rs.38.07 crore (Rs.26.09 crore as on March 31, 2008).

Withholding tax payable represents the amount of withholding taxes to be deducted/deductible by overseas clients/ Subsidiaries on income billed to them by the Parent Company. The total amount of withholding tax liability as on March 31, 2009 is Rs.2.58 crore (Rs.2.78 crore as on March 31, 2008).

Advances from customers as on March 31, 2009 is Rs.10.37 crore Rs.13.59 crore as on March 31, 2008). These consist of advance payments received from customers and "Unearned Revenue"; Unearned Revenue is defined as client billing for which related costs have not been incurred or product license delivery is at a later date.

The amount of Unclaimed Dividend as on March 31, 2009 is Rs.0.12 crore (Rs.0.11crore as on March 31, 2008).

At the end of the year Rs.4.23 crore is the liability on Mark to Market options /Forward contracts in foreign exchange consisting of Rs.1.23 crore on forward contracts and Rs.3.00 crore on options. Details of the same are given in Notes to the consolidated financials.

Other liabilities represent amounts accrued for statutory dues related to taxes and staff benefits etc. The total amount of other liabilities as on March 31, 2009 is Rs.4.70 crore (Rs.6.13 crore as on March 31, 2008).

Provisions

Provisions as on March 31, 2009 are Rs.19.48 crore (Rs.20.19 crore as on March 31, 2008). The break-up of provisions at the year-end is given below:

(Rs. in crore)

As at March 31,	2009	2008
Gratuity	5.45	3.73
Leave encashment	4.34	4.00
Taxation	0.23	1.10
Dividend	8.09	9.71
Corporate dividend tax	1.37	1.65
Total	**19.48**	**20.19**

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

Provision for Dividend as on March 31, 2009 is Rs.8.09 crore, with a provision for corporate dividend tax of Rs.1.37 crore.

Risk Management Report

"The first step in Risk Management process is to acknowledge the reality of risk"- Charles Tremper

Risk is a measure of the probability and severity of adverse effects. It may be alternatively termed as any uncertain event that could significantly enhance or impede a Company's ability to achieve current or future objectives, including failure to capitalize on opportunities.

Risk Management is a process concerned with the identification, measurement, control, and minimization of risks to a level commensurate with the acceptable risk.

Risk Management provides a disciplined environment for proactive decision making, to:

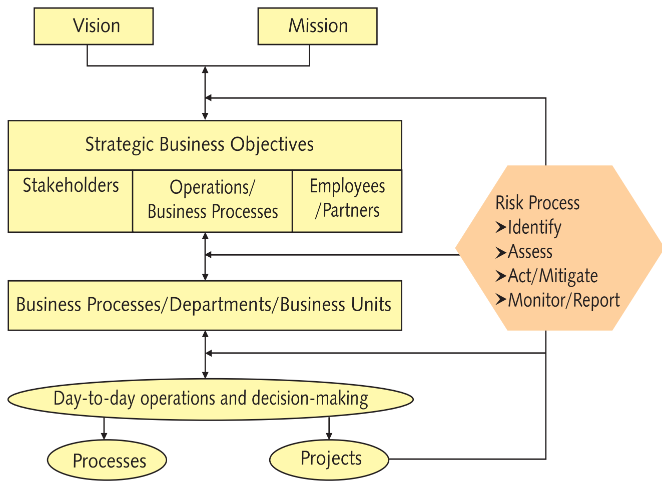
- Assess continuously what could go wrong (risks)
- Determine which risks are important to deal with and
- Implement strategies to deal with those risks.

Risk Management deals with the possibility that some future event will cause damage. It provides strategies, techniques, and an approach to recognizing and confronting any threat faced by an organization in fulfilling the mission. In order to ensure continuous success of the organization, it is very critical that these risks are identified and appropriate measures to control them are taken.

RISK MANAGEMENT PROCESS

Your Company follows a structured approach to business decisions, which does more than identifying the risk and allow risk management. It also increases the chances that good decisions will be made with regard to other factors such as profitability and quality. A structured approach involves taking decisions apart and looking at the components individually, understanding completely what is being decided and what are the implications.

Nucleus – Risk Integration with Business Process



Your Company operates in an environment, which has risks particular to the industry and certain generic risks. The risks encountered by your Company can be classified under following heads:

- Concentration (Client, Geographical, Political and Industry)
- Exchange Rate fluctuation / hedging mechanisms
- Product Related
- Intellectual Property
- Customer Relationship Management
- Financial Reporting and Corporate Governance
- Competitive Pressures
- Credit Risk
- Internal Processes
- Human Resource
- Investment Mix
- Legal and Statutory Compliances
- Security and Business Continuity
- Delivery Disputes
- Insider Trading

1. Concentration :

a) **Client Concentration: -** Your Company offers products and services to large international clients in the Banking and Financial Services (BFSI) space. With increasing penetration of accounts and value added services for existing customers, revenues from individual clients have become large. During the year, your Company derived 69% of revenues from its top 5 clients against 68% of revenues from the top 5 clients in the previous year. While increased revenue from individual clients has an advantage of lower marketing costs, predictability of revenue, easier resource planning and focused relationships, which deliver customer satisfaction. At the same time, it exposes to risks of the client reducing IT expenditure, reducing man month rates, reducing the size of engagement due to external factors etc. The concentration of business on a few customers could reduce the bargaining power of the Company with respect to its customers.

These advantages and risks have to be balanced and we believe the solution is to increase the number of large clients, as business with existing clients is the backbone of our platform for providing complete product and services solutions.

While we are committed to reduce the revenue from top 5 clients to 40 % of the total revenue in the medium term and to achieve this, the Company is making substantial investments in marketing and brand building in other growing markets, to win new clients. We endeavor to mitigate risk by delivering value on a consistent basis. Despite the extremely uncertain economic scenario worldwide, the Company added 20 new clients globally and won orders for 96 new product modules for FinnOne™ and Cash@Will™ suite. The Company has been a regular participant at the Global Banking events to add to the brand and visibility, thereby attracting new customers. These initiatives will help in reaching out to more customers across the globe and reduce client concentration.

For the Year ended March 31,	2009	2008
% of Revenue from the top-five clients	69%	68%
Clients accounting for > 10% of revenues	3	2

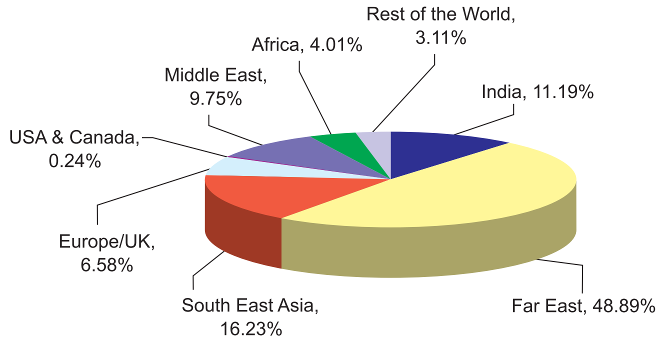
b) **Geographic concentration :** Geographical risk is attributable to all the factors, which are peculiar or sensitive to a region. Concentration of revenue from any country exposes us to the risks specific to its economic condition, global trade policies, local laws, and political environment.

Majority of our revenue is derived form the Far East region, 49% for the year 2009. This concentration of revenue increases the susceptibility of revenue to events that take place in these geographies. Besides political risk, there are other risks of changes in taxation policy, regulations regarding deputation of skilled manpower, civil unrest, epidemics and wars.

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

Geography	For the Year ended March 31, 2009	2008
India	11.19%	11.12%
Far East	48.89%	50.38%
South East Asia	16.23%	14.45%
Europe/UK	6.58%	5.38%
USA & Canada	0.24%	1.09%
Middle East	9.75%	10.03%
Africa	4.01%	4.66%
Rest of the World	3.11%	2.89%

Our success in different geographies is a function of:



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

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

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

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

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

Our major operations are in India. Political environment in India has the greatest impact on our revenues. Political instability within the country could adversely impact flow of operations as well as customer confidence. All parties have recognized that India's world-class education system and low cost structure has given it a competitive advantage in software exports. We believe that all Indian

Governments will continue to create a conducive environment for growth of high technology focused Companies, which includes the Software sector.

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

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

The National Association of Software and Services Companies (Nasscom) has acknowledged that the Indian IT-BPO sector is a part of the global economic system, which is facing uncertain economic conditions. The BFSI domain accounted for $10 billion of the total $32 billion revenues, the industry posted during the last fiscal.

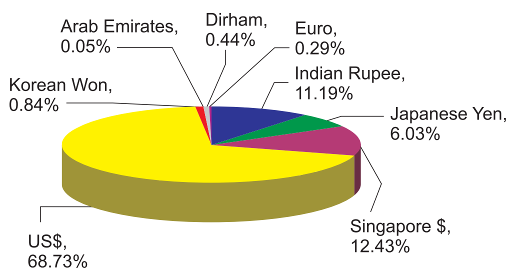
At this juncture transformation from existing legacy systems to technologically advanced and cost effective lending solutions from Indian IT vendors may be the way forward and could convert risk into opportunity. With regard to the BFSI sector, Information Technology can be used for better monitoring,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

While acknowledging this risk, we continue to focus on this sector and are confident that our "Value" based solutions will find greater market success. Our focus now is on improving efficiency by maintaining the existing operations at a lower cost. The present situation emphasises the need for a strong risk management strategy to sense and avert systemic failures.

2. Exchange Rate fluctuation/Hedging mechanisms :

The operating currency of the Parent Company is Indian Rupees. Majority of Company's expense (excluding expenses by Nucleus Software Solutions Pte Ltd., Singapore and our Japan and USA Subsidiaries) are also incurred in rupees. However, 90% of the Company's revenue is in foreign currency. With revenues being earned in foreign currency, and costs being in Indian rupees, adverse fluctuations of exchange rate could impact the profitability of the business. If the rupee becomes stronger relative to other currencies, Nucleus may lose the competitive advantage of low cost delivery, affecting its revenues and margins.

The following chart exhibits our exposure in different currencies for the year ended March 31, 2009.



The weakening of the Indian currency against US Dollar in September 2008 signaled that Indian Rupee would remain under pressure during the FY 2009. The Indian Rupee depreciated by 19% against the US Dollar in FY 2009, as the second worst performing Asian currency. However the Rupee bounced back by about 3% by the end of December 2008. The positive rub-off on the earnings front due to rupee's depreciation was partially offset by hedging losses.

With the US Dollar being the dominant currency for billing, volatility and the depreciation of the Rupee has undoubtedly had a positive effect on turnover and profit margins during the year under review. While the Company can not directly influence exchange rates, it is incumbent upon Management to follow a well thought out policy to hedge the foreign currency without taking speculative positions.

Inadequacies in the hedging mechanisms to deal with exchange rate fluctuation could expose the Company to even larger losses than envisaged. Nevertheless, the depreciating rupee is a positive indication and with hedge positions significantly reduced to US $ 9.15 million at the end of the year against US$ 30.05 million at the beginning of the year, we expect positive effects on revenue. The results of the hedging strategy are reported through a well-designed reporting mechanism to, and reviewed by the Audit Committee every quarter.

To mitigate this risk, we have also taken the following steps:

- Substantially reduced hedging values, (with total hedge at USD 9.15 million as on March 31, 2009), which is a considerable reduction over the previous year,
- Instituted robust controls at the Audit Committee level and
- Limited coverage to between 3 to 4 months of net exposure at the India based Companies.

Meanwhile, we continue to examine an economic global product development and delivery model and look for competitive advantage wherever available including in overseas geographies.

3. Product Related:

a) **Product Obsolescence Risk**

Your Company is driven by technology and develops products, which carry the risk of obsolescence; thereby losing competitiveness, if not upgraded with the latest technology and platforms.

This obsolescence risk is one of the most significant risk encountered by your Company and can significantly alter the Company's growth prospects and earning potential.

To mitigate this risk and maintain our competitive edge in the market place, we are following a dual benefit approach:

- We are upgrading our products to new technology and
- Adding new functionality to meet projected customer needs.

During the year, as a part of our technology upgrade strategy; we added six new product modules under our flagship product FinnOne™ version 3.5. It is an integrated suite of application designed to cater entire lending ecosystem of banks and financial institutions.

In line with our initiative of serving our customers in a better way, we have build a strategy of making major releases once in every six months. In line with this strategy, during the year, we completed the initial implementation of all our new ancillary modules like Lead Management and PowerPay. The upgraded FinnOne™ product version 3.5 was successfully deployed in all the latest implementations in India and overseas. With the addition of the Islamic financing functionalities, FinnOne™ now provides financial institutions with single technology platform for retail, SME and Islamic product offerings.

FinnOne™ is currently being upgraded to a new technology architecture and then it will be available on the Java J2EE architecture platform. Efforts are also being made to migrate the current Cash@Will™ product to the Java J2EE architecture by the next year.

b) **Product Pricing**

Inability to right-price the product /service could lead to a consequent loss of profit. In such difficult times, there is a grave risk of the current and prospective clients seeking a price cut, which acts as one of the major risk in today's' environment. In the light of the global financial crisis, the world is today witnessing challenges unprecedented in nature, and customers are forced to make every dollar count and are looking for much higher value for money. To the Company, it means offering troubled customer's a lower price point, by increasing efficiency. The spending scenario is clearly gloomy and customers want to play safe and generally want to negotiate.

The Company is thus looking to focus on the operational expenditure of firms. This will ensure continuous revenue for the Company and savings for the customers in their capital expenditure. The Company has also adopted a competitive pricing strategy, in order to get a competitive edge in various geographies. We are developing innovative pricing models to satisfy customers and maintain our margins.

4. Intellectual Property (IP):

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. Though every country has enacted laws to protect Intellectual Property, many infringements take place and a majority of them end up in courts of law. In such a scenario, Intellectual property protection is key for continued business success of the Company.

To ensure license compliance, the Company needs clear visibility into the origin, ownership, and license requirements of each component used in the software. However, with so much reuse occurring, traditional procurement methods and controls are proving to be inadequate.

Your Company makes significant investments in the creation of Intellectual Property and needs to secure the same both operationally and legally. The Company's competitive position may be impacted due to inadequate mechanisms to monitor access to Intellectual Property, which may lead to unauthorized, misappropriation or duplication of critical IPR.

Your Company has always been committed to safeguarding the Intellectual Property assets of the Company. Continued efforts on information security have built a high level of confidence among the customers. The Company is using a combination of trademarks, confidentiality procedures and contractual provisions to protect our Intellectual Property. As a policy, the Company develops own IP at its own cost using own resources.

The Company is actively engaged in seeking maximum legal protection for the Intellectual Property.

5. Customer Relationship Management

Customer satisfaction is very crucial for the success of any organization. Furthermore, with a devised process of managing customer relationship, an organisation can better understand and anticipate the needs of existing customers, thus increasing their satisfaction and loyalty. It can be segregated into namely:

- Account Management and
- Concentration of Relationship

Your Company always believes in serving the customer by delivering the Best. Customers are important to us hence it is even more important to have high customer satisfaction index. Review of engagements is done both on qualitative and quantitative basis. In these challenging times, your Company has identified the goal of "Pure customer satisfaction as an absolute imperative".

6. Financial Reporting and Corporate Governance

Increased globalization of financial and product markets have raised the interest of both market participants and regulators in the quality of financial reporting worldwide. There appears to be near unanimity among regulators and investors in their demand for high-quality financial reporting, because of the widespread belief that the quality of financial reporting directly affects capital markets. Recent fiascos in the industry due to non-adherence of financial reporting norms and non-observance of best practices of Corporate Governance have further strengthened the need for better financial reporting standards and transparency.

Benefits from financial disclosure explain the demand for high quality accounting standards and disclosure systems. Absence of a robust process and adequate controls over financial reporting and inadequacy of Corporate Governance procedures could impact shareholder confidence thereby impacting reputation of the Company.

Your Company prepares financial statements in conformity with Indian GAAP. This requires estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the financial reporting period. These estimates and assumptions are made based on judgments, which carry inherent reporting risks. We are also introducing robust processes for financial reporting to avoid any inadequacy in the accounts.

The risk management framework, a process designed for minimization of the risks is periodically placed before the Audit Committee members for their review. The adequacy of the Internal Control systems in the Company is also verified by the Internal Auditors during the Audit carried out by them, once every quarter. The report is placed before the Audit Committee and the members may investigate any matter relating to internal control systems and review the scope of Internal Audit.

Annual Report and Accounts of the Company for the year ended March 31, 2008, were adjudged as the BEST under the category 'Information Technology, Communication and Entertainment enterprises' of the 'ICAI Awards for Excellence in Financial Reporting', by the Institute of Chartered Accountants of India (ICAI). For the third consecutive year, your Company was ranked in the Top 25 Companies following Best practices of Corporate Governance by the Institute of Company Secretaries of India.

7. Competitive Pressures

A Company can easily lose the market share because of failure to properly consider changes in the market and the actions of competitors. In the current scenario, the products offered by competitors are a full suite of services and tend to focus on providing end to end solutions to the customers. Due to the wide focus of these products, the functionalities offered in specific areas are limited vis-à-vis the products offered by your Company. Therefore, products offered by the Company tend to compliment other products being used by the customer.

An intense pricing war has broken out among vendors, with each undercutting the other in an effort to bag a limited pool of projects. However, an increased focus by competition on building greater functionalities in their products could lead to a loss of competitive advantage currently enjoyed by your Company, thereby leading to a loss of sales.

Your Company has kept constant focus on product development and differentiation so as to maintain the competitive edge over others and enhance the competitive advantage of being a Leader in the retail loan solutions provider. The sales force is also putting in more efforts to exhibit effective and aggressive selling skills, resulting in better opportunities.

8. Credit Risk

The Company enters into different credit terms with the customers depending upon the contract between the Company and the customer. Recovery of payments from the customer also depends upon the credit terms agreed upon. Definite processes and checks and controls have to be in place to avoid any bad debts position.

The Management regularly monitors the position of debtors and weekly reports with ageing of receivables are being circulated to respective account heads. The receivable reports are also discussed at management team meetings on monthly basis and a quarterly report is placed for Audit Committee's review at each quarter end.

9. Internal Processes

Absence of well-defined and scalable processes and procedures can have a serious impact on execution of projects and smooth flow of work. The Company is fully aware, that any gap in execution of project not only leads to delays but also adversely affects our long-term relations with the customers.

In the area of Quality assurance, your Company has enhanced its process maturity on various aspects with respect to being a Product Company. A number of project management related process enhancements were made and rolled out in a new PMP tool. CMMI related audits were done and level three related process gaps addressed in process enhancements.

During the year, focus was improved towards strengthening the internal process compliances in the Company by building a robust and focused team to pay attention on Process Compliances. New processes were identified and extensive plans drawn to improve the existing processes. Responsibilities were assigned and continuous monitoring of the gaps was done by the core team to strengthen the existing processes.

10. Human Resource

With a global slowdown in market-opportunities in the IT sector, retaining skilled employees has not been an issue but the prime challenge is to motivate world-class workforce. Further, the use of new technologies, the support of learning and training, and a challenging environment to maintain transparency, openness, authenticity and consistency are ranked higher than competitive pay structures as effective HR practices.

To attract, retain and motivate the right talent, your Company offers a distinct value proposition. We are constantly focusing at the HR function to empower our people to scale new heights of productivity while enjoying world-class facilities. Optimum utilization of distinct manpower by relocation of the resources to various development centers within and outside India, internal transfers in business units, skill up gradation, technology up gradation, multiskillng programmes were implemented during the year and have become a way of life in Nucleus.

The year also saw some organization restructuring whereby business units were regrouped to bring in more management focus and to review at the grass-root level. The year gone by has been challenging and hence resource utilization and productivity increase were key objectives practiced across business units. Training and Development initiative of SOUL (Self driven, On the job, Unique Learning) program was further developed by launch of programs for use by employees through learning management system. Internal soft skills and team building programs were developed and implemented successfully. They were aligned to the needs of the Company and proved successful.

Your Company was ranked 15th in NASSCOM Top 15 Exciting Emerging Companies to work for.

11. Investment Mix

Shareholder value is created when the Company invests shareholder funds in a manner that its investments earn a rate of return, which is higher than the Cost of Capital. Conversely, any investment that earns a rate of return lower than the Cost of Capital, leads to shareholder value destruction.

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.

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.

During the year, internal cash accruals more than adequately covered the working capital requirements, capital expenditure and dividend payments. In the second quarter of the year, with adverse developments in money markets, the Company exited/redeemed on maturity, all mutual fund investments in FMPs and liquid funds. These funds were then largely redeployed in fixed deposits. On a slight improvement in the money markets in the last quarter of FY 09, funds were partly re-invested in Mutual Funds.

Such Policies provide larger shareholder value in long term, though short-term returns may be low.

12. Legal And Statutory Compliances

In today's world, managing legal risks is vital, not just for success, but also for business survival. In a fast-changing legal environment, a Company must be able to anticipate changing trends; be cognizant of market 'best practices' and; understand how to balance competitive and business pressures against legal and reputation risk.

Your Company is incorporated in India, has overseas subsidiaries in Australia, Hong Kong, India, Japan, Netherlands, Singapore and USA and caters to customers operating out in numerous countries. Each of these subsidiaries operate in a different legal environment and has to comply with the laws, statutes and regulations of that particular country. Lack of awareness of these laws, leading to inadequate compliance would expose the business to the risk of penal action by the local Governments and adversely impact the brand and reputation of the Company.

Further in the course of the business, your Company enters into contracts with clients, business partners, vendors, employees etc. Inadequate processes to vet the legal terms and conditions contained in these contracts could expose the Company to unintended consequences, while, inadequate mechanisms to comply with the terms of the contracts may result in the Company facing litigation.

During the year, your Company faced the risk of delays in confirmation of contract signing with customers which impacted project execution, resulting in a drop in the revenue during the second quarter.

In order to mitigate contract risks, a proactive team of legal experts positioned at the head-office of your Company reviews all legal contracts. They also take aid of external opinion, as per requirement, for ensuring compliance of local laws of jurisdictions. An internal management tool monitors Global Compliances. At places where we have operations, we engage consultants. Before a product is launched in a new country/location, we carry out a detailed market study which includes acquiring knowledge of local laws, practices and prevalent customs. A well- designed frame work consisting of checklists and proper reporting mechanisms take care of the Statutory and Regulatory compliances. Adequate insurance cover has been taken to cover risks associated with non-performance of contracts.

Inefficient or inadequate processes to monitor/detect use of unlicensed software could also expose the business to risk of litigation and also lead to loss of reputation.

This risk can be mitigated by developing efficient processes/ policies to monitor/detect use of un-licensed software and ensuring:

- That employees work on licensed software (external)
- They do not use illegal software in the course of their work.

13. Security and Business Continuity

The main target of a Company should be its business continuity planning and security. As operating disruptions can occur with or without warning. Business Continuity Plan is required to ensure the maintenance or recovery of operations, including service delivery to the customers, when confronted with adverse events such as natural disasters, technological failures, human error and to avoid any financial losses and/or adverse impact on the strategic plans and reputation.

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 natural disasters, technological failures, human error, or terrorism may lead to financial losses in addition to adversely impacting the strategic plans and reputation.

Continuity plans are an integral part of our business strategy and are built in to all our service offerings. Nucleus Business Continuity Plan has been put into place taking into consideration several planned and unplanned scenarios and the Company has set up/ is in the process of setting up Disaster Recovery Sites.

The Company is continuously investing in operational security of its operations. Strict procedures are in place to control the level of access to server rooms 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 links to overseas destinations.

Our security architecture is in line with client processes and has been tailor-made specifically towards our business compliance requirements. Our data, applications, network and workflow are comprehensively secured.

14. Delivery Disputes

There may be occasions, when the specifications may not have been completely defined at the inception of a project, which could cause some delivery issues when the delivery takes place. The Company mitigates this risk by:

- Enhanced project planning and evaluation.
- Provide resources, both internal and with customers.
- Ensuring quality driven processes.

15. Insider Trading

The Company's shares are listed on National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd. and Madras Stock Exchange Ltd. There is always an inherent risk of Insider Trading that may happen in the shares of the Company. Trading in Nucleus shares by the designated employees of the Company on the basis of price sensitive information or communication counseling or procuring any unpublished price sensitive information to or from any person may be termed as insider Trading.

Insider Trading is a matter of concern for the Management of the Company and to mitigate this risk, Code for Prevention of Insider trading is prevalent in the Company and is reviewed by the Audit Committee time and again to ensure compliance and updation with the regulatory amendments.

AUDITORS' REPORT

For the Consolidated Financial Statements for the year ended March 31, 2009

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

We have audited the attached consolidated Balance Sheet of Nucleus Software Exports Ltd. ('the Company') and its subsidiaries, as described in summary of significant accounting policies to the consolidated financial statements as at 31 March 2009, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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 whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of Nucleus Software Inc., United States of America, Nucleus Software (Australia) Pty. Ltd., Australia, Nucleus Software (HK) Ltd., Hong-Kong, Nucleus Software Solutions Pte. Ltd., Singapore and Virstra I-Technology (Singapore) Pte Ltd., Singapore, whose financial statements reflect total assets of Rs.310,001,500 as at 31 March 2009, total revenues of Rs.753,184,964 and total cash flows amounting to Rs.22,495,058 for the year then ended have been audited by other auditors. The audit reports for the above mentioned entities have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of those subsidiaries, is based solely upon the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, prescribed by Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanation given to us, and on consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, in our opinion, the consolidated financial statements give a true and fair view in conformity with accounting principles generally accepted in India:

(i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31 March 2009;

(ii) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended on that date; and

(iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date.

