

TRANSFORMING

The Future

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



Mr. Prithvi Haldea, Non-Executive, Independent Director and Mr. Pramod K Sanghi, President Finance & CFO of Nucleus Software received a Gold Shield on behalf of the Company, at a ceremony held on January 23, 2013 at Mumbai.

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Annual Report 2013 cover page theme

Nucleus Software is embarking on a makeover which will take it to the next level. With the objective to gear up for rapid growth, transformational initiatives are underway focused on enhancing customer experiences. An organization wide effort to strengthen operational processes, employee empowerment and co creation initiatives is in progress for sharpening customer centricity. This affirms the Company's focus on providing sustained value to our customers.

Cautionary statement regarding forward-looking statements

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

Chairman's Message



Janki Ballabh



Dear Shareholders,

Once again, around the same time as last year, I am re-connecting with you to share the achievements during the year gone by and to tell you about how we plan to deal with the challenges ahead to make the best happen for your Company.

Information Technology around the world

Today is a time of cautious optimism, after a long period of economic uncertainty that has transformed the global economic realities. While uncertainty in the Euro zone and the risk of political deadlock in the US still persist and could disrupt economic recovery in the developed economies, the risk of a financial and economic meltdown with unprecedented consequences now seem more remote than it did a year ago. Overall, the environment is improving; developed economies are striving to return to higher levels of competitiveness and at the same time, the developing and emerging economies are focusing on innovation as a prerequisite to achieve high economic growth rates to leapfrog towards higher levels of economic and social prosperity.

Information Technology is being increasingly recognized as an important tool for efficiency gains by the Corporate Sector, allowing it to maximize its output and free its resources for more productive investments. Your Company is an integral facilitator of this corporate endeavour, expediting the progress through IT, and also empowering the citizens of both the developed and emerging economies with easy and enriching access to technology.

“Smart mobility” has evolved into a key accelerant for growth and cross-industry adaptation of transformational technology megatrends for the top 100 global technology companies. Your Company is gearing to help optimize this new technological trend.

Preceding Twelve Months

We started off the year with a clear target of increasing customer satisfaction through greater interaction with them at various stages of the product development lifecycle; creating high performance culture through building managerial capacity. Our focus on rebuilding the Top Management team was realized during the year, with the hiring of highly qualified and experienced professionals from the Industry. We were also able to achieve significant success by restructuring our delivery organization. With growth in differentiated customization and support, this restructuring has aided in meeting increasing customer expectations. Through dedicated efforts, we were also able to reduce the implementation cycle, and offer more value to customers. We are also addressing the challenges of product development with a new team for effective co-ordination across functions.

We have also recomposed the Board of Directors necessitated by recognition of diversity. The Board inducted Mr. N. Subramaniam, an eminent Private Equity Manager on July 11, 2012 and Professor Trilochan Sastry,

Professor at Indian Institute of Management Bangalore on April 27, 2013 as Additional Directors. Both Mr. Subramaniam and Professor Sastry are noted experts and bring rich and varied experience to the Board. These stalwarts will surely bring their experience, expertise and insights to our Board.

Moreover, in recognition of the proposed policy of Rotation of Directors in the Companies Bill 2012, Mr. Arun Shekhar Aran, an Independent Non-Executive Director of the Company, who has served for 18 years on the Board, resigned with effect from April 27, 2013. The Board of Directors considered and accepted his resignation. Mr. Aran was instrumental in laying strong foundations for the Company and has contributed immensely in guiding the Company over his long tenure. We thank him for his contribution and wish him good luck.

In the year under review, we have achieved growth both in our topline as also in our operating margin (in rupee terms though the Dollar revenues saw some decline).

I am pleased to inform you that our ongoing investments in differentiating our offerings and pursuing innovation to provide best solutions to the industry helped us maintain our Number One position in the Lending Solutions space. Your Company's flagship product FinnOne™ was recognized for the fifth consecutive year in 2012 as the Global No. 1 Lending Software Solution by IBS Publishing, UK in their Sales League Table 2013 for Banking Product Sales. The recognition reinforces FinnOne™'s global leadership in the banking and financial services industry.

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

Your Company's HR practices are also being appreciated and the prestigious NASSCOM Corporate Award for Excellence in Diversity and Inclusion was bestowed upon your Company for 'Best IT services & Product Company' in the relevant category.

Looking ahead...

The year gone by can be best characterized as the year of transformation for the global IT industry which went into expanding in newer verticals and geographies, attracting new customer segments, and transforming itself from being just technology partners to becoming strategic business partners. The Company shall move strongly in that direction. Increase in global technology spending and opportunities created through adoption of disruptive technologies are also expected to propel growth in the current year.

Customers today are increasingly seeking technology providers who understand their businesses and also their challenges. Our customers are looking for deeper customer insights and improved ways of delivering

services to their customers. Our customers across the globe are focused both on revenue growth as well as increasing their profits, primarily by enhancing productivity and offering differentiation. Technology for our customers is no longer a cost but an investment, and it is going to be the key enabler for them to drive productivity and simplify their business processes to reduce operational costs. Your Company's domain-specific solutions, product leadership, customized approach, strong delivery capabilities and global footprint, make us an ideal partner for our customers. We are also increasingly aligning our offerings more closely to the business priorities of our customers.

My fellow members at the Board and I strongly believe that technology creates growth prospects and unravels opportunities for organizations to achieve their goals. This belief pushes us towards inventing and also exploring new geographies so that we can touch the lives of billions of people around the world.

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

Acknowledgments

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

Above all, our team at Nucleus is and shall remain our core strength. Nucleites, with their competence and dedication, continue to navigate through highly challenging situations to provide our customers with analytical, flexible and tailor-made solutions. Our performance has been driven by the commitment and perseverance of our employees. I would like to heartily acknowledge their immense contribution to our growth.

I would also like to thank my fellow Board members and business associates for their whole-hearted support to the Company through the year, as in the past.

And finally, my profuse thanks to our shareholders – both institutional and individual – for their deep and abiding trust in the company.

Janki Ballabh
Chairman

April 27, 2013

CEO's Message



Vishnu R Dusad



Dear Shareholders,

Over the past decade, the world has become increasingly “hyperconnected.” We live in an environment where the internet and its associated services are accessible and immediate, where people and businesses can communicate with each other instantly. The exponential growth of mobile devices, big data and social media are all drivers of this process. Consequently, we are beginning to see fundamental transformations in society which are redefining relationships between individuals, consumers and manufacturers. With the dawn of this era of new opportunities, redefining the way business is done, I feel energised and confident of the goals set by Nucleus Software to take it into the next orbit.

I take great pleasure in presenting a brief report on the performance of Nucleus Software for the financial year 2012-13.

The year gone by has been a significant one for Nucleus Software. Our customer base in 50 countries and focus on domain-rich expertise helped us sustain Nucleus Software’s improved performance. The Company’s flagship product FinnOne™ was recognized as Global No. 1 Lending Software Product for the Fifth consecutive year in 2012 by IBS Publishing, UK in their Sales League Table 2013 for Banking Product Sales. FinnOne™ has also been ranked tenth globally in all banking product lines. This is a reiteration of our commitment to deliver world class products and it makes me happy to report that our products continue to get global recognition. With continued focus and aggression on our goals, we will soon reach higher levels of global stature.

Annual Report and Accounts of Nucleus Software for the year ended March 31, 2012, were adjudged as the BEST under the relevant Category X of the ‘ICAI Awards for Excellence in Financial Reporting’ for the fifth consecutive year. A GOLD shield was presented to the Company. Our Annual Report and Corporate Governance disclosures are not only recognized in India but are also getting international recognition.

Nucleus Software was honoured for the ‘Best Online Annual Report’ globally in the technology sector & the Best in ‘Most Improved Financial Disclosure Procedures’ in the regional rankings for India for the year 2012 by IR Global Rankings (IRGR).

The prestigious NASSCOM Corporate Award for Excellence in Diversity and Inclusion was also bestowed upon Nucleus Software for ‘Best IT services & Product Company’ in the relevant category.

These awards reinforce both in form and substance, our commitment to transparency in statutory, legal and regulatory requirements and compliance with the accounting and financial reporting practices.

The year gone by was relatively a tough one for banking solutions market, as technology budgets with banks were limited and decision-making process on adopting new technology was slow. I am pleased to report a growth in revenue of 4 percent over the previous year, leading to consolidated revenues of ₹ 294 crore. With a disciplined approach, EBITDA margins registered a growth of 303 basis points. Consolidated net profit for the year is at ₹ 45.17 crore, higher by 28 percent over the previous year. Earnings per share for the year improved to ₹ 13.95 per share against ₹ 10.91 previous year. Nucleus Software has been regularly paying dividend since 2000-01 and the Board of Directors have recommended a dividend for the thirteenth consecutive year, this year of 30 percent (₹ 3.00 per equity share of ₹ 10 each), subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Our product business revenue for the year is at ₹ 197.69 crore, which is 67 percent of the total revenue for the year. This product revenue includes ₹ 191.89 crore of product revenue from own business. Revenue from projects and services is at ₹ 96.07 crore, which is 33 percent of the total revenue for the year.

Operating cash flow for the year after working capital changes is ₹ 74.77 crore against ₹ 13.47 crore in the previous year. Nucleus Software continues to enjoy a high level of liquidity with 'Cash and Bank balances' and 'Current Investments' at ₹ 266.72 crore as on March 31, 2013 against ₹ 196.16 crore as on March 31, 2012. Nucleus Software has been conservative in its investment policy over the years, maintaining a reasonably high level of cash and cash equivalents which enables the company to completely eliminate short and medium term liquidity risks.

Consistent decline in growth outlook of global economy for the past two years and continuing Euro zone debt problems posed major threat to the global currencies. Indian Rupee was unable to return as a strong currency and ended the year historically on the weakest ending level of 54.28 to a Dollar, weakening by more than 6.50 percent over the previous year when it was 50.88 on March 31, 2012. During the year, Nucleus Software followed a well-defined policy of hedging close to receivables through Forward Contracts which are designated as Highly Probable forecast transactions. At the year end, Nucleus Software had US\$ 10.50 million of hedges compared to US\$ 12.00 million at the beginning of the year.

Coming to Sales and Marketing, we won 20 product orders for implementing 65 product modules from all over the world. With these orders, Nucleus Software added 10 new customers during the year. We also continued our focused participation in events and increased interactions with customers. We participated in Retail Banking Forum in Europe and reiterated our focus on the Philippines market through a joint announcement with customers.

I am also glad to share that some of our customers have received awards and industry recognitions for their implementation of our products. FinnOne™ implementation at CIMB, Malaysia received the Process Excellence Award for Collection and Debt Management at the prestigious BPA Trailblazer Awards. Vietnam Prosperity Bank's Loan Origination system, powered by Nucleus Software's FinnOne™ CAS, LMS and Collections was recognized with Model Bank Award by Celent (March 2013).

Today, we're on the brink of a new digital paradigm, where the capabilities of our technology are beginning to outstrip our own. In such times, some applications, such as mobile payments will become more widespread in just a few years. Marketing as a function will also see global transformation, as consumers will be able to seamlessly access digital products through various promotion programs in the physical world. We intend to harness the potential of smartphones which allow the internet and its digital affordances to flow into every hand, everywhere, in every circumstance. Going forward, we will utilise this very strong channel of Mobile Payments for our products. Our mobile solutions have already hit the market. FinnOne™ MCollect, our Mobile product, has been very well received by our customers. This mobile version aims at making collections operations more efficient. It not only provides information on mobile to collection agents in the field but also allows them to receive cash, print receipts, service typical customer requests like account statements and balance enquiries

Our emerging strategy is to rigorously review our product development for conceptualisation and elegance (code, architecture etc.). With the addition of senior members in teams across functions during the year, the total manpower numbers stood at 1,503 at the end of the year.

Nucleus Software is a story about passion to build software products from the soil of India by closely experiencing and subsequently alleviating business

concerns of customers through seamless teamwork of committed and capable people. We continue to live our passion and work towards making business impact simpler, accessible and beneficial to all. Today the opportunities are greater than ever before and we continue to be motivated and get encouraged by the relentless hard work of our people, our business associates, our shareholders, our customers all over the world, and all those who unite with us in realising our dream of Transforming the Future with our solutions.

I am very excited about the road ahead and firmly believe that we are going to accomplish this in the near future. We look forward to your continued support.

Vishnu R Dusad
Managing Director & Chief Executive Officer

April 27, 2013

In our quest to success, our Guiding Mantra would be "To make Financial Services Access 'Easy' and 'Enriching' Worldwide."

Creating Customer Delight

Exceeding Customer Expectations



*A*t Nucleus Software, customer centricity is the corner stone of our relationships with our customers and we are committed to enabling them to transform the future of banking.

In today's dynamic business environment, with operational realities of the banking and financial services industry across diverse countries, currencies, languages and legal frameworks, customers are looking at entering into strategic partnerships that boosts business efficiency, productivity and helps them in transitioning for business growth.

With over 26 years of experience, we are aware of not just the IT products and software solution requirements but also of the overall expectations of our customers and the changing dynamics of technology and environment. We engage closely with our customers to enable better relationships, innovation, advocacy and much more. We place our customers at the center of our business, aligning our business growth with theirs.

As a world-class organization we have been offering award winning, competitive and cutting-edge products and software solutions. The confidence our customers place by partnering with us is a testimony of our commitment to keep customers at the heart of our business while creating long-lasting relationships committed to enabling their growth.

Voice-of-Customer, a dedicated team of professionals travels across geographies and personally meets our customers to capture their feedback, satisfaction level and identifies their concerns. The captured feedback is then shared with the leaders to ensure timely and appropriate actions being taken to resolve concerns, if any. We aim to raise the Customer Satisfaction Index higher thereby taking our existing relationships to the next level.

For the coming financial year, we will be concentrating on consolidating our global leadership position through customer centricity, market penetration and new platform initiatives such as mobility.

Holistic Product Development

Higher Operational Efficiency



*T*oday's business needs don't always match the capabilities of yesterday's framework and methodologies. In sync with the changing times, Nucleus Software is working towards transforming the future of banking technology with widespread adoption of the Agile methodology to offer its customers strategic business advantages.

We are transforming our customers' product development methodologies with a focus on increasing the operational efficiency and cutting down on user acceptance testing phases. We are focused on constantly training our employees on Agile Scrum, the iterative, incremental process for developing products. We are proud to share that over 80 Nucleus Software professionals are Certified Scrum Masters who deliver enhanced value to our customers.

Significant improvements are visible due to an increased early visibility through sprint reviews, improved customer satisfaction, reduction in overall project duration resulting in 'First time Right' solutions. We are now able to better manage our development processes and increase scope control, timeliness and quality of future projects.

As a result of this changed methodology and the underlining business benefits, some of our major customers have started participating in Agile development adding a nice addendum to their business success story.