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

Sd/-
Vikram Advani
Partner
Membership no.: 091765

Gurgaon
April 26, 2009

Consolidated Balance Sheet as at 31 March 2009

Amount in Rupees

	Schedule	As at 31 March 2009	As at 31 March 2008
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	323,715,240	323,685,240
Advance pursuant to Stock Option Schemes		5,999,100	6,754,100
Reserves and Surplus	2	2,079,345,937	1,829,507,034
		2,409,060,277	2,159,946,374
Deferred Tax Liability (refer note 2, schedule 16)		2,541,492	2,589,446
		2,411,601,769	2,162,535,820
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	1,120,218,666	950,342,530
Less: Accumulated Depreciation		(481,171,475)	(379,276,057)
Net Block		639,047,191	571,066,473
Add: Capital Work in Progress (including capital advances)		3,100,736	20,487,398
		642,147,927	591,553,871
Investments	4	162,902,975	905,683,618
Deferred Tax Asset (refer note 2, schedule 16)		17,623,147	2,746,398
Current Assets, Loans and Advances			
Sundry Debtors	5	801,005,914	678,142,849
Cash and Bank Balances	6	1,061,360,508	175,019,463
Loans and Advances	7	227,679,275	166,588,896
Other Current Assets	8	294,329,402	331,672,434
		2,384,375,099	1,351,423,642
Less: Current Liabilities and Provisions			
Current Liabilities	9	(600,625,716)	(486,981,430)
Provisions	10	(194,821,663)	(201,890,279)
		(795,447,379)	(688,871,709)
Net Current Assets		1,588,927,720	662,551,933
		2,411,601,769	2,162,535,820
Significant accounting policies and notes to the accounts	16		

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

As per our report of even date attached

For B S R & Co.
Chartered Accountants

Vikram Advani
Partner
Membership No.: 091765

Gurgaon
April 26, 2009

For and on behalf of the Board of Directors

Janki Ballabh
Chairman

Vishnu R Dusad
Managing Director

Noida (U.P.)
April 26, 2009

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Consolidated Profit and Loss Account for the year ended 31 March 2009

Amount in Rupees

	Schedule	For the year ended 31 March 2009	For the year ended 31 March 2008
Sales and Services	11	3,284,028,256	2,887,174,622
Software Development Expenses	12	2,225,452,271	1,744,017,972
Gross Profit		1,058,575,985	1,143,156,650
Selling and Marketing Expenses	13	277,984,917	210,638,219
General and Administration Expenses	14	284,540,362	198,402,646
Operating Profit Before Depreciation and Withholding Tax		496,050,706	734,115,785
Depreciation	3	132,770,459	118,463,957
Withholding taxes charged off		72,624,682	41,497,730
Operating Profit After Depreciation and Withholding Tax		290,655,565	574,154,098
Other Income	15	137,083,763	72,540,241
(Loss) / Gain on Foreign Exchange Fluctuation (net)		(79,196,089)	(2,068,062)
Profit Before Taxation		348,543,239	644,626,277
Provision For Tax – current income tax		53,734,308	82,886,834
– MAT credit entitlement (refer note 8, schedule 16)		(20,215,904)	(59,650,000)
– fringe benefit tax		7,020,686	7,167,414
– deferred tax credit (refer note 2, schedule 16)		(14,876,749)	(2,784,932)
– income tax for earlier year		210,273	(455,387)
Provision For Wealth Tax		88,047	70,040
Profit After Taxation		322,582,578	617,392,308
Profit Available for Appropriation			
Profit for the Year		322,582,578	617,392,308
Add: Balance Brought Forward		1,171,206,712	768,827,982
Total Amount Available for Appropriation		1,493,789,290	1,386,220,290
Proposed Dividend		80,925,060	97,101,072
Corporate Dividend Tax		13,753,214	33,497,327
Transferred to General Reserve		39,790,081	84,415,178
Balance Carried Forward to the Balance Sheet		1,359,320,935	1,171,206,713
Earnings Per Share (par value Rs.10 each) (refer note 13, schedule 16)			
Basic		9.97	19.08
Diluted		9.96	18.93
Number of shares used in computing earnings per equity share			
Basic		32,369,568	32,358,999
Diluted		32,377,620	32,615,059
Significant accounting Policies and notes to the accounts	16		

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

As per our report of even date attached

For B S R & Co.
Chartered Accountants

Vikram Advani
Partner
Membership No.: 091765

Gurgaon
April 26, 2009

For and on behalf of the Board of Directors

Janki Ballabh
Chairman

Vishnu R Dusad
Managing Director

Noida (U.P.)
April 26, 2009

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Consolidated Cash Flow Statement for the year ended 31 March 2009

Amount in Rupees

	For the year ended 31 March 2009	For the year ended 31 March 2008
A. Cash flow from operating activities		
Net profit before tax	348,543,239	644,626,277
Adjustment for:		
Depreciation	132,770,459	118,463,957
Exchange difference on translation of foreign currency accounts	39,862,501	(2,087,636)
Dividend received from non trade investments	(14,906,748)	(21,405,254)
Interest on fixed deposits	(35,617,650)	(1,378,783)
Profit on sale of investments	(66,988,868)	(24,833,708)
Amortisation of employees compensation expenses	3,220,672	5,990,268
Loss on sale of fixed assets (net)	7,614,637	(907,591)
Advances and other current assets written off	4,846,684	6,609,696
Provision for doubtful debts / advances	48,260,777	6,838,935
Operating profit before working capital changes	467,605,703	731,916,160
Decrease / (increase) in debtors	(147,080,667)	(129,881,015)
Decrease / (increase) in loans and advances	(3,805,308)	(73,086,724)
Decrease / (increase) in other current assets	71,359,468	(150,102,474)
(Decrease) / increase in current liabilities	78,684,156	(112,621,714)
	466,763,352	266,224,233
Direct taxes paid	(84,710,563)	(12,286,599)
Fringe benefit tax paid	(6,880,686)	(9,969,688)
Net cash from operating activities (A)	**375,172,103**	**243,967,947**
B. Cash flow from investing activities		
Purchase of fixed assets/capital work in progress	(214,959,374)	(159,203,099)
Sale of fixed assets	20,305,092	4,350,823
Purchase of current investments	(1,858,919,660)	–
Proceeds on sale of current investments	2,509,956,771	(190,757,464)
Proceeds on sale of non trade investments	158,732,400	–
Interest on fixed deposits	10,036,440	1,371,927
Tax paid	(15,415,620)	(2,067,602)
Dividend received from non trade investments	14,906,748	21,405,254
Net cash from/ (used in) investing activities (B)	**624,642,797**	**(324,900,161)**
C. Cash flow from financing activities		
Dividend paid (including corporate dividend tax thereon)	(113,603,399)	(16,995,000)
Advance pursuant to employee stock option scheme	360,000	5,191,800
Net cash used in financing activities (C)	(113,243,399)	(11,803,200)
Net (decrease) / increase in cash and cash equivalents	886,571,501	(92,735,413)
Opening cash and cash equivalents	175,019,463	268,251,436
Effect of exchange rate change	(230,456)	(496,560)
Closing cash and cash equivalents *	1,061,360,508	175,019,463

*include fixed deposits amounting to Rs.5,665,165 (Rs.6,712,120) under lien with bank on account of guarantees issued on behalf of the Company and other fixed deposits amounting to Rs.727,177,049 (Rs.5,124,055)

Notes:

1. The above cash flow statement has been prepared in accordance with the 'Indirect method' as set out in the Accounting Standard - 3 on 'Cash Flow Statements' prescribed under Companies (Accounting Standard) Rules, 2006.
2. Cash and cash equivalents consist of cash in hand, remttance in transit, balances in current accounts and fixed deposits with scheduled banks / non scheduled banks.

As per our report of even date attached

For B S R & Co.
Chartered Accountants

Vikram Advani
Partner
Membership No.: 091765

Gurgaon
April 26, 2009

For and on behalf of the Board of Directors

Janki Ballabh
Chairman

Vishnu R Dusad
Managing Director

Noida (U.P.)
April 26, 2009

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Schedules forming part of the consolidated financial statements

Amount in Rupees

	As at 31 March 2009 (Rupees)	As at 31 March 2008 (Rupees)
SCHEDULE 1		
SHARE CAPITAL		
Authorised capital		
40,000,000 (40,000,000) equity shares of Rs.10 each	400,000,000	400,000,000
Issued, subscribed and paid up		
Issued		
32,372,824 (32,369,824) equity shares of Rs.10 each	323,728,240	323,698,240
Subscribed and paid up		
32,370,024 (32,367,024) equity shares of Rs.10 each, fully paid up	323,700,240	323,670,240
Of the above:		
16,185,012 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2008		
8,045,406 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2005		
2,637,050 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of general reserve and securities premium account during the year ended 31 March 2002		
1,452,270 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of general reserve during the year ended 31 March 1995		
Add: 2,800 (2,800) forfeited equity shares pending for reissue	15,000	15,000
	323,715,240	**323,685,240**
SCHEDULE 2		
RESERVES AND SURPLUS		
General reserve		
Balance as at 1 April	614,474,280	530,059,102
Add: Transferred from Profit and Loss Account	39,790,081	84,415,178
	654,264,361	614,474,280
Securities premium account		
Balance as at 1 April	20,484,589	173,199,509
Add: Share premium received	360,000	5,191,800
Add: On conversion of stock options issued to employees	123,600	3,928,400
Less: Amount utilised for issuance of bonus shares	15,000	161,835,120
	20,953,189	20,484,589
Capital reserve account		
Balance as at 1 April	1,800,030	1,573,030
Add: Amount forfeited against employees stock option plan	740,000	227,000
	2,540,030	1,800,030
Employee stock options		
Balance as at 1 April	15,248,208	19,234,288
Less: Reversal on forfeiture of stock options granted	784,000	57,680
Less: Transferred to securities premium account on exercise of stock options	123,600	3,928,400
	14,340,608	15,248,208
Less: Deferred employee compensation	(1,976,054)	(5,980,726)
	12,364,554	9,267,482
Foreign currency translation reserve		
Balance as at 1 April	12,273,940	9,447,419
Add: Addition during the year	29,897,671	2,826,521
	42,171,611	12,273,940
Hedging reserve (refer note 4, schedule16)	(12,268,744)	–
	(12,268,744)	–
Profit and Loss Account		
Balance as at 1 April	1,171,206,713	768,827,982
Add: Profit for the year	322,582,578	617,392,308
Less: Transferred to general reserve	39,790,081	84,415,178
Less: Proposed dividend	80,925,060	97,101,072
Less: Corporate dividend tax	13,753,214	33,497,327
	1,359,320,936	1,171,206,713
	2,079,345,937	**1,829,507,034**

Schedules forming part of the consolidated financial statements

SCHEDULE 3
FIXED ASSETS

Amount in Rupees

	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2008	Additions	Deductions / adjustments	As at 31 March 2009	As at 1 April 2008	Depreciation for the year	Deductions / adjustments	As at 31 March 2009	As at 31 March 2009	As at 31 March 2008
Tangible assets										
Freehold land	3,360,720	–	–	3,360,720	–	–	–	–	3,360,720	3,360,720
Leasehold land	66,395,000	121,447,361	–	187,842,361	4,377,181	1,689,374	–	6,066,555	181,775,806	62,017,819
Leasehold improvement	62,831,429	3,434,163	(53,725,637)	12,539,955	19,982,514	13,149,253	(28,201,917)	4,929,850	7,610,105	42,848,915
Buildings	242,917,825	108,166	–	243,025,991	19,462,875	8,075,681	–	27,538,556	215,487,435	223,454,950
Plant and machinery (including Office equipment)	141,812,452	26,326,448	(1,182,864)	166,956,036	63,818,471	28,088,569	(80,658)	91,826,382	75,129,654	77,993,981
Computers	251,123,136	44,395,501	(4,639,321)	290,879,316	146,070,614	50,717,329	(3,303,492)	193,484,451	97,394,865	105,052,522
Vehicles	17,399,929	724,351	–	18,124,280	6,632,199	3,526,789	–	10,158,988	7,965,292	10,767,730
Furniture and fixtures	51,154,061	1,969,027	709,979	53,833,067	31,958,271	6,415,354	707,761	39,081,386	14,751,681	19,195,790
Intangible assets										
Software	113,347,978	30,265,889	43,073	143,656,940	86,973,932	21,108,110	3,265	108,085,307	35,571,633	26,374,046
Current year	**950,342,530**	**228,670,906**	**(58,794,770)**	**1,120,218,666**	**379,276,057**	**132,770,459**	**(30,875,041)**	**481,171,475**	**639,047,191**	**571,066,473**
Previous year	685,421,855	272,500,395	(7,579,720)	950,342,530	265,565,579	118,463,957	(4,753,479)	379,276,057	571,066,473	–

* 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 as specified in the Companies (Accounting Standard) Rules, 2006

Amount in Rupees

	As at 31 March 2009	As at 31 March 2008
SCHEDULE 4		
INVESTMENTS		
Long term investments		
Equity shares - Trade and unquoted		
Nil (10,040,000) equity shares of Rs.10 each, fully paid up, in GMAC Financial Services India Limited [Of the above, Nil (80,000) equity shares are held by nominees on behalf of the Company]	–	136,882,640
25,000 (25,000) equity shares of Rs.10 each, fully paid up, in Ujjivan Financial Services Private Limited	2,500,000	2,500,000
	2,500,000	139,382,640
Current investments		
Investments in bonds and mutual funds - Non trade and unquoted		
Nil (5,000,000) units of face value of Rs.10 each of UTI Fixed Maturity HFMP 03/08 I Plan E- Inst. (D)	–	50,000,000
Nil (2,500,000) units of face value of Rs.10 each of ICICI Prudential FMP Series 34-One Year Plan B Inst. (G)	–	25,000,000
Nil (1,821,275) units of face value of Rs.10 each of ICICI Prudential Flexible Income Plan - (D)	–	19,257,256
Nil (1,025,916) units of face value of Rs.10 each of ICICI Prudential Interval Fund II Qtrly Interval Plan C - (D)	–	10,259,156
5,255,930 (Nil) units of face value of Rs.10 each of ICICI Prudential Institutional Liquid Plan-Super Institutional-(D)	52,561,930	–
Nil (1,024,881) units of face value of Rs.10 each of Birla Interval Income Fund -Inst. Quarterly series- 3-(D)	–	10,248,882
Nil (1,500,000) units of face value of Rs.10 each of ING Long Term FMP 1 Inst. (G)	–	15,000,000
Nil (2,500,000) units of face value of Rs.10 each of ABN AMRO FTPS5 14 Mths Plan Inst (G)	–	25,000,000
Nil (2,500,000) units of face value of Rs.10 each of ABN AMRO FTPS8-Yly Plan A-Inst.(G)	–	25,000,000
Nil 1,500,000) units of face value of Rs.10 each of HSBC Fixed Term Series-27 Inst. (G)	–	15,000,000
Nil (1,000,000) units of face value of Rs.10 each of HSBC Fixed Term Series-28 Inst. (G)	–	10,000,000
Nil (6,000,000) units of face value of Rs.10 each of HSBC Fixed Term Series-44 Inst. (G)	–	60,000,000
Nil (1,091,130) units of face value of Rs.10 each of HDFC FMP 367D April 2007 (5)-Wholesale Plan (G)	–	10,911,300
Nil (5,000,000) units of face value of Rs.10 each of HDFC FMP 13M March 2008 (VII)(2) -Wholesale Plan (G)	–	50,000,000
3,282,512 (Nil; Nil) units of face value of Rs.10 each of HDFC Cash Management Savings Plus -Wholesale Plan (D)	–	–
2,828,469 (Nil) units of face value of Rs.10 each of HDFC Cash Management Fund-Savings Plan-(D)	30,084,727	–
1,231,736 (Nil) units of face value of Rs.10 each of HDFC Liquid Fund Premium Plan-(D)	15,100,840	–

	As at 31 March 2009	As at 31 March 2008
		Amount in Rupees
Nil (2,500,000) units of face value of Rs.10 each of Principal Pnb FMP 385 Days-Series IV-Mar 07 Inst. (G)	–	25,000,000
Nil (1,500,000) units of face value of Rs.10 each of Reliance Fixed Horizon Fund III-Annual Plan S-I-Inst. (G)	–	15,000,000
Nil (1,500,000) units of face value of Rs.10 each of Reliance Fixed Horizon Fund III-Annual Plan S-IV-Inst. (G)	–	15,000,000
1,966,813 (Nil) units of face value of Rs.10 each of Reliance Liquid Fund -Treasury Plan Institutional Option-(D)	30,067,057	–
Nil (2,000,000) units of face value of Rs.10 each of Kotak FMP 14M Series-4 - Inst. (G)	–	20,000,000
Nil (2,500,000) units of face value of Rs.10 each of Kotak FMP 13M Series 2 Inst. (G)	–	25,000,000
Nil (2,500,000) units of face value of Rs.10 each of DWS Fixed Term Fund Series 24-Inst. (G)	–	25,000,000
Nil (2,000,000) units of face value of Rs.10 each of DWS Fixed Term Fund Series 33-Inst. (G)	–	20,000,000
Nil (5,000,000) units of face value of Rs.10 each of DWS Fixed Term Fund Series 47-Inst. (G)	–	50,000,000
Nil (750,000) units of face value of Rs.10 each of Standard Chartered Fixed Maturity Plan B Yearly Series 11 (G)	–	7,500,000
Nil (4,000,000) units of face value of Rs.10 each of Templeton Fixed Horizon Fund Series II-Plan B-Inst. (G)	–	40,000,000
Nil (10,000) units of face value of Rs.1000 each of DSP Merrill Lynch FTP Series 3D-Inst. (G)	–	10,000,000
Nil (4,000,000) units of face value of Rs.10 each of DSP Merrill Lynch FMP 12 1/2M Series1-Inst. (G)	–	40,000,000
Nil (2,500,000) units of face value of Rs.10 each of Lotus India FMP 375 Days Series II Inst. Growth	–	25,000,000
Nil (1,500,000) units of face value of Rs.10 each of Lotus India FMP 375 Days Series VII Inst. Growth	–	15,000,000
Nil (3,000,000) units of face value of Rs.10 each of Sundaram BNP Paribas Fixed Term Plan D- Inst. (G)	–	30,000,000
Nil (2,000,000) units of face value of Rs.10 each of Sundaram BNP Paribas Fixed Term Plan E- Inst. (G)	–	20,000,000
Nil (5,000,000) units of face value of Rs.10 each of IDFC Fixed Maturity Plan-Yearly Series 19-Plan B-(G)	–	50,000,000
Nil (812,438) units of of face value of Rs.10 each of LIC Mutual Fund Dividend Plan-Daily dividend	–	8,124,384
1,640,006 (Nil) units of face value of Rs.10 each of Reliance Liquid Fund - Treasury Plan-Institutional Option - (D)	25,071,103	–
684,631 (Nil) units of face value of Rs.10 each of LICMF Liquid Fund-(D)	7,517,318	–
	160,402,975	766,300,978
	162,902,975	**905,683,618**

Notes:

1. Net asset value (NAV) of current investments Rs.160,402,975 (Rs.796,960,566) as at 31 March 2009
2. Refer note 7, schedule 16 for details of investments purchased and sold during the year ended 31 March 2009

Amount in Rupees

	As at 31 March 2009	As at 31 March 2008
SCHEDULE 5		
SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months		
– Considered good	93,145,175	37,471,606
– Considered doubtful	17,468,880	6,935,163
	110,614,055	44,406,769
Less: Provision for doubtful debts	(17,468,880)	(6,935,163)
	93,145,175	37,471,606
Other debts (considered good)	707,860,739	640,671,243
	801,005,914	**678,142,849**
SCHEDULE 6		
CASH AND BANK BALANCES (REFER NOTE 6, SCHEDULE 16)		
Cash in hand	1,922,504	571,131
Balances with scheduled banks:		
– in current accounts	128,049,285	52,358,556
– in fixed deposit accounts**	732,842,214	11,836,175
Balance with non scheduled bank: *		
– in current account		
Citibank-U.K.	1,019,739	816,658
Citibank-UAE	476,810	1,075,668
Citibank-Singapore	69,446,702	27,814,130
Citibank-Korea	15,533,513	19,990,752
Citibank-Philippines	1,515,627	–
Korea Exchange Bank	–	320
PNC Bank-USA	7,517,994	23,952,700
Bank of Tokyo Mitsubishi -Japan	47,189,175	13,782,730
Shinsei Bank - Japan	22,326,932	18,800,665
Citibank -Hong Kong	15,012	34,434
ANZ Bank - Australia	451,325	301,539
Citibank -Singapore	827,789	295,256
Citibank -Netherlands	4,365,472	3,215,246
– in fixed deposit accounts		
ANZ Bank - Australia	17,500	173,503
Remittance in transit	27,842,915	–
	1,061,360,508	**175,019,463**
*Maximum amount oustanding during the year		
– in current accounts		
Citibank-U.K	2,307,184	2,020,956
Citibank-UAE	3,212,886	2,210,768
Citibank-Singapore	147,448,221	140,247,341
Citibank-Korea	38,156,749	19,990,752
Citibank-Philippines	1,488,714	–
Korea Exchange Bank	–	4,367,340
PNC Bank-USA	37,658,824	28,720,180
Bank of Tokyo Mitsubishi -Japan	124,095,400	171,520,735
Shinsei Bank - Japan	32,653,113	150,051,758
Citibank -Hong Kong	44,937	72,460
ANZ Bank - Australia	470,232	302,992
Citibank -Singapore	24,077,058	13,346,068
Citibank -Netherlands	6,607,348	4,553,035
– in fixed deposit accounts		
ANZ Bank - Australia	18,065	173,503

**include fixed deposits amounting to Rs.5,665,165 (Rs.6,712,120) under lien with bank on account of guarantees issued on behalf of the Company

		Amount in Rupees
	As at 31 March 2009	As at 31 March 2008
SCHEDULE 7		
LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	45,468,410	35,856,415
Security deposits	27,749,006	29,233,965
Advance income tax [net of provision Rs.76,716,282 (Rs.37,318,071)]	47,822,108	8,423,897
Advance fringe benefit tax [net of provision Rs.24,583,704 (Rs.17,563,018)]	2,592,274	2,732,274
MAT credit entitlement (refer note 8, schedule16)	77,865,904	59,650,000
Prepaid expenses	26,181,573	30,692,345
	227,679,275	**166,588,896**
SCHEDULE 8		
OTHER CURRENT ASSET		
Service income accrued but not due [net of provision of Rs.12,010,692 (Rs.1,690,037)]	267,626,766	330,551,008
Interest accrued but not due	26,702,636	1,121,426
	294,329,402	**331,672,434**
SCHEDULE 9		
CURRENT LIABILITIES		
Sundry creditors	380,723,410	260,911,060
Withholding tax	25,770,224	27,772,507
Advances from customers	103,709,986	135,948,255
Mark to Market on Options / Forward contracts (refer note 3, schedule16)	42,275,541	–
Unclaimed dividend	1,194,215	1,085,191
Other liabilities	46,952,340	61,264,417
	600,625,716	**486,981,430**
SCHEDULE 10		
PROVISIONS		
Gratuity	54,471,069	37,253,641
Leave encashment	43,361,832	40,027,407
Taxation [Net of advance tax Rs.6,281,491 (Rs.9,432,764)]	2,310,488	11,005,832
Proposed dividend	80,925,060	97,101,072
Corporate dividend tax	13,753,214	16,502,327
	194,821,663	**201,890,279**

Amount in Rupees

	For the year ended 31 March 2009	For the year ended 31 March 2008
SCHEDULE 11		
SALES AND SERVICES		
Software development services and products	3,284,028,256	2,887,174,622
	3,284,028,256	**2,887,174,622**
SCHEDULE 12		
SOFTWARE DEVELOPMENT EXPENSES #		
Salaries and allowances	1,283,797,486	1,058,348,603
Contribution to provident and other funds	61,935,265	53,397,685
Directors' remuneration [including stock compensation expenses Rs.Nil (Rs.125,089)]	6,210,000	10,493,089
Employee's stock compensation expenses (net)	2,737,583	4,791,600
Staff welfare	19,097,661	15,677,029
Conveyance	13,060,065	12,048,374
Communication	21,058,197	19,890,854
Rent	138,225,327	98,630,775
Legal and professional	18,668,973	16,827,363
Repair and maintenance		
– Building	558,689	1,425,432
– Others	12,965,943	10,594,224
Training and recruitment	12,653,347	25,483,363
Printing and stationery	946,789	1,442,204
Insurance	6,134,465	5,381,706
Software and other development charges	79,306,710	12,761,828
Cost of software purchased for delivery to clients	150,623,613	91,742,260
Travelling	164,275,746	174,042,664
Advertisement	191,868	213,632
Consultancy charges	191,235,860	92,446,348
Power and fuel	26,523,199	24,503,009
Conference, exhibition and seminar	52,490	520,574
Information technology expenses	9,706,649	6,974,150
Miscellaneous expenses	5,486,346	6,381,206
	2,225,452,271	**1,744,017,972**
# refer note 18, schedule 16		
SCHEDULE 13		
SELLING AND MARKETING EXPENSES		
Salaries and allowances	141,829,038	99,884,663
Contribution to provident and other funds	3,620,591	2,519,521
Directors' remuneration [including stock compensation expenses Rs.Nil (Rs.125,089)]	6,210,000	10,493,089
Employee's stock compensation expenses (net)	196,123	366,506
Staff welfare	4,156,763	3,166,088
Conveyance	4,575,647	3,536,193
Communication	6,247,103	5,772,541
Rent	16,166,642	8,151,334
Legal and professional	13,958,213	4,392,965
Repair and maintenance	–	
– Building	29,329	78,510
– Others	666,704	559,851
Training and recruitment	835,828	2,375,674
Printing and stationery	1,846,759	4,198,746
Insurance	371,547	353,748
Travelling	33,357,137	30,938,942
Advertisement and business pormotion	12,652,941	15,052, 388
Power and fuel	2,068,981	1,528,670
Conference, exhibition and seminar	12,849,992	7,954,870
Information technology expenses	399,418	328,882
Commission to channel partners	4,542,383	8,192,431
Miscellaneous expenses	11,403,778	792,607
	277,984,917	**210,638,219**