Building Associations

Partnering with experts



Challenging and transforming business environment increasingly compels businesses to develop and manage complex ecologies and organizations around themselves. Therefore, in such an environment, the selection of right strategic partners is the top most priority of every business.

For attaining a global presence and providing radically new products and solutions to the BFSI industry, Nucleus Software envisages its partners playing a strategic and critical role in the growth of the Company and its brand globally.

Expanding its global foot print into new major financial hubs of South Africa and Switzerland with its host of competitive IT products & solutions for retail banking, corporate banking, auto finance, transaction and cash management, Nucleus Software, is exploring strategic partnerships across technology alliances, channel partners and system integrator partners for business growth.

With a well established channel partner network present in strategic locations across the globe, we are confident of entering into new geographies in the quarters ahead while offering localized relationship management for our customers in those markets. Together, we have been chartering new territories and expanding our global footprint while addressing the mission critical needs of our customers.

Employee Empowerment

Understanding Our Workforce



*A*s an organization that is focused on transforming the Future of banking technology, Nucleus Software prides itself on working with some of the best minds in the industry constantly innovating and developing world class software products and providing support through the entire product lifecycle, right from sales to post implementation.

Our people are our greatest assets. We believe that taking care of our people is taking care of our customers. The extremely talented team of professionals working in the organization forms the backbone of the Company. We provide our people with the opportunity of working with technology, product & domain champions.

With the total employee strength of over 1500 professionals, we keep our people inspired and enthusiastic with plethora of employee engagement programs, employee benefit schemes, product and service trainings to enhance their all round development.

At Nucleus Software we pay special attention and invest significantly on the learning and development needs of our people through open and continuously evolving dialogues. There are various programs that are conducted across our campuses to ensure we make Nucleus Software a great place to work.

Financial Year 2012-13, marked the transformational phase in the history of Nucleus Software, where the Company has embarked on a new journey to create a newer; reinvigorated and high performance focused Nucleus Software; an organization that retains its core values and leverages the changes in the environment to take it to the next level. Major initiatives such as suggestion boxes, discussion threads have been adopted and are underway to create an era of positive change.

For the coming financial year, we are looking at further strengthening our man power and attracting fresh talent to create cutting-edge software products for the global banking and financial services sector that addresses the mission critical needs of our customers.

Transformation through Innovation

The Way Forward



*I*nnovation is always 'One Thought Ahead' at Nucleus Software.

As one of the pioneers in the field of software products and solutions for the banking and financial industry, Nucleus Software constantly strives to innovate and develop world class software products to address the mission critical needs of businesses. Nucleus Software is one of the rare IT product organizations in India which offers customized and unique range of products and solutions helping the banking and finance industry overcome key technological challenges pertaining to process automation and management.

Since inception, Nucleus Software has been constantly evolving in its chosen mission of creating cutting-edge software products for the global banking and financial services sector. A dedicated team of over 200 professionals work in R&D to deliver innovative, cutting-edge and industry-driven products to meet the dynamic requirements of the banking sector, incorporating the best technology practices to provide profitable and scalable solutions to our global customers.

FinnOne™, the flagship product continues its run as an international frontrunner for the 5th consecutive year, as the Global Number One Lending Software Product by IBS Publishing, UK in their Sales League Table 2013 for banking product sales.

In the near future, Nucleus Software is also introducing Transaction Banking Solutions with the vision of transforming the cash management operations that will drive higher levels of business benefits for our customers.

This endeavor demonstrates our passion for perfection and relentless commitment to deliver world class products to our customers. Our customer base in 50 countries and the focus on domain-rich expertise has helped sustain the company's improved performance.

This financial year, our strategic transformational initiatives will pave the way for our future organizational growth and progress. We are excited about the way forward!

Accrediting Success

Awards and Accolades



*T*he past financial year has been significantly remarkable for us as we were recognized by the industry experts for our products and solutions. The awards and accolades bestowed on us strengthen our confidence to create cutting-edge software products for the global banking and financial services sector, transforming the future of banking technology while offering value to our customers.

- Nucleus Software's FinnOne™ has again been ranked as the Global No. 1 Lending Software solution for the fifth consecutive year by IBS Publishing, UK in their Sales League Table 2013 for Banking Product Sales.
- Nucleus Software received the NASSCOM Corporate Award for Excellence in Diversity and Inclusion for the category of 'Best IT services & Product Company' with less than 5000 employees.
- Nucleus Software was adjudged with the 'ICAI Awards for Excellence in Financial Reporting' GOLD SHIELD for the Fifth consecutive year under Category Service Sector (Other than financial services sector-turnover less than ₹ 500 crore).
- CIMB Malaysia, our customer, powered by Nucleus Software's FinnOne™ implementation, has received the Process Excellence Award for Collection and Debt Management at the prestigious BPA Trailblazer Awards.
- South Asian Federation of Accountants (SAFA) has adjudged Nucleus' Annual Report for the year 2011 as the recipient of 'Certificate of Merit' in the category 'Communication and Information Technology Sector'.
- IR Global Rankings (IRGR) ranked Nucleus Software as the Company best in 'Most Improved Financial Disclosure Procedures' in the regional rankings for India.
- The Company was honored for the 'Best Online Annual Report' globally in the technology sector & the Best in 'Most Improved Financial Disclosure Procedures' in the regional rankings for India for the year 2012 by IR Global Rankings (IRGR).
- Social and Corporate Governance Awards 2013 in the category "Best Overall Corporate Governance".
- The Annual Report for the year ended March 31, 2012 won the Platinum Award for excellence within the Technology-Software industry and ranked 22nd amongst the Top 100 Annual Reports worldwide in the Vision Awards by LACP, USA.
- Vietnam Prosperity Bank's Loan Origination system, powered by Nucleus Software's FinnOne™ CAS, LMS and Collections was recognized with Model Bank Award by Celent (March 2013).

Board of Directors



Top: Standing Left to right Prof. Trilochan Sastry, Non-executive, Independent Director, Mr. Vishnu R Dusad, Managing Director & CEO and Mr. Sanjiv Sarin, Non-executive, Independent Director.

Bottom: Sitting Left to right Mr. Arun Shekar Aran, Non-executive, Independent Director, Mr. Prithvi Haldea, Non-executive, Independent Director, Mr. Janki Ballabh, Chairman, Non-executive, Independent Director, Mr. N. Subramaniam, Non-executive, Independent Director.

Board of Directors

Mr. Janki Ballabh

Chairman

Mr. Vishnu R Dusad

Managing Director & CEO

Mr. Prithvi Haldea

Non-Executive Director

Mr. Sanjiv Sarin

Non-Executive Director

Prof. Trilochan Sastry

Non-Executive Director

Mr. N. Subramaniam

Non-Executive Director

Committees of the Board

Audit Committee

- Mr. Prithvi Haldea
- Mr. Sanjiv Sarin
- Mr. N. Subramaniam

Compensation Committee

- Mr. Vishnu R Dusad
- Mr. Prithvi Haldea
- Mr. Sanjiv Sarin

Corporate Governance Committee

- Mr. Janki Ballabh
- Mr. Vishnu R Dusad
- Mr. Prithvi Haldea
- Mr. Sanjiv Sarin
- Mr. N. Subramaniam

Nomination Committee

- Mr. Janki Ballabh
- Mr. Vishnu R Dusad
- Mr. Prithvi Haldea
- Mr. Sanjiv Sarin

Remuneration Committee

- Mr. Janki Ballabh
- Mr. Prithvi Haldea
- Mr. Sanjiv Sarin

Share Transfer and Shareholder's Grievance Committee

- Mr. Vishnu R Dusad
- Mr. Sanjiv Sarin

Company Secretary

Ms. Poonam Bhasin

Statutory Auditors

Deloitte Haskins & Sells
Chartered Accountants

Bankers

Citibank
HDFC Bank

Offices

Registered Office

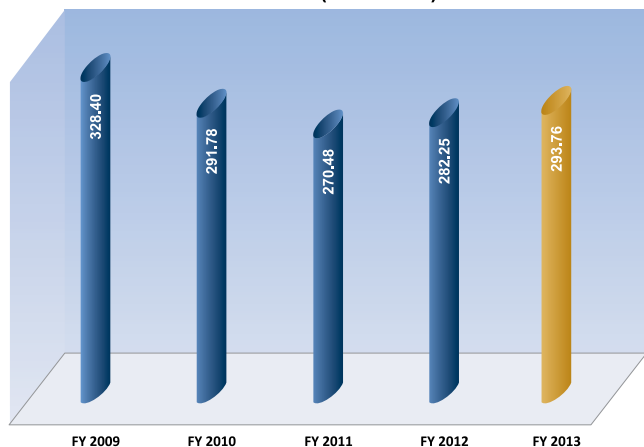
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Ph: +91 - 11 - 24627552 Fax: +91 - 24620872

Corporate Office

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

Graphical Representation

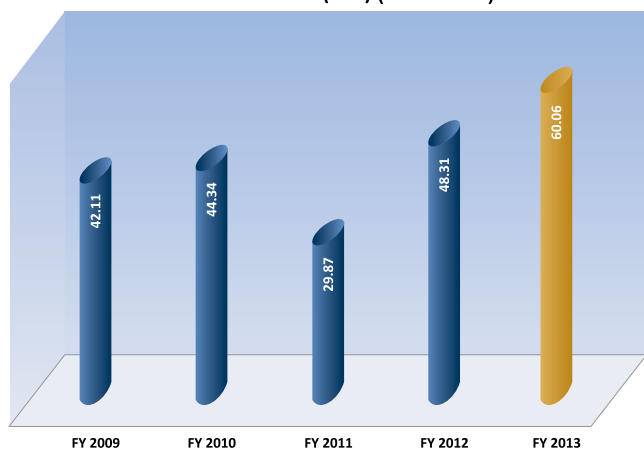
Revenue (in ₹ Crore)



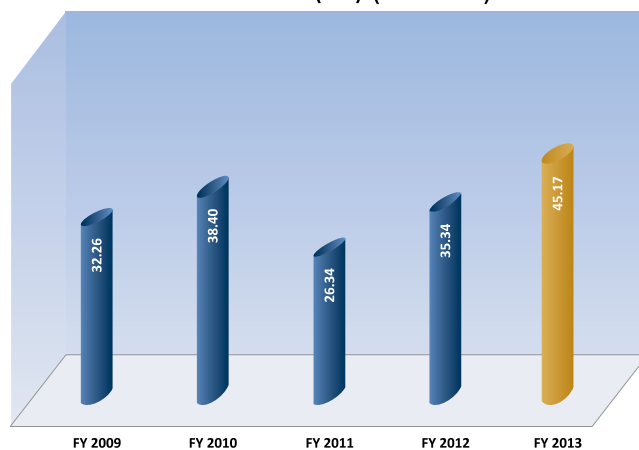
Operating Profit (EBITDA) (in ₹ Crore)



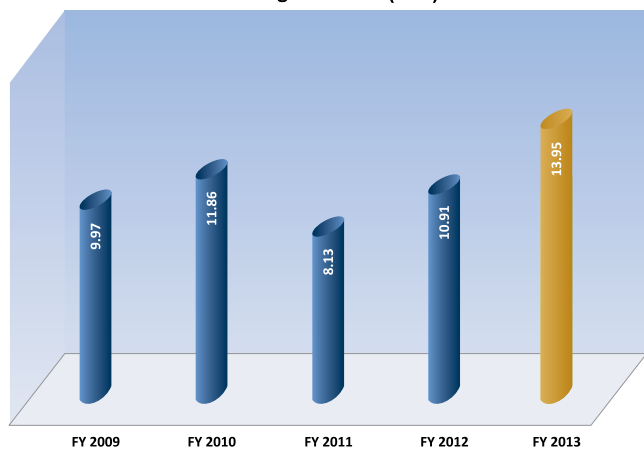
Profit Before Tax (PBT) (in ₹ Crore)



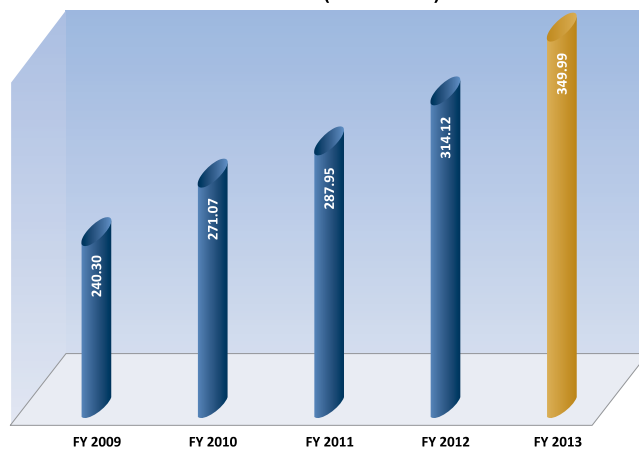
Profit After Tax (PAT) (in ₹ Crore)



Earning Per Share (in ₹)



Net Worth (in ₹ Crore)



Year at a Glance

(In ₹ crore, except per share data)

Consolidated Performance

For the Year Ended March 31,	2013	2012
Revenue from Operations	293.76	282.25
Operating Profit (EBITDA)	45.90	35.55
Profit After Tax (PAT)	45.17	35.34
EBITDA as a % of Revenue from Operations	16%	13%
PAT as a % of Revenue from Operations	15%	13%
EPS	13.95	10.91
Dividend Per Share	3.00	2.50
Dividend Payout	9.72	8.10
As at March 31,	2013	2012
Share Capital	32.39	32.38
Reserves and Surplus	317.60	281.74
Net Worth	349.99	314.12
Total Assets	458.96	411.07
Net Fixed Assets	50.69	48.91
Investments	154.99	104.38
Current Assets	379.92	334.87
Cash and Current Investments	266.72	196.16
Working Capital	283.39	249.21
Market Capitalisation	234.78	200.29
No. of Shareholders	16,336	17,953
No. of Shares (Face Value of ₹10.00)	32,383,634	32,383,454

Notes:

1. Market Capitalisation is calculated by considering closing market price of the scrip at close of the year which is ₹ 72.50 at March 31, 2013 and ₹ 61.85 at March 31, 2012.
2. While calculating figures of group, intergroup transactions have been ignored.
3. Previous year figures have been regrouped/ reclassified wherever necessary.



Year at a Glance

(US \$ '000 except per share data)

Consolidated Performance

For the Year Ended March 31,	2013	2012
Revenue from Operations	54,049	58,999
Operating Profit (EBITDA)	8,444	7,431
Profit After Tax (PAT)	8,311	7,387
EBITDA as a % of Revenue from Operations	16%	13%
PAT as a % of Revenue from Operations	15%	13%
EPS	0.26	0.23
Dividend Per Share	0.06	0.05
Dividend Payout	1,788	1,692
US\$/ ₹ Exchange Rate*	54.35	47.84
As at March 31,	2013	2012
Share Capital	5,967	6,364
Reserves and Surplus	58,511	55,373
Net Worth	64,479	61,737
Total Assets	84,555	80,792
Net Fixed Assets	9,339	9,613
Investments	28,554	20,515
Current Assets	69,993	65,816
Cash and Current Investments	49,138	38,553
Working Capital	52,209	48,980
Market Capitalisation	43,254	39,365
US\$/ ₹ Exchange Rate#	54.28	50.88

Notes:

1. Market Capitalisation is calculated by considering closing market price of the scrip at close of the year which is ₹ 72.50 at March 31, 2013 and ₹ 61.85 at March 31, 2012.
2. While calculating figures of group, intergroup transactions have been ignored.
3. Previous year figures have been regrouped/ reclassified wherever necessary.
4. *Revenue and expenditure items have been translated at the average US\$/ ₹ rate, mentioned here for the respective years.
5. #Balance Sheet items have been translated at year end US\$/ ₹ rate, mentioned here for the respective years.

DIRECTORS' REPORT



Directors' Report

Dear Members,

We have pleasure in presenting your Company's Twenty Fourth Annual Report, together with the Audited Statement of Accounts, for the year ended March 31, 2013.

I. RESULTS OF OPERATIONS - Financial Results

Financial statements of the Company are prepared in compliance with the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India and mandatory accounting standards issued by the Institute of Chartered Accountants of India ("ICAI"). The Company has six subsidiary companies, all of which are wholly-owned subsidiaries. The Company discloses stand-alone audited financial results on a quarterly and an annual basis, consolidated un-audited financial results on a quarterly basis and consolidated audited financial results on an annual basis.

a) Consolidated Operations

Consolidated financial statements of your Company and its subsidiaries as on March 31, 2013 are prepared in accordance with the Accounting Standard 21 (AS -21) on 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, and form part of this Annual Report. These Group accounts have been prepared on the basis of audited financial statements of Subsidiaries.

Your Company's revenue from operations for the year was ₹ 293.76 crore, 4% higher than ₹ 282.25 crore in the previous year. Overall operational expense for the year remained under control at ₹ 247.86 crore, against ₹ 246.70 crore in the previous year. As a result, Operating Profit (EBITDA) at ₹ 45.90 crore, 16% of revenue, was higher by ₹ 10.35 crore over ₹ 35.55 crore, 13% of revenue, in the previous year.

Profit after Tax for the year was at ₹ 45.17 crore, 15% of revenue, higher by 28% over ₹ 35.34 crore, 13% of revenue, in the previous year.

(₹ in crore)

The consolidated financial results are as below:

For the Year Ended March 31,	2013	% of Revenue	2012	% of Revenue
Income from Operations	293.76	100.00	282.25	100.00
Expenses				
a) Employee benefit expense	163.41	55.63	157.08	55.65
b) Travel expenditure	20.20	6.88	19.54	6.92
c) Finance costs (Bank Charges)	0.44	0.15	0.33	0.12
d) Other expenses	63.81	21.72	69.75	24.71
Total Expenses	247.86	84.38	246.70	87.40
Operating Profit (EBITDA)	45.90	15.63	35.55	12.60
Depreciation	6.09	2.07	7.45	2.64
Operating Profit after Interest and Depreciation	39.81	13.55	28.10	9.96
Other Income	17.28	5.88	16.87	5.98
Foreign Exchange Gain/ (Loss)	2.97	1.01	3.34	1.18
Profit Before Tax	60.06	20.45	48.31	17.12
Taxation				
– Withholding Taxes	0.63	0.21	0.92	0.32
– Current Tax (Net of MAT credit entitlement)	14.66	4.99	11.45	4.06
– Other taxes	(0.40)	(0.14)	0.59	0.21
Profit After Tax	45.17	15.38	35.34	12.52

b) Standalone Operations

The total revenue from the standalone operations of your Company for the year was ₹ 202.28 crore against ₹ 204.85 crore in the previous year. Total operational expense for the year was at ₹ 171.62 crore against ₹ 177.89 crore in the previous year, a decrease of 4%. Operating Profit (EBITDA) was at ₹ 30.66 crore,

15% of revenue, against ₹ 26.96 crore, 13% of revenue, in the previous year.

Profit after Tax for the year was at ₹ 37.09 crore, 18% of revenue, against ₹ 32.64 crore, 16% of revenue, after considering dividend receipt of ₹ 3 crore from one of the subsidiaries of the Company (₹ 3.60 crore in the previous year).

Directors' Report

Standalone financial results are as below:

(₹ in crore)

For the Year Ended March 31,	2013	% of Revenue	2012	% of Revenue
Revenue from Operations	202.28	100.00	204.85	100.00
Expenses				
a) Employee benefit expense	117.58	58.13	115.52	56.39
b) Travel expense	16.08	7.95	16.74	8.17
c) Finance costs (Bank Charges)	0.30	0.15	0.22	0.11
d) Other expenses	37.66	18.16	45.41	22.17
Total Expense	171.62	84.84	177.89	86.84
Operating Profit (EBITDA)	30.66	15.16	26.96	13.16
Depreciation	4.97	2.46	6.10	2.98
Operating Profit after Interest and Depreciation	25.69	12.70	20.86	10.18
Other Income	19.80	9.79	19.48	9.51
Foreign Exchange Gain/ (Loss)	4.19	2.07	3.52	1.72
Profit Before Tax	49.68	24.56	43.86	21.41
Taxation				
– Withholding taxes	–	–	0.89	0.43
– Current Tax (Net of MAT credit entitlement)	12.79	6.32	9.58	4.68
– Other taxes	(0.20)	(0.10)	0.75	0.37
Profit After Tax	37.09	18.34	32.64	15.93

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

2. DIVIDEND

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

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

In accordance with the above Policy, we are pleased to state that for the 13th consecutive year, your Company is recommending a dividend, and this year of 30% (₹ 3.00 per equity share of ₹10 each), compared to 25 % (₹ 2.50 per equity share of ₹ 10 each) in the previous year. It is subject to the approval of the shareholders at the forthcoming Annual General Meeting. If approved, the total dividend payout will be ₹ 9.72 crore, being 26% of standalone profits for the year against a payout of ₹ 8.10 crore, 25% of standalone profits in the previous year.

The Register of Members and Share Transfer Register shall remain closed during the period July 02-10, 2013 (both days inclusive) for the purpose of the Annual General Meeting and for payment of dividend. The dividend, if approved at the Annual General Meeting, will be payable to Members whose names appear on the Register of Members of the Company on July 02, 2013, being the first day of Book-Closure and to those whose names appear as beneficial owner in the records of National Securities Depositories Ltd. and Central Depository Services (India) Ltd. on close of business as on July 01, 2013.

3. TRANSFER TO RESERVES

Your Company proposes to transfer ₹ 3.71 crore to the General Reserve out of the amount available for appropriation.

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

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

Dividend for the Year	Unpaid Dividend
2000-2001 – Interim Dividend	₹ 28,762
2000-2001 – Final Dividend	₹ 74,339
2001-2002 – 1st Interim Dividend	₹ 58,921
2001-2002 – 2nd Interim Dividend	₹ 50,979
2002-2003 – Final Dividend	₹ 50,142
2003-2004 – Final Dividend	₹ 131,363
2004-2005 – Final Dividend	₹ 188,007

5. SHARE CAPITAL

• Issue of Shares under Employees Stock Option Plans

During the year ended March 31, 2013, the Company allotted 180 equity shares to employees upon exercise of stock options under Employee Stock Option Plan 2005.



Nucleus Software Exports Limited

• Issued and Paid-up Share Capital

The paid-up share capital of the Company, as on March 31, 2013, is 32,383,634 equity shares of ₹10 each as against 32,383,454 equity shares of ₹ 10 each as on March 31, 2012.

• Shares under compulsory dematerialization

Shares of the Company are under compulsory dematerialization ("Demat") category and are available for trading on both the depositories in India viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Of the entire paid up shares, 32,008,668 shares, or 98.84% are in dematerialized form as at March 31, 2013.

The International Securities Identification Number (ISIN) allotted to the Company's shares is INE096B01018.

6. LISTING

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

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

7. REVIEW OF BUSINESS & OUTLOOK

We take great pride in being one of the few 'Made In India' Software Product companies. We operate in the Banking and Financial Services domain with banks and non-banking financial institutions as our primary customers. Our products are largely in the area of origination and management of "Retail Loans" and the management of corporate liquidity by banks.

Slow economic growth continued across globe in the FY 13. Fiscal cliff in the US, sovereign debt problems in Europe and slow down in the BRICS economies contributed to slowdown in investments by corporates and banks, leading to an adverse impact on the Information Technology industry.

Your Company has been closely working with its current customers to maintain and improve the functionality of its software products which are working successfully in 50 countries across more than 150 installations. Simultaneously, as technology changes and innovation are required to provide faster access and processing on a scalable basis, your Company, during the year, focused on building teams for the future, setting the base for new product launches and thereby also increasing its market share. Overall, the past year was a year of consolidation as revenue and profitability reflect. We believe that with strong R & D and sales and marketing teams in place, we are now poised to realize the full potential of our products and brand in the global market with addition of several new customers.

A combination of economic growth, new emerging markets, cloud computing, and increasing demand from small and medium enterprises are anticipated to boost growth. We hope that with our customer-centric strategy, we would remain a partner of choice for all our present customers and be able to source many more customers.

8. BIRTH OF iSpirit

In the recent years, there has been an upsurge in start-up software product companies in India. This essentially can be termed as beginning of a new era, with enough potential to re-invent the whole Indian software industry, which till now has been dominated by the IT services companies. Emergence of globally recognized Indian product companies will represent the final step in the software value chain. If India can become the hub of the world's most successful IT services as well as product companies, it can truly lay claim to being a knowledge superpower. To make this possible and transform India into a hub for new generation software products, it is crucial to address government policy, create market catalysts and fuel the maturity of product entrepreneurs. With this context in mind, about 30 software product companies and individuals have come together recently to form iSpirit – the Indian Software Product Industry Roundtable. We are delighted to inform you that Mr. Vishnu R Dusad, MD & CEO of your Company, is a founder member of this revolutionary initiative. Your Company hopes to contribute immensely to this new endeavour and hopes to benefit the country and itself in times to come.

9. LIQUIDITY AND CASH EQUIVALENTS

Your Company continues to retain its status of a debt-free Company and maintains sufficient cash and cash equivalents to meet its futuristic strategic initiatives. The Company has been conservative in its investment policy over the years, maintaining a reasonably high level of cash and cash equivalents which enable the Company to completely eliminate short and medium term liquidity risks. The goal of cash management at Nucleus is to:

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

Cash and cash equivalents at a consolidated level constitute 58% of the total assets at ₹ 266.72 crore, at the year end, against ₹ 196.16 crore, 48% of total assets at the close of the previous year.

As on March 31, 2013 ₹ 92.03 crore was placed in bank fixed deposits (all in India), ₹ 144.74 crore invested in liquid schemes and fixed maturity plans of mutual funds and ₹10 crore in tax free secured, redeemable, non-convertible Bonds of Public Sector Enterprises. The mix between fixed deposits, liquid schemes, fixed maturity plans and tax free bonds is a function of the desired liquidity and returns.

10. NOTABLE ACCOLADES RECEIVED DURING THE YEAR

- FinnOne™ has been ranked as the **Global No. 1 Lending Software solution** for the fifth consecutive year by IBS Publishing, UK in their Sales League Table 2013 for Banking Product Sales.

Directors' Report

- Annual Report and Accounts of the Company for the year ended March 31, 2012 was adjudged as the **BEST** under the Category X – Service Sector (Other than financial services sector-turnover less than ₹ 500 crore) of the '**ICAI Awards for Excellence in Financial Reporting**'. A **GOLD SHIELD** was awarded to the Company for the fifth consecutive year.
- NASSCOM Corporate Award for Excellence in Diversity and Inclusion 2013 for the category **Best IT services & Product Company – Special recognition (less than 5000 employees)**
- '**Best Online Annual Report**' globally in the technology sector & the Best in '**Most Improved Financial Disclosure**

Procedures in the regional rankings for India for the year 2012 by IR Global Rankings (IRGR).

- Annual Report for the year ended March 31, 2012 won the **Platinum Award** for excellence within the Technology-Software industry and ranked 22nd amongst the Top 100 Annual Reports in the Vision Awards by the League of American Communications Professionals (LACP), USA.
- Social and Corporate Governance Award 2013 in the category '**Best Overall Corporate Governance**'
- Titanium Award for **Investor Relations, Corporate Governance and Environment Responsibility** in the Asset Triple A Corporate Awards 2012.

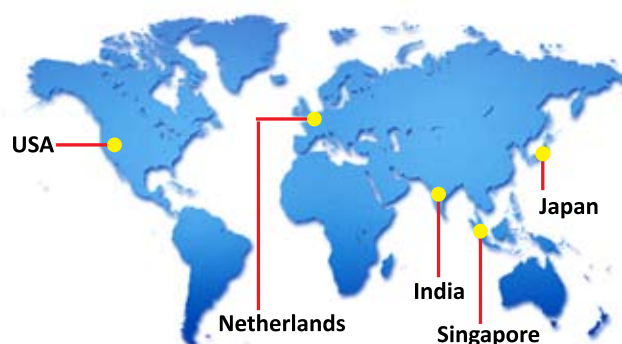
II. SUBSIDIARY COMPANIES

Your Company has six wholly owned subsidiaries across the globe. It also has a step-down subsidiary located in Singapore. The following table provides a list of all these subsidiaries as on March 31, 2013 :

Name of Subsidiary	Location	Date of incorporation
Nucleus Software Solutions Pte. Ltd.	Singapore	February 25, 1994
Nucleus Software Inc.	USA	August 5, 1997
Nucleus Software Japan Kabushiki Kaisha	Japan	November 2, 2001
VirStra i- Technology Services Ltd.	India	May 6, 2004
Nucleus Software Netherlands B.V.	Netherlands	February 3, 2006
Nucleus Software Ltd.	India	April 21, 2008
Step Down Subsidiary of Nucleus Software Exports Ltd.		
VirStra i- Technology (Singapore) Pte. Ltd.	Singapore	December 17, 2004

There has been no material change in the nature of the business of the subsidiaries. A statement containing brief financial details of the subsidiaries is included in the Annual Report. As required under the Listing Agreements entered into with the Stock Exchanges, a consolidated financial statement of the Company and all its subsidiaries is attached. The consolidated financial statements have been prepared in accordance with the relevant accounting standards as prescribed under Section 211(3C) of the Act.