	For the year ended 31 March 2009	For the year ended 31 March 2008
		Amount in Rupees
SCHEDULE 14		
GENERAL AND ADMINISTRATION EXPENSES #		
Salaries and allowances	112,970,052	85,867,662
Contribution to provident and other funds	6,543,515	4,324,557
Directors' remuneration [including stock compensation expenses Rs.Nil (Rs.62,545)]	5,085,960	8,548,345
Employee's stock compensation expenses (net)	286,966	519,439
Staff welfare	3,196,609	2,402,361
Conveyance	2,545,490	3,768,525
Communication	3,088,520	3,788,527
Rent	2,161,714	3,247,405
Rates and Taxes	4,043,879	5,219,069
Legal and professional	28,891,092	18,632,917
Repair and maintenance		
– Building	145,045	368,327
– Others	3,128,538	3,221,238
Training and recruitment	2,351,375	3,406,015
Printing and stationery	2,287,984	2,135,244
Loss on sale of fixed assets (net)	7,614,637	–
Insurance	699,777	786,643
Bank charges	3,015,002	3,002,821
Travelling	16,140,107	6,068,332
Advertisement	1,389,160	2,694,113
Consultancy charges	–	5,241,680
Power and fuel	2,286,988	2,187,513
Conference, exhibition and seminar	55,853	368,729
Information technology expenses	983,550	694,718
Advances and other current assets written off	4,846,684	6,609,696
Provision for doubtful debts /advances / other current assets *	48,260,777	6,838,935
Loss on foreign exchange fluctuation on consolidation (net)	3,434,560	–
Miscellaneous expenses	19,086,528	18,459,835
	284,540,362	**198,402,646**

refer note 18, schedule 16
*includes bad debts written off Rs.27,502,702 (Rs.8,613,363)

	For the year ended 31 March 2009	For the year ended 31 March 2008
SCHEDULE 15		
OTHER INCOME		
Dividend received from non-trade investments	14,906,748	21,405,254
Interest on fixed deposit [Gross of tax deducted at source Rs.5,985,510 (Rs.25,974)]	35,617,650	1,378,783
Profit on sale of investments		
– Long term trade investment	21,849,760	–
– Current non trade investments	45,139,108	24,833,708
Profit on sale of fixed assets (net)	–	907,591
Miscellaneous income	19,570,497	22,929,749
Gain on foreign exchange fluctuation on consolidation (net)	–	1,085,156
	137,083,763	**72,540,241**

SCHEDULE 16
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. Significant accounting policies

(i) Basis of preparation

The consolidated financial statements are prepared under the historical cost convention on the accrual basis, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") and mandatory accounting standards as prescribed in the Companies (Accounting Standard) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India ("SEBI"). Accounting policies have been consistently applied except where a newly issued accounting standard, if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

(ii) Principles of consolidation

These consolidated financial statements relate to Nucleus Software Exports Ltd., the parent company and its subsidiaries (hereinafter collectively referred as "the Group"), which are as follows:

Name of the Company	% Shareholding	Country of incorporation
Nucleus Software Solutions Pte. Ltd.	100	Singapore
Nucleus Software Inc.	100	United States of America
Nucleus Software Japan Kabushiki Kaiga	100	Japan
Nucleus Software (Australia) Pty. Ltd.	100	Australia
Nucleus Software (HK) Ltd.	100	Hong Kong
VirStra *i* – Technology Services Limited	100	India
VirStra *i* – Technology (Singapore) Pte. Ltd.	100	Singapore
Nucleus Software Netherlands B.V.	100	Netherlands
Nucleus Software Limited	100	India

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

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

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

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

(iii) Use of estimates

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

(iv) Foreign exchange transactions and translation of financial statements of foreign subsidiaries

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

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

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

Foreign exchange forward contracts where there is an underlying are accounted in accordance with AS 11 – "The Effects of Changes in Foreign Exchange Rates" i.e.,

a) the premium or discount on all such contracts arising at the inception of each contract is amortised as income or expense over the life of the contract.

b) the exchange difference is calculated as the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date, or the settlement date where the transaction is settled during the reporting period, and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences is recognised in the Profit and Loss Account in the reporting period in which the exchange rates change.

c) any profit or loss arising on the cancellation or renewal of such contracts is recognised as income or as expense for the year.

Till previous year, foreign exchange forward contracts in respect of highly probable/forecasted transactions and foreign exchange options were marked to market and any resultant gain/ loss was recognized in the Profit and Loss Account.

Effective 1 April 2008, the Company adopted hedge accounting in respect of highly probable/forecasted transactions in accordance with principles set out in AS 30. The Company records the gain or loss on effective hedges in the hedging reserve until the transactions are complete. On completion, the gain or loss is transferred to the Profit and Loss Account of that period. To designate a forward contract or option as an effective hedge, management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as effective hedge, a gain or loss is recognized in the Profit and Loss Account.

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

a) Income and expense items are translated at the weighted average exchange rates.

b) Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the exchange rates on that date.

c) Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of transaction.

d) All resulting exchange differences are recognised in the Profit and Loss Account of the reporting period.

e) Contingent liabilities are translated at the closing rate.

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

a) Income and expense items are translated at the weighted average exchange rates.

b) Assets and liabilities, both monetary and non-monetary are translated at the closing rate.

c) All resulting exchange differences are accumulated in a foreign currency translation reserve which is reflected under reserves and surplus.

d) Contingent liabilities are translated at the closing rate.

(v) Revenue recognition

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

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

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

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

(vi) Expenditure

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

(vii) Fixed assets and capital work in progress

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

(viii) Depreciation

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

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

Asset category	Useful life (in years)
Building	30
Plant and machinery (including office equipment)	5
Computers	3-5
Vehicles	5
Furniture and fixtures	5-7
Software	3
Temporary wooden structures (included in furniture and fixtures)	1

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

(ix) Investments

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

(x) Research and development

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

(xi) Employee benefits

India

Short-term employee benefits

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

Defined contribution plans

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

Defined benefit plans

Gratuity

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

Other long term employee benefits

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

Singapore

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

United States of America

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

Australia

The Company's contributions to superannuation are charged to the Profit and Loss Account.

(xii) Employee stock option based compensation

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

(xiii) Earnings per share

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

(xiv) Operating leases

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

(xv) Taxation

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

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

Consequent to the introduction of Fringe Benefits Tax ("FBT") effective 1 April 2005, in accordance with the guidance note on accounting for fringe benefits tax issued by the Institute of Chartered Accountants of India, the Company has made a provision for FBT in accordance with the provisions of the Income tax Act, 1961.

(xvi) Impairment

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

(xvii) Contingencies

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

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

2. Deferred Tax Asset/(Liability)

Components of net deferred tax asset:

Amount in Rupees

	As at 31 March 2009	As at 31 March 2008
Deferred tax asset		
Provision for doubtful debts	5,564,048	652,173
Provision for retirement benefits	28,891,161	20,995,712
	34,455,209	**21,647,885**
Deferred tax liability		
Difference of depreciation as per Income-tax laws and books of accounts	(16,832,062)	(18,901,487)
Net deferred tax asset	**17,623,147**	**2,746,398**

Components of net deferred tax liability:

Amount in Rupees

	As at 31 March 2009	As at 31 March 2008
Deferred tax asset		
Provision for retirement benefits	73,205	134,163
	73,205	**134,163**
Deferred tax liability		
Fixed assets	(2,614,697)	(2,723,609)
Net deferred tax liability	**(2,541,492)**	**(2,589,446)**

3. **Forward contracts**

	As at 31 March 2009	As at 31 March 2008
Forward contract outstanding		
In USD	5,750,000	9,692,654
Equivalent amount in Rupees	291,755,000	386,736,895
Options contract outstanding		
In USD	3,400,000	20,400,000
Equivalent amount in Rupees	**172,516,000**	**813,960,000**

Effective 1 April 2008, the Company adopted hedge accounting in accordance with principles set out in AS 30. As at 31 March 2009, the Company has recorded marked to market loss of Rs.12,268,744 relating to forward contracts that are designated as effective cash flow hedges with a corresponding debit to hedging reserves. Further as at 31 March 2009, the Company has recorded marked to market loss of Rs.30,006,797 relating to foreign currency options which does not qualify for hedging and accordingly the loss has been recognized in the Profit and Loss Account. Had the Company not adopted hedge accounting, net profit before tax for the year ended 31 March 2009, would have been lower by Rs.11,404,460; further, as at 31 March 2009, debit balance in hedging reserve would have been lower by Rs.12,268,744 and credit balance in the Profit and Loss Account and sundry creditors would have been lower by Rs.11,404,460 and Rs.864,284 respectively.

4. **Employees Stock Option Plan ("ESOP")**

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

The Company currently has three ESOP schemes, ESOP scheme- 2002 (instituted in 2002), ESOP scheme-2005 (instituted in 2005) and ESOP scheme-2006 (instituted in 2006). These schemes were duly approved by the Board of Directors and Shareholders in their respective meetings. The 2002 scheme provides for 225,000 options, 2005 scheme for 600,000 options and 2006 scheme for 1,000,000 options to eligible employees. These schemes are administered by the Compensation Committee comprising four members, the majority of whom are independent directors. On exercise of stock options, option holders are entitled to bonus shares in the ratio of 1:1, pursuant to approval of bonus shares by the shareholders in the annual general meeting held on 6 July 2007.

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

2002 Stock Option Scheme

	Year ended 31 March 2009	Year ended 31 March 2008
Options outstanding at the beginning of the year	141,550	159,750
Options granted	–	–
Options forfeited	(14,000)	(700)
Options exercised	(1,500)	(17,500)
	126,050	**141,550**

2005 Stock Option Scheme

	Year ended 31 March 2009	Year ended 31 March 2008
Options outstanding at the beginning of the year	142,000	142,000
Options granted	–	–
Options forfeited	–	–
Options exercised	–	–
	142,000	**142,000**

2006 Stock Option Scheme

	Year ended 31 March 2009	Year ended 31 March 2008
Options outstanding at the beginning of the year	249,860	271,860
Options granted	–	–
Options forfeited	(60,000)	(22,000)
Options exercised	–	–
	189,860	**249,860**

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

Amount in Rupees

	Year ended 31 March 2009	Year ended 31 March 2008
Balance brought forward	5,980,726	12,028,674
Add: Recognised during the year	–	–
Less: Amortisation expense*	4,004,672	5,990,268
Less: Reversal due to forfeiture	–	57,680
Balance carried forward	**1,976,054**	**5,980,726**

* excluding write back of stock compensation expense in respect of forfeited/ lapsed options of Rs.784,000 (Rs.312,723).

5. Managerial Remuneration *

Amount in Rupees

	Year ended 31 March 2009	Year ended 31 March 2008
A. Whole Time Directors		
Salary and perquisites	7,740,960	7,861,760
Contribution to provident and other funds	360,000	360,000
Commission	5,525,000	13,960,000
	13,625,960	**22,181,760**
B. Non Executive Directors		
Stock based compensation	–	312,723
Commission	2,375,000	5,600,000
Sitting fees	1,865,000	1,545,000
	4,240,000	**7,457,723**

* The above remuneration does not include expense towards retirement benefits since the same is based on actuarial valuations carried out for the group as a whole.

6. Bank Balances

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

Amount in Rupees

Name of Bank	**As at 31 March 2009**	**As at 31 March 2008**
Canara Bank	86,026	86,026
Citi Bank	10,083,596	15,064,329
Citi Bank – EEFC accounts in US dollar	105,739,058	15,684,180
DBS Bank	247,809	25,000
HDFC Bank – EEFC accounts in US dollar	2,320,123	14,458,364
HDFC Bank	6,369,981	4,724,167
HDFC Bank - Unclaimed dividend accounts	802,973	639,298
HSBC Bank - Unclaimed dividend accounts	394,042	448,693
ICICI Bank	1,710,969	1,152,123
State Bank of India	233,332	15,000
Vijaya Bank	61,376	61,376
Total	**128,049,285**	**52,358,556**

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

Amount in Rupees

Name of Bank	As at 31 March 2009	As at 31 March 2008
HDFC Bank	222,234,512	734,512
Canara Bank	181,007,037	979,572
Citi Bank	48,900,665	10,122,091
DBS Bank	22,500,000	–
Punjab National Bank	66,000,000	–
ICICI Bank	127,300,000	–
State Bank of India	7,500,000	–
Corporation Bank	37,400,000	–
Bank of India	20,000,000	–
Total	732,842,214	11,836,175

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

Amount in Rupees

Name of Bank	As at 31 March 2009	As at 31 March 2008
Citi Bank, U.A.E	476,810	1,075,668
Citi Bank, United Kingdom	1,019,739	816,658
Citi Bank-Singapore	69,446,702	27,814,130
Citi Bank-Korea	15,533,513	19,990,752
Citi Bank-Philippines	1,515,627	–
Korea Exchange Bank	–	320
PNC Bank-USA	7,517,994	23,952,700
Bankof Tokyo Mitshubishi-Japan	47,189,175	13,782,730
Shinsei Bank-Japan	22,326,932	18,800,665
Citi Bank-HongKong	15,012	34,434
ANZ Bank-Australia	451,325	301,539
Citi Bank-Singapore	827,789	295,256
Citi Bank-Netherlands	4,365,472	3,215,246
Total	170,686,090	110,080,098

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

Amount in Rupees

Name of Bank	As at 31 March 2009	As at 31 March 2008
ANZ Bank - Australia	17,500	173,503
Total	17,500	173,503

7. Details of Investments Purchased/ Sold during the Year ended 31 March 2009

Amount in Rupees

Name of the investment	Face value Amount	Purchased during the year Quantity	Purchased during the year Amount	Sold during the year Quantity	Sold during the year Amount
ICICI Prudential Flexible Income Plan-Dividend	10	10,256,033	108,442,165	10,256,033	108,442,165
HDFC Cash Management Fund-Savings Plus Plan-Wholesale-Dividend	10	5,035,685	50,515,476	5,035,685	50,515,476
Mirae Asset Liquid Plus Fund-IP-Dividend	1,000	21,089	21,118,683	21,089	20,741,296
ABN AMRO Money Plus Fund-IP-Dividend	10	840,402	8,404,123	840,402	8,406,624
DWS Fixed Term Fund- Series 57-Dividend	10	5,000,000	50,000,000	5,000,000	50,000,000
Lotus India FMP- 3 Months-Series XXXV-Dividend	10	2,040,077	20,400,850	2,040,077	20,410,558
Canara Robeco Monthly Interval Fund-Dividend	10	2,044,490	20,450,302	2,044,490	20,444,903
SBI Debt Fund Series -90 Days -26-Dividend	10	5,104,510	51,045,100	5,104,510	51,045,100
SBI Debt Fund Series -90 Days -29-Dividend	10	3,000,000	30,000,000	3,000,000	30,000,000
JM Interval Fund-Quarterly Plan 5 -Institutional Dividend Plan-Dividend	10	3,506,723	35,067,233	3,506,723	35,067,233
JM Fixed Maturity Fund-Series XII Quarterly Plan 3-Institutional-Dividend	10	3,478,772	34,787,722	3,478,772	34,787,722
DSPML FMP 3M Series 12-Institutional Dividend-Dividend	10	2,500,000	25,000,000	2,500,000	25,359,000
Reliance Fixed Horizon Fund-X -Series 13- Super Institutional Dividend Plan	10	1,017,815	10,178,146	1,017,815	10,325,220
Reliance Liquid Plus Fund-Institutional-Dividend	1,000	41,169	41,215,471	41,169	41,215,471
DWS Liquid Plus Fund-Regular-Dividend	10	549,548	5,503,559	549,548	5,503,559
Canara Robeco Liquid Plus -Institutional Plan-Dividend	10	5,917,090	73,413,925	5,917,090	73,413,925
JP Morgan India Liquid Plus Fund-Super Inst-Dividend	10	15,133,945	151,474,142	15,133,945	151,474,142
LIC MF Liquid Plus Fund-Dividend	10	30,245,862	302,458,623	30,245,862	302,458,623
JP Morgan India Liquid Fund-Super Inst-Dividend	10	11,320,238	113,294,838	11,320,238	113,294,838
LIC MF Liquid Fund-Dividend	10	1,366,389	15,003,087	1,366,389	15,003,087
ICICI Prudential Institutional Liquid Plan-Super Institutional-Dividend	10	7,001,001	70,013,508	7,001,001	70,013,508
Canara Robeco Liquid Fund -Institutional Plan-Dividend	10	4,303,209	43,208,526	4,303,209	43,208,526
Sundaram BNP Paribas Liquid Plus -Super IP-Dividend	10	5,021,563	50,341,170	5,021,563	50,341,170
JM Money Manager Fund Super Plus Plan-Daily Dividend-Dividend	10	3,369,827	33,712,084	3,369,827	33,712,084
SBI SHF Liquid Plus Plus-IP-Dividend	10	1,003,064	10,035,659	1,003,064	10,035,659
Reliance Fixed Horizon Fund-VIII- Series 10-Institutional-Dividend	10	2,000,000	20,000,000	2,000,000	20,000,200
Sundaram BNP Paribas Interval Fund-Qly-Plan-C-Inst-Dividend	10	1,017,552	10,177,525	1,017,552	10,175,525
HDFC FMP 90D May 2008 (VIII) (2)-Wholesale Plan-Dividend	10	5,000,000	50,000,000	5,000,000	50,000,000
Reliance Fixed Horizon Fund-VIII-Series 11-Inst-Dividend	10	1,000,000	10,000,000	1,000,000	10,000,000
IDFC Fixed Maturity Plan- Quarterly Series 34-Dividend	10	1,017,690	10,176,900	1,017,690	10,176,900
HDFC Liquid Fund Premium Plan-Dividend	10	2,854,859	35,000,000	2,854,859	35,000,000

Amount in Rupees

Name of the investment	Face value Amount	Purchased during the year Quantity	Purchased during the year Amount	Sold during the year Quantity	Sold during the year Amount
Reliance Medium Term Fund-Dividend	10	1,465,628	25,055,638	1,465,628	25,055,638
Reliance Liquid Fund-Treasury Plan-IP-(D)	10	981,408	15,002,982	981,408	15,002,982
UTI Fixed Income Interval Fund-Monthly Interval plan-II-IP-Reinvestment	10	2,013,272	20,132,725	2013272	20,132,725
SBI-SHF Liquid Plus-IP-daily dividend	10	2,012,309	20,133,151	2,012,309	20,133,151
J.M.Money Manager Fund Super Plus Plan-Dividend	10	2,862,498	28,636,714	2,862,498	28,636,714
LIC Income Plus Fund-Daily dividend plan	10	6,300,000	63,486,446	6,300,000	63,486,446
Reliance Medium term fund-Daily dividend plan	10	504,824	8,630,212	503,056	8,630,212
Reliance Liquid Fund- Treasury plan	10	457,899	7,000,000	457,899	7,000,000
DSP Merrill Lynch Cash Plus-Regular-Weekly-(Dividend)	1,000	30,195	30,224,103	30,195	30,224,103
DSP Merrill Lynch Cash Plus-Institutional-(Dividend)	1,000	50,074	50,078,701	50,074	50,078,701
UTI Liquid Plus Fund-Institutional Plan-(Dividend)	1,000	10,135	10,137,499	10,135	10,137,499
DWS Credit Opportunities Cash Fund-(Dividend)	10	4,272,042	43,199,339	4,272,042	43,399,673
LICMF Liquid Plus Fund-(Dividend)	10	5,174,727	51,747,270	5,174,727	51,750,539
Reliance Liquid Plus Fund-Institutional Option-(Dividend)	1,000	147,371	147,534,219	147,371	147,522,961
ICICI Prudentail Flexible Income Plan-(Dividend)	10	3,414,510	36,103,319	3,414,510	36,103,319
ING Liquid Plus Fund-Institutional-(Dividend)	10	17,208,071	172,137,494	17,208,071	172,137,494
Sundaram BNP Paribas Liquid Plus-Super Inst.-(Dividend)	10	8,805,443	88,264,001	8,805,443	88,264,001
Lotus India Liquid Fund-(Dividend)	10	1,018,743	10,197,810	1,018,743	10,192,523
UTI Liquid Cash Plan-Institutional Plan-(Dividend)	1,000	9,820	10,011,084	9,820	10,011,084
Birla Cash Plus-Instl Prem.-(Dividend)	10	5,991,527	60,032,101	5,991,527	60,032,101
HDFC Cash Management Fund-Savings Plus Plan-Wholesale-(Dividend)	10	2,748,204	27,568,607	2,748,204	27,568,607
Standard Chartered Liquidity Manager-Plus-(Dividend)	1,000	30,057	30,063,534	30,057	30,063,534
DWS Money Plus Fund-Institutional Plan-(Dividend)	10	5,072,460	50,766,192	5,072,460	50,766,192
AIG India Treasury Plus Fund-Institutional-(Dividend)	10	4,006,549	40,109,166	4,006,549	40,109,166
AIG India Treasury Plus Fund-Super Institutional-(Dividend)	10	10,010,024	100,210,353	10,010,024	100,210,353
ABN AMRO Money Plus-Institutional Plan-(Dividend)	10	1,508,181	15,081,958	1,508,181	15,081,958
Sundaram BNP Paribas Liquid Plus-(Dividend)	10	5,760,997	57,652,644	5,760,997	57,651,795
DWS Money Plus Fund-Regular-(Dividend)	10	1,999,263	20,044,407	1,999,263	20,044,407
Lotus India Liquid Plus Fund-(Dividend)	10	8,538,102	85,515,066	8,538,102	85,515,066
ABN AMRO Flexible Short Term Plan Ser C-(Dividend)	10	2,035,224	20,352,243	2,035,224	20,352,243
Sundaram BNP Paribas FTP Series XXIX-(Dividend)	10	2,543,718	25,437,175	2,543,718	25,437,175

Amount in Rupees

Name of the investment	Face value Amount	Purchased during the year Quantity	Purchased during the year Amount	Sold during the year Quantity	Sold during the year Amount
Birla FTP-Quarterly-Series 14-Dividend-Payout	10	1,000,000	10,000,000	1,000,000	10,210,372
DSP Merrill Lynch FTP Plan Series 1N-(Dividend)	1,000	25,440	25,439,824	25,440	25,445,884
Kotak FMP 3M Series 20-(Dividend)	10	2,035,146	20,351,465	2,035,146	20,351,465
ICICI Prudential Liquid Plan-Super IP-(Dividend)	10	4,016,724	40,167,239	4,016,724	40,167,239
Tata Liquidity Management Fund-(Dividend)	1,000	14,988	15,021,412	14,988	15,021,412
Standard Chartered Liquidity Manager-(Dividend)	1,000	30,104	30,109,551	30,104	30,109,551
HDFC Cash Management-Savings Plan-(Dividend)	10	941,913	10,018,559	941,913	10,018,559
Reliance Quarterly Interval Fund-Series II-Institutional-(Dividend)	10	1,016,912	10,169,530	1,016,912	10,169,730
ING Fixed Maturity Fund-34 Inst.-(Dividend)	10	2,000,000	20,000,000	2,000,000	20,000,000
Lotus India FMP-3 Months-Series XIX-(Dividend)	10	1,017,134	10,171,340	1,017,134	10,173,171
Kotak FMP 3M Series 26-(Dividend)	10	2,034,412	20,344,156	2,034,412	20,344,121
Reliance Quarterly Interval Fund-Series III-Institutional-(Dividend)	10	2,071,679	20,717,646	2,071,679	20,717,828
Lotus India Quarterly Interval Fund-Plan B-(Dividend)	10	1,018,507	10,185,077	1,018,507	10,185,577
Sundaram BNP Paribas Interval Fund-Qly-Plan -A-Inst-(Dividend)	10	1,553,402	15,534,019	1,553,402	15,534,019
ABN Amro Flexible Short Term Plan Ser C -QFMP (Dividend)	10	1,553,362	15,533,679	1,553,362	15,533,623
HSBC Interval Fund-Plan 2-Institutional-(Dividend)	10	3,563,583	35,636,241	3,563,583	35,658,641
DSP Merrill Lynch Fixed Maturity Plan 3M Series 2-Instl-(Dividend)	10	2,587,693	25,877,034	2,587,693	25,882,880
Reliance Fixed Horizon Fund VI-Series 1-Inst-(Dividend)	10	1,000,000	10,000,000	1,000,000	10,000,000
UTI Fixed Income Interval Fund-Quarterly Interval Plan Series -I-Inst-(Dividend)	10	1,018,327	10,183,671	1,018,327	10,183,271
UTI Fixed Maturity Plan Quarterly Series-QFMP-0907/I-INST-(Dividend)	10	2,032,725	20,327,246	2,032,725	20,346,557
Reliance Interval Fund-Quarterly Plan-Series I-Inst-(Dividend)	10	2,034,604	20,349,334	2,034,604	20,351,534
DSP Merrill Lynch Fixed Term Plan Series 1P-Institutional -(Dividend)	1,000	25,413	25,413,408	25,413	25,418,644
SBI Debt Fund Series-90 Days-15-(Sep 07)-(Dividend)	10	1,524,986	15,249,855	1,524,986	15,249,855
ING Fixed Maturity Fund-XXVI-(Dividend)	10	1,500,000	15,000,000	1,500,000	15,000,000
ICICI Prudential Institutional Liquid Plan-Daily	10	5,524,595	55,245,952	5,524,595	5,524,595
Reliance Liquid Plus Fund Institutional Option-Daily	1000	171,742	171,931,737	171,742	171,931,737
DWS Money Plus Fund Regular Plan-Daily	10	3,767,520	37,772,775	3,767,520	37,772,775
Lotus India Liquid Plus Fund-Daily	10	5,292,238	53,005,473	5,292,238	53,005,473
ING Liquid Plus Fund Institutional-Daily	10	5,575,223	55,767,625	5,575,223	55,767,625
DSP Merrill Lynch Cash Plus Institutional-Daily	10	60,585	60,591,335	60,585	60,591,335
ICICI Prudential Flexible Income Plan-Daily	10	5,026,889	53,151,804	5,026,889	53,151,804
DWS Credit Oppurtunities	10	1,005,519	10,108,939	1,005,519	10,108,939
Cash Fund-Weekly LIC Mutual Fund	10	6,950,000	69,500,000	6,950,000	69,500,000

8. Certain operations of the company are conducted through Software Technology Park ('STP'). Income from STP are tax exempt for the earlier of 10 years commencing from the fiscal year in which the unit commences software development or 31 March 2010.