As per General Circular No: 2/2011 issued by the Government of India, Ministry of Corporate Affairs, a general exemption was provided to Companies for attaching the Directors' Report, Balance Sheet and Profit and Loss Account of all subsidiaries to its balance sheet, subject to fulfilling certain conditions as stipulated in the circular. Your Company complies with those conditions and, therefore, has been generally exempted by the Central Government from attaching detailed accounts of the subsidiaries, and accordingly, the financial statements of the subsidiaries are not attached in the Annual Report. For providing information to Shareholders, the annual accounts of these subsidiary Companies along with related information are available for inspection during business hours at the Company's registered office and at the concerned subsidiary's offices.



Nucleus Subsidiaries world- vide

a) Nucleus Software Solutions Pte. Ltd.

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



Nucleus Software Exports Limited

b) Nucleus Software Inc.

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

c) Nucleus Software Japan Kabushiki Kaisha

Nucleus Software Japan Kabushiki Kaisha (NSJKK) is based in Tokyo, Japan. It was incorporated in 2001 to expand business in the country. NSJKK operates as a business development and sales hub for Japan, which is the single largest market for the Company.

d) VirStra i- Technology Services Ltd.

VirStra i- Technology Services Ltd. is based in Pune, India. It was incorporated in 2004 as a development centre. This subsidiary set up its own subsidiary VirStra I- Technology (Singapore) Pte. Ltd. in Singapore in 2004 to expand its service operations in Singapore.

e) Nucleus Software Netherlands BV

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

f) Nucleus Software Ltd.

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

12. INFRASTRUCTURE

Your Company has offices at several locations across the globe. The office space and seating capacity of these offices as on March 31, 2013 is detailed below:

Office Location	Area in Seating Capacity	
	Sq. ft.	No. of Persons
NOIDA		
Unit - I	87,423	705
Unit - II	90,265	778
Multi Facility Block	30,434	194
Total	208,122	1,677
Chennai	3,822	48
Singapore	7,141	95
New Delhi	4,200	40
Pune	9,573	120
Mumbai	3,250	36
Dubai	1,290	17
Jaipur	22,312	250
Tokyo, Japan	430	7
Amsterdam, Netherlands	561	7
New Jersey, USA	1,250	15
Total	261,951	2,312

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

13. QUALITY PROCESSES

Nucleus is committed to ensure the highest level of quality for its products and services to achieve higher performance leading to "Customer Delight." This year, we focused on continuous process improvements by incremental advancements in the existing processes and innovations using new tools and methods.

With an objective to increase adherence to secure coding practices, your Company adopted best code review process and automated security code review tools. Review and feedback mechanism was further strengthened by collaborating with customers during project development/reviews which led to faster feedback from customer and improved quality. With prime focus on customer satisfaction, your Company started seeking transactional feedback from customers post key milestones, which led to improved communication with customers. To align with agile methodology and increased visibility of project execution, best project management and defect management tools were adopted.

A dedicated team is also responsible for collecting improvement suggestions from across the organization and incorporating them in the organization standard processes. Existing processes are reviewed for their effectiveness and benchmarked with respect to industry by participating in various reputed industry forums on quality and processes.

14. Nucleus Brand Visibility

Your Company aspires to leverage its domain leadership into a visible, relevant and vibrant brand that connects with key audiences including customers, stakeholders and employees. We believe that it is all about building a history of great experiences and trusted relationships.

We actively represent the brand Nucleus in all 50 countries where we have customers and spend significant time and effort in educating and informing the industry about our products and solutions to help customers make informed choices. Your Company participated in key Industry events (MEFTEC -Dubai, SIBOS -Osaka, IDG Vietnam - Hanoi) amongst a host of other such events to ensure visibility of your Company's offerings. In addition, untapped markets in key financial nerve centres like London, Stockholm and Atlanta were also covered with specific events driven through focused branding efforts.

We work to ensure success in individual markets by understanding local requirements and launch programs that cater to these specific markets. Our customers are at the core of all our initiatives and we work closely with various teams to ensure the right impact. During the year, special customer meets were held in markets such as Mumbai, Manila and Dubai to understand how we can help customers deliver increased value to their clients. This was enhanced with targeted media activities in both domestic and overseas regions.

In the coming financial year, a significant boost to leverage the strength of our brands including FinnOne™ and Cash@Will™ through marketing initiatives is planned. These brand focused visibility programs will be enhanced through diverse

Directors' Report

channels including print media, online, social media and direct communications. In addition to our marketing programs, we are also planning to host joint outreach programs with our strategic partners in focus geographies such as Africa.

15. HUMAN RESOURCE MANAGEMENT

As we enter a new era of growth and change, there are several areas of product and technology that we are focusing on. Talent is the key to effect this transformation and hence critical focus during the year has been on building capabilities including:

- Continuous workforce enhancement through hiring high quality talent and strengthening our leadership capabilities
- Investing in newer markets
- Investment in developing talent across varied skill sets. Core development quadrants include:
 - Leadership and business management capabilities
 - Sales force effectiveness
 - Banking process and domain expertise
- Delivering process and work level improvements to impact how people learn, perform and engage at the workplace
- Workplace inclusiveness to leverage strengths from diverse backgrounds.
 - Nucleus was awarded NASSCOM Corporate Awards for *Excellence in Diversity and Inclusion 2013* as a 'Special Recognition' for the category of Best IT services & product company (less than 5000 employees)

Nucleus has been consistently ranked the global market leader in lending software and we are focused on furthering this unique positioning through our people capabilities.

The global employee strength as at the end of the year stood at 1,503.

16. ADDITIONAL INFORMATION TO SHAREHOLDERS

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

17. SECRETARIAL AUDIT

Your Company, as a voluntary practice, has been getting Secretarial audit done for the past several years. This is a process to check compliance with the provisions of various laws and rules/regulations/procedures, maintenance of records etc., by an independent professional firm to ensure that the Company has complied with the statutes and procedural requirements. Ever-increasing complexities of laws and responsibilities of Directors (especially Non-executive Directors) make it even more imperative that an external expert reports on proper compliance mechanism and systems. The audit also points out if there is a need for any corrective measures or improvement.

An assignment for a comprehensive Secretarial Audit for the year 2012 was awarded to a professional Company Secretary firm. It is a matter of pride that the audit confirmed that your Company was generally in compliance with all applicable provisions of the Companies Act, 1956, Depositories Act 1996, Listing Agreements

with all the stock exchanges where the Company is listed and all the applicable guidelines, rules and regulations of the Securities & Exchange Board of India (SEBI). The Certificate obtained in this regard is provided as **Annexure A** to the Report on Corporate Governance. The Secretarial Auditor has made certain recommendations for adopting some more Best Practices, which are now being implemented.

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

18. FOREIGN EXCHANGE RISK

Globally, the easy money policies followed consistently by the Federal Reserve and the ECB and the Japanese Central Bank since December 2012, all aimed towards reducing interest rates, have had major consequences on currency exchange rates. The year witnessed extreme volatility with major international currencies at different points of time and required careful monitoring to reduce risk. The Indian Rupee fluctuated from a high of 50.56 to the Dollar in April 2012 to a low of ₹ 57.22 in June 2012 and overall lost 6.68% against the US Dollar on a March-end to March-end comparison. Japanese Yen, in which 11% of your Company's revenue arises, weakened by over 20% between December 2012 and March 2013 against the US Dollar and as the Indian Rupee traded in a narrow band, the cross was negative for our Yen realisations.

While the weak Rupee has been a national concern, it proved beneficial for export-oriented companies. It is incumbent upon the Management of your Company to follow a prudent policy to hedge the foreign currency risk, without taking speculative positions. Your Company has a conservative approach and does not speculate in foreign currency markets. Forwards are held to maturity and regular reporting and monitoring systems are in place including quarterly updates to the Audit Committee. During the year, the Company followed a well-defined policy of hedging close to receivables through Forward Contracts which are designated as Highly Probable forecast transactions. At the year end, the Company had US\$ 10.50 million of hedges compared to US\$ 12.00 million at the beginning of the year.

19. FIXED DEPOSITS

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

20. AUDITORS

The Statutory Auditors of the Company, Deloitte Haskins & Sells, retire at the conclusion of the ensuing 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. The Audit Committee and the Board of Directors recommend the reappointment as Statutory



Auditors of Deloitte Haskins & Sells, Chartered Accountants for the financial year 2013-14 for shareholders' approval. As per the relevant provisions of Listing Agreement, your Company has ensured that the Auditors of your Company are subjected to the peer review process of Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the Peer Review Board of the ICAI. Deloitte Haskins & Sells have confirmed their compliance with the relevant provision.

21. INSIDER TRADING REGULATIONS

Based on the requirements under SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, the Code of Conduct for the Prevention of Insider Trading and the Code for Corporate Disclosures continue to be in operation at your Company.

22. DIRECTORS

Mr. N. Subramaniam and Professor Trilochan Sastry were inducted as Additional Directors on the Board of Directors of the Company with effect from July 11, 2012 and April 27, 2013 respectively. Both Mr. Subramaniam and Professor Sastry are noted experts and bring rich and varied experience to the Board. Their appointment as Non-Executive Independent directors, liable to retire by rotation, will be placed for your approval in the forthcoming Annual General meeting.

In recognition of the proposed policy of Rotation of Directors in the Companies Bill 2012, Mr. Arun Shekhar Aran, an Independent Non-Executive Director of the Company, who served for 18 years on the Board, resigned with effect from April 27, 2013. The Board of Directors considered and accepted his resignation. We place on record our deep sense of appreciation for the immense contribution of Mr. Aran during his tenure as a Board member.

Article 87 of the Articles of Association of the Company provides that at least two-thirds of our Directors shall be subject to retirement by rotation and one third of these retiring Directors must retire from office at each Annual General Meeting of the shareholders. A retiring Director is eligible for re-election. In accordance with the same, Mr. Janki Ballabh and Mr. Prithvi Haldea, Directors of the Company, shall retire at the ensuing Annual General Meeting and both of them being eligible, have offered themselves for re-appointment.

23. COMMITTEES OF THE BOARD

During the year, the Board dissolved its Review Committee, which was constituted for a limited period. There are currently six Committees of the Board, as follows:

- Audit Committee
- Compensation Committee
- Corporate Governance Committee
- Nomination Committee
- Remuneration Committee
- Share Transfer and Shareholder Grievance Committee

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

24. CORPORATE GOVERNANCE

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

Your Company is in compliance of all mandatory requirements of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the stock exchanges. For the year ended March 31, 2013, the compliance status is provided in the Corporate Governance section of the Annual Report. A certificate issued by the Statutory Auditors of the Company confirming compliance of the conditions of Corporate Governance stipulated in Clause 49 of the Listing Agreement with the stock exchanges forms part of this Directors' Report as **Annexure C**.

25. MANAGEMENT DISCUSSION & ANALYSIS

Management Discussion and Analysis of the financial condition and results of both standalone and consolidated operations have been provided separately in this Annual Report.

26. CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

Directors' Report

The proposed Companies Bill, 2012 has certain provisions to encourage corporates to undertake CSR activities. We, at Nucleus, have mapped our status with the requirements of this Bill and have highlighted the areas of improvement. Your Company is conscious of its duties towards our community and our planet and the coming years shall witness your Company in several CSR areas.

27. EMPLOYEE STOCK OPTION PLAN

Particulars	1999 Plan	2002 Plan	2005 Plan	2006 Plan
(a) Total number of options under the Plan	1,70,000	2,25,000	6,00,000	1,00,000
(b) Pricing formula	₹ 24/- per Equity share of ₹ 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, 2013	—	—	1,320	—
(e) (i) Options exercised during the year	—	—	180	—
(ii) Total number of shares arising as a result of exercise of above options during the year	—	—	180	—
(f) Options forfeited during the year	—	—	200	3,000
(g) Option lapsed during the year	—	—	—	12,064
(h) Variation of terms of options during the year	—	—	—	—
(i) Amount realized by exercise of options during the year	—	—	24,120	—
(j) Total number of options in force as on March 31, 2013	—	—	1,320	—
(k) Details of options granted during the year ended March 31, 2013 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	—	—	—	—
(m) Weighted average fair value of the options	—	—	—	—

In accordance with Employee Stock Option scheme and Employee Stock purchase Scheme Guidelines, 1999, issued by SEBI, the excess of the market price of the underlying equity shares as of the date of the grant over the exercise price of the option including up-front payments if any, is to be recognized and amortized on a straight-line basis over the vesting period. We have Employee Stock Option Plan 2005 and Employee Stock Option Plan 2006 where the options are granted to the employees at an exercise price equal to fair market price as on date of grant.

Accordingly, we have calculated the compensation cost arising on account of stock option granted using the intrinsic value method. Hence, the disclosure in terms of Clause 12.1 (n) of SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guideline, 1999, is not applicable. For fiscal 2013 there was no stock compensation cost, no stock options were granted. Hence, the weighted average fair values of grant during the year is nil.



28. 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.

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

- The particulars as prescribed under subsection (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, are set out in **Annexure A** which forms part of this Report.
- Except, as disclosed elsewhere in the report, there have been no material changes and commitments, which can affect the financial position of the Company between the end of the financial year and the date of this report.
- The information required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report for the year ended March 31, 2013 is annexed as **Annexure B**.

30. DIRECTOR'S RESPONSIBILITY

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

- in the preparation of the annual accounts for the year 2012-13, the applicable accounting standards have been followed and there is no departure;
- the Directors have selected such accounting policies and applied them consistently, except where otherwise stated in the notes on accounts, and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that year;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors have prepared the annual accounts on a going concern basis.

31. ACKNOWLEDGEMENTS

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

Your Directors would also like to thank all its bankers, customers, vendors and shareholders for their continued support to the

Company. In specific, the Board would also record its sincere appreciation of the commitment and contribution made by all employees of the Company.

For and on behalf of the Board of Directors

Noida
April 27, 2013

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. CONSERVATION OF ENERGY

Your Company values energy and always strives to conserve energy through usage of latest technologies for improving the productivity and quality of services and products. Moreover, operations of the Company also involve low energy consumption. During the last year, your Company focused on efforts to reduce energy consumption thereby making the processes more energy efficient. A few of the energy conserving measures, include the following:

- Instilling new air conditioning plant of latest technology; which consumes lesser power.
- Strong measures are being initiated to ensure no unnecessary equipment is left in a switch on mode during non-working hours.
- Use of latest technology such as T5 and CFL lights to economize our electrical consumptions.
- Use of eco-friendly gas (FM 200) in the fire suppression system in the data center.
- Rain water harvesting.
- Use of AAC blocks in construction for keeping the load and pressure on air-conditioning minimal.
- Use of furniture and equipment products that are standard and branded, and which comply with environment-friendly specification.
- Implementation of Green building designs and construction which dramatically reduces the enormous amounts of energy that buildings consume in heating, cooling, lighting and water use.
- Regular UPS and AC plant maintenance to ensure efficient working of the equipments.
- New DG synchronization panel was procured during the year, to run the DG set at optimum load. Care was taken to keep air and noise pollution well within the prescribed limits.
- Installing of Energy Meters for closed monitoring of AHU run hours on daily basis.
- Continuous monitoring of floor areas after normal working hours and switching off lights and AC requirements

The overall effect of the above measures has led to reduction of energy consumption vis-à-vis the last year. Your Company is always in a look out for innovative and efficient energy conservation technologies and applies them prudently. Various eco-friendly green ideas have been put to use at the newly constructed SEZ facility at Jaipur like use of ground air-conditioning system, grid linked solar power etc.