Pursuant to the change in the Indian Income-tax Act, 1961, the company has calculated its tax liability after considering Minimum Alternative Tax (MAT). The MAT credit entitlement can be carried forward and set off against the future tax liability. Accordingly a sum of Rs.77,865,904 (Rs.59,650,000) was carried forward and shown under "Loans and advances" in the balance sheet as at 31 March 2009.

9. **Employee Benefit Obligations**

Defined contribution plans

An amount of Rs.61,902,454 (Rs.48,376,786) for the year ended has been recognized as an expense in respect of Company's contribution for Provident Fund and Employee State Insurance Fund deposited with the government authorities.

Defined benefit plans

The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to 15 days of total basic salary last drawn for each completed year of service. Gratuity is payable to all eligible employees of the Company on retirement, separation, death or permanent disablement, in terms of the provisions of the Payment of Gratuity Act, 1972.

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

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

Amount in Rupees

	As at 31 March 2009	As at 31 March 2008
Obligation at period beginning	37,253,641	21,484,480
Current service cost	10,294,663	6,293,169
Interest cost	3,350,267	1,555,176
Actuarial losses	5,277,873	9,921,064
Benefits paid	(1,705,375)	(2,000,248)
Obligation at period end	**54,471,069**	**37,253,641**
Change in plan assets		
Plan Assets at period beginning, at fair value	–	–
Contributions	1,705,375	2,000,248
Benefits paid	(1,705,375)	(2,000,248)
Plan assets at period end, at fair value	**–**	**–**

The Scheme does not have any assets as at the valuation date to meet the gratuity liability.

Amount in Rupees

	As at 31 March 2009	As at 31 March 2008
Gratuity cost for the period:		
Current service cost	10,294,663	6,293,169
Interest cost	3,350,317	1,555,176
Actuarial losses	5,277,873	9,921,064
Net gratuity cost	**18,922,853**	**17,769,409**

Assumptions

Economic assumptions	**As at 31 March 2009**	**As at 31 March 2008**
Discount rate	6.65% p.a	7.50% p.a
Salary escalation rate	10% p.a for first 4 years & 7% p.a thereafter	10% p.a for first 5 years & 7% p.a thereafter

a) Discount rate:

The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

b) Salary escalation rate:

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

Demographic assumptions	**As at 31 March 2009**	**As at 31 March 2008**
Retirement age	58 years	58 years
Mortality table	LIC (1994-96) duly modified	LIC (1994-96) duly modified
Withdrawal rates	Ages - Withdrawal Rate (%)	Ages - Withdrawal Rate (%)
	21-50 years - 20%	21-50 years - 20%
	51-54 years - 2%	51-54 years - 2%
	55-57 years - 1%	55-57 years - 1%

10. Segment Reporting – Basis of Preparation

(i) Segment accounting policies

The Segment reporting policy complies with the accounting policies adopted for preparation and presentation of financial statements of the Group and is in conformity with Accounting Standard-17 on "Segment Reporting", issued by the ICAI. The primary segmentation is based on the Geographies in which the Group operates and internal reporting systems. The secondary segmentation is based on the nature and type of services rendered.

(ii) Composition of reportable segments

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

Income and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while the remainder of the costs are categorised in relation to the associated turnover and/or number of employees. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably across geographies. The Company believes that it is not practicable to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and directly charged against total income.

Till previous year, the cost not directly associated with the segment was allocated on the basis of turnover and/or number of employees. Whereas in the current year, the Company has changed the basis of allocation of cost not directly associated with the segment i.e. such expenses are now being allocated to various segments on the basis of turnover of the segment and/or man-months used for the segment.

Segment assets and liabilities represent the net assets put up and liabilities of that segment. Most of the fixed assets of the Group are located in India. These have not been identified to any of the reportable segments, as these are used interchangeably between segments and across geographies. Other items which are not directly attributable to any particular segment and which cannot be reasonably allocated to various segments are consolidated under "Unallocated" head.11.

a) Information in respect of primary segment

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

For the year ended 31 March 2009

Amount in Rupees

Description	**India**	**Far East**	**Singapore**	**Europe**	**Middle East**	**Others**	**Total**
Revenue from external customers	367,353,024	1,605,537,937	431,143,204	216,114,714	320,227,865	343,651,512	3,284,028,256
Expenses	328,827,670	1,330,448,564	375,136,943	117,056,556	189,986,048	402,469,752	2,743,925,533
Segment result	38,525,354	275,089,373	56,006,261	99,058,157	130,241,817	(58,818,240)	540,102,723
Unallocated corporate expenditure							249,447,158
Operating profit before taxation							290,655,565
Other income							137,083,763
Foreign Exchange gain /(loss)							(79,196,089)
Profit before tax							348,543,239
Provision for taxation							
– current tax							53,734,308
– MAT credit entitlement							(20,215,904)
– fringe benefit tax							7,020,686
– deferred tax charge							(14,876,749)
– income tax for earlier years							210,273
Provision for wealth tax							88,047
Net profit after taxation							**322,582,578**

For the year ended 31 March 2008

Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Revenue from external customers	321,091,730	1,454,543,002	326,219,667	155,221,729	286,932,912	343,165,582	2,887,174,622
Expenses	299,438,702	824,738,195	390,421,614	64,621,444	207,591,528	287,604,996	2,074,416,479
Segment result	21,653,028	629,804,807	(64,201,947)	90,600,285	79,341,384	55,560,586	812,758,144
Unallocated corporate expenditure							238,604,046
Operating profit before taxation							**574,154,098**
Other income							72,540,241
Foreign Exchange gain /(loss)							(2,068,062)
Profit before tax							**644,626,277**
Provision for taxation							
– current tax							82,886,834
– MAT credit entitlement							(59,650,000)
– fringe benefit tax							7,167,414
– deferred tax charge							(2,784,932)
– income tax for earlier years							(455,387)
Provision for wealth tax							70,040
Net profit after taxation							**617,392,308**

Assets and liabilities of reportable primary segment are as follows:

As at 31 March 2009

Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Segment assets	273,542,623	544,342,369	117,542,181	45,597,113	176,480,847	179,429,534	1,336,934,667
Unallocated corporate assets							1,870,114,481
Total assets							**3,207,049,148**
Segment liabilities	85,734,137	294,715,170	88,948,821	15,413,575	56,146,660	57,637,889	598,596,252
Unallocated corporate liabilities							199,392,619
Total liabilities							**797,988,871**
Capital employed							**2,409,060,277**

As at 31 March 2008

Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Segment assets	115,051,374	542,912,473	85,306,815	24,633,486	122,634,203	281,768,292	1,172,306,643
Unallocated corporate assets							1,679,100,886
Total assets							**2,851,407,529**
Segment liabilities	68,867,870	186,477,013	82,040,361	81,491,731	28,565,235	58,317,356	505,759,566
Unallocated corporate liabilities							185,701,589
Total liabilities							**691,461,155**
Capital employed							**2,159,946,374**

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

For the year ended 31 March 2009

Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Capital expenditure	–	2,552,512	7,116,206	473,810		–	10,142,528
Capital expenditure (unallocated)							201,141,716
Total capital expenditure							**211,284,244**
Depreciation expenditure	–	11,131,108	9,455,024	18,151		–	20,604,283
Depreciation expenditure (unallocated)							112,166,176
Total Depreciation							**132,770,459**
Segment non-cash expense other than depreciation	10,970,127	4,626,940	14,356,642	131,826	14,197,293	12,045,305	56,328,133
Total non cash expenditure other than depreciation	**10,970,127**	**4,626,940**	**14,356,642**	**131,826**	**14,197,293**	**12,045,305**	**56,328,133**

For the year ended 31 March 2008

Amount in Rupees

Description	India	Far East	Singapore	Europe	Middle East	Others	Total
Capital expenditure	–	2,728,221	21,601,413	–	–	–	24,329,634
Capital expenditure (unallocated)							137,824,837
Total capital expenditure							**162,154,471**
Depreciation expenditure	–	11,400,737	26,025,159	–	–	–	37,425,896
Depreciation expenditure (unallocated)							81,038,061
Total Depreciation							**118,463,957**
Segment non-cash expense other than depreciation	3,686,190	2,012,080	5,227,235	555,153	1,122,783	6,835,458	**19,438,899**
Total non cash expenditure other than depreciation	**3,686,190**	**2,012,080**	**5,227,235**	**555,153**	**1,122,783**	**6,835,458**	**19,438,899**

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

For the year ended 31 March 2009

Amount in Rupees

Description	**Products**	**Software projects and services**	**Total**
Revenue	2,199,616,587	1,084,411,669	3,284,028,256
Carrying amount of segment assets	700,773,687	367,858,993	1,068,632,680

For the year ended 31 March 2008

Amount in Rupees

Description	**Products**	**Software projects and services**	**Total**
Revenue	1,974,144,506	913,030,116	2,887,174,622
Carrying amount of segment assets	721,694,415	286,999,442	1,008,693,857

Most of the fixed assets of the Group located in India have not been identified to any of the reportable segments, as these are used interchangeably between segments. Further, information related to carrying amount of assets by location of assets, to the extent possible, has been provided in primary segmentation

11. Related party transactions

a) **List of related parties**
Related parties with whom transactions have taken place during the year:

Key managerial personnel:
- Vishnu R Dusad (Managing Director, parent company)
- Kapil Gupta (Director, Subsidiary Company)

Amount in Rupees

b) **Transactions with related parties**	**Year ended 31 March 2009**	**Year ended 31 March 2008**
Managerial remuneration		
Key managerial personnel	13,625,960	22,181,760

12. Legal and professional includes payment to auditors *

Audit fees	5,540,412	4,734,678
Other services	1,575,000	942,810
Out of pocket expenses	244,343	145,618
	7,359,755	**5,823,106**

*excluding service tax.

13. Earnings per share

	Year ended 31 March 2009	Year ended 31 March 2008
Profit after taxation available to equity shareholders (Rupees)	**322,582,578**	**617,392,308**
Weighted average number of equity shares used in calculating basic earnings per share	32,369,568	32,358,999
Add: Effect of dilutive issue of shares	8,052	256,060
Weighted average number of equity shares used in calculating diluted earnings per share	32,377,620	32,615,059
Basic earnings per share (Rupees)	9.97	19.08
Diluted earnings per share (Rupees)	9.96	18.93

14. Capital commitments and contingent liabilities

a. Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances) Rs.1,404,533 (Rs.111,750,052).

b. Claim against the Group not acknowledged as debt Rs.324,000 (Rs.324,000).

15. The Company has acquired office premises under a non-cancellable operating lease. The future minimum lease expense in respect of such leases is as follows:

Amount in Rupees

	As at 31 March 2009	As at 31 March 2008
Not later than one year	35,264,512	18,081,846
Later than one year but not later than 5 years	13,729,378	990,806
	48,993,890	19,072,652

16. The following are the aggregate amounts incurred on certain specific expenses that are required to be disclosed under Schedule VI to the Companies Act, 1956:

Amount in Rupees

	Year ended 31 March 2009	Year ended 31 March 2008
Salaries and allowances	1,538,596,576	1,244,100,928
Contribution to provident and other funds	72,099,371	60,241,763
Directors' remuneration	17,505,960	29,534,523
Employee's stock compensation expenses	3,220,672	5,677,545
Staff welfare	26,451,033	21,245,479
Training and recruitment	15,840,550	31,265,052
Software and other development charges	79,306,710	12,761,828
Cost of software purchased for delivery to clients	150,623,613	91,742,259
Travelling	213,772,990	211,049,937
Conveyance	20,181,202	19,353,093
Communication	30,393,820	29,451,921
Rent	156,553,683	110,029,514
Rates and taxes	4,043,879	5,219,069
Legal and professional	61,518,278	39,853,245
Consultancy charges	191,235,860	97,688,028
Power and fuel	30,879,168	28,219,192

	Year ended 31 March 2009	Year ended 31 March 2008
		Amount in Rupees
Repair and maintenance		
– Building	733,063	1,872,269
– Others	16,761,185	14,375,313
Advertisement and business promotion	14,233,969	17,960,133
Conference, exhibition and seminar	12,958,335	8,844,173
Information technology expenses	11,089,617	7,997,750
Advances and other current assets written off	4,846,684	6,609,696
Provision for doubtful debts / advances / other current assets	48,260,777	6,838,935
Commission to channel partners	4,542,383	8,192,431
Printing and stationery	5,081,532	7,776,195
Insurance	7,205,789	6,522,097
Bank charges	3,015,002	3,002,821
Loss on sale of fixed assets (net)	7,614,637	–
Loss on foreign exchange fluctuation on consolidation (net)	3,434,560	–
Miscellaneous expenses	35,976,652	25,633,648
Total	**2,787,977,550**	**2,153,058,837**

17. One of the subsidiaries of the Group has been granted a Letter of Approval (LOA) from Office of Development Commissioner, Special Economic Zone, the Government of India on 25 June 2008. According to this, the subsidiary has to commence operations within one year from the date of LOA. As per the management, the subsidiary is yet to commence its operations and is in the process of filing an application for extension of LOA. Based on the assessment of the management, extension will be granted and would undertake requisite steps to comply with the conditions stipulated in the LOA.

18. **Following expenses are net of reimbursements from customers:**

Amount in Rupees

Particulars	**For the year ended 31 March 2009**	**For the year ended 31 March 2008**
Software support expenses		
Salaries and allowances	1,707,909	804,376
Staff welfare	515,540	808,742
Conveyance	1,264,712	1,294,644
Communication	1,593,646	1,408,749
Bandwidth charges	6,921,088	10,262,024
Software and other development charges	65,055	303,624
Rent, rates and taxes	7,300,554	5,755,596
Assets hire charges	2,949,451	2,697,084
Legal and professional	3,520,523	5,284,262
Repair and maintenance	1,902,991	1,431,807
Training and recruitment	3,472,244	4,518,139
Printing and stationery	137,786	140,998
Insurance	674,523	450,625

Schedules forming part of the consolidated financial statements

Amount in Rupees

Particulars	For the year ended 31 March 2009	For the year ended 31 March 2008
Travelling		
– Foreign	4,959,542	5,241,317
– Domestic	691,621	761,454
Electricity and water	2,382,991	2,413,209
Miscellaneous expenses	1,339,542	1,584,273
	41,399,718	**45,160,923**
General and Administration expenses		
Accounting charges	2,016,300	1,827,704
Bank charges	314,140	359,503
	2,330,440	2,187,207
Depreciation	10,459,014	10,934,250
Fringe Benefit tax	858,000	918,120
Grand total	**55,047,172**	**59,200,500**

19. Revenue recognised upto the reporting date in respect of contracts in progress at the reporting date aggregates Rs.2,091,833,482 (Rs.1,131,889,491)

20. 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

Janki Ballabh
Chairman

Vishnu R Dusad
Managing Director

Noida (U.P.)
April 26, 2009

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

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

Name of Subsidiary	**Nucleus Software Solutions Pte. Ltd.**
Date of Incorporation	February 25, 1994
Business Address	300 Tampines Avenue 5, #05-05 Tampines Junction **Singapore - 529653**
Directors	Mr. Vishnu R. Dusad Mr. Kapil Gupta
Auditors	KPMG

Financial Data

At the end of the Year	**March 31, 2009**		**March 31, 2008**	
	S $	**INR**	**S $**	**INR**
Share Capital	625,000	20,806,250	625,000	18,181,250
Reserves	6,119,651	203,723,182	5,062,517	147,268,620
Total Assets	13,100,573	436,118,075	13,151,022	382,563,230
Total Liabilities	6,355,922	211,588,643	7,463,505	217,113,360
Investments	–	–	–	–
For the Year ended				
Turnover	28,125,273	936,290,338	28,635,417	833,004,281
Profit Before Taxation	1,151,560	38,335,432	1,507,957	43,866,469
Provision for Taxation	151,374	5,039,240	313,930	9,132,224
Profit After Taxation	1,000,186	33,296,192	1,194,027	34,734,245
Proposed Dividend	–	–	–	–

Note:

1. *Above figures in INR have been calculated at 1 S$ = Rs.33.29 and 1 S$ = Rs.29.09 for the year ended March 31, 2009 and March 31, 2008 respectively.*
2. *In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company.*

Statement under Section 212 (8)

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

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

Financial Data

At the end of the Year	**March 31, 2009**		**March 31, 2008**	
	US $	**INR**	**US $**	**INR**
Share Capital	350,000	17,759,000	350,000	13,965,000
Reserves	(427,410)	(21,686,783)	(30,055)	(1,199,195)
Total Assets	246,894	12,527,402	1,163,521	46,424,488
Total Liabilities	324,304	16,455,185	843,576	33,658,682
Investments	–	–	–	–
For the Year ended				
Turnover	166,789	8,462,874	722,061	28,810,234
Profit Before Taxation	(394,539)	(20,018,909)	170,055	6,785,195
Provision for Taxation	2,816	142,884	565	22,544
Profit After Taxation	(397,355)	(20,161,793)	169,490	6,762,651
Proposed Dividend	–	–	–	–

Note:

1. *Above figures in INR have been calculated at 1 US $= Rs.50.74 and 1US $= Rs.39.90 for the year ended March 31, 2009 and March 31, 2008 respectively*
2. *In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company.*

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

Name of Subsidiary	**Nucleus Software Japan Kabushiki Kaiga**
Date of Incorporation	November 2, 2001
Business Address	2F KY Building, 3-16-14 Roppongi, Minato-ku, **Tokyo, Japan-106-0032**
Directors	Mr. Vishnu R. Dusad Mr. Ravi Pratap Singh Mr. Pramod K. Sanghi Mr. Niraj Vedwa Mr. Parminder Iqbal Bansil Mr. Vijay Sharma
Auditors	B S R & Co.

Financial Data

At the end of the Year	**March 31, 2009**		**March 31, 2008**	
	JPY	**INR**	**JPY**	**INR**
Share Capital	10,000,000	5,135,000	10,000,000	3,995,000
Reserves	(12,888,144)	6,618,062	44,547,333	17,796,659
Total Assets	576,508,549	296,037,140	698,128,188	278,902,211
Total Liabilities	579,396,693	297,520,202	643,580,855	257,110,552
Investments	–	–	–	–
For the Year ended				
Turnover	2,074,109,942	1,065,055,455	2,623,863,613	1,048,233,513
Profit Before Taxation	(57,365,476)	(29,457,172)	41,655,474	16,641,362
Provision for Taxation	70,000	35,945	17,202,013	6,872,204
Profit After Taxation	(57,435,476)	(29,493,117)	24,453,461	9,769,158
Proposed Dividend	–	–	–	–

Note:

1. *Above figures in INR have been calculated at 1 JPY=0.5135 and 1JPY= Rs.0.3995 for the year ended March 31, 2009 and March 31, 2008 respectively*
2. *In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company.*

Statement under Section 212 (8)

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

Name of Subsidiary	**Nucleus Software (Australia) Pty Limited**
Date of Incorporation	May 7, 2002
Business Address	Level -57 MLC Centre 19-29, Martin Place **Sydney-2000** **Australia**
Directors	Mr. Vishnu R. Dusad
Auditors	Mr. Suhrid R. Sheth

Financial Data

At the end of the Year	**March 31, 2009**		**March 31, 2008**	
	Aus $	**INR**	**Aus $**	**INR**
Share Capital	316,000	11,060,000	316,000	11,559,280
Reserves	(307,162)	(10,750,670)	(300,185)	(10,980,767)
Total Assets	30,053	1,051,855	30,250	1,106,545
Total Liabilities	21,215	742,525	14,435	528,032
Investments	–	–	–	–
For the Year ended				
Turnover	–	–	–	–
Profit Before Taxation	(6,977)	(244,195)	571	20,887
Provision for Taxation	–	–	–	–
Profit After Taxation	(6,977)	(244,195)	571	20,887
Proposed Dividend	–	–	–	–

Note:

1. *Above figures in INR have been calculated at 1 Aus$= Rs.35.00 and 1 Aus$= Rs.36.58 for the year ended March 31, 2009 and March 31, 2008 respectively*
2. *In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company.*

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

Name of Subsidiary	**Nucleus Software (HK) Limited**
Date of Incorporation	March 20, 2002
Business Address	Suite-B, 5/F, Wing Hing Comm. Building 139 Wing Lok Street, **Sheung Wan, Hong Kong**
Directors	Mr. Vishnu R. Dusad Mr. Ravi Pratap Singh
Auditors	NG & Chow

Financial Data

At the end of the Year	**March 31, 2009**		**March 31, 2008**	
	HK $	**INR**	**HK $**	**INR**
Share Capital	100,000	653,000	100,000	546,000
Reserves	(139,152)	(908,663)	(118,215)	(645,454)
Total Assets	7,699	50,274	13,949	76,162
Total Liabilities	46,851	305,937	32,164	175,615
Investments	–	–	–	–
For the Year ended				
Turnover	–	–	–	–
Profit Before Taxation	(20,937)	(136,719)	(21,714)	(118,559)
Provision for Taxation	–	–	–	–
Profit After Taxation	(20,937)	(136,719)	(21,714)	(118,559)
Proposed Dividend	–	–	–	–

Note:

1. *Above figures in INR have been calculated at 1 HK $=Rs.6.53 Rs.and 1 HK $= Rs.5.46 for the year ended March 31, 2009 and March 31, 2008 respectively*
2. *In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company.*

Statement under Section 212 (8)

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

Name of Subsidiary	**VirStra I-Technology Services Limited**
Date of Incorporation	May 6, 2004
Business Address	6th Floor, Marisoft-I, Marigold Premises, Vadagon Sheri, Kalyani Nagar, **Pune - 411014**
Directors	Mr. Vishnu R. Dusad Mr. Sanjiv Sarin Mr. Ravi Pratap Singh Mr. Pramod K. Sanghi
Auditors	B S R & Co.

Financial Data

At the end of the Year	**March 31, 2009 INR**	**March 31, 2008 INR**
Share Capital	10,000,000	10,000,000
Reserves	204,293,963	119,462,371
Total Assets	244,866,017	155,735,900
Total Liabilities	30,572,054	26,273,529
Investments	30,640,359	13,693,640
For the Year ended		
Turnover	266,829,296	183,970,286
Profit Before Taxation	134,811,268	54,582,079
Provision for Taxation	(1,600,863)	(1,426,547)
Profit After Taxation	136,412,131	56,008,626
Dividend*	42,500,000	100,000,000

**The Company paid interim dividend of Rs.4.25 crore during the financial year 2008-09.*

Note:
In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company.

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

Name of Subsidiary	**Nucleus Software Netherlands B.V.**
Date of Incorporation	February 3, 2006
Business Address	Strawinskylaan 921, Tower A (World Trade Center) 1077 XX Amsterdam, **Netherlands**
Directors	Mr. Vishnu R. Dusad
Auditors	B S R & Co.

Financial Data

At the end of the Year	**March 31, 2009**		**March 31, 2008**	
	Euro	**INR**	**Euro**	**INR**
Share Capital	200,000	13,412,000	100,000	6,307,000
Reserves	(120,051)	(8,050,620)	(49,494)	(3,121,587)
Total Assets	90,703	6,082,543	55,354	3,491,177
Total Liabilities	10,754	721,163	4,848	305,763
Investments	–	–	–	–
For the Year ended				
Turnover	–	–	–	–
Profit Before Taxation	(70,557)	(4,731,552)	(27,126)	(1,710,837)
Provision for Taxation	–	–	–	–
Profit After Taxation	(70,557)	(4,731,552)	(27,126)	(1,710,837)
Proposed Dividend	–	–	–	–

Note:

1. *Above figures in INR have been calculated at 1 Euro = Rs.67.06 and 1 Euro = Rs.63.07 for the year ended March 31, 2009 and March 31, 2008 respectively*
2. *In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company.*

Statement under Section 212 (8)

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

Name of Subsidiary	**Nucleus Software Limited**
Date of Incorporation	April 21, 2008
Business Address	33-35, Thyagraj Nagar Market, **New Delhi - 110 003**
Directors	Mr. Vishnu R. Dusad Mr. Sanjiv Sarin Mr. Prithvi Haldea
Auditors	B S R & Co.

Financial Data

At the end of the Year	**March 31, 2009 INR**
Share Capital	100,000,000
Reserves	–
Total Assets	122,995,502
Total Liabilities	25,362,779
Investments	–
For the Period ended	
Turnover	–
Profit Before Taxation	(2,367,277)
Provision for Taxation	–
Profit After Taxation	(2,367,277)
Dividend	–

Note:

1. *The Company was incorporated on April 21, 2008.*
2. *In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company.*

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

Name of Subsidiary	**VirStra I-Technology (Singapore) Pte Limited** (Step down Subsidiary of Nucleus Software Exports Limited)
Date of Incorporation	December 17, 2004
Business Address	300 Tampines Avenue 5, #05-05 Tampines Junction **Singapore - 529653**
Directors	Mr. Vishnu R. Dusad Mr. Kapil Gupta
Auditors	KPMG

Financial Data

At the end of the Year	**March 31, 2009**		**March 31, 2008**	
	S $	**INR**	**S $**	**INR**
Share Capital	200,000	6,658,000	200,000	5,818,000
Reserves	(770,445)	(25,648,114)	(223,576)	(6,503,826)
Total Assets	24,866	827,789	1,393,693	40,542,529
Total Liabilities	595,311	19,817,903	1,417,269	41,228,355
Investments	–	–	–	–
For the Year ended				
Turnover	–	–	450,000	13,090,500
Profit Before Taxation	(546,869)	(18,205,269)	(164,942)	(4,798,163)
Provision for Taxation	–	–	–	–
Profit After Taxation	(546,869)	(18,205,269)	(164,942)	(4,798,163)
Proposed Dividend	–	–	–	–

Note:

1. *Above figures in INR have been calculated at 1 S $= Rs.33.29 and 1 S $= Rs.29.09 for the year ended March 31, 2009 and March 31, 2008 respectively*
2. *In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company.*

REPORT ON CORPORATE GOVERNANCE

Good Corporate Governance and risk management frameworks ensure sound business practice, fundamentally strong control environment, strong information systems, effective early warning mechanisms and real-time response system in place.