B. RESEARCH AND DEVELOPMENT

Your Company has an IP-led business model and globally licenses Intellectual Property in the form of products for the Banking and Financial Services Industry. As a Product company, we believe that R&D is the key to sustained development and hence we continue to invest in a broad range of research and product development efforts.

Your Company continuously engages in research and development activities to build software products with advanced technologies for the future.

- The key focus areas of Research and Development at Nucleus are :
 - Scan environment (markets/customers/analysts/competitors)
 - Establish business and technology roadmap for Nucleus Products
 - Pilot/Prototype new capabilities
 - Build new Product releases
 - Support Sales & Marketing in developing Go-to-Market plans
 - Enable and handover to Implementation teams

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

1. R&D Initiatives in Specific Areas

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

The objectives of your Company's initiatives in R&D are as follows :

- Creation of competitive quality and increased productiveness of research and development activities
- Obtaining new knowledge applicable to the company's business needs, that will eventually result in new or improved products, processes, systems and services
- Leveraging new generation technologies to offer innovative products for the Banking and Financial Services Industry
- Enhancing product functionality in the retail and

corporate banking areas by adding new modules and enriching the existing modules to meet the changing requirements of the customers globally

Your Company has a technology incubation unit. We have also created a centralized business analyst pool which interacts with customers to ensure that their requirements are clearly documented and understood, and to support the delivery in delivering as per norms. New technologies are being developed that will place risk management at the centre of any business strategy deployed by financial institutions, especially in these uncertain times.

The research areas under focus in the future will be tools, performance and agility, security and privacy, customer experience, ubiquity and health. We are also working towards achieving 100% compliance with relation to all our processes. During the year, we have had high number of successful deliveries across the globe, and a very high satisfaction rating from many customers. The focus now is on increasing robustness of the products and proactively sending updates to the customers. This will ensure that customer encounters reduced support issues which will also reduce his support cost substantially. As the primary objective, investments in enhancements and development of path beating niche products will continue, thus delivering enhanced customer value.

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

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

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

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

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

In line with the goal of serving the customers in a better way, the focus during the year was on development of new products **FinnOne Pro™ Gold** and **FinnOne - Transaction Banking System**. These products are in development phase and our R&D efforts are being dedicated to formalize these products. Both these products would have a new technology architecture and with enhanced business functionalities for alignment to the latest trends. The focus of this product development is to build products based on latest architecture & technology stack. In addition new products will have advanced features and functionalities to support the growing



need of the customers' business. Key enhanced technical features of both these products are:

- Cloud ready
 - Multi-tenant
 - Multi-lingual
 - Multi-locale
 - Multi-browser
 - Quick response times
- Services Oriented
- Database Server independent
- High performing bulk processing
- Straight Through Processing
- New channels
 - Mobile
 - Tablets
 - ATMs/Kiosks
- Customer initiated
- Security
- Self Integrity
- Auditable

3. Research & Development Expenditure

The In - House R&D unit of the Company located in the corporate office in Noida, has been accorded recognition by the Department of Scientific and Industrial Research (DSIR) effective December 31, 2012. The R&D expenditure for FY 2013 and FY 2012 is as follows:

	(₹ in crore)	
	2013	2012
Revenue expenditure on new products	13.55	11.90
Revenue expenditure on existing products	17.62	15.66
Capital expenditure	–	–
Total	31.17	27.56
R&D expenditure /Total revenue	15.41%	13.45%

C. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Your Company realizes the importance of innovation and improvements in key areas of business. As business and technologies are changing constantly, investment in research and development activities is of paramount importance. Your Company continued its focus on quality upgradation of software

development processes and software product enhancements. This has helped maintain margins despite changes in technology. In order to create a conducive environment which propels adaptation of new ideas, skills and methodologies, your Company has instituted a culture of quality consciousness at the grass-root level.

During the year, we focused our new initiatives on adoption of AGILE, a framework used for development of software applications in an iterative, incremental manner. This would enable the organization to get aligned to customer and foster collaboration internally to provide maximum Value to customer. This would also aid the organization in reducing the 'time to market' and make new Product Releases faster.

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

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

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Export Initiatives and Development of New Export Markets

Your Company is recognized as one of the pioneers in software exports in the BFS domain. The Company is registered with the Software Technology Park of India and has a network of international offices across the globe.

During the year, your Company won 20 product orders for implementing 65 product modules from all over the world, including Americas, Africa, Mediterranean region, Europe, Australia and the Middle East. With these orders, your Company added 10 new customers during the year.

In FY 2013, foreign exchange earnings were at ₹ 149.03 crore, 74% of total revenue against ₹ 153.78 crore, 75% of total revenue in FY 2012.

2. Foreign Exchange Earned and Used

	(₹ in crore)	
For the Year ended March 31,	2013	2012
Foreign Exchange earnings	149.03	153.78
Foreign Exchange outgo (Including capital goods)	23.77	30.49

For and on behalf of the Board of Directors

Noida
April 27, 2013

Janki Ballabh
Chairman

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

Sl No.	Name	Designation	Qualification	Age (in yrs.)	Date of Joining	Total Experience (in yrs.)	Gross Remuneration (in ₹)	Previous Employment Designation
1	Pramod K. Sanghi	President Finance & Chief Financial Officer	B. Com. (H), PGDM	58	15-Apr-02	35	9,071,780	Executive Director (Finance) - Pearl Global Ltd.
2	Vishnu R Dusat	Managing Director & Chief Executive Officer	B. Tech.	56	09-Jan-89	32	7,036,800	N.A.
3	R. P. Singh	President & Head, Global Product Management	B.A. (Hons.), PG Diploma	51	20-Jan-86	27	6,980,852	President (Technologies)- Nucleus Software Workshop Pvt. Ltd.
4	Viveka Ragukumar*	Executive Vice President	B.E., PGDBM	49	09-May-11	26	5,712,275	Vice President - Global Logic India Pvt. Ltd.
5	Mukesh Batra*	Senior Vice President	B.E., PG Diploma	45	09-Aug-11	24	5,695,960	Vice President - Open Solutions India Pvt. Ltd.
6	V. Muralikrishna*	Executive Vice President	B.E., PGDBA	44	25-Jun-12	19	4,876,064	Sales Director - HCL America

Notes:

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

* Served the Company for a part of FY 2012-13



CERTIFICATE

To the Members of
Nucleus Software Exports Limited

1. We have examined the compliance of conditions of Corporate Governance by **NUCLEUS SOFTWARE EXPORTS LIMITED** ("the Company"), for the year ended on 31 March 2013, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us and based on the representations made by the Directors and the Management, we certify that the Company has complied in all material respect with the conditions of Corporate Governance, as stipulated in clause 49 of the Listing Agreement.
4. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Gurgaon
April 27, 2013

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

REPORT ON CORPORATE GOVERNANCE



Report on Corporate Governance

"Corporate Governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for the sustainable development of all stakeholders." - Definition of Corporate Governance by The Institute of Company Secretaries of India (ICSI).

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

Corporate Governance is increasingly being recognized as a key component in the efficient functioning of every business, both globally as well as in India.

The flow of content in this Report is as follows:

Report on Corporate Governance

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

Company's Philosophy on Corporate Governance

Nucleus believes that effective Corporate Governance implies fair, transparent and equitable treatment to all its stakeholders including shareholders, vendors, customers and employees. Nucleus Board and Management is committed to implement the best practices of Corporate Governance in the Company.



Figure 1

Corporate Governance philosophy at Nucleus is to comply, not just in letter but in spirit too, with not only the statutory requirements, but also voluntarily formulate and adhere to best Corporate Governance practices.

We believe that sound Corporate Governance is critical to enhance and retain the trust of all stakeholders trust.

The driving forces of Corporate Governance at Nucleus are its core values: belief in people, entrepreneurship, customer orientation and pursuit of excellence.

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



Figure 2

Non Mandatory Best Practices

In addition to being compliant with all statutory provisions of Clause 49 of the Listing Agreement, Nucleus has also adopted several non-mandatory best practices including "Training of Board members", "Whistle Blower Policy", "Nomination Committee", "Remuneration Committee" and "Board Performance Evaluation". Details of these are provided later in this Report.

A. Board of Directors

We, at Nucleus, believe that that the key role of the Board of Directors is to:

- (i) Provide entrepreneurial leadership to the Company within a framework of prudent and effective controls which enables risks to be assessed and managed.
- (ii) Develop and promote collective vision of the Company's purpose, its culture and values it wishes to promote in conducting the Company's business.

a) Board of Directors as on March 31, 2013.

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

Report on Corporate Governance

b) Size of the Board

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

The Board at Nucleus comprises of the following members:

Name of Director	Position	Age in years
Mr. Janki Ballabh	Chairman, Independent, Non-Executive Director	70
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	56
*Mr. Arun Shekhar Aran	Independent, Non-Executive Director	54
Mr. Prithvi Haldea	Independent, Non-Executive Director	62
Mr. Sanjiv Sarin	Independent, Non-Executive Director	54
# Prof. Trilochan Sastry	Independent, Non-Executive Director	53
#Mr. N. Subramaniam	Independent, Non-Executive Director	52

Table I

* Mr. Arun Shekhar Aran resigned from the Board w.e.f. April 27, 2013.

Mr. N. Subramaniam and Prof. Trilochan Sastry were appointed as additional Directors w.e.f. July 11, 2012 and April 27, 2013 respectively.

c) Board Membership Criteria

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

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

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

Mr. Janki Ballabh, Chairman

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

He is presently Chairman of UTI Trustee Company of UTI Mutual Fund, and is Director on the Boards of Tata AIG Life Insurance Co. Ltd., Small Industries Development Bank of India (SIDBI), Tata Capital Ltd., Tata Capital Housing Finance Ltd., Tata Capital Financial Services Ltd., and Tata AIG General Insurance Company Ltd. In addition to his general corporate experience,

his vast and rich experience, consistent with Nucleus strategy, provides strategic and operational excellence to the Company and a capability to drive innovation.

Mr. Vishnu R. Dusad, Managing Director & CEO

Mr. Vishnu R. Dusad is one of the founders of Nucleus Software Exports Ltd. and has served as a Director since the inception of the Company. Mr. Dusad completed his Bachelor's Degree in Technology from the Indian Institute of Technology (IIT), Delhi and has been associated with the development of the software industry in India since 1983 as an entrepreneur. He was appointed Managing Director of the Company in January 1997. Mr. Dusad has enriched Nucleus with his technology background and 27 years of valuable professional experience in the exciting space of Information Technology Solutions for the BFSI sector. He has a deep commitment to making a difference in the lives of fellow Nucleites, and through Nucleus, to the world around. His success in concluding business deals for implementing Nucleus Products globally owes much to a deep sensitivity to cross-cultural nuances. His experience encompasses areas of software development, creation of strategic alliances, business development, and strategic planning.

Mr. Dusad attributes the success of Nucleus to teamwork, entrepreneurial skills and the ability to leverage opportunities in the marketplace.

Mr. Arun Shekhar Aran, Independent, Non-Executive Director

Mr. Arun Shekhar Aran is a successful first generation entrepreneur with 30 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 1994, Mr. Shekhar promoted the Mumbai based software Company, Nucsoft Ltd., and is presently the CEO.

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 recognition of the proposed policy of Rotation of Directors in the Companies Bill 2012, Mr. Arun Shekhar Aran, an Independent Non-Executive Director of the Company, who served for 18 years on the Board, resigned with effect from April 27, 2013. The Board of Directors considered and accepted his resignation.

Mr. Prithvi Haldea, Independent, Non-Executive Director

Mr. Prithvi Haldea did his MBA from Birla Institute of Technology & Science, Pilani in 1971. Over the next 18 years, he worked at senior positions in the corporate sector in the areas of exports, consulting and advertising. During late 70s and early 80s, he was also associated with the information industry and, among various activities, worked as a consultant with The World Bank and the U.S Department of Commerce. In 1989, Mr. Haldea set up PRIME Database, the country's first and still the only database on the primary capital market. It has a large subscriber base, and is widely reported by the media. Mr. Haldea is a visiting faculty at several institutions and has presented scores of papers at various conferences in India and abroad.



Mr. Haldea is presently the Member of the Board of Governors of Indian Institute of Corporate Affairs, Member of the Quality Review Board-ICAI and Member of the Advisory Board of the International College of Financial Planning. He is also a member of the Government's Standing Council of Experts for the Financial Sector. He is also a member of several committees including SEBI Primary Market Advisory Committee, SEBI Committee for Reviewing Disclosures and Application Form in Public Issues, Rules Committee (for the Companies Act) of the Ministry of Corporate Affairs, ICSI Standing Committee for Development of a Model for Assessing Corporate Governance, Listing Advisory Committee of NSE and Delisting Committee of DSE. Mr. Haldea is the Chairman of PHDCCI Capital Markets Committee and Chairman of the ASSOCHAM's National Council for Capital Markets. He is on the Board of Invest India Micro Pension Services Pvt. Ltd. and is the Advisor to the Association of Investment Bankers of India and to Gaja Capital.

In the past, Mr. Haldea has served, among others, as a Board Member of the Central Listing Authority-SEBI, First Trustee of the Pension Fund Regulatory & Development Authority, Central Government Nominee on the Governing Council of The Institute of Chartered Accountants of India, Central Government Nominee on the Governing Council of The Institute of Company Secretaries of India, Finance Minister's High-level Expert Committee on Corporate Bonds and Securitization, SEBI Secondary Market Advisory Committee, SEBI Committee on Disclosures & Accounting Standards, SEBI Committee for Review for MAPIN, MCA Committee on Review of Corporate Governance Norms, MCA Committee for Review of the Chartered Accountants Act, and Index Committee, Listing Committee and Delisting Committee of BSE. He was also on the board of UTI Mutual Fund as an Independent Director for nearly 6 years till end 2011. He was also a member of CII's National Task force on Financial Markets and NASSCOM's Corporate Governance & Ethics Committee.

As an investor protection activist and proponent of good corporate governance, Mr. Haldea regularly raises issues with regulators and in the media. In the pursuit of this objective, he has also launched several unique websites which include www.watchoutinvestors.com, aggregating information on economic defaulters which now lists over 1,50,000 cases, www.primedirectors.com: a databank of professionals for listed companies to select independent directors, now hosting profiles of over 20,000 professionals, www.indianboards.com profiling directors of listed companies and www.msmmentor.in, a national skills registry of professionals for the benefit of MSMEs. He had earlier designed and maintained www.directorsdatabase.com, covering detailed profiles of directors of Indian listed companies and www.iepf.gov.in, an investor education initiative. Mr Haldea has also extended his skills of information management to other organizations, by creating www.bsepsu.com, a website dedicated to disinvestments, a new website www.divest.nic.in for the Department of Disinvestment, and the PE/VC Directory for the Indian Venture Capital Association.

Mr. Prithvi Haldea joined the Board of Directors of Nucleus Software Exports Ltd. in June 2001, and of Nucleus Software Ltd. in April 2008.

Mr. Sanjiv Sarin, Independent, Non-Executive Director

Mr. Sanjiv Sarin is a postgraduate from IIT Delhi and has PGDBM

from XLRI, Jamshedpur. He has 31 years of corporate experience and has held senior positions (including CEO) in Indian and multinational companies in India and overseas. He is currently working as a consultant based in New Delhi.

He has played leadership roles in establishing new businesses and new markets. His various interventions have contributed significantly to the growth and success of the organizations he has been associated with. He has extensive advisory experience on issues of strategy, driving performance improvement, change management, organization building and human capital development. He plays the role of a friend, advisor and mentor to start ups. He also works as a freelance editor.

Professor Trilochan Sastry, Independent, Non-Executive Director

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

Professor Sastry was appointed as an Additional Director of the Board of Directors of Nucleus Software Exports Ltd. on April 27, 2013. His appointment as a Director, liable to retire by rotation will be placed for your approval in the forthcoming Annual General meeting.

Mr. N. Subramaniam, Independent, Non-Executive Director

Mr. N. Subramaniam is a post graduate from IIM Ahmedabad and is a CA, CS and CWA by qualification. Having a corporate experience of 30 years, he is the Founder & Managing Partner of M Cap Fund Advisors and is currently an Independent Director at L&T Finance Holdings. In the past he has been the Chairman of Venture Capital Association of India, Infracore Technologies, Vice Chairman of Mphasis, Chairman of Audit Committee of Mphasis and Director of Auro Mira Energy, Maples ESM Technologies, SECOVA, Cybernet Software Systems. He was also the Member of the Board at Integra Software Services, SlashSupport, Jyothy Laboratories & SRA Systems.

Mr. Subramaniam was appointed as an Additional Director of the Board of Directors of Nucleus Software Exports Ltd. on July 11, 2012. His appointment as a Director, liable to retire by rotation will be placed for your approval in the forthcoming Annual General meeting.

d) Diversity in Board

The size and diversity of a Board help in making it effective and deliver value. Such diversity may be with regard to academic qualifications, technical expertise, relevant industry knowledge, experience, nationality and age. The Nucleus Board represents diversity in terms of all these parameters.

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

At Nucleus, the role and office of the Chairman and Chief

Report on Corporate Governance

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

The Chairman provides the necessary support to the CEO, and both have regular and structured access to the executive and management team. CEO is the principal executive of the Company and is accountable for the management and operations of the Company and implementation of business policies and strategies agreed to by the Board of Directors in a manner that is consistent with best business practices. CEO leads internally, with the Chairman adding value in strategy and structure, and ensuring that the Company is represented with integrity to institutions, investors, analysts and other stakeholders.

Roles and Responsibilities of the Nucleus Board Chairman are:

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

Role and Responsibilities of the Nucleus CEO are:

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

f) Term

As per the Companies Act 1956, at least two-third of Directors shall be subject to retirement by rotation. One third of these retiring Directors shall retire every year and the Company may reappoint them with the approval of the shareholders.

The Managing Director is appointed by the shareholders for a maximum period of five years at a time and is eligible for re-appointment upon the completion of the term. Mr. Vishnu R Dusad, Managing Director of the Company was re-appointed as Managing Director w.e.f January 1, 2012 for a period of 5 years. His present term expires on December 31, 2016.

g) Compensation of the Board of Directors

Compensation of the Managing Director has been approved by the shareholders at the Annual General Meeting held on July 8, 2011.

Non-Executive Directors are paid an amount not exceeding one percent of the net profits of the Company, in terms of Section 309 (4) of the Companies Act, 1956, as approved by the shareholders at the Annual General Meeting held on July 8, 2009. Directors, other than the Promoter Director, are eligible to receive options under the various Employee Stock Option Plans (ESOP) launched by the Company from time to time. Currently, these Directors hold no options.

Compensation paid /payable to the Directors for the period April 2012 to March 2013.

(Amount in ₹)					
Name of Director	Position	Fixed Salary	Commission	Sitting Fees	Total Compensation
Mr. Janki Ballabh	Chairman, Independent, Non-Executive Director	–	1,058,585	2,80,000	1,338,585
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	7,036,800	–	–	7,036,800
Mr. Arun Shekhar Aran	Independent, Non-Executive Director	–	1,058,585	3,60,000	1,418,585
Mr. Prithvi Haldea	Independent, Non-Executive Director	–	1,058,585	4,60,000	1,518,585
Mr. Sanjiv Sarin	Independent, Non-Executive Director	–	1,058,585	5,40,000	1,598,585
Mr. N. Subramaniam	Independent, Non-Executive Director	–	765,660	2,60,000	1,025,660
Total		7,036,800	50,00,000	19,00,000	13,936,800

Table 2



Nucleus Software Exports Limited

Details of Equity Shares held by Non-Executive Directors as on March 31, 2013

Name of Director	Position	Equity Shares (Nos.)
Mr. Janki Ballabh	Chairman, Independent, Non-Executive Director	–
Mr. Arun Shekhar Aran	Independent, Non-Executive Director	175,092
Mr. Prithvi Haldea	Independent, Non-Executive Director	5,400
Mr. Sanjiv Sarin	Independent, Non-Executive Director	17,300
Mr. N. Subramaniam	Independent, Non-Executive Director	7,684

Table 3

The Non-Executive Directors held no options as on March 31, 2013

h) Memberships of other Boards

The number of other Directorships and Chairmanship/ Memberships of Committees held by each of the Director as on March 31, 2013 is as mentioned in the table below :

Name of Director	Position	Relationship with other Directors	Directorships Held of Other Companies		Committee Positions Held as a	
			Public	Private	Chairperson	Member
Mr. Janki Ballabh	Chairman, Independent, Non-Executive Director	None	6	1	5	3
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	None	2	5	–	2
Mr. Arun Shekhar Aran	Independent, Non-Executive Director	None	1	1	1	–
Mr. Prithvi Haldea	Independent, Non-Executive Director	None	2	5	–	2
Mr. Sanjiv Sarin	Independent, Non-Executive Director	None	2	1	–	3
Mr. N. Subramaniam	Independent, Non-Executive Director	None	3	2	–	2

Table 4

In accordance with Clause 49 of the Listing Agreement, Membership/Chairmanships of only the Audit Committee and Shareholders/Investors' Grievance Committee of all Public Limited Companies including Nucleus Software Exports Ltd. is considered.

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

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

i) Board Meetings

(i) Information supplied to the Board

The Board has complete access to all information available with the Company. All information stipulated under Clause 49 is regularly provided to the Board as a part of the agenda papers well in advance of the Board meetings. There is a structured manner in which the agenda items are prepared and distributed for the Board meetings. During the Board meetings, the senior management is invited to present the plans and achievements relating to their respective areas of responsibility,

(ii) The information placed before the Board includes:

- o Annual operating plans and budgets, with updates, if any.
- o Capital budgets and updates, if any.
- o Quarterly results of the Company and its operating divisions or business segments.
- o Minutes of meetings of Audit Committee and other Committees of the Board.

Report on Corporate Governance

- o Information on recruitment, remuneration and removal of senior officers just below the Board level, including Chief Financial Officer and Company Secretary.
- o Materially important show cause, demand, prosecution and penalty notices, if any.
- o Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems, if any.
- o Any material default in financial obligations to and by the Company or substantial non-payment for products sold by the Company.
- o Any issue that involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken on adverse view regarding another enterprise that can have negative implications on the Company.
- o Details of any proposed joint venture or collaboration agreement.
- o Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- o Any significant development concerning human resources/ industrial relations.
- o Sale of material nature, of investments and assets, which are not in the normal course of business.
- o Quarterly details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement, if material.
- o Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
- o Quarterly details of investments by the Company in liquid mutual funds, bank deposits and bonds, and returns thereon.
- o Quarterly update on HR related activities.
- o Quarterly update on wholly-owned subsidiaries.
- o Quarterly update on large orders.
- o Report on order book position.
- o Report on compliances under “Code of Insider Trading” of the Company.
- o Quarterly Certificates from SBU Heads, Global Managers and Department Heads with regard to HR, Finance & Secretarial.

(iii) Board Agenda

- The Company Secretary, in consultation with the Chairman of the Company and Chairman of the

respective Board Committees, prepares the agenda and supporting papers for discussion at each Board and Committee Meeting. Members of the Board or Committees are free to suggest any item to be included in the agenda, in addition to exercising their right to bring up matters for discussion at the meeting with permission of the Chairman.

- Moreover, the Company also attaches the “Impact Analysis on Minority Shareholders” for every agenda item at the Board meeting, proactively stating if the agenda item has any adverse impact on the rights of minority shareholders. The Directors discuss such impact analysis, and take appropriate decisions.

(iv) Board Materials Distributed in Advance

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

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

Pursuant to the revised Clause 49, the minutes of the Board meetings of the Company’s unlisted subsidiary companies are also placed before the Board for information.

(v) Secretarial Standards with respect to the Board Meetings and other matters

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

The Secretarial Standard I (SSI) issued by the Institute of Company Secretaries of India (ICSI) are followed both in letter and in spirit.

(vi) Scheduling of Board Meetings and Attendance during the Year 2012-13.

- A minimum of four Board Meetings are required to be held each year. Moreover, the gap between two Board Meetings should not exceed four months. Ten Board meetings were held by your Company during the year 2012-13 and the maximum gap between two board meetings during the year was two months and nine days.
- The dates on which the Board meetings were held during 2012-13, and the attendance record of the members in these meetings is provided in Table 5.



Board Meeting	Name of Directors					
	Mr. Janki Ballabh	Mr. Vishnu R Dusad	Mr. Arun Shekhar Aran	Mr. Prithvi Haldea	Mr. Sanjiv Sarin	Mr. N. Subramaniam
April 29, 2012	✓	✓	✓	✓	✓	NA
June 04, 2012	✓	✓	✓	✓	–	NA
July 11, 2012	✓	✓	✓	✓	✓	✓
July 21, 2012	✓	✓	✓	✓	✓	✓
August 11, 2012	✓	✓	✓	✓	✓	✓
October 21, 2012	✓	✓	✓	✓	✓	✓
November 28, 2012	✓	✓	✓	✓	✓	✓
December 09, 2012	✓	✓	✓	✓	✓	✓
February 03, 2013	✓	✓	✓	✓	✓	✓
March 30, 2013	✓	✓	✓	✓	✓	✓

Table 5

- 4 Board meetings are scheduled in advance for the entire year to be held after the end of each financial quarter. Additional Board meetings are convened by giving appropriate notice. In addition, for any business exigencies, the resolutions are passed by circulation, and later placed in the ensuing Board meeting.
- Committees of the Board meet whenever required.
- The Board meetings are usually held at the Company's corporate office at A 39, Sector 62, NOIDA 201307.

(vii) Board Meeting via Video Conferencing

There was no meeting held via video conferencing during the year.

(viii) Recording Minutes of Proceedings at Board Meeting

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

(ix) Compliance

The Company Secretary, while preparing the Agenda, Notes on agenda, Minutes etc. is responsible for and is required to ensure adherence to all applicable laws and regulations including the Companies Act, 1956 read with the Rules issued thereunder and the Listing Agreement.

(x) Action Taken Report

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

B. Committees of the Board of Directors

Some of the Board functions are performed through specially constituted Board Committees consisting of Executive and Non-Executive / Independent Directors, which then report to the Board. While some of these are mandatory, some are voluntary. Committees are a means of improving Board effectiveness in areas where more focused, specialized and extensive discussions are required.

The Board's committees include Audit Committee, Share Transfer and Shareholders' Grievance Committee, Remuneration Committee, Compensation Committee, Nomination Committee, Corporate Governance Committee and Review Committee. During the year, the Board dissolved the Review Committee, which was constituted for a limited period.

All committees have a formally established terms of reference/ charter.

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

Nucleus Board Committees

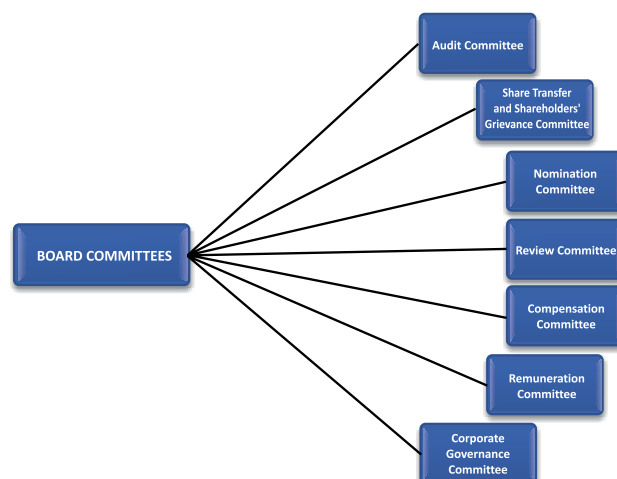


Figure 3

Report on Corporate Governance

a) Audit Committee

A key element in the Corporate Governance process of any organization is its Audit Committee. Effective Audit Committees can greatly assist the Boards in discharge of their duties in respect of integrity of the Company's financial reporting. Indeed, it is essential that Boards, Management, Internal Auditors, External Auditors and Audit Committees all work with a common purpose to ensure that the Company obtains the benefits of the Audit Committee in terms of better financial reporting and greater effectiveness of internal controls.

The Audit Committee at Nucleus was formed in August 2001, in compliance of Section 292 A of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges, comprising of qualified Board members. The Company Secretary acts as the secretary to the Audit Committee.

All members, including the Chairman, of the Committee are Independent Directors and are financially literate, with one of them being a noted financial management expert, thus making the Company fully compliant with the mandatory requirements of Clause 49 of the Listing Agreement. The composition of the Audit Committee along with details of the meetings held during the year is provided in Table 6 in this report.