In these challenging times of recession compounded with exasperating corporate frauds, it is of utmost importance that we strengthen the framework of governance, implement strong risk measurements, increase the reliability of reporting, and improve investors, consumers and regulators confidence. Every stakeholder in the society has important role towards strengthening Corporate Governance and risk management frameworks.

Corporate Governance is the application of best management practices, compliance of law in letter and spirit, adherence to ethical standards for effective management, and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders. According to the modern definition, Corporate Governance means doing everything better to improve relations between companies and their shareholders, improve the quality of Directors, encourage people to think for long term, ensure that information needs of all stakeholders are met and executive management is monitored properly in the interest of shareholders. This definition stresses the value contents of Corporate Governance.

Thus, in these modern times, the concept of Corporate Governance represents the value framework, the ethical framework and the moral framework under which business decisions are taken. In other words, when investments take place across national borders, investors want to be sure that not only is their capital handled effectively and adds to the creation of wealth, but the business decisions are also taken in a manner, which is not illegal or involves moral hazards.

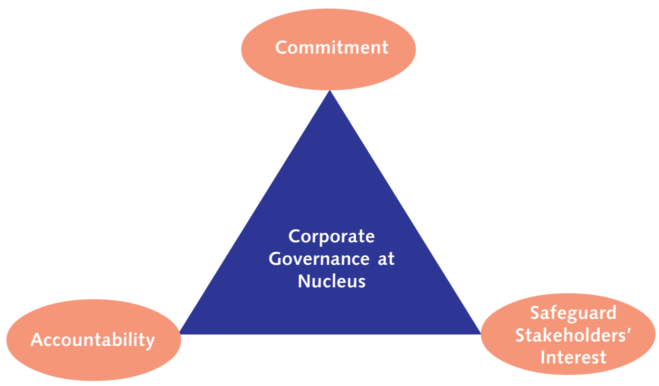
Company's Philosophy on Corporate Governance

The Nucleus management is committed to implement the best practices of Corporate Governance. The nature of the Software industry, both at domestic and international fronts, has undergone many changes over the last decade. In order to improve the competency in meeting the challenges, specially in this age of integration of markets world wide, the Company has set out certain principles as a measure of good and effective Corporate Governance.

In order to promote and raise the standards of Corporate Governance, the Securities and Exchange Board of India (SEBI) has introduced a Code of Corporate Governance to be implemented by the listed Companies. The recommendations of SEBI suggest suitable amendments to the Listing Agreement to improve the standards of Corporate Governance in the listed companies, and are divided into mandatory and non-mandatory recommendations. The revised Clause 49 of the Listing Agreement has been made effective from January 1, 2006.

Nucleus has identified three major Corporate Governance tenets for practicing in the Company:-

1) Continuous commitment of the management to principles of integrity and transparency in business operations
2) Accountability
3) Safeguarding the interests of the stakeholders in the organization



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

- The challenge of implementation is for each Company to find the path and solutions that fit its circumstances
- The Company must have strong and active internal standards
- The Company must achieve market credibility;
- Good Corporate Governance is a journey, not a destination; and
- Improving governance yields positive returns

Corporate Governance Framwork

Corporate Governance philosophy at Nucleus is to comply with not only the statutory requirements, but also voluntarily formulate and adhere to a set of strong Corporate Governance practices. We believe that sound Corporate Governance is critical to enhance and retain investor trust. The responsibility for putting the recommendations into practice lies directly with the Board of Directors and the Management of the Company. The driving forces of Corporate Governance at Nucleus are its core values, which are: belief in people, entrepreneurship, customer orientation and the pursuit of excellence. The Company's goal is to find creative and productive ways of keeping its stakeholders, such as investors, customers and associates informed, while fulfilling the role of a responsible corporate committed to best practice.

The Board and the Company Management strive hard to best serve the interests of the stakeholders including shareholders, customers, Government and society at large.

A. Board of Directors

1. **Composition of the Board of Directors as on March 31, 2009.**

The Board of the Company consists of six members with over fifty- percent of the Board comprising of Non-Executive Directors. Non-Executive Directors with their diverse knowledge, experience and expertise provide valuable contribution in the deliberations and decisions of the Board.

Name of Director	Position	Age in years
Mr. Janki Ballabh	Chairman, Independent Non-Executive Director	66
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	52
Mr. Arun Shekhar Aran	Independent Non-Executive Director	50
Mr. Prithvi Haldea	Independent Non-Executive Director	58
Mr. Suresh Joshi	Independent Non-Executive Director	69
Mr. Sanjiv Sarin	Independent Non-Executive Director	50

Mr. Janki Ballabh took over the Chairmanship from Lt. Gen. T. P. Singh (Retd.) who relinquished office on November 15, 2008, consequent to his resignation from Directorship of the Company due to his ill-health.

Although, the level of knowledge, integrity and independence necessary to carry out the functions of a Director are difficult to summarize, the essential characteristics of the members of the Board include the attributes of asking hard questions, working well with others, having industry awareness, providing valuable inputs, availability when needed, being alert and inquisitive, making long range planning contribution among others.

By self evaluation of performance, the Board can recognize its achievements and reach consensus on areas needing empowerment. Discussing the results of a self-assessment at a retreat can assist in developing a long-range plan.

For selection of Independent Directors, definition of Independence as per Clause 49 is just a starting point for Nucleus. For Nucleus, the quality of the Independent Directors is a far greater criterion. Some of the qualities we look at are:

- Well Educated
- Reputation of Character and Integrity
- Specialist /Experts in functional areas
- General Management exposure and experience
- Industry Awareness
- Global Awareness
- Entrepreneurial Experience

All our Independent Directors meet some or all of these criteria as is evident from the profile of Directors detailed below.

DIRECTORS' PROFILE

Mr. Janki Ballabh – Chairman (November 15, 2008 onwards)

Mr. Janki Ballabh was appointed as an Additional Director on the Board of Directors of the Company with effect from November 15, 2008. Mr. Ballabh was also unanimously elected as Chairman of the Board. He took over the Chairmanship from Lt. Gen. T. P. Singh (Retd.) who relinquished office on November 15, 2008, consequent to his resignation from Directorship of the Company due to his advancing age.

Mr. Janki Ballabh, an eminent banker and former Chairman of the State Bank of India and State Bank Group, has vast experience and expertise in finance, banking and corporate management. He is presently Chairman of UTI Trustee Company of UTI Mutual Fund , and is Director on the boards of Tata AIG Life Insurance Co. Ltd., Small Industries Development Bank of India (SIDBI), Tata Capital Ltd. and GIFT CIMC Ltd. and a member of the Asia Pacific Advisory Committee of Barclays Bank plc London. In addition to his general corporate experience, his vast and rich experience, consistent with Nucleus strategy will provide operational excellence to the Company and a capability to drive innovation. His appointment is an indicator of our continuous efforts to develop the core team to help achieve the mission of the Company.

Mr. Vishnu R. Dusad – Managing Director

Mr. Vishnu R. Dusad is one of the founders of Nucleus Software Exports Ltd. and has served as a Director since the inception of the Company. Mr. Dusad completed his Bachelors Degree in Technology from the Indian Institute of Technology (IIT), Delhi and has been associated with the development of the software industry in India since 1983 as an entrepreneur. He was appointed Managing Director of the Company in January 1997. Mr. Dusad has enriched Nucleus with his technology background and 23 years of valuable professional experience in the exciting space of Information Technology Solutions for the BFSI sector. He has a deep commitment to making a difference in the lives of fellow Nucleites, and through Nucleus, to the world around. His success in concluding business deals for implementing Nucleus Products globally owes much to a deep sensitivity to cross-cultural nuances. His experience encompasses areas of software development, creation of strategic alliances, business development, and strategic planning.

Mr. Dusad attributes the success of Nucleus to teamwork, entrepreneurial skills and the ability to leverage opportunities in the marketplace.

Mr. Arun Shekhar Aran - Director

Mr. Arun Shekhar Aran is a successful first generation entrepreneur with 26 years of experience in IT industry. Having completed B. Tech from IIT, Delhi and MBA from IIM, Ahmedabad he started his career with Asian Paints in 1982.

In 1989, he joined Nucleus Software Group as a partner where he played a key role in leading the team in the development of the first ever credit card system in India for Citibank. Mr. Arun Shekhar Aran joined the Board of Directors of the Company in March 1996.

In 1994, Mr. Shekhar promoted the Mumbai based software Company, Nucsoft Ltd., and is presently the CEO.

Mr. Prithvi Haldea - Director

Mr. Prithvi Haldea did his MBA from Birla Institute of Technology & Science, Pilani in 1971. Over the next 18 years, he worked at senior positions in the corporate sector in the areas of exports, consulting and advertising. During the late 70s and early 80s, he was also associated with the information industry and, among various activities, worked as a consultant with The World Bank and the U.S Department of Commerce. In 1989, Mr. Haldea set up PRIME Database. PRIME is the country's first and still the only database on the primary capital market. It has a large subscriber base, and is widely reported by the media.

Mr. Haldea is presently a Trustee of the New Pension System of PFRDA, member of Board of Governors of Indian Institute of Corporate Affairs, Central Government Nominee on the Governing Council of the Institute of Company Secretaries of India, and member of the Investment Board of Postal Life Insurance. He is also a member of several committees, including Primary Market Advisory Committee of SEBI, SEBI Committee on Disclosures & Accounting Standards, Listing Advisory Committee of NSE, Listing and Delisting Committee of BSE, Index Committee of BSE and Delisting Committee of DSE. He is also on the Board of Directors of UTI Asset Management Co. Ltd.

Mr. Haldea is also the Co-Chairman of the ASSOCHAM's Capital Market Committee and a member of CII's National Committee on Capital Markets, PHDCCI Capital Markets Committee and NASSCOM's Corporate Governance & Ethics Committee. In the past, Mr. Haldea has served as a board member of Central Listing Authority, Finance Minister's High Level Expert Committee on Corporate Bonds and Securitisation, Secondary Market Advisory Committee of SEBI and SEBI's Committee for Review of MAPIN. He is a visiting faculty at several institutions, and has presented scores of papers at various conferences in India and abroad.

As an investor protection activist, Mr. Haldea regularly raises issues with regulators and in the media. He has also launched four unique websites: www.watchoutinvestors.com, aggregating information on economic defaulters which now lists over 90,000 cases, www.primedirectors.com, a databank of professionals for listed companies to select independent directors, now hosting profiles of over 19,000 professionals, www.directorsdatabase.com, covering detailed profiles of directors of companies listed at BSE and www.iepf.gov.in, an investor education initiative.

Mr. Prithvi Haldea joined the Board of Directors of Nucleus Software Exports Ltd. in June 2001, and of Nucleus Software Ltd. in April 2008.

Mr. Suresh Joshi - Director

Mr. Suresh Joshi, graduate in Science has been associated with Nucleus since early 1989. His association began with developing modules for Credit Card System. He joined the Board of Directors of the Company in December 1994. He has a long career in Information Technology, including stints with IBM in India.

He has completed many consulting assignments in India and abroad in-

- Financial Systems design and implementation
- Strengthening systems and procedures
- Software Quality Assurance.

Currently Mr. Suresh Joshi is Chairman of Softenger (India) Pvt. Ltd. Softenger provides services in management of IT infrastructure at several locations in India and abroad.

Mr. Suresh Joshi is due for re-appointment in the ensuing Annual General Meeting. He placed a notice before the Board Members expressing his unwillingness to be re-appointed as Director at the ensuing Annual General Meeting.

Mr. Sanjiv Sarin - Director

Mr. Sanjiv Sarin is a postgraduate from IIT Delhi with an MBA from XLRI, Jamshedpur. He is currently working as Managing Director of Medison Medical Systems India Pvt. Ltd. Earlier he was posted in Singapore as Regional Manager (Asia), with Medison Co. Ltd, a Korean Multinational. Mr. Sarin joined the Board of Directors of the Company in June 2001.

Mr. Sanjiv Sarin has more than 27 years of experience in various areas of management including marketing, team building, organization development and managing new projects.

2. Responsibilities of the Chairman and the Managing Director

The Non-Executive Chairman along with other Directors complements the Board's overall strength with their knowledge of best practices outside the Company. They act as candid counselors to guide the Company in benchmarking standards and level of ambition.

The Managing Director takes care of the executive functions of the Company and is responsible for day-to-day operations. He takes care of the corporate strategy and the future growth plans of the Company. The senior management team, responsible for achieving the annual targets of revenue, profitability, customer satisfaction, quality, productivity, employee retention and other critical areas, provide assistance to the Board.

The Managing Director is accountable to the Board for implementing the strategic plan for the Company in the most cost effective and time efficient manner. He is responsible for both the day-to-day running of the Company and developing business plans for the long term future of the organization.

With a view to institutionalize all corporate affairs and set up systems and procedures for advance planning for matters requiring discussion/decision by the Board, the Company has defined guidelines for the meetings of the Board. These guidelines seek to systemize the decision making process at the meetings of the Board in an informed and efficient manner.

3. **Membership Term**

In accordance with the requirements of The Companies Act 1956, at least two-third of Directors shall be subject to retirement by rotation. One third of these retiring Directors shall retire every year and the Company may reappoint them with the approval of the shareholders. The Managing Director is appointed by the shareholders for a maximum period of 5 years at one time and is eligible for re-appointment upon the completion of the term.

Mr. Vishnu R Dusad, Managing Director of the Company was re-appointed as Managing Director w.e.f January 1, 2007 for a period of 5 years. His present term expires on December 31, 2011.

4. **Compensation of the Board of Directors**

Compensation of the Managing Director has been approved by the shareholders. Non-Executive Directors are being paid an amount not exceeding one percent of the net profits of the Company, in terms of section 309 (4) of the Companies Act, 1956, as approved by the shareholders at the Annual General Meeting held on July 8, 2005.

Directors other than the Promoter Director are eligible to receive options under the various ESOP schemes launched by the Company from time to time. ESOP compensation expense also forms a part of their compensation and the total remuneration is subject to the ceiling above.

5. **The following table gives details of compensation paid /payable to the Directors for the period April 2008 to March 2009.**

(Amount in Rs.)

Name of Director	Position	Fixed Salary	Commission	ESOP Compensation Expense	Sitting Fees	Total Compensation
Lt. Gen T P Singh (Retd.) (From Apr. 1, 2008- Nov. 15, 2008)	Chairman, Non-Independent Non-Executive Director	–	296,875	–	180,000	476,875
Mr. Janki Ballabh (From Nov. 15, 2008 – Mar. 31, 2009)	Chairman, Independent Non-Executive Director	–	178,125	–	40,000	218,125
Mr. Vishnu R Dusad	Managing Director, Promoter	6,360,000	5,525,000	–	–	11,885,000
Mr. Arun Shekhar Aran	Independent Non-Executive Director	–	475,000	–	260,000	735,000
Mr. Prithvi Haldea	Independent Non-Executive Director	–	475,000	–	400,000	875,000
Mr. Suresh Joshi	Independent Non-Executive Director	–	475,000	–	260,000	735,000
Mr. Sanjiv Sarin	Independent Non-Executive Director	–	475,000	–	560,000	1,035,000
Total		**6,360,000**	**7,900,000**	**–**	**1,700,000**	**15,960,000**

6. **Detail of Equity Shares and Stock Options held by Non-Executive Directors as on March 31, 2009**

Name of Director	Position	Equity Shares (Nos.)	Total Stock Options (Nos.)
Mr. Janki Ballabh	Chairman, Independent Non-Executive Director	–	–
Mr. Arun Shekhar Aran	Independent Non-Executive Director	174,912	35,000
Mr. Prithvi Haldea	Independent Non-Executive Director	5,400	25,000
Mr. Suresh Joshi	Independent Non-Executive Director	18,200	20,000
Mr. Sanjiv Sarin	Independent Non-Executive Director	17,300	25,000

Name of Director	ESOP 2006			
	No. of Stock Options	Grant Price (Rs)	Grant Date	Expiry Date
Mr. Janki Ballabh	–	–	–	–
Mr. Arun Shekhar Aran	35,000	455.00	21-Oct-06	21-Oct-09
Mr. Prithvi Haldea	25,000	455.00	21-Oct-06	21-Oct-09
Mr. Suresh Joshi	20,000	455.00	21-Oct-06	21-Oct-09
Mr. Sanjiv Sarin	25,000	455.00	21-Oct-06	21-Oct-09

The above options were granted under ESOP 2006 to the Non-Executive Directors at fair market value.

On Exercise of stock options, option holders are entitled to Bonus Shares in the ratio of 1: 1, pursuant to approval of Bonus Shares by the shareholders in the Annual General Meeting held on July 6, 2007.

7. Memberships of other Boards

The number of other Directorships and Chairmanship/ Memberships of Committees held by each of the Director as on March 31, 2009:

Name of Director	Position	Relationship with other Directors	Directorships Held of other Companies	Committee Membership*	Chairperson in Committees*
Mr. Janki Ballabh	Chairman, Independent Non-Executive Director	None	5	2	2
Mr. Vishnu R Dusad	Managing Director, Promoter	None	11	1	–
Mr. Arun Shekhar Aran	Independent Non-Executive Director	None	1	1	1
Mr. Prithvi Haldea	Independent Non-Executive Director	None	6	2	–
Mr. Suresh Joshi	Independent Non-Executive Director	None	1	1	–
Mr. Sanjiv Sarin	Independent Non-Executive Director	None	3	2	–

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

B. Board Meetings

Board meetings allow exploring the areas of improvement and identifying the dynamics that contribute to any problems or weaknesses pertaining to meeting the goals of the organization. Strategies to address the problems or weaknesses include arranging Board retreats or workshops on a specific topic, organizing study sessions, and reading in areas where knowledge is needed.

We follow the Secretarial Standard 1 (SS1) issued by the Institute of Company Secretaries of India (ICSI) on meetings of the Board of Directors.

1. Scheduling and selection of agenda items for Board of Directors meetings.

- A minimum of four Board Meetings are held in each year. These are scheduled in advance for the entire year and are held after the end of each financial quarter. This schedule of the Board Meetings is published in the Annual Report. Additional Board Meetings are convened by giving appropriate notice. For any business exigencies or urgency of matters, resolutions are passed by circulation.
- Committees of the Board meet whenever required, for transacting business.
- The meetings of the Board of Directors are usually held at the Company's corporate office at A 39, Sector 62, NOIDA 201307.
- The Company Secretary drafts the agenda for each meeting, in consultation with the members of the Board of Directors and the senior management of the Company. Every Board member is requested to suggest modifications / changes in the agenda items.

2. Recording Minutes of proceedings at Board Meeting

The Company Secretary records the minutes of the proceedings of each Board meeting. Draft minutes are circulated to all the members of the Board for their comments within 48 hours of the meeting. The finalized minutes of proceedings of a meeting are entered in the Minutes Book within 30 days from the conclusion of that meeting.

3. Compliance

The Company Secretary while preparing the Agenda, Notes on agenda, Minutes etc. is responsible for and is required to ensure adherence to all the applicable laws regulations including the Companies Act, 1956 read with the Rules issued there under, Listing agreement and to the extent feasible, the Secretarial Standards recommended by the Institute of Company Secretaries of India, New Delhi.

4. **Number of Board Meetings held and attendance during the year 2008-09.**

Twelve Board Meetings were held during the year 2008-09, as against the minimum requirement of four meetings. The dates on which the meetings were held are; April 27, 2008, June 1, 2008, June 25, 2008, July 8, 2008, July 20, 2008, July 26, 2008, July 30, 2008, August 21, 2008, October 19, 2008, November 15, 2008, January 18, 2009 and February 14, 2009. The Board has met at least once in every three months and the maximum time gap between any two meetings has not been more than four months.

Name of Director	Board Meetings		Attended
	Held	Attended	last AGM
Lt. Gen T P Singh (Retd.) *(From Apr. 1, 2008- Nov. 15, 2008)*	10	5	N0
Mr. Janki Ballabh *(From Nov. 15, 2008 – Mar. 31, 2009)*	2	2	NA
Mr. Vishnu R Dusad	12	12	Yes
Mr. Arun Shekhar Aran	12	8	Yes
Mr. Prithvi Haldea	12	12	Yes
Mr. Suresh Joshi	12	8	Yes
Mr. Sanjiv Sarin	12	12	Yes

The then Chairman of Board Lt. Gen. T. P. Singh (Retd.) was not present at the last Annual General Meeting held on July 8, 2008 due to ill health. Mr. Vishnu R Dusad, the Managing Director chaired the meeting, in the absence of the Chairman.

5. **Availability of Information to the Board of Directors**

There is a process of providing complete information to the Board Members with the agenda for the meeting. During meetings, senior management is invited to present the plans and achievements of their respective areas of responsibility.The Board is also given presentations covering major business segments and operations of the Company.

The information placed before the Board includes:

- Annual operating plans and budgets and any updates.
- Capital budgets and any updates.
- Quarterly results of the Company and its operating divisions or business segments.
- Minutes of meetings of Audit Committee and other Committees of the Board.
- The information on recruitment and remuneration of senior officers just below the Board level
- Materially important show cause, demand, prosecution notices and penalty notices, if any.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems, if any.
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company.
- Any issue that involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken on adverse view regarding another enterprise that can have negative implications on the Company.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property
- Any significant development in human resources/ industrial relations front. Sale of material nature, of investments and assets, which are not in the normal course of business.
- Quarterly details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- Quarterly details of investments by the Company in liquid mutual funds and bank deposits and returns thereon.
- Quarterly update on HR related activities.
- Quarterly update on wholly owned Subsidiaries performance.
- Quarterly update on important projects of the Company
- Report on order book position.
- Report on legal notices if any , received during the quarter.
- Report on compliances under"Code of Insider Trading" of the Company.

6. **All follow up items are recorded separately and action taken is reported in future meetings.**

An "Action Taken Report" is placed at all subsequent meetings for all action points raised in the meetings.

The above processes have helped the Board to achieve:

- Better understanding of what it means to be an effective Board
- Clarification of what the members expect from each other and themselves
- Improved communication among members and between the Board and the Managing Director
- Identification of problems, potential issues, and areas to improve
- Opportunity to discuss and solve problems that may hurt Board performance.
- Identification of strategies to enhance Board performance
- Renewed dedication to the Board
- Board goals and objectives for the next year.

Strengths are celebrated, areas of improvement are explored to identify the dynamics that contribute to problems or weaknesses. Strategies to address the issues may include Board retreats or workshops on a specific topic, study sessions and reading in areas where knowledge is needed, and clarification of Board expectations.

C. Audit Committee

A key element in the Corporate Governance process of any organization is its Audit Committee. The Audit Committee regularly reviews processes and procedures to ensure the effectiveness of internal control systems and to maintain the accuracy and adequacy of reporting the financial results.

The Audit Committee at Nucleus was formed in August 2001, in compliance of Section292 A of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges, with qualified members of the Board of Directors of the Company. The Company Secretary acts as the secretary to the committee. The Audit Committee plays a key role in assisting the Board to fulfill its Corporate Governance and oversight responsibilities in relation to a Company's financial reporting, internal control systems, risk management systems and the internal and external audit functions. One of the core principles of an effective Audit Committee is that committee members are independent of the Company.

The Audit Committee has met seven times during the year 2008-09.

The Audit Committee has adopted the following charter for its efficient functioning:

CHARTER OF AUDIT COMMITTEE

1. Scope of Work

1. Review and recommend to the Directors the Independent Auditors to be selected to audit financial statements of the Company.
2. Provide an open avenue of communication between the Independent Auditors, Internal Auditors and the Board of Directors.
3. Review and update the Committee's charter annually.
4. To meet at least four times per year or more frequently as circumstances require.
5. Review with the Independent Auditors, the Company's Internal Auditor and Financial Personnel:
   a) The adequacy and effectiveness of the accounting and financial controls of the Company.
   b) Related findings and recommendations of the Independent Auditor and Internal Auditor together with management 's responses.
6. Consider and review with the management, Internal Auditor and Independent Auditor :
   a) Significant findings during the year, including the status of previous audit recommendations.
   b) Any difficulties encountered in the course of audit work including any restrictions on the scope of activities or access to required information and
   c) Any changes required in the planned scope of the internal audit plan.
7. Prepare a letter for inclusion in the Annual Report that describes the Committee's composition and responsibilities, and how they were discharged.
8. The Chairman to be present at AGM to answer shareholders queries.
9. Review legal and regulatory matters that may have a material impact on the financial statements, related Company's compliance policies, and programs and reports received from regulators.
10. Report Committee actions to the Board of Directors with such recommendations, as the Committee may deem appropriate.
11. The Committee shall perform such other functions as assigned by law, the Company's charter or bylaws, or the Board of Directors and shall mandatorily perform following functions as assigned by Clause 49 of the Listing Agreement:
    a) Oversight of the company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
    b) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
    c) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
    d) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
       i. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
       ii. Changes, if any, in accounting policies and practices and reasons for the same.
       iii. Major accounting entries involving estimates based on the exercise of judgment by Management.
       iv. Significant adjustments made in the financial statements arising out of audit findings.
       v. Compliance with listing and other legal requirements relating to financial statements.

vi. Disclosure of any related party transactions.

vii. Qualifications in the draft audit report.

e) Reviewing, with the management, the quarterly financial statements before submission to the Board for approval

f) Reviewing, with the Management, performance of statutory and internal auditors, adequacy of the internal control systems.

g) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

h) Discussion with internal auditors any significant findings and follow up there on.

i) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

j) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

k) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

l) To review the functioning of the Whistle Blower mechanism.

m) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

n) Management Discussion and Analysis of financial condition and results of operations.

o) Statement of significant related party transactions (as defined by the audit committee), submitted by Management.

p) Management letters of internal control weaknesses issued by the Statutory Auditors.

q) Internal audit reports relating to internal control weaknesses.

r) The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.