To efficiently carry out its functions, the Audit Committee has the following charter:

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

Scope of Work

1. Search and recommend to the Board the Independent Statutory Auditors for 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 if need be.
5. Review along 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 Internal Auditor and Statutory Auditor, and with the Management:
 - a) significant findings during the quarters and the year, including the status of previous audit recommendations.
 - b) any difficulties encountered in the course of the audit work including any issues with regard to 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 these were discharged.
8. Chairman of the Committee to be present at the AGM to answer shareholders' queries.
9. Review legal and regulatory matters that may have a material impact on the financial statements, compliance policies, and programs and reports received from the regulators.
10. Report proceedings of the Committee to the Board of Directors with necessary recommendations.
11. Perform such other functions as are assigned by law, the Company's charter or bylaws, or the Board of Directors.
12. Mandatorily perform the following functions as stipulated under 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) Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
 - n) Carrying out any other function as mentioned in the terms of reference of the Audit Committee.
 - o) Management Discussion and Analysis of financial condition and results of operations.
 - p) Statement of significant related party transactions (as defined by the audit committee), submitted by Management.
 - q) Management letters of internal control weaknesses issued by the Statutory Auditors.
 - r) Internal audit reports relating to internal control weaknesses.
 - s) The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.
 - t) Reviewing compliance of legal and regulatory requirements;
13. The Audit Committee is further empowered to do the following:
- i. To investigate any activity within terms of reference;
 - ii. To seek information from any employee;
 - iii. To obtain outside legal professional advice; and

- iv. To secure attendance of outsiders with relevant expertise, if it considers necessary.

(ii) Review of Auditors

The Audit Committee shall :

- a) Recommend to the Board of Directors, the Statutory Auditors to be appointed and approve the compensation of the Statutory Auditors.
- b) Confirm and assure the independence and objectivity of the Statutory Auditors and Internal Auditor.

The Audit Committee encourages the Statutory and Internal Auditors to have open and frank discussions on their judgments about the quality of financial controls and statements, and not just accepting 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 practices.

(iii) Composition of the Audit Committee and Meetings Held

The Committee comprises entirely of non-executive, independent directors. Company Secretary of the Company is the Secretary of the Committee.

During the year, eight meetings of the Committee were held and the maximum gap between two Audit Committee Meeting did not exceed the mandatory four months. (The maximum gap between two meetings was three months and three days).

The Composition of the Audit Committee as on March 31, 2013 and details of attendance of the members in the meetings are as follows:

Director	Position	No. of Meetings	
		Held	Attended
Mr. Arun Shekhar Aran	Committee Chairman, Independent, Non-Executive Director	8	4
Mr. Prithvi Haldea	Independent, Non-Executive Director	8	8
Mr. Sanjiv Sarin	Independent, Non-Executive Director	8	8
Mr. N. Subramaniam	Independent, Non-Executive Director	8	4

Table 6

Chairman of the Audit Committee was present at the previous year Annual General Meeting held on July 11, 2012 to answer shareholders' queries.

Report on Corporate Governance

In addition to the members of the Audit Committee, the Chief Financial Officer, Internal Auditor, Statutory Auditors and other executives attend the meetings of the Committee upon invitation. Necessary information such as Management Discussion and Analysis of financial condition and results of operations, statement of significant related party transactions submitted by the management, management letters, internal audit reports relating to internal control weaknesses as required by Clause 49 of the Listing Agreement are reviewed by the Committee.

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

In line with the best Corporate Governance practices, Audit Committee meetings, independent of the Management, are scheduled every quarter. The main objective of such meetings is to allow the Internal Auditor and the Statutory Auditor to express any areas of concern with respect to any matter as also raise such issues where there is some disagreement with the Management.

(v) Audit Committee Report for the Year Ended March 31, 2013

All members of the Committee are Independent Directors, as required by Clause 49 of the Listing Agreement.

The Audit Committee is 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 Committee reviews the adequacy of internal audit function. The Internal Auditor of the Company, who is an external professional firm, is 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 is 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, the half yearly and the annual financial statements before these are submitted to the Board. In addition, the Committee recommends to the Board the appointment of the Company's Internal and Statutory Auditors.

The Committee, during the year, reviewed that the internal controls are in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with

the 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 the revised Clause 49 of the Listing Agreement.

The Committee, over the year, regularly discussed with the Statutory Auditors the accounting policy and principles followed by the Company. Relying on the review and discussions conducted with the management and the Statutory Auditors, the Audit Committee confirmed that the Company is following prudent accounting practices and that the financial statements are fairly presented in conformity with the Generally Accepted Accounting Principles in all material aspects.

Moreover, the Committee considered whether any non-audit services provided by the Statutory Auditor could impair the auditors' independence, and concluded that there were no such services provided.

The Committee has recommended to the Board the appointment of Deloitte Haskins & Sells, Chartered Accountants, as the Statutory Auditor of the Company for the financial year ending March 31, 2014 and that the necessary resolutions for appointing them as the Statutory Auditors be placed before the shareholders.

Sd/-

Arun Shekhar Aran

b) Remuneration Committee

Remuneration Committee of the Board recommends the remuneration payable to the Directors. It also reviews the remuneration of key executives, comprising the level of Vice Presidents and above, reporting to the Managing Director. The Company Secretary of the Company acts as the Secretary to the Committee.

(i) Composition of the Remuneration Committee as on March 31, 2013 and details of attendance of the members in the meetings are as follows:

Director	Position	No. of Meetings	
		Held	Attended
Mr. Janki Ballabh	Committee Chairman, Independent, Non-Executive Director		
Mr. Prithvi Haldea	Independent, Non-Executive Director		
Mr. Sanjiv Sarin	Independent, Non-Executive Director		

Table 7



(ii) Remuneration Policy

Remuneration policy for the members of the Board of Directors of the Company is in line with the interests of the shareholders and takes into consideration their role and responsibilities. During the year, certain changes were made in the policy in accordance with the regulatory provisions. The salient features of the policy are highlighted below:

- The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) and commission to its Managing Director (an Executive Director).
- The Remuneration Committee decides the commission payable to the Managing Director and the Non-Executive Directors out of the profits for the financial year and within the ceilings prescribed under the Companies Act, 1956 and as approved by the shareholders at a General Meeting.
- Non-Executive Directors of the Company are paid sitting fees for attending meetings of the Board and meetings of Committees of the Board, as per the Companies Act, 1956 and as prescribed in the Articles of Association of the Company.
- The Company reimburses expenditure reasonably incurred by the Directors in the performance of their duties as per the provisions of the Companies Act, 1956 and in conjunction with the rules and policies of the Company.
- The Remuneration Committee reviews and finalizes the remuneration of the key executives on an annual basis, or earlier if deemed necessary.

c) Nomination Committee

The Nomination Committee is led by the Chairman and comprises of majority of Independent Directors. The Company Secretary of the Company acts as the Secretary to the Committee.

This Committee is responsible for:

- developing a policy on the size and the composition of the Board.
- identifying suitable persons and recommending shortlisted persons to the Board for appointment as additional directors

A policy for selection of new directors was adopted by the Nomination Committee during the year.

(i) Appointment of Independent Directors

An active, well-informed and independent Board is necessary to ensure highest standards of Corporate Governance. Getting the right people is crucial; as is the process of seeking, vetting and appointing such people.

The Board continuously assesses its current and requisite strengths and enumerates the desired composition of the Board in line with the Company's strategic priorities. The Board interacts with the Nomination Committee whenever there is a need for induction of new director/s and also highlights the attributes of the desirable candidate.

The criteria / basis for appointment of Directors at Nucleus is as below :

The Nomination Committee, while evaluating the potential candidates, considers a variety of personal attributes, including experience, intellect, foresight, judgment and transparency, and match these with the requirements set out by the Board. However broadly the following are necessarily taken care of :

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

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

Two meetings of the Nomination Committee were held during the year.

(ii) Composition of the Nomination Committee as on March 31, 2013 and details of attendance of the members in the meetings are as follows:

Director	Position	No. of Meeting	
		Held	Attended
Mr. Janki Ballabh	Committee Chairman, Independent, Non-Executive Director	2	2
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	2	2
Mr. Arun Shekhar Aran	Independent Non-Executive Director	2	2
Mr. Prithvi Haldea	Independent Non-Executive Director	2	2
Mr. Sanjiv Sarin	Independent Non-Executive Director	2	2

Table 8

d) Share Transfer and Shareholders' Grievance Committee

The Share Transfer and Shareholders' Grievance Committee

Report on Corporate Governance

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

- (i) To supervise and ensure efficient share transfers, share transmission, transposition, etc.;
- (ii) To approve allotment, transfer, transmission, transposition, consolidation, split, name deletion and issue of duplicate share certificate of equity shares of the Company;
- (iii) To redress shareholder and depositor complaints like non receipt of Balance Sheet, non receipt of declared dividends etc.;
- (iv) To review service standards and investor service initiatives undertaken by the Company;
- (v) To address all matters pertaining to Registrar and Transfer Agent including appointment of new Registrar and Transfer Agent in place of existing one;
- (vi) To address all matters pertaining to Depositories for dematerialisation of shares of the Company and other matters connected therewith; and
- (vii) To attend to any other responsibility as may be entrusted by the Board to investigate any activity within terms of its Charter.

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

(i) Composition of the Share Transfer and Shareholders' Grievance Committee as on March 31, 2013 and a details of attendance of the members in the meetings are as follows:

Director	Position	No. of Meetings	
		Held	Attended
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	5	5
Mr. Sanjiv Sarin	Independent Non-Executive Director	5	5

Table 9

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

The Company's Registrar and Share Transfer Agent is:

Karvy Computershare Private Limited
Plot Np.17-24, Vithal Rao Nagar
Madhapur
Hyderabad 500081

(ii) Details of investor complaints/requests received and resolved during the year 2012-13 are as follows:

Nature of Complaints	No. of Complaints/Requests		
	Received	Resolved	Pending at the year end
Non Receipt of Annual Report	2	2	Nil
Non Receipt of Dividend Warrant	15	15	Nil
Duplicate/Revalidation of Dividend Warrant	37	37	Nil
Non receipt of securities	3	3	Nil

Table 10

e) Corporate Governance Committee

Corporate Governance Committee of the Board consists of majority of Independent Directors, The Company Secretary of the Company acts as the Secretary to the Committee.

This Committee assists the Board by:

- developing and recommending to the Board a set of Corporate Governance principles and practices for adoption by the Company, both as required by law and those which are considered as best practices
- taking a leadership role in implementing best Corporate Governance practices in the Company.

(i) Code of Conduct for Board Members and Senior Management of the Company

In accordance with Clause 49 of the Listing Agreement, the Corporate Governance Committee has approved a Code of Conduct for all Board Members and Senior Management of the Company. The Committee also monitors the implementation and compliance of this Code. All Board Members and Senior Management Personnel have affirmed their compliance with the Code for the year 2012-13. The Annual Report contains a declaration to this effect from the Managing Director of the Company. The Code of Conduct is also posted on the website of the Company.

The Committee met once during the year.

(ii) Composition of the Corporate Governance Committee as on March 31, 2013 and details of attendance of the members in the meetings are as follows:

Director	Position	No. of Meetings	
		Held	Attended
Mr. Janki Ballabh	Committee Chairman, Independent, Non-Executive Director	1	1
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	1	1
Mr. Prithvi Haldea	Independent, Non-Executive	1	1
Mr. Arun Shekhar Aran	Independent, Non-Executive Director	1	1
Mr. Sanjiv Sarin	Independent, Non-Executive Director	1	1
Mr. N. Subramaniam	Independent, Non-Executive Director	1	1

Table 11



f) Compensation Committee

Compensation Committee of the Board, consisting of a majority of Independent Directors, was constituted as per the terms of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("SEBI ESOP Guidelines"). The Company Secretary of the Company acts as the Secretary to the Committee.

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

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

- o To administer and supervise the employee stock option schemes / restricted stock grant plans and other equity-based compensation award plans launched by the Company from time to time.
- o To decide the quantum of equity shares / options to be granted under Employee Stock Options Plans (ESOP), per employee and the total number in aggregate;
- o To determine at such intervals, as the Compensation Committee considers appropriate, the persons to whom shares or options may be granted;
- o To determine the exercise period within which the employees should exercise the option and the condition in which the option will lapse on failure to exercise the option within the exercise period;
- o To decide the conditions under which shares or options vested in employees may lapse in case of termination of employment for any reason;
- o To lay down the procedure for making a fair and reasonable adjustment to the number of shares or options and to the exercise price in case of rights issues, bonus issues and other corporate actions;
- o To lay down the rights of the employee to exercise all the options vested in him at one time or at various points of time within the exercise;
- o To specify the grant, vesting and exercise of shares/ option in case of employees who are on long leave;
- o To construe and interpret the plan and to establish, amend and revoke rules and regulations for its administration. The Compensation Committee may correct any defect, omission or inconsistency in the plan or any option and/or vary/amend the terms to adjust to the situation that may arise;
- o To attend to any other responsibility as may be entrusted by the Board.

The Committee met once during the year.

Composition of the Compensation Committee as on March 31, 2013 and details of attendance of the members in the meetings are as follows:

Director	Position	No. of Meeting	
		Held	Attended
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	1	1
Mr. Arun Shekhar Aran	Independent, Non-Executive Director	1	1
Mr. Sanjiv Sarin	Independent, Non-Executive Director	1	1
Mr. Prithvi Haldea	Independent, Non-Executive Director	1	1

Table 12

C. Shareholder Information

a) Means of Communication

(i) Quarterly/Annual Results

- The Company releases Quarterly Report in the form of soft copy and is uploaded on the Company's website www.nucleussoftware.com. This has resulted in prompt information disposal to the shareholders and also contributed 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".

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

(ii) Newspapers where financial results are normally published

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

(iii) Company's website with a descriptive Investors section

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

(iv) Interaction with Institutional investors, analysts etc.

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

(v) Annual Report

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

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

(vi) Dedicated Email id for shareholders

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

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

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

b) Corporate Identity Number (CIN)

The Corporate Identity Number (CIN), allotted by the Ministry of Corporate Affairs, Government of India is L74899DLI989PLC034594 and the Company Registration Number is 55-034594. The Company is registered in the State of New Delhi.

c) Shareholder Education

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

In the Annual Report, a chapter named "Shareholders' Referencer" and in the Quarterly Report a chapter named "Additional information to Shareholders" is included which attempts to include all relevant information about the Company, its history, promoters, employees, share transfers, dematerialisation etc. All such material information is also available on the Company's website under "FAQs".