2. **Review of Auditors**

The Audit Committee shall

a) Recommend to the Board of Directors, the Independent Auditors to be appointed and approve the compensation of the Independent Auditors.

b) Confirm and assure the independence of the Independent Auditors and the objectivity of the Internal Auditor.

c) Require and encourage the Independent Auditors to have open and frank discussions on their judgments about the quality, not just the acceptability of the Company's accounting principles as applied in its financial reporting, including such issues as the clarity of the Company's financial disclosures and degree of aggressiveness or conservatism of the Company's accounting principles.

3. **Composition of the Audit Committee**

It is mandatory that:

- The Audit Committee shall comprise of three or more Directors, all being Non-Executive Directors, with majority of them being independent.
- Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.
- All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall have accounting or related financial management expertise.

The composition of Audit Committee as on March 31, 2009 and the details of the meetings are as follows:

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Arun Shekhar Aran	Chairman of the Committee, Independent Non-Executive Director	7	4
Mr. Prithvi Haldea	Independent Non-Executive Director	7	7
Mr. Suresh Joshi	Independent Non-Executive Director	7	3
Mr. Sanjiv Sarin	Independent Non-Executive Director	7	7

With intent to implement the best Corporate Governance practices, a meeting of the Audit Committee members and the Statutory Auditors, independent of the Management is conducted, every quarter.

The Audit Committee performs the following functions guided by the Charter:

1. Reviewing with Management the annual/quarterly financial statements before submission to the Board, focusing primarily on:

(i) Any changes in accounting policies and practices.

(ii) Major accounting entries based on exercise of judgment by Management.

(iii) Significant adjustments arising out of audit.

(iv) The going concern assumption.

(v) Compliance with accounting standards.

(vi) Compliance with stock exchange and legal requirements concerning financial statements.

(vii) Any related party transactions.

2. Reviewing with the management, the adequacy of internal control and internal audit function and the frequency of internal audit.
3. Discussion with internal auditors on any significant findings and follow up thereon.
4. Reviewing the special reports provided by the internal auditors of the specified functions as advised.
5. Discussion with statutory auditors about nature and scope of audit and to ascertain any areas of concern.
6. Reviewing the Company's position on forwards and options and investments.
7. Management discussion and analysis of financial condition and results of operations;
8. Management letters/letters of internal control weaknesses issued by statutory/internal auditors.

Audit Committee Report for the Year Ended March 31, 2009

Each member of the Committee is an Independent Director according to Clause 49 of the Listing Agreement.

The Audit Committee is independent and empowered by the Board with the authority to investigate any matter relating to the internal control system and to review the scope of Internal Audit.

The Internal Auditors of the Company are in the best position to evaluate and report on the adequacy and effectiveness of the internal controls. Keeping in view the need for the Internal Auditors' independence, the Audit Committee has created a formal mechanism to facilitate regular discussions with the Internal Auditors at the end of each quarter. The Committee has recommended the continuance of the Internal Audit function.

The Statutory Auditors are responsible for performing an independent audit of the Company's financial statements in accordance with the Generally Accepted Auditing Standards and for issuing a report thereon. The Committee's responsibility is to review the adequacy of internal audit function The Committee is also responsible to oversee the processes related to financial reporting and information dissemination, in order to ensure that the financial statements are true, correct, sufficient and credible. The Committee also reviews the quarterly, half yearly and the annual financial statements before they are submitted to Board and ensures compliance of internal control systems. In addition, the Committee recommends to the Board the appointment of the Company's Internal and Statutory Auditors.

The Committee has also reviewed that the internal controls are put in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with prevailing laws and regulations. In conducting such reviews, the Committee found no material discrepancy or weakness in the internal control systems of the Company.

The Committee also reviewed the financial and risk management framework in accordance with revised Clause 49 of the Listing agreement.

The Committee has regularly discussed with the Auditors the accounting policy and principles followed by the Company. Relying on the review and discussions conducted with the management and the Independent Auditors, the Audit Committee believes that the Company is following prudent and conservative accounting practices and financial statements are fairly presented in conformity with Generally Accepted Accounting Principles in all material aspects.

Moreover, the Committee considered whether any non-audit services provided by the auditors firm could impair the auditors' independence, and concluded that there were no such services provided.

The Committee has recommended to the Board the appointment of B S R & Co., Chartered Accountants, as the Statutory Auditors of the Company for the financial year ending March 31, 2010 and that the necessary resolutions for appointing them as Auditors be placed before the shareholders.

Sd/-
Arun Shekhar Aran

D. Remuneration Committee

The Remuneration Committee recommends the remuneration payable to Directors based on their contribution to the growth and development of the Company.

The composition of Remuneration Committee as on March 31, 2009 and the details of the meetings are as follows:

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Janki Ballabh	Chairman of the Committee, Independent Non-Executive Director	–	–
Mr. Suresh Joshi	Independent Non-Executive Director	1	1
Mr. Sanjiv Sarin	Independent Non-Executive Director	1	1

The Remuneration Committee comprises of three Directors, all of whom are Non-Executive Directors. During the year, Mr.Janki Ballabh was inducted as a member of the Remuneration Committee and there has been no meeting of the Committee after his appointment till the year end.

The remuneration structure of the Managing Director comprises of salary, commission, perquisites and allowances, contribution to provident fund and gratuity.

Non-Executive Directors are being paid an amount not exceeding one percent of the net profits of the Company, in terms of section 309 (4) of the Companies Act, 1956, as approved by the shareholders at the Annual General Meeting held on July 8, 2005.

The Remuneration Committee at its meeting held on April 26, 2006, had recommended the remuneration payable to Mr. Vishnu R Dusad in accordance with his proposed re-appointment as Managing Director of the Company for a further period of 5 years with effect from January 1, 2007. The same was approved by the shareholders at the Annual General Meeting held on July 8, 2006.

Details of remuneration paid/payable to all Directors have already been provided under "Board of Directors Compensation" detailed elsewhere in this report.

E. Shareholders/Investor Grievance Committee

The Shareholders/Investor Grievance Committee is empowered to consider and approve the transfer, transmission, transposition, issue of duplicate certificates etc. of the Company and to redress shareholders complaints like transfer of shares, non-receipt of balance sheet, non-receipt of dividend warrants, etc. The Committee members periodically review the investor's complaints received and redressed.The Committee will meet as often as required to discharge its functions.

The status on complaints and share transfers is reported to the full Board.

The composition of Shareholders/Investor Grievance Committee as on March 31, 2009 and the details of the meetings are as follows:

Name of Director	Position	No. of Meetings Held	No. of Meetings Attended
Lt. Gen. T P Singh (Retd.) *(From Apr. 1, 2008- Nov. 15, 2008)*	Independent Non-Executive Director	6	3
Mr. Sanjiv Sarin	Chairman of the Committee, Independent Non-Executive Director	7	4
Mr. Vishnu R Dusad	Managing Director and Promoter	7	7

Ms. Poonam Bhasin, Company Secretary is the Compliance Officer.

The Company's Registrar and Share Transfer Agent are:

M/s. Karvy Computershare Private Limited
Karvy House, #46, Avenue 4,
Street No.1, Banjara Hills,
Hyderabad 500034
Andhra Pradesh

Details of investor complaints/requests resolved during the year 2008-09 are as follows:

Nature of complaints received	No. of complaints/requests received during the year	resolved during the year	pending at the end of the year
Non- Receipt of Dividend Warrant	23	23	Nil
Revalidation of Dividend warrants	169	169	Nil
Issue of duplicate share certificates	1	1	Nil
Non receipt of share certificate	3	3	Nil
Non-Receipt of Annual Report	11	11	Nil

F. Corporate Governance Committee

The Company has formed a Corporate Governance Committee to continuously implement and promote the highest standards of Corporate Governance.

The composition of Corporate Governance Committee as on March 31, 2009 and the details of the meetings are as follows:

Name of Director	Position	No. of Meetings Held	No. of Meetings Attended
Lt. Gen. T P Singh (Retd.) *(From Apr. 1, 2008- Nov. 15, 2008)*	Independent Non-Executive Director	1	–
Mr. Janki Ballabh*	Independent Non-Executive Director - Chairman of the Committee	NA	NA
Mr. Vishnu R Dusad	Managing Director, Promoter and Executive Director	1	1
Mr. Prithvi Haldea*	Independent Non-Executive Director	–	–
Mr. Sanjiv Sarin	Independent Non-Executive Director	1	1

**During the year, Mr.Janki Ballabh and Mr.Prithvi Haldea were inducted as members of the Corporate Governance Committee and no meeting of the Committee took place after their appointment.*

The Committee continuously reviews the Corporate Governance initiatives of the Company and advises on following the best practices in the Company.

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

The committee also monitors the implementation and compliance of the Company's Code of Conduct.

G. Compensation Committee

The remuneration policy of the Company is to pay compensation and benefits along with the stock options to motivate and retain the employees of the Company. The Compensation Committee is responsible for administering the stock option plans, including review and grant of options to eligible employees under the plans.

The composition of Compensation Committee as on March 31, 2009 and the details of the meetings are as follows:

Name of Director	Position	No. of Meetings	
		Held	Attended
Lt. Gen T P Singh (Retd.) *(From Apr. 1, 2008-Nov. 15, 2008)*	Independent Non-Executive Director	2	1
Mr. Vishnu R Dusad	Managing Director, Promoter	3	3
Mr. Arun Shekhar Aran	Independent Non-Executive Director	3	1
Mr. Suresh Joshi	Independent Non-Executive Director	3	1
Mr. Sanjiv Sarin	Independent Non-Executive Director	3	3
Mr. Prithvi Haldea*	Independent Non-Executive Director	1	1

**During the year, Mr. Prithvi Haldea was inducted as member of the Compensation Committee and one meeting of the Committee took place after his appointment, and he attended the same.*

H. Means of Communication

The Company initiated a practice of sending audited quarterly results in the form of a printed Quarterly Report to the shareholders since December 1999. From the first quarter of the financial year 2009, the Company has started releasing the quarterly report, in the form of a soft copy only and is uploaded on the Company website www.nucleussoftware.com. This will not only result in prompt information disposal to the shareholders but also contribute in saving paper thus saving trees and help in making the planet greener. Paper saving was also adopted as a Kaizen initiative by the organization during the year.

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

- Quarterly results are published in "Business Standard".
- The results are also displayed on the Company's website-"www.nucleussoftware.com" after adoption of the same by the Board of Directors.
- The important events as well as official news releases of the Company are also updated on the Company's website regularly.
- Earnings conference calls are conducted after announcement of quarterly/annual results wherein the Management updates investor community on the progress made by the Company and answers their queries. The audio as well as the transcript of the call is uploaded on the website www.nucleussoftware.com, for investors' information.
- The Company also sends an instant alert of the results, to all those who register themselves on the corporate website.
- The Company also posts information relating to its financial results on Electronic Data Information Filing and Retrieval System (EDIFAR) at www.edifar.com as required by The Bombay Stock Exchange Ltd.

I. Investor Education

Investors are provided with timely information on all Company related matters including recruitment/appointment and remuneration of Executive Directors, share transfers, advantages of dematerlisation etc.

In the Annual Report a chapter named "Shareholders' Referencer" and in the Quarterly Report a chapter named "Additional information to Shareholders" is included which answers substantially all the expected queries of investors about the Company, its history, its promoters, the public issue, employees, share transfers, dematerliasation etc. All such material information is also available on the website.

It is our constant endeavor to offer better and prompt services to our shareholders and in an effort to achieve this objective, a 'Shareholder Satisfaction Survey' is conducted annualy to assess the level of satisfaction among Nucleus shareholders and identify areas of strengths and weakness of Nucleus perceived by the shareholders. The satisfaction form is uploaded on the website under Investors section for online filling of survey.

J. General Body Meetings

Particular of Annual General Meetings (AGM) held during the previous three years

AGM date and time	Venue	Ordinary Resolution	Special Resolution
17th AGM July 8, 2006 10.00 a.m	FICCI Auditorium, New Delhi	▪ Adoption of Annual Accounts for the year ended March 31, 2006. ▪ Re-appointment of Lt. Gen T P Singh (Retd.) and Mr. Sanjiv Sarin as Directors ▪ Appointment of M/s B S R & Co. as the Statutory Auditors. ▪ Declaration of Dividend on equity shares.	▪ Re-appointment of Mr. Vishnu R Dusad as Managing Director of the Company with effect from January 1, 2007 ▪ Approval of ESOP Scheme 2006 to offer and allot 1,000,000 equity shares. ▪ Grant options to any identified employee of the subsidiaries under ESOP Scheme 2006. ▪ Approval u/s. 163 to keep register of members, returns etc at the office of Karvy Computershare Pvt. Ltd.
18th AGM July 6, 2007 3.00 p.m.	FICCI Auditorium, New Delhi	▪ Adoption of Annual Accounts for the year ended March 31, 2007 ▪ Re-appointment of Mr. Prithvi Haldea and Mr. Suresh Joshi as Directors. ▪ Appointment of M/s B S R & Co. as the Statutory Auditors. ▪ Confirm payment of Interim Dividend.	▪ Increase in the Authorized Share Capital of the Company from Rs.20 crore to Rs.40 crore ▪ Issue of fully paid-up Bonus shares
19th AGM July 8, 2008 11.00 a.m.	FICCI Auditorium, New Delhi	▪ Adoption of Annual Accounts for the year ended March 31, 2008. ▪ Re-appointment of Mr. Arun Shekhar Aran and Mr. Sanjiv Sarin as Directors ▪ Appointment of M/s B S R & Co. as the Statutory Auditors. ▪ Declaration of Dividend on equity shares.	

During the year ended March 31, 2009, no ordinary or special resolutions were passed through postal ballot.

K. Disclosures

– Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the management, their Subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.

Details of transactions with the relatives of any Director:

Name	Designation	Relationship	Remuneration Paid during the year
Mr. R P Singh	President-Deliveries	Son of Ex-Chairman	Rs. 501,678 per month

Mr. R P Singh, the President of the Company is the son of the ex-Chairman of the Company Lt .Gen. T P Singh (Retd.) who resigned on November 15, 2008 due to advancing age.

Remuneration paid to Directors is disclosed earlier in this Report.

Transactions with Related parties have been disclosed under note 11 of schedule 16, which forms part of the financial statements.

The above transaction does not have any potential conflict with the interests of the Company at large.

L. Details of non-compliance

There has been no non-compliance of any legal requirements nor have there been any strictures imposed by any stock exchange, SEBI, on any matter relating to the capital market for the last year.

M. Indian Unlisted Subsidiary Company

a) Mr. Sanjiv Sarin, independent Director on the Board of Directors of the Company is a Director on the Board of Directors of Virstra I-Technology Services Ltd.- a unlisted Indian Subsidiary Company.

b) Mr. Prithvi Haldea and Mr. Sanjiv Sarin, independent Directors on the Board of Directors of the Company are Directors on the Board of Directors of Nucleus Software Ltd. – a unlisted Indian Subsidiary Company.

c) The Audit Committee of the Company reviews the financial statements, in particular, the investments made by Virstra I-Technology Services Ltd. and Nucleus Software Ltd. - the unlisted Indian Subsidiary Companies.

d) The minutes of the Board meetings of both Virstra I-Technology Services Ltd. and Nucleus Software Ltd. – the unlisted Indian Subsidiary companies are placed at the Board meeting of the Company.

(Although Nucleus Software Ltd. – an Indian non-listed subsidiary Company, is not a material unlisted Indian subsidiary Company, but as a part of good Corporate Governance practice, above procedure is followed.)

N. General Shareholder Information

- **Date of incorporation** — 9th January, 1989
- **Registered Office** — 33-35, Thyagraj Nagar Market, New Delhi-110003, India
- **Corporate Office** — A-39, Sector 62, Noida, 201307, **India**
- **Date and time of Annual General Meeting** — July 8, 2009, 11.30 A.M.
- **Venue of Annual General Meeting** — Air Force Auditorium, Subroto Park, New Delhi, India
- **Financial Calendar for the financial year 2009-10 (tentative and subject to change)**

Financial reporting for :	**Tentative dates**
The first quarter ending June 30, 2009	between 20th to 31st of July 2009
The second quarter ending September 30, 2009	between 20th to 31st of October 2009
The third quarter ending December 31, 2009	between 20th to 31st of January 2010
The year ending March 31, 2010	between 21st to 30th of April 2010
Annual General Meeting for the year ending March 31, 2010	July 2010

- Date of Book Closure for AGM — July 1 to 8, 2009 (both days inclusive)
- Listing on Stock Exchanges — Nucleus shares are listed at

  The National Stock Exchange of India Ltd. w.e.f. December 19, 2002

  Bombay Stock Exchange Ltd. w.e.f November 6, 1995

  The Madras Stock Exchange Ltd. w.e.f November 2, 1995

The annual fees for 2009-10 have been paid to all the Stock Exchanges where the shares of the Company are listed.

- **Scrip code (BSE)** — 531209
  (NSE) — NUCLEUS
- **International Securities Identification Number** (ISIN code-NSDL and CDSL) — INE096B01018

- **Market Price data on NSE & BSE for the financial year 2008-09**

	BSE			NSE		
Month	**High (Rs.)**	**Low (Rs.)**	**Total Volume**	**High (Rs.)**	**Low (Rs.)**	**Total Volume**
April '08	282.00	185.10	189,805	291.00	185.00	772,911
May '08	293.00	241.65	190,485	295.00	240.20	440,144
Jun' 08	283.95	198.00	119,202	285.00	180.90	257,757
July' 08	226.90	166.00	552,773	235.00	170.00	760,772
Aug '08	186.80	162.40	66,467	191.90	160.30	220,514
Sept '08	172.50	103.20	60,061	172.90	102.05	151,294
Oct '08	111.90	47.60	1,308,449	112.95	51.20	239,210
Nov '08	65.00	45.36	74,878	65.00	45.05	214,228
Dec '08	59.00	43.00	408,478	55.40	40.50	835,013
Jan '09	63.50	45.60	839,161	63.35	44.00	1,650,940
Feb '09	55.00	41.20	85,254	54.00	45.05	165,339
Mar '09	57.35	39.50	164,598	57.40	38.75	396,710
Total Shares traded during the year			**4,059,611**			**6,104,832**

- **Registrars of Company** — **Karvy Computershare Private Limited**, Plot No. 17-24, Vithal Rao Nagar, Madhapur, Hyderabad-500 081, Tel: 040-23420815-18, Fax: 040-23420814, Email: mailmanager@karvy.com
- The equity shares of the Company are traded in "Group B" category at the Bombay Stock Exchange Ltd.
- The equity share of the Company is a constituent of the Small Cap Index at Bombay Stock Exchange Ltd.

Share Transfer System

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

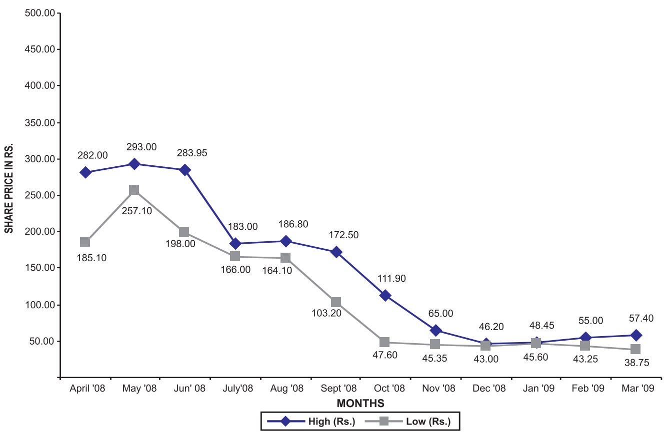
The Shareholders/Investor Grievance Committee is authorised to approve transfer of shares, which are received in physical form, and the said Committee approves transfer of shares as and when required.

All requests for dematerialisation of shares are processed and confirmation is given to the respective Depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL) within 15 days.

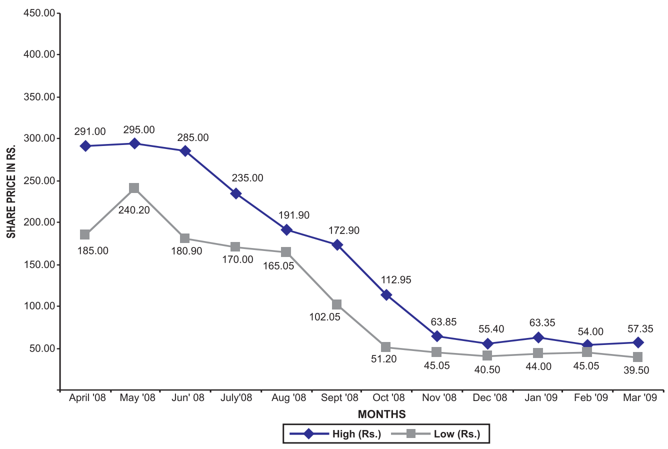
The Company has De-materialised 31,323,062 shares (96.77 % of the paid up share capital) as at March 31, 2009.

The Company obtains from a Company Secretary in practice, a half –yearly certificate of compliance with the share transfer formalities as required under Clause 47 (c) of the Listing Agreement and files a copy of the certificate with the Stock Exchanges.

NUCLEUS SHARE PRICE - HIGH/LOW ON NSE



NUCLEUS SHARE PRICE - HIGH/LOW ON BSE



Performance of Nucleus Shares at BSE vis-à-vis BSE Sensex

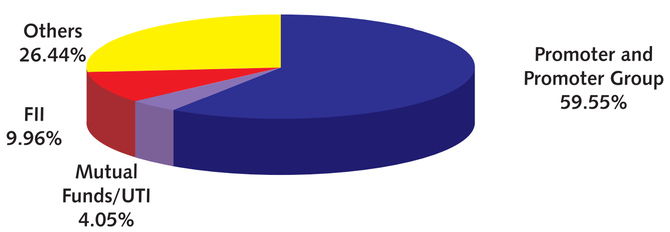
Shareholding Pattern of the Company as at March 31, 2009

Category of shareholder	Number of Shareholders	Total Number of Shares	Total Shareholding Percentage
Promoter and Promoter Group	11	19,276,990	*59.55*
Public Shareholding			
Institutional			
Mutual Funds	6	1,310,129	*4.05*
Financial Institutions/Banks	1	200	*NA*
Foreign Institutional Investors	14	3,224,883	*9.96*
Non-Institutional			
Individuals	12,463	5,802,607	*17.92*
Bodies Corporate	506	2,235,164	*6.91*
Any other			
OCBs/NRIs	265	520,051	*1.61*
TOTAL	**13,266**	**32,370,024**	***100.00***

- **Distribution of Shareholding as at March 31, 2009**

No. of Equity Shares Held	As at March 31, 2009 Share Holders No.	%	Shares No.	%	As at March 31, 2008 Share Holders No.	%	Shares No.	%
1-100	8,507	*64.12*	344,320	*1.06*	8,057	*65.09*	317,190	*0.98*
101-200	1,600	*12.05*	284,029	*0.88*	1,497	*12.09*	265,979	*0.82*
201-500	1,405	*10.59*	503,258	*1.55*	1,213	*9.80*	437,476	*1.35*
501-1000	874	*6.59*	646,483	*2.00*	809	*6.54*	587,976	*1.82*
1001-5000	677	*5.11*	1,462,235	*4.52*	601	*4.85*	1,333,991	*4.12*
5001-10000	90	*0.68*	650,433	*2.01*	81	*0.65*	563,682	*1.74*
10001 and above	113	*0.86*	28,479,266	*87.98*	121	*0.98*	28,860,730	*89.17*
Total	**13,266**	***100.00***	**32,370,024**	***100.00***	**12,379**	***100.00***	**32,367,024**	***100.00***

Shareholding Pattern as on March 31, 2009



The Company has not issued any GDRs/ADRs. The Company has not granted any options to employees under any of its ESOP Plans this year. The pending options if exercised at the end of the vesting period shall be converted into equity shares.

- **Locations**

Nucleus services its clients through a network of international offices. At the year-end Nucleus has wholly owned subsidiaries in Australia, Hong Kong, India, Japan, Netherlands, Singapore, U.S.A, and branch offices in Dubai (UAE) and London (UK).

Nucleus operates state-of-the-art Software Development Centers at Noida (U.P.) and Chennai (Tamil Nadu) under the Software Technology Park Scheme of the Government of India.

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

A wholly-owned subsidiary, Nucleus Software Limited, was incorporated in April 2008 in India, as a part of expansion plans of the Company. The registered office of Nucleus Software Limited is in New Delhi.

The Board of Directors, at their meeting held on April 26, 2009, approved closure of two wholly owned subsidiaries viz. Nucleus Software (Australia) Pty Ltd., Australia and Nucleus Software (HK) Ltd., Hongkong subject to approvals, which may be required from regulatory authorities in India and respective host countries. The future prospects in these countries would be looked after by the Singapore subsidiary, Nucleus Software Solutions Pte. Ltd.

PARENT COMPANY

Registered Office	Corporate Office
Nucleus Software Exports Ltd.	A-39 Sector 62
33-35, Thyagraj Nagar Market	Noida-201 307
New Delhi-110 003	**India**
India	

SUBSIDIARIES

Nucleus Software Solutions Pte. Ltd.
300, Tampines Avenue-5#05-05,
Tampines Junction
Singapore-529653

Nucleus Software Japan K.K
2F KY Building, 3-16-14 Roppongi
Minato-ku
Tokyo 106-0032
Japan

Nucleus Software Inc.
197 Route 18 South Suite 3000
East Brunswick, NJ 08816-1440
USA

Nucleus Software (Australia) Pty. Ltd.
Level-57 MLC Center19-29, Martin Place
New South Wales 2000,
Australia

Nucleus Software (HK) Ltd.
Suite B,5/F, Wing Hing Comm
Building 139, Wing Lok Street
Sheung Wan,
Hong Kong

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.
Regd. Office: 33-35,
Thyagraj Nagar Mkt.
New Delhi-110 003
India

STEP-DOWN SUBSIDIARY

VirStra I Technology (Singapore) Pte Ltd
300, Tampines Avenue-5
#05-05, Tampines Junction
Singapore-529 653

Branch Offices in India

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

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

Branch Offices in Overseas Locations

A. **London (UK)**
Nucleus Software Exports Ltd.
29th Floor, 1 Canada Square
Canary Wharf
London E14 5DY,
UK

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

- **Investor Correspondence may be addressed to:**
The Company Secretary
Nucleus Software Exports Ltd.,
33-35, Thyagraj Nagar market
New Delhi-110003.
India
Tel: +91-(120)-2404050
Fax: +91-(120)-2403972
Email: investorrelations@nucleussoftware.com

- **Other General Shareholder Information**

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

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

Clause 49 of the Listing Agreement mandates us to obtain a certificate from either the auditors or practicing company secretaries regarding compliance of conditions of Corporate Governance as stipulated in the Clause 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 an annexure to the Directors' report.

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

a. Remuneration Committee

We have instituted a Remuneration Committee, which recommends the remuneration payable to Directors based on their contribution to the growth and development of the Company. A detailed note on the committee has been provided under 'Remuneration Committee' in the report.

b. Shareholder Rights

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

We communicate with investors regularly through e-mail, telephone and face-to-face meetings in investor conferences or company visits. We also leverage the Internet in communicating with our investor base.

The announcement of quarterly results is followed by press conferences and earnings conference calls. Transcripts of the earnings calls are posted on our website www.nucleussoftware.com,

Highlights of the results are also available on the Company website with a comparison with previous quarters/years.

c. Training of Board Members

The Management gives various presentations to Directors giving an overview of latest happenings in the corporate world. They are apprised of their role, responsibilities and liabilities.

During the past years, Directors have been attending training programmes conducted by reputed institutions :

- Corporate Governance Orientation Programme for Company Directors conducted by Centre for Corporate Governance and Citizenship, Indian Institute of Management, Bangalore.

  The programme provided an appreciation of what makes effective board members, their roles and responsibilities, especially in the context of the regulatory environment, stakeholder objectives as well as social responsibilities.

- Program on "Corporate Governance and Ethical Decision Making" conducted by Dun & Bradstreet.

  The Seminar helped in a better understanding of not only the legal/regulatory requirements, but also several operational and ethical issues, with live examples, critical especially for independent directors.

- Training programme on "Governing the corporation: Global Perspectives in the Indian context, conducted by Wharton School, University of Pennsylvania And Egon Zehnder International.

  The program was designed to bring home dynamics of an effective board, roles and responsibilities of the members within the regulatory framework.

d. Mechanism for Evaluating Non-Executive Board Members

With clear guidelines on the expectation of duties, and effective redressal processes. Directors of our Company maintain a high level of accountability. In addition, there is also sufficient disclosure and transparency in the Company operations to enable shareholders to monitor the performance of the Directors and Management

The Non-Executive Directors regularly hold executive sessions during each Board meeting without the Managing Director. These sessions allow Non-Executive/Independent Directors to discuss the effectiveness of Management, the quality of Board meetings and other issues or concerns. Open communication further ensures effectiveness and accessibility to every Board member. Boards' willingness to engage in self-assessment is a model for the rest. It indicates that Board members take their responsibilities very seriously. Their interest in self-improvement sets a tone for others in the Company to engage in ongoing review of their tasks.

Besides these the Company is developing a peer-evaluation process for assessment of the performance of Non-Executive/ Independent Directors.

e. Whistle-Blower policy

Nucleus is committed to conduct its business in accordance with the applicable laws, rules and regulations, and with highest standards of business ethics. Nucleus does not tolerate any malpractice, impropriety, abuse or wrongdoing. The Company wishes that Nucleites too participate in this process and has instituted a Whistler Blower Policy, a mechanism for employees to report concerns about unethical behavior, actual or suspected fraud, or violation of our code of conduct or ethics policy. The Whistle Blower Policy provides the opportunity to every Nucleite to raise his or her concern, by name or on an anonymous basis on alleged breaches of internal or external regulations or other irregularities. We further affirm that during the financial year 2008-09, no employee has been denied access to the Audit Committee.

SHAREHOLDERS' REFERENCER

Shareholders' Referencer

A. Historical Perspective

- Nucleus was incorporated on January 9, 1989 in the state of Delhi, India.
- The Company's Registered Office is situated at 33-35, Thyagraj Nagar Market, New Delhi-110003, India and Corporate office at A-39, Sector 62, Noida (U.P.), India.
- The Company made an IPO in August 1995. 1,168,900 equity shares, face value Rs.10/-each, were issued to Indian public at a premium of Rs.40/- per share and 532,500 equity shares, face value Rs.10/-each, were issued to Non Resident Indians at a premium of Rs.50/-per share.
- **History of Bonus issues at Nucleus is as under:**

Allotment Date	Ratio	No. of Shares
September 24, 1994	60:1	876,000
December 27, 1994	57:100	576,270
October 22, 2001	1:2	2,637,050
August 10, 2004	1:1	8,045,406
August 8, 2007	1:1	16,182,312

- Preferential Issue- The Company had allotted 1,875,500 equity shares of Rs.10/- each on preferential basis to the promoter/associates and permanent employees of the Company at a price of Rs.103.15/- per share inclusive of share premium on June 22, 2001.

B. Share Related Data

- The Shares of Nucleus are listed on The National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Madras Stock Exchange Limited.
- Scrip Code of Nucleus on NSE is NUCLEUS and on BSE is 531209. The Company's shares are traded in "Group B-1" category at the Bombay Stock Exchange Ltd.
- International Securities Identification Number (ISIN code-NSDL and CDSL) is INE096B01018.
- Face value of the Company's equity shares is Rs.10.
- Shares of the Company are compulsorily traded in demat form.
- 96.77% of the Company's equity shares are in demat form.
- The Company had 13,266 shareholders as on March 31, 2009.
- The Company has not issued any GDRs/ADRs. The Company has granted options to employees under ESOP (1999), ESOP (2002), ESOP (2005) and ESOP (2006) scheme. The options if exercised at the end of the vesting period shall be converted into equity shares. The number of options due for vesting under various plans as on March 31, 2009 are:

ESOP (1999) Plan	–	Nil
ESOP (2002) Plan	–	126,050
ESOP (2005) Plan	–	142,000
ESOP (2006) Plan	–	189,860

  On exercise of stock options, option holders are entitled to Bonus Shares in the ratio of 1:1 pursuant to approval of bonus issue by the shareholders in the Annual General Meeting held on July 6, 2007.
- The Company's Registrar and Share Transfer Agent is M/s. Karvy Computershare Private Limited, Plot No. 17-24, Vithal Rao Nagar, Madhapur, Hyderabad 500 081.

C. Dividend

The Board of Directors recommended a Final Dividend of Rs. 2.50/- per share, on equity share capital (25% on equity share of par value of Rs.10/-) at their Board meeting held on April 26, 2009. The payment is subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company.

- **Dividend Policy**

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

  a) Provisions of Companies Act and other applicable laws.

  b) Availability of funds in the Company

  The Board of Directors reviews the Dividend Policy periodically.

- **Dividend History**

The Dividend declared and paid in the previous financial years is given below:

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

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

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

D. Stock Market Data

i. Bombay Stock Exchange Ltd.

Monthly open, close, high and low quotations and volume of the Company's shares traded at Bombay Stock Exchange Ltd. during the year 2008-2009:

BSE					
Month	Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)	Total Volume
April '08	192.00	291.00	185.00	268.95	189,805
May '08	274.00	295.00	240.20	264.05	190,485
Jun '08	267.00	285.00	180.90	219.05	119,202
July '08	226.90	235.00	170.00	176.70	552,773
Aug '08	178.85	191.90	165.05	165.65	66,467
Sept '08	166.20	172.90	102.05	104.15	60,061
Oct '08	105.90	112.95	51.20	55.55	1,308,449
Nov '08	60.00	63.85	45.05	48.10	74,878
Dec '08	49.00	55.40	40.50	47.10	408,478
Jan '09	48.20	63.35	44.00	47.70	839,161
Feb '09	48.80	54.00	45.05	44.50	85,254
Mar '09	43.25	57.35	39.50	50.85	164,598
Total Shares traded during the year					**4,059,611**

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 2008-2009:

NSE					
Month Volume	Open	High (Rs.)	Low (Rs.)	Close (Rs.)	Total (Rs.)
April '08	197.00	282.00	185.10	267.80	772,911
May '08	270.00	293.00	257.10	264.00	440,144
Jun '08	268.90	283.95	198.00	216.35	257,037
July '08	215.00	183.00	166.00	176.55	760,772
Aug '08	180.00	186.80	164.10	166.15	220,514
Sept '08	164.90	172.50	103.20	103.55	151,294
Oct '08	105.00	111.90	47.60	55.30	239,210
Nov '08	59.85	65.00	45.35	48.30	214,228
Dec '08	47.35	46.20	43.00	47.05	835,013
Jan '09	48.60	48.45	45.60	47.80	1,650,940
Feb '09	53.00	55.00	43.25	44.90	165,339
Mar '09	44.50	57.40	38.75	50.35	396,710
Total Shares traded during the year					**6,104,112**

Note:

1. *The highest share price of the Nucleus scrip at Bombay Stock Exchange Ltd. was Rs.295 in May 2008 and the lowest share price was Rs.39.50 in March 2009.*
2. *The highest share price of the Nucleus scrip at National Stock Exchange was Rs.293 in May 2008 and the lowest share price was Rs.38.75 in March 2009.*

iii. Quarterly high -low price history of the Company's share for the year 2008-09

	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
During Quarter ended				
June 30, 2008	283.95	198.00	285.00	180.90
September 30, 2008	172.50	103.20	172.90	102.05
December 31, 2008	59.00	43.00	55.40	40.50
March 31, 2009	57.35	39.50	57.40	38.75

E. Financial Reporting to the Shareholders

i. The Company initiated a practice of sending audited quarterly results in the form of a printed Quarterly Report to the shareholders since December 1999. From the first quarter of the financial year 2009, the Company has started releasing the Quarterly Report, in the form of a soft copy only and is uploaded on the corporate website www.nucleussoftware.com. This will not only result in prompt information disposal to the shareholders but also contribute in saving paper thus saving trees and help in making the planet greener.

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

ii. The Company issues Annual Report at the end of each financial year and the same is mailed to the shareholders. The Annual Reports are also available online on Company's website at: www.nucleussoftware.com

iii. The Company holds Earnings Conference Call at the end of each quarter to report the progress made during the quarter. The transcript of all the Earnings Conference Calls till date are available online on Company's website at: www.nucleussoftware.com

iv. The Company also sends an instant alert of the results, as soon as they are declared, to all those who register themselves on the corporate website.

F. Investors' Services

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

Sl. No.	Nature of Request	Received	Attended	Pending
1	Revalidation of Dividend warrants	169	169	Nil
2	Non-Receipt of Dividend Warrant	23	23	Nil
3	Issue of duplicate share certificates	1	1	Nil
4	Request for Stop Transfer	Nil	Nil	Nil
5	Non receipt of share certificate	3	3	Nil
6	Non-Receipt of Annual Report	11	11	Nil

The Company has attended to most of the investors' grievances/correspondence within a period of 7-10 days from the date of receipt of the same, during the year 2008-09.

ii. Registrars of Company

Share Transfers in physical form and other communication regarding share certificates, dividends, de-materialization of physical shares and change of address may be addressed to the Registrars of the Company at the following address:

Karvy Computershare Pvt. Ltd.
Plot No. 17-24, Vithal Rao Nagar,
Madhapur, Hyderabad-500 081
Tel: 040-23420815-18
Fax: 040-23420814
Email: mailmanager@karvy.com

iii. Share Transfer System

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

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

All requests for dematerialisation of shares are processed and confirmation is given to the respective Depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL) within 15 days.

The Company has De-materialised 31,323,062 shares (96.77% of the paid up share capital) as at March 31, 2009.

The Company obtains from a Company Secretary in practice half –yearly certificate of compliance with the share transfer formalities as required under Clause 47 (c) of the Listing Agreement and files a copy of the certificate with the Stock Exchanges.

iv. Investor Service and Grievance Handling Mechanism

The largest Registrar in the country, Karvy Computershare Private Ltd., handles all share related transactions viz. transfer, transmission, transposition, nomination, dividend, change of name/address /signature, registration of mandate/Power of attorney, replacement/split/consolidation of share certificates/demat/remat of share/issue of duplicate certificates etc.

Investors are requested to correspond directly with Karvy, on all share related matters. The Company has an established mechanism for investor service and grievance handling with Karvy and the Compliance Office of the Company. Following are the contact details of the Registrar:

Karvy Computershare Pvt. Ltd.
Plot No. 17-24, Vithal Rao Nagar,
Madhapur, Hyderabad-500 081
Tel: 040-23420815-18
Fax: 040-23420814
Email: mailmanager@karvy.com

v. Legal Proceedings

There is one legal proceeding pending against the Company in the Court relating to termination of employment.

G. Shareholding Data

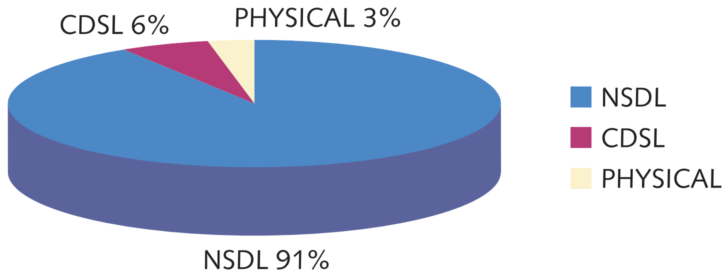
i. Distribution of Shareholding

	As on March 31, 2009				As on March 31, 2008			
No. of Equity Shares Held	**No. of Share Holders**	**% of Share Holders**	**No. of Shares**	**% of Share Holding**	**No. of Share Holders**	**% of Share Holders**	**No. of Shares**	**% of Share Holding**
1-100	8,507	64.12	344,320	1.06	8,057	65.09	317,190	0.98
101-200	1,600	12.05	284,029	0.88	1,497	12.09	265,979	0.82
201-500	1,405	10.59	503,258	1.55	1,213	9.80	437,476	1.35
501-1000	874	6.59	646,483	2.00	809	6.54	587,976	1.82
1001-5000	677	5.11	1,462,235	4.52	601	4.85	1,333,991	4.12
5001-10000	90	0.68	650,433	2.01	81	0.65	563,682	1.74
10001 and above	113	0.86	28,479,266	87.98	121	0.98	28,860,730	89.17
Total	**13,266**	**100.00**	**32,370,024**	**100.00**	**12,379**	**100.00**	**32,367,024**	**100.00**

The Company has allotted 3,000 fully paid up Equity Shares to an employee during the year in pursuance of stock options exercised.

Consequently, the total Equity Shares increased from 32,367,024 as on March 31, 2008 to 32,370,024 as on March 31, 2009.

Shares held in Physical and Dematerialised form as on March 31, 2009



ii. **Categories of Shareholders**

Category	As on March 31, 2009			As on March 31, 2008		
	No. of Share Holders	Voting Strength (%)	No. of Shares Held	No. of Share Holders	Voting Strength (%)	No. of Shares Held
Promoter and Promoter Group	11	59.55	19,276,990	11	59.55	19,274,190
Individuals	12,463	17.92	5,802,607	11,595	16.66	5,392,957
Bodies Corporates	506	6.91	2,235,164	506	5.76	1,864,507
OCBs and NRIs	265	1.61	520,051	230	1.52	492,829
FII's	14	9.96	3,224,883	24	10.77	3,486,748
Mutual Funds	6	4.05	1,310,129	10	5.66	1,832,593
Banks and Financial Institutions	1	NA	200	3	0.08	23,200
Total	**13,266**	**100.00**	**32,370,024**	**12,379**	**100.00**	**32,367,024**

iii. **Shares under Lock-in**

There are no shares under Lock in as on March 31, 2009.

H. Board Practices

Directors and their term of office

Name of Director	Expiration of current term of office	Term of office
Mr. Janki Ballabh	Upto the ensuing Annual General Meeting	Appointed as Additional Director
Mr. Vishnu R Dusad	December 31, 2011	Five years
Mr. Arun Shekhar Aran		Retirement by rotation
Mr. Suresh Joshi		Retirement by rotation
Mr. Sanjiv Sarin		Retirement by rotation
Mr. Prithvi Haldea		Retirement by rotation

The Indian Companies Act, 1956 mandates that not less than two thirds of the members of the Board of Directors should retire by rotation, of which one third of such members should retire every year, and qualifies the retiring members for re-appointment.

Mr. Janki Ballabh was unanimously elected as Chairman of the Board, Additional Director on the Board of Directors of the Company with effect from November 15, 2008. He took over the Chairmanship from Lt. Gen. T. P. Singh (Retd.) who relinquished office on November 15, 2008, consequent to his resignation from Directorship of the Company due to ill health.

I. Directors, Senior Management and Employees of the Company

The Directors of the Company and executive officers including of Subsidiaries, their respective ages as on Balance Sheet Date and their respective positions with the Company are as follows:

i. Management Structure

Name	Position	Age
Janki Ballabh	Chairman	66
Vishnu R Dusad	CEO & Managing Director	52
Arun Shekhar Aran	Non-Executive Director	50
Prithvi Haldea	Non-Executive Director	58
Suresh Joshi	Non-Executive Director	69
Sanjiv Sarin	Non-Eexecutive Director	50
Ravi Pratap Singh	President - Deliveries	48
Pramod Kumar Sanghi	President - Finance & Chief Financial Officer	54
Prakash Pai	President – Product Management	48
Niraj Vedwa	President Sales & Marketing	43
Ravi Verma	President Human Resource	49
Dr. Asha Goyal	Vice President & Head Quality	63
Neeru Bahl	Vice President & Country Manager (Singapore)	42
Parminder Bansil	Vice President & Country Manager (USA)	40
Anurag Bhatia	Senior Vice President	43
Abhijit Mittra	Vice President	44
Dharam Vir Rohilla	Vice President	55
Gangadharan Unni Kartha V.k	Vice President	42
Inamdar Bhalchandra C	Vice President	48
Kishore Tambe	Vice President	44
Parag Bhise	Vice President	44
Sanjeev Kulshreshtha	Vice President	45
Sushil Tyagi	Vice President	39
Vishnu Rao Nandamuri	Vice President	45

ii. Employee Structure

1. Employee strength globally including employees of subsidiaries.

As at March 31,	2009		2008	
	No.	**%**	**No.**	**%**
– Technical Staff	1,707	*81.95*	1,641	*84.76*
– Non-Technical Staff including Business Development Group	376	*18.05*	295	*15.24*
Gender classification of employees is:				
– Male	1,608	*77.20*	1,484	*76.65*
– Female	475	*22.80*	452	*23.35*
Total	**2,083**	***100.00***	**1,936**	***100.00***

2. The age profile of employees

As at March 31,	2009		2008	
	No.	**%**	**No.**	**%**
Between 20 and 25 years	443	*21.26*	401	*20.71*
Between 26 and 30 years	926	*44.45*	853	*44.06*
Between 31 and 40 years	634	*30.44*	603	*31.15*
Between 41 and 50 years	62	*2.98*	61	*3.15*
Between 51 and 60 years	16	*0.77*	18	*0.93*
61 & above	2	*0.10*	–	–
Total	**2,083**	***100.00***	**1,936**	***100.00***

J. Financial Calendar for the year 2009-10

(Tentative and subject to change)

i. Financial Reporting	
For the first quarter ending June 30, 2009	between 20th to 31st of July 2009
For the second quarter ending September 30, 2009	between 20th to 31st of October 2009
For the third quarter ending December 31, 2009	between 20th to 31st of January 2010.
For the year ending March 31, 2010	between 21st to 30th of April 2010.
ii. Annual General Meeting	
For the year ending March 31, 2009	July 8, 2009.
For the year ending March 31, 2010	July 2010.
iii. Dividend	
Date of Book Closure for AGM and payment of Dividend	July 1, 2009 to July 8, 2009 (both days inclusive)
Dividend Payment Date	Within 30 days from the date of declaration in Annual General Meeting
iv. The fiscal year of Nucleus is from April 1 to March 31.	

K. Shareholder Satisfaction Survey

Your Company is in constant endeavor to offer better and prompt services to its shareholders and in an effort to achieve this objective, a Shareholder Satisfaction Survey is conducted yearly, to assess the level of satisfaction among Nucleus shareholders and identify areas of strengths and weakness of Nucleus perceived by the shareholders.

You may fill the feedback form online on the Company's website www.nucleussoftware.com under the Investors section.

L. Unclaimed Dividend

Prior to amendment of Section 205A and enactment of Section 205C by the Companies (Amendment) Act, 1999, companies were required to transfer to the General Revenue Account of the Central Government, any moneys transferred to the 'unpaid dividend account' and which remained unpaid or unclaimed for a period of 3 years from the date of transfer to the unpaid dividend account. With effect from October 31, 1998, any moneys transferred to the 'unpaid dividend account' of the Company and remaining unpaid or unclaimed for a period of 7 years from the date it becomes due, shall be transferred to the Investor Education and Protection Fund (IEPF). Investors are requested to note that no claims shall lie against the Company or IEPF for any moneys transferred to IEPF in accordance with the provisions of Section 205C of the Companies Act, 1956.

Unclaimed dividends for the financial year 2000-2001 & 2001-2002 have been transferred to the IEPF in accordance with the provisions of Section 205C of the Companies Act, 1956.

The dates for declaration of dividend for each financial year and due dates for transfer to IEPF is mentioned herein below:

Financial Year	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to Investor Education and Protection Fund
2002-2003 (Final)	July 8, 2003	July 7, 2010	August 6, 2010
2003-2004 (Final)	July 8, 2004	July 7, 2011	August 6, 2011
2004-2005 (Final)	July 8, 2005	July 7, 2012	August 6, 2012
2005-2006 (Final)	July 8, 2006	July 7, 2013	August 6, 2013
2006-2007 (Interim)	March 13, 2007	March 12, 2014	April 11, 2014
2007-2008 (Final)	July 8, 2008	July 7, 2015	August 6, 2015

Shareholders who have not encashed their dividend warrant(s) relating to one or more of the financial year (s) are requested to claim such dividend from Registrars of the Company at the following address:

Karvy Computershare Pvt. Ltd.
Plot No. 17-24, Vithal Rao Nagar,
Madhapur,
Hyderabad 500 081

M. Frequently Asked Questions

i. Dividend

What is the ECS facility and how does it work?

Reserve Bank of India's Electronic Clearance Service (ECS) Facility provides investors an option to collect dividend / interest directly through their bank accounts rather than receiving the same through post. Under this option, investor's bank account is directly credited and an advice thereof is issued by the Company after the transaction is effected. The concerned bank branch credits investor's account and indicate the credit entry as "ECS" in his / her passbook / statement of account. If any investor maintains more than one bank account, payment can be received at any one of his / her accounts as per the preference of the investor. The investor does not have to open a new bank account for the purpose.

What are the benefits of ECS facility?

Some of the major benefits of ECS Facility are:

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 should one do in case he does not receive dividend?

Shareholders may write to the Company's R&T Agent furnishing the particulars of the dividend not received and quoting the folio number/client ID particulars (in case of dematerialized shares). The R&T Agent shall check the records and issue duplicate dividend warrant if the dividend remains unpaid in the records of the Company after expiry of the validity period of the warrant. The Company would request the concerned shareholders to execute an indemnity before issuing the duplicate warrant. If the validity period of the lost dividend warrant has not expired, shareholders will have to wait till the expiry date since duplicate warrant cannot be issued during the validity of the original warrant. On expiry of the validity period, if the dividend warrant is still shown as unpaid in records of the Company, duplicate warrant will be issued. However, duplicate warrants will not be issued against those shares wherein a 'stop transfer indicator' has been instituted either by virtue of a complaint or by law, unless the procedure for releasing the same has been completed. No duplicate warrant will be issued in respect of dividends, which have remained unpaid / unclaimed for a period of seven years in the unpaid dividend account of the Company as they are required to be transferred to the Investor Education and Protection Fund (IEPF) constituted by the Central Government.

Why should one wait till the expiry of the validity period of the original warrant?

Since the dividend warrants are payable at par at several centers across the country, banks do not accept stop payment' instructions. Hence, shareholders have to wait till the expiry of the validity of the original warrant.

How to get dividend by direct electronic deposit to bank account?

While opening accounts with Depository Participants (DPs), shareholders are required to give details of their Bank Accounts, which will be used by the Company for direct credit of the dividend to the respective accounts. However, members who wish to receive dividend in an Account other than the one specified while opening the Depository Account may notify their DPs about any change in Bank account details. Members are requested to furnish complete details of their bank accounts including MICR codes of their banks to their DPs.

ii. Dematerialization/ Rematerialisation

What is De-materialisation of shares?

Dematerialisation (Demat) is the process by which securities held in physical form evidencing the holding of securities by any person are cancelled and destroyed and the ownership thereof is entered into and retained in a fungible form on a depository by way of electronic balances. The two depositories presently functioning in India are National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Why dematerialise shares? What are the benefits of De-materialising the Share Certificate?

SEBI has notified various companies whose shares shall be traded in demat form only. By virtue of such notification, the shares of the Company are also subject to compulsory trading only in demat form on the stock exchange.

Benefits of Demat

- Elimination of bad deliveries.
- Elimination of all risks associated with physical certificates.
- No stamp duty on transfers.
- Faster settlement cycle.
- Immediate transfer/trading of securities.
- Faster disbursement of non-cash corporate benefits like rights, bonus etc.

- Lower brokerage is charged by many brokers for trading in dematerialised securities.
- Periodic status reports and information available on Internet.
- Ease related to change of address of investors.
- Elimination of problems related to transmission of demat shares.
- Ease in portfolio monitoring.

How to dematerialise shares?

The procedure for dematerialising the shares is as under:

- Open Beneficiary Account with a Depository Participant (DP) registered with SEBI.
- Submit Demat Request Form (DRF) as given by the DP, duly signed by all the holders with the names and signatures in the same order as appearing in the concerned certificate(s) and the Company's records.
- Obtain acknowledgment from the DP on handling over the share certificate (s) along with the DRF.
- Demat confirmations are required to be completed in 21 days as against 30 days (excluding time for dispatch) for physical transfer. Service standards prescribed by the Company for completing demat is three days from the date of receipt of requisite documents for the purpose.
- Receive a confirmation statement of holdings from the DP. Statement of holdings is sent by the DPs from time to time. Presently confirmation is given by DPs on an immediate basis through email or SMS facilities, thus enabling shareholders to further trade in the securities immediately.

How does the Company pay dividend on shares De-materialised?

The dividend warrants in respect of all shares, whether held in electronic form or by way of share certificates, are sent by the company directly to the shareholders whose names are on the company's register of members or in the electronic form under the depository system on the designated date to be notified by the Company. While opening Accounts with Depository Participants (DPs), shareholders are required to give details of their bank Accounts, which will be used by the Company for direct credit of the dividend to the respective accounts.

Why cannot the Company take on record bank details in case of dematerialized shares?

As per the Depository Regulations, the Company is obliged to pay dividend on dematerialised shares as per the details furnished by the concerned DP. The Company cannot make any change in such records received from the Depository.

How are transactions effected through the Depository?

After you open an account with a DP, you can buy or sell shares in the electronic form without share certificate or transfer forms, provided the seller/buyer also holds shares in the electronic form.

You can sell the shares in the depository mode through any share broker. All you need to do is to provide him the details of your account with the DP, with a delivery instruction to debit your share account with the number of shares sold by you. When you buy shares in the depository mode, you must, similarly, inform the broker about your depository account details so that the shares bought would be credited to your account with the DP.

What is rematerialisation of shares?

It is the process through which shares held in demat form are converted into physical form by issuance of share certificate(s).

What is the procedure for rematerialisation of shares?

- Shareholders should submit duly filled in Rematerialisation Request Form (RRF) to the concerned DP.
- DP intimates the relevant Depository of the request through the system.
- DP submits RRF to Company's R&TA.
- Depository confirms rematerialisation request to the Company's R&TA.
- The Company's R&TA updates accounts and prints certificate(s) and informs the Depository.
- Depository updates the Beneficiary Account of the shareholder by deleting the shares so rematerialised.
- Share certificate(s) is despatched to the shareholder.

Can one get his original share Certificate?

No, as the share certificates on De-materialisation are cancelled you will not receive the same share certificate on Re-materialisation. The shares represented by De-materialised share certificates are fungible and, therefore, certificate numbers and distinctive numbers become irrelevant.

iii. Transfer / duplicate Certificates etc.

How to get shares registered in favour of transferee(s)?

Transferee(s) need to send share certificate(s) alongwith share transfer deed in the prescribed Form 7B, duly filled in, executed and affixed with share transfer stamps, to the Company's R&T Agent. The statutory time limit for processing the transfer is one month.

How can the change in order of names (i.e. transposition) be effected?

Share certificates alongwith a request letter duly signed by all the joint holders may be sent to the Company's R&T Agent for change in order of names, known as 'transposition'. Transposition can be done only for the entire holdings under a folio and therefore, requests for transposition of part holding cannot be accepted by the Company / R&T Agent.

What is the procedure for obtaining duplicate share certificate(s) in case of loss / misplacement of original share certificate(s)?

Shareholders who have lost / misplaced share certificate(s) should inform the Company's R&T Agent, immediately about loss of share certificate(s) quoting their folio number and details of share certificate(s), if available. The R&T Agent shall immediately mark a 'stop transfer' on the folio to prevent any further transfer of shares covered by the lost share certificate(s). It is recommended that the shareholders should lodge a FIR with the police regarding loss of share certificate(s). They should send their request for duplicate shares to the Company's R&T Agent. Documents required to be submitted alongwith the application include Indemnity Bond, Surety Form, copy of FIR, Memorandum of Association and Certified Copy of Board Resolution (in case of companies).

iv. Change of Address

What is the procedure to get changes in address registered in the Company's records?

Shareholders holding shares in physical form, may send a request letter duly signed by all the holders giving the new address alongwith Pin Code. Shareholders are also requested to quote their folio number and furnish proof such as attested copies of Ration Card / PAN Card / Passport / Latest Electricity or Telephone Bill / Lease Agreement etc. If shares are held in dematerialised form, information about change in address need.

Can there be multiple addresses for a single folio?

There can only be one registered address for one folio.

v. Change of Name

What is the procedure for registering change of name of shareholders?

Shareholders may request the Company's R&T Agent for effecting change of name in the share certificate(s) and records of the Company. Original share certificate(s) alongwith the supporting documents like marriage certificate, court order etc. should be enclosed. The Company's R&T Agent, after verification, will effect the change of name and send the share certificate(s) in the new name of the shareholders. Shareholders holding shares in demat form, may request the concerned DP in the format prescribed by DP.

N. Additional Recommendations to the Shareholders / Investors

In order to minimize /avoid unnecessary risk while dealing with Securities and related matters, the following are Company's recommendations to share holders /investors:

- **Open Demat Account and Dematerialise Your share**

  Investors should convert their physical holding of securities into demat holdings. Holding securities in demat form help investors to get immediate transfer of securities. No stamp duty is payable on transfer of shares held in demat form and risk associated with physical certificates such as forged transfers, fake certificates and bad deliveries are avoided.

- **Consolidate Multiple Folios**

  Investors should consolidate their shareholding held in multiple folios. This would facilitate one-stop tracking of all corporate benefits on the shares and would reduce time and efforts required to monitor multiple folios.

- **Register ECS Mandate and furnish correct bank account particulars with Company/ Depository Participant**

  Investor should provide an ECS mandate to the Company in case of shares held in physical form and ensure that the correct and updated particulars of their bank account are available with the Depository Participant (DP) in case of shares held in demat form. This would facilitate in their receiving direct credits of dividends, refunds etc from companies and avoiding postal delays and loss in transit.

- **Keep holding details confidential**

  Folio number (Client ID and DP ID number in respect of dematerialised securities) should not be disclosed to unknown persons. Signed blank transfer deeds (delivery instruction slips in respect of dematerialised shares) should nor 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.

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

Vishnu R Dusad - Managing Director
Tel: +91 (120) 4031500
Email: vishnu@nucleussoftware.com

R P Singh - President Deliveries
Tel: +91 (120) 4037500
Email: rp@nucleussoftware.com

Pramod K Sanghi - President Finance & CFO
Tel: +91 (120) 4031800
Email: pksanghi@nucleussoftware.com

Prakash Pai - President Product Management
Tel: +91 (120) 4037400
Email: pai@nucleussoftware.com

Niraj Vedwa - President Sales & Marketing
Tel: +91 (120) 4031900
Email: niraj@nucleussoftware.com

Ravi Verma - President Human Resource
Tel: +91(120) 4031700
Email: ravi.verma@nucleussoftware.com

Poonam Bhasin - Company Secretary
Tel: +91 (120) 4031400
Email: poonam@nucleussoftware.com

Economic Value Added

Economic Value Added is a measure of shareholders value. In the field of corporate finance, economic value added is a way to determine the value created, above the required return, for the shareholders of a Company.

It represents the value added to the shareholder's wealth by generating operating profits (less tax) in excess of cost of capital employed to earn that profit.

EVA= Net Operating Profit after Taxes – Cost of Capital Employed

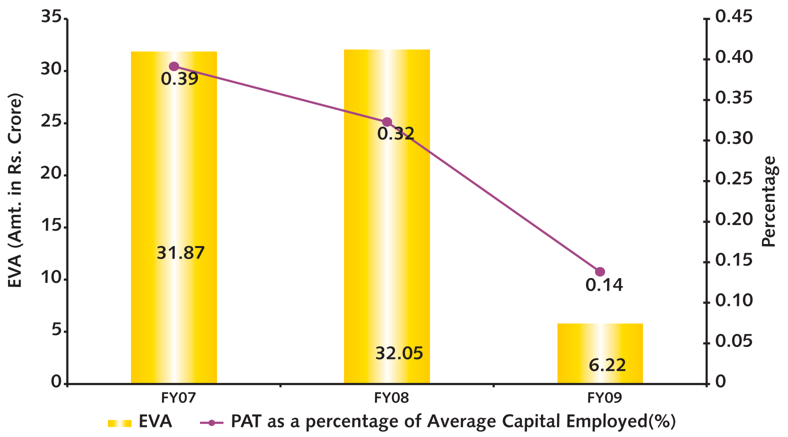
(Rs. in crore, except as otherwise stated)

	FY 09	FY 08	FY 07
Cost of Capital			
Risk Free Debt Cost (%)	4.50	7.35	7.98
Market Premium	7.00	7.00	7.00
Beta Variant	0.62	0.65	0.65
Cost of Equity	8.86	11.90	12.53
Average Debt/Total Capital (%)	–	–	–
Cost of Debt-Net of Tax(%)	–	–	–
WACC	8.86	11.90	12.53
Average Capital Employed	228.45	191.22	140.89
PAT as a percentage of Average Capital Employed(%)	14.12	32.29	39.14
Economic Value Added (EVA)			
Operating Profit (excluding extraordinary income)	36.32	61.56	56.40
Less: Tax	9.86	6.87	6.88
Cost of Capital	20.24	22.64	17.65
Economic Value Added	6.22	32.05	31.87
Enterprise Value			
Market Value of Equity	162.98	615.14	1,546.38
Add: Debt	–	–	–
Less: Cash and Cash Equivalents	122.18	94.13	81.91
Enterprise Value	40.80	521.01	1,464.47
Ratios			
EVA as a percentage of average capital employed	2.72	16.76	22.62
Enterprise Value/Average Capital Employed	17.86	2.72	10.39

Note:

1. *Cost of equity = return on risk-free investment + expected risk premium on equity investment adjusted for our beta variant in India.*
2. *Figures above are based on consolidated financial statements.*
3. *Cash and cash equivalents includes investments in liquid mutual funds.*

Economic Value Added

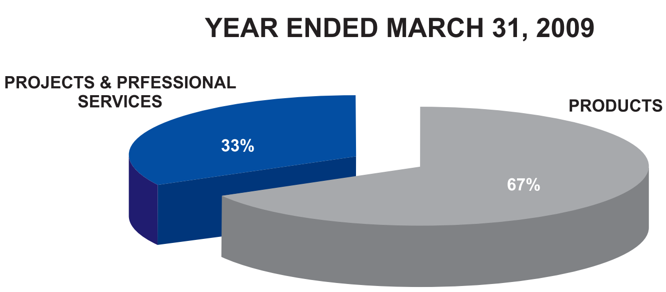


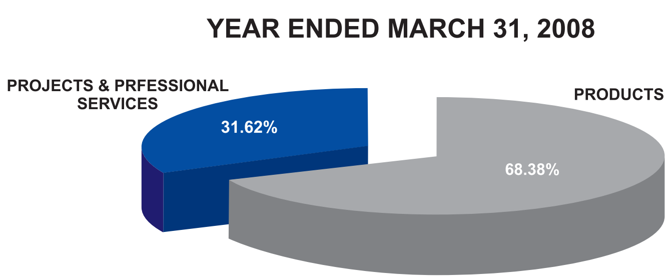
SEGMENT INFORMATION, HISTORICAL PERSPECTIVE AND RATIO ANALYSIS

Consolidated Segment Information of Nucleus Software Group

(Rs. in crore)

REVENUE BY	Year ended March 31, 2009	*% of Revenue*	Year ended March 31, 2008	*% of Revenue*
GEOGRAPHICAL SEGMENT				
India	36.74	*11.19*	32.11	*11.12*
Far East	160.55	*48.89*	145.45	*50.38*
South East Asia	53.30	*16.23*	41.71	*14.45*
Europe/UK	21.61	*6.58*	15.52	*5.38*
USA & Canada	0.80	*0.24*	3.15	*1.09*
Middle East	32.02	*9.75*	28.97	*10.03*
Africa	13.16	*4.01*	13.45	*4.66*
Rest of the World	10.22	*3.11*	8.36	*2.89*
TOTAL	**328.40**	***100.00***	**288.72**	***100.00***
CURRENCY SEGMENT				
Indian Rupee	36.74	*11.19*	32.11	*11.12*
Japanese Yen	19.79	*6.03*	13.56	*4.70*
Singapore $	40.83	*12.43*	30.39	*10.53*
US$	225.71	*68.73*	211.60	*73.29*
Malaysian Ringitt	–	–	0.23	*0.08*
South Korean Won	2.77	*0.84*	–	–
United Arab Emirates Dirham	1.60	*0.49*	–	–
Euro	0.96	*0.29*	0.83	*0.29*
TOTAL	**328.40**	***100.00***	**288.72**	***100.00***
BUSINESS SEGMENT				
Products	219.96	*66.98*	197.41	*68.38*
– Own	200.72	*61.12*	184.58	*63.93*
– Traded	19.24	*5.86*	12.84	*4.45*
Projects & Professional Services	108.44	*33.02*	91.31	*31.62*
TOTAL	**328.40**	***100.00***	**288.72**	***100.00***





A Historical Perspective

(All figures in Rs. crore except per share data)

					CONSOLIDATED PERFORMANCE
For the Year ended March 31,	**2009**	**2008**	**2007**	**2006**	**2005**
Revenue from Operations	328.40	288.72	221.19	148.05	103.14
Operating Profit (EBITDA)	49.60	73.41	63.28	45.13	27.07
Depreciation	13.28	11.85	6.88	4.76	3.54
Provision for Taxation	2.60	2.72	2.19	3.12	1.45
Profit after Tax (PAT)	32.26	61.74	55.15	37.08	20.75
Return on Average Networth (%)	14.16	32.45	39.29	37.13	27.28
Return on Average Capital Employed (PBIT/Average Capital Employed) (%)	15.25	33.76	40.70	40.23	29.18
As at March 31,					
Share Capital	32.37	32.37	16.16	16.11	16.09
Reserves and Surplus	207.93	182.95	149.03	99.41	68.15
Gross Block	112.02	95.03	68.54	50.14	43.62
Net Current Assets	158.89	66.26	42.11	20.50	7.01
Market Capitalization	164.60	615.14	1546.38	587.91	287.54
Per Share data					
Earning Per Share	9.97	19.08	17.09 *	11.52 *	6.45 *
Dividend Per Share	2.50	3.00	3.50	3.50	2.50
Book Value Per Share	74.24	66.52	51.11 *	35.86 *	26.18 *

** Adjusted for the issue of Bonus Shares in ratio 1:1 in 2007*

Note: *While calculating the figures of group, inter group transactions have been ignored.*

A Historical Perspective Stated in US$

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

					CONSOLIDATED PERFORMANCE
For the Year ended March 31,	**2009**	**2008**	**2007**	**2006**	**2005**
Revenue from Operations	72,287	72,361	50,558	33,181	23,554
Operating Profit (PBIDT)	10,918	18,398	14,464	10,114	6,181
Depreciation	2,923	2,970	1,573	1067	809
Provision for Taxation	572	682	501	698	331
Profit after Tax (PAT)	7,099	15,474	12,606	8,311	4,738
Return on Average Networth (%)	14.16	32.45	39.29	37.13	27.28
Return on Average Capital Employed (PBIT/Average Capital Employed) (%)	15.25	33.76	40.70	40.23	29.18
As at March 31,					
Share Capital	7,125	8,113	3,694	3,610	3,675
Reserves and Surplus	45,769	45,852	34,064	22,278	5,564
Gross Block	22,077	23,817	15,666	11,238	9,962
Net Current Assets	31,315	16,607	9,625	4,594	1,600
Market Capitalisation	35,876	154,169	353,458	131,758	65,664
Per Share data					
Earning Per Share	0.22	0.48	0.39 *	0.26 *	0.15 *
Dividend Per Share	0.06	0.08	0.08	0.08	0.06
Book Value Per Share	1.63	1.67	1.17 *	0.80 *	0.60 *

** Adjusted for the issue of Bonus Shares in ratio 1:1 in August 2007*

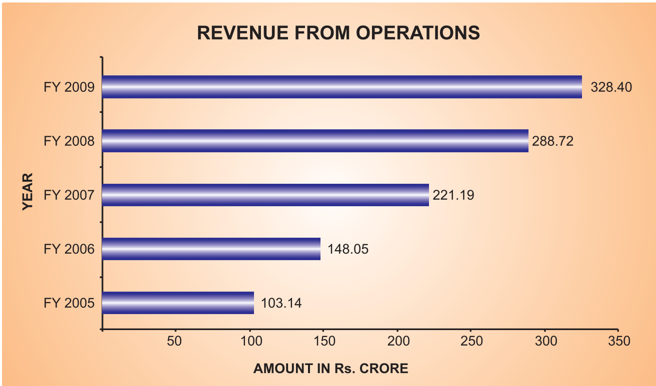
Note:

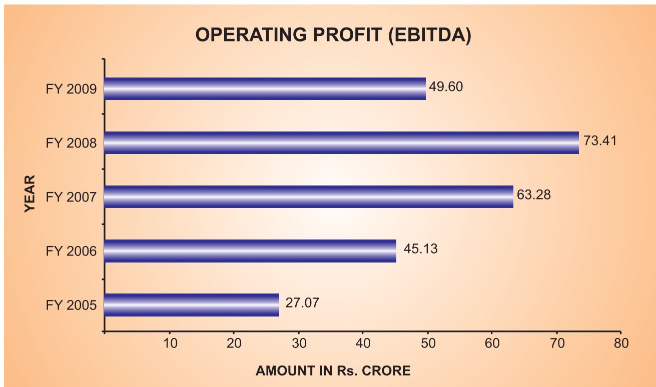
1) *While calculating the figures of group, intergroup transactions have been ignored.*

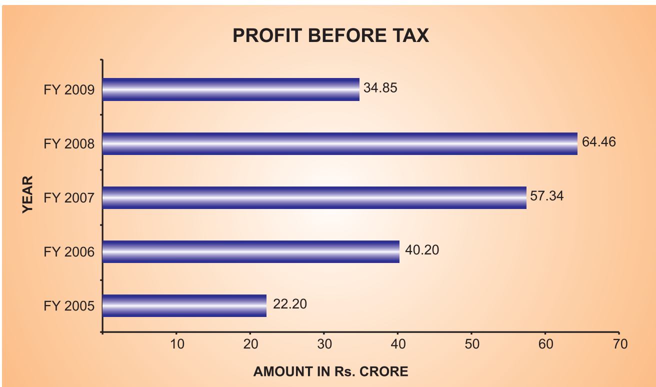
2) *For the year ended March 31, 2009, the revenue and expenditure items have been translated at an average rate of Rs.45.43/US$ and Balance Sheet items at a year ended rate of Rs.50.74/US$*

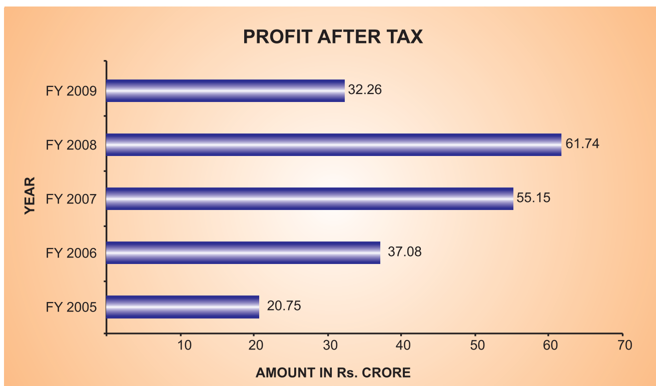
Ratio Analysis

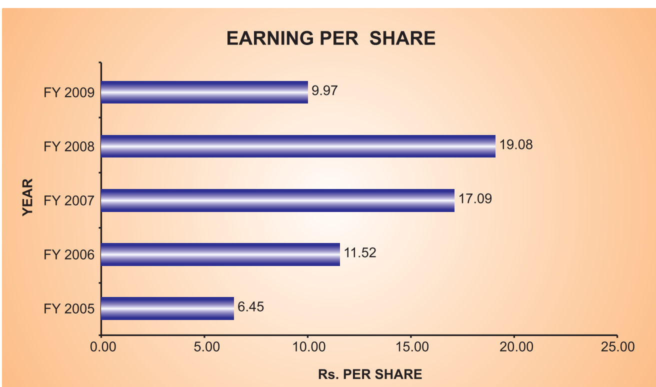
	CONSOLIDATED PERFORMANCE				
Year ended March 31,	**2009**	**2008**	**2007**	**2006**	**2005**
Ratios Financial Performance					
Export Revenue/Revenue (%)	88.81	88.88	89.10	90.01	91.66
Domestic Revenue/Revenue (%)	11.19	11.12	10.90	9.99	8.34
Gross Profit/ Revenue (%)	32.24	39.56	43.44	45.63	42.11
Software Development Expenses/Revenue (%)	67.77	60.44	56.56	54.37	57.89
Selling and Marketing Expenses/Revenue (%)	8.46	7.15	8.11	7.93	7.97
General and Administrative Expenses/Revenue (%)	8.66	6.98	6.72	7.21	7.89
Total Operating Expenses/Revenue (%)	84.90	74.57	71.39	69.52	73.76
Operating Profit/Revenue (%)	15.11	25.43	28.61	30.48	26.24
Depreciation/Revenue (%)	4.04	4.10	3.11	3.21	3.43
Other Income/Revenue (%)	1.76	2.44	2.54	2.07	2.52
Tax/ Revenue (%)	0.79	0.94	0.99	2.10	1.41
Tax/ PBT (%)	7.46	4.23	3.83	7.75	6.53
PAT from Ordinary Activities/Revenue	8.06	18.94	22.39	22.98	17.60
PAT from Ordinary Activities/Net Worth (%)	11.02	25.40	29.98	29.45	21.55
ROCE(PBIT/Capital Employed) (%)	15.26	33.76	40.74	40.23	29.18
ROANW (PAT/Average Net Worth) (%)	14.16	32.45	39.29	37.13	27.28
Ratios Balance Sheet					
Debt-Equity Ratio	–	–	–	–	–
Debtors Turnover (Days)	84	79	83	59	68
Asset Turnover Ratio	1.36	1.34	1.33	1.28	1.22
Current Ratio	3.00	2.77	1.62	1.46	1.15
Cash and Equivalents/Total Assets (%)	50.66	43.53	49.28	67.03	73.17
Cash and Equivalents/Revenue (%)	37.20	32.60	37.02	52.33	59.79
Depreciation/Average Gross Block (%)	12.82	14.49	11.59	10.15	10.34
Technology Investment/Revenue (%)	2.13	3.08	3.02	3.86	3.68
Ratios - Growth					
Growth in Export Revenue (%)	13.66	30.01	47.89	40.95	39.81
Growth in Revenue (%)	13.74	30.53	49.40	43.54	28.78
Operating Expenses Growth (%)	29.49	36.34	53.42	35.30	17.32
Operating Profit Growth (%)	(32.43)	16.02	40.22	66.72	77.51
PAT Growth (%)	(47.76)	11.95	48.71	78.72	113.34
EPS Growth (%)	(47.75)	11.66	48.41	78.56	113.15
Per- Share Data (Period End)					
Earning Per Share from Ordinary Activities (Rs.)	8.18	16.90	15.35	10.56	5.64
Earning Per Share (Including Other Income) (Rs.)	9.97	19.08	17.09	11.51	6.45
Cash Earning Per Share from Ordinary Activities (Rs.)	12.28	20.56	17.48	12.04	6.74
Cash Earning Per Share (Including Other Income)(Rs.)	14.07	22.74	19.22	12.99	7.55
Book Value (Rs.)	74.24	66.52	51.18	35.86	26.18
Price/Earning	5.05	9.96	28.00	15.85	13.86
Price/Cash Earning	3.58	8.36	24.90	14.05	11.84
Price/Book Value	0.68	2.86	9.35	5.09	3.41


REVENUE FROM OPERATIONS
YEAR
FY 2009 328.40
FY 2008 288.72
FY 2007 221.19
FY 2006 148.05
FY 2005 103.14
50 100 150 200 250 300 350
AMOUNT IN Rs. CRORE


OPERATING PROFIT (EBITDA)
YEAR
FY 2009 49.60
FY 2008 73.41
FY 2007 63.28
FY 2006 45.13
FY 2005 27.07
10 20 30 40 50 60 70 80
AMOUNT IN Rs. CRORE


PROFIT BEFORE TAX
YEAR
FY 2009 34.85
FY 2008 64.46
FY 2007 57.34
FY 2006 40.20
FY 2005 22.20
10 20 30 40 50 60 70
AMOUNT IN Rs. CRORE


PROFIT AFTER TAX
YEAR
FY 2009 32.26
FY 2008 61.74
FY 2007 55.15
FY 2006 37.08
FY 2005 20.75
10 20 30 40 50 60 70
AMOUNT IN Rs. CRORE


EARNING PER SHARE
YEAR
FY 2009 9.97
FY 2008 19.08
FY 2007 17.09
FY 2006 11.52
FY 2005 6.45
0.00 5.00 10.00 15.00 20.00 25.00
Rs. PER SHARE

Notes