It is our constant endeavor to provide efficient and prompt services to the shareholders. Shareholder satisfaction survey is conducted through a shareholder feedback form uploaded on the Investors section of the Company's website, for online filing. Responses received through this survey help us :

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



Nucleus Software Exports Limited

d) General Body Meetings

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

Financial Year, Date, Time	Venue	Ordinary Resolution	Special Resolution
FY 11-12, July 11, 2012, 11.30 a.m.	Sri Sathya Sai International Centre	<ul style="list-style-type: none"> Adoption of Annual Accounts for the year ended March 31, 2012. Re-appointment of Mr. Arun Shekhar Aran and Mr. Sanjiv Sarin as Directors. Appointment of M/s Deloitte Haskins & Sells as the Statutory Auditors. Declaration of Dividend on equity shares. 	
FY 10-11, July 08, 2011, 11.00 a.m.	Sri Sathya Sai International Centre	<ul style="list-style-type: none"> Adoption of Annual Accounts for the year ended March 31, 2011. Re-appointment of Mr. Janki Ballabh And Mr. Prithvi Haldea as Directors Appointment of M/s Deloitte Haskins & Sells as the Statutory Auditors. Declaration of Dividend on equity shares. 	Re-appointment of Mr. Vishnu R Dusad as Managing Director of the Company w.e.f. 01.01.2012
FY 09-10, June 24, 2010, 11.30 a.m.	FICCI Auditorium, New Delhi	<ul style="list-style-type: none"> Adoption of Annual Accounts for the year ended March 31, 2010. Re-appointment of Mr. Arun Shekhar Aran and Mr. Sanjiv Sarin as Directors. Appointment of M/s Deloitte Haskins & Sells as the Statutory Auditors. Declaration of Dividend on equity shares. 	

(ii) Detail of Attendance at the AGM held for FY 11-12

AGM Date	Attended by Directors				
	Mr. Janki Ballabh	Mr. Vishnu R Dusad	Mr. Arun Shekhar Aran	Mr. Prithvi Haldea	Mr. Sanjiv Sarin
July 11, 2012	✓	✓	✓	✓	✓

No Extraordinary general meeting was held by the Company during the financial year ended March 31, 2013.

No Resolution was passed during the year through Postal Ballot.

e) Corporate Governance Voluntarily Guidelines 2009

The Ministry of Corporate Affairs (MCA), released in December 2009, the Voluntary Guidelines on Corporate Governance, drawn from best practices. Although voluntary in nature, listed companies are expected to be proactive in compliance. The Company is already compliant with almost all the recommendations of these Guidelines. The only suggestion with which the Company is not compliant, is with regard to the tenure of the Independent Directors. The Guidelines suggests that an Individual may not remain as an Independent Director in a Company for more than six years. We believe that the continuation of Independent Directors who have been with the Company beyond the tenure of six years is critical for the growth of the Company given the diverse knowledge, experience and expertise that they have brought to the Board, the deep understanding of the Company and the industry, and their intense involvement in the deliberations and decisions of the Board.

The Companies Bill 2012 now proposes a policy of Rotation of Directors. In recognition of the spirit of law, Mr. Arun Shekhar Aran, an Independent Non-Executive Director of the Company, who served for 18 years on the Board, resigned with effect from April 27, 2013. The Board of Directors considered and accepted his resignation.

D. Disclosures

(i) Related Party Transactions

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

(ii) Compliances by the Company of Capital Market Guidelines

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

(iii) 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 accordingly the Company has instituted a Whistle Blower Policy, a mechanism for employees to report concerns about unethical behavior, actual or suspected fraud, or violation of our code of conduct or ethics policy. The Policy provides the opportunity to every Nucleite to raise his or her concern, by name or on an anonymous basis on alleged breaches of internal or external regulations or other irregularities.

Whistle Blower Policy Process

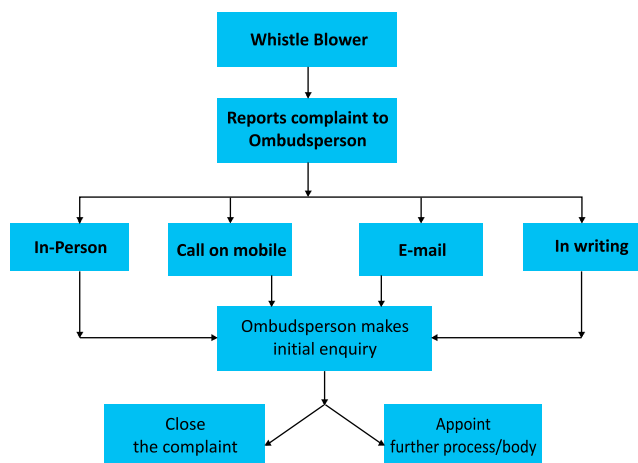


Figure 4

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

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

(iii) Policy against Sexual Harassment

Nucleus values the dignity of individuals and strives to provide a safe and respectable work environment to all its employees. The Company is committed to providing an environment, which is free of discrimination, intimidation and abuse. Nucleus prohibits any employee of the Company from making any unwelcome and unsolicited sexually determined behaviour (whether directly or by implication).

Such kind of harassment can have potential legal and moral pitfalls not only for the individuals involved but also for the Organization as a whole. We at Nucleus believe that it is the responsibility of the organization to protect the integrity & dignity of its employees and also to avoid conflicts & disruptions in the work environment due to such cases.

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

(iv) Code of Conduct

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

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

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

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

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

(vi) Adherence to Accounting Standards

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

(vii) Remuneration to the Directors of the Company

Information relating to the remuneration paid to the Directors during the financial year 2012-13 has been provided in Table 2 of this report.

(viii) Management Discussion and Analysis

As required by Clause 49 of the Listing Agreement, the Management Discussion and Analysis is provided in this Annual Report. As a voluntary initiative, the Company also prepares and publishes Management Discussion and Analysis for the consolidated financials in the Annual Report, which is also provided later in this Annual Report.



Nucleus Software Exports Limited

(ix) Subsidiary Companies

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

The following table provides a list of all these subsidiaries as on March 31, 2013.

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

Table 14

(x) Unlisted Indian Subsidiary Companies

The Company has two Indian subsidiaries; Nucleus Software Ltd. and VirStra i- Technology Services Ltd. Both of these are materially unlisted Indian subsidiary companies. The turnover or net worth (paid up capital and free reserves) of these subsidiaries does not exceed 20% of the consolidated turnover or net worth of the parent Company. The Audit Committee and the Board of Directors look into the related party transactions entered into by the Company including those with the subsidiary companies.

- Mr. Sanjiv Sarin, independent Director on the Board of Directors of the Company, is a Director on the Board of Directors of VirStra i- Technology Services Ltd.
- 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.
- 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 minutes of the Board meetings of both VirStra i- Technology Services Ltd. and Nucleus Software Ltd. are placed at the Board meetings of the Company.

E. 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 10, 2013, 11.30 a.m
• Venue of Annual General Meeting	Sri Satya Sai International Centre, Pragati Vihar, Lodhi Road, New Delhi-110003
• Date of Book Closure for AGM	July 2 to 10, 2013 (both days inclusive)
• Financial Calendar for the financial year 2013-14 (tentative and subject to change)	
Financial reporting for :	Tentative dates
First quarter ending June 30, 2013	between July 20-31, 2013
Second quarter ending September 30, 2013	between October 20-31, 2013
Third quarter ending December 31, 2013	between January 20-31, 2014
Year ending March 31, 2014	between April 20- 30, 2014
Annual General Meeting for the year ending March 31, 2014	July 2014
• Listing on Stock Exchanges	Scrip Symbol/Code
National Stock Exchange of India Limited (NSE) w.e.f. December 19, 2002	NUCLEUS
BSE Ltd. (BSE) w.e.f. November 6, 1995	531209
• International Securities Identification Number	INE096B01018
• Registrars of Company & Share Transfer Agents	Karvy Computershare Private Limited Plot No. 17-24, Vithal Rao Nagar, Madhapur, Hyderabad-500 081 Tel: 040-23420815-18 Fax: 040-23420814 mailmanager@karvy.com

The annual listing fees for 2013-14 have been paid to both the Stock Exchanges.

Report on Corporate Governance

(i) Dividend Payment Date :

The Board of Directors have recommended a final dividend of ₹3.00 per share to the shareholders. The dividend, if approved at the Annual General Meeting, will be payable to Members whose names appear on the Register of Members of the Company on July 2, 2013, being the first day of Book-Closure and to those whose names appear as beneficial owner in the records of National Securities Depositories Ltd. and Central Depository Services (India) Ltd. on close of business as on July 01, 2013.

(ii) Market Price Data on NSE & BSE for the financial year 2012-13

Month	NSE			BSE		
	High (₹)	Low (₹)	Total Volume	High (₹)	Low (₹)	Total Volume
April 12	69.00	62.20	176,233	68.45	62.75	66,027
May 12	69.00	62.30	170,894	72.45	62.05	44,709
June 12	74.85	60.50	403,238	74.85	60.55	159,412
July 12	76.50	61.00	901,820	76.45	61.00	259,359
August 12	85.50	64.20	1,601,682	85.65	63.50	778,374
September 12	92.75	70.55	4,054,531	92.85	70.25	1,947,829
October 12	96.95	72.10	2,326,111	97.00	70.60	1,200,322
November 12	78.60	72.10	555,608	80.00	69.05	181,863
December 12	77.05	68.30	355,685	83.00	68.30	114,934
January 13	80.00	69.70	866,374	79.80	69.25	261,244
February 13	87.08	71.15	895,092	88.50	70.30	317,583
March 13	85.15	71.05	432,647	85.50	70.05	118,568
Total Shares traded during the year			8,253,077	5,450,224		

Table I5

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

(iii) Share Transfer System

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

The Share Transfer and Shareholders' Grievance Committee is authorised to approve transfer of shares, which are received in physical form, and the said Committee approves transfer of shares as and when required.

The Company obtains from a Company Secretary in practice, a half-yearly certificate of compliance with the share transfer formalities as required under Clause 47 (c) of the Listing Agreement and files a copy of the certificate with the Stock Exchanges.

(iv) Dematerialization of Shares

The Equity shares of the Company are under compulsory dematerialization ("Demat") category and can be traded only in electronic form. The Company has dematerialized 32,00,8668 shares (98.84 % of the paid up share capital) as at March 31, 2013.

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

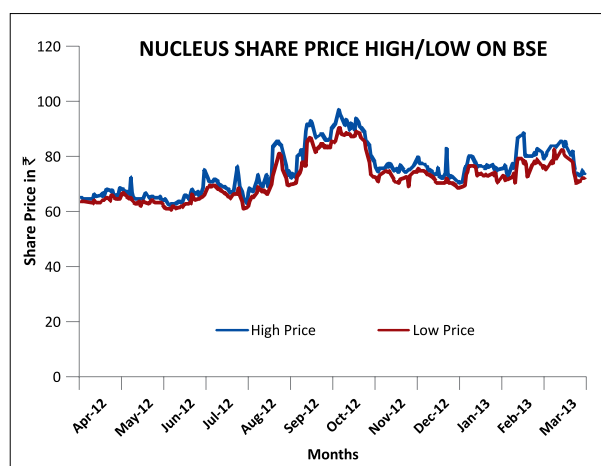
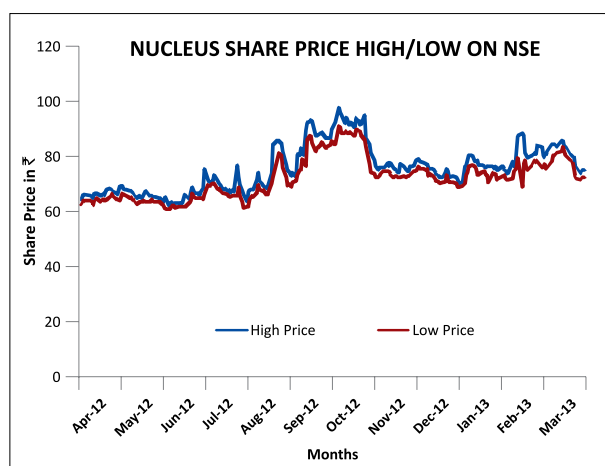
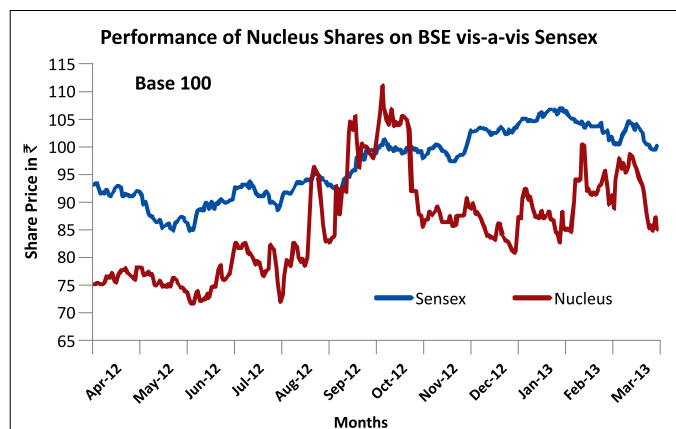
- Share certificate(s) along with Demat Requisition Form (DRF) is to be submitted by the shareholder to his Depository Participant (DP)
- DP processes the DRF and generates a unique number viz. DRN.
- DP forwards the DRF and share certificates to the Company's Registrar & Shares Transfer Agent.
- The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

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



Nucleus Software Exports Limited

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



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

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

(vi) Shareholding Pattern of the Company as at March 31, 2013

Category	As on March 31, 2013		
	Share Holders	Share Holding	Share Holding (%)
Promoter and Promoter Group	9	18,601,866	57.44
Public Share Holding			
Mutual Funds	11	3,408,377	10.52
Financial Institutions /Banks	2	10,889	0.03
Foreign Institutional Investors	2	1,632,536	5.04
Individuals	15,463	7,396,431	22.84
Bodies Corporate	437	654,081	2.02
Overseas Corporate Bodies / Non Resident Indians/ Clearing Members/ Trusts	412	679,454	2.11
Total	16,336	32,383,634	100.00

Table 16

Report on Corporate Governance

(vii) Distribution of Shareholding

Equity Shares Held		As on March 31, 2013				As on March 31, 2012			
		Share Holders		Shares		Share Holders		Shares	
From	To	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)
I	100	9,485	58	423,033	1	10,603	59	485,880	2
101	200	2,193	13	378,741	1	2,601	14	445,824	1
201	500	2,317	14	804,380	2	2,396	13	855,170	3
501	1,000	1,325	8	1,005,845	3	1,324	7	1,009,676	3
1,001	5,000	818	5	1,747,106	5	834	5	1,780,607	6
5,001	10,000	104	1	755,073	2	102	1	741,594	2
10,001	and above	94	1	27,269,456	84	93	1	27,064,703	84
TOTAL		16,336	100	32,383,634	100	17,953	100	32,383,454	100

(viii) Depository Receipts / Global Depository Receipts / Warrants

As on March 31, 2013, the Company has no American Depository Receipts / Global Depository Receipts / Warrants or any such convertible instruments outstanding and there is no likely impact on the Company's Equity Shares in the financial year 2012-13.

(ix) Employee Stock Option Plans (ESOP)

Your Company has four Employee Stock Option Plans in operation. During the year, the Company allotted 180 equity shares to employees, in pursuance of the stock options exercised by them in July 2012.

(x) Locations

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

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

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

A wholly-owned subsidiary, Nucleus Software Limited (NSL), was incorporated in April 2008 in India, for facilitating business through operations in a Special Economic Zone, Mahindra World City, Jaipur Ltd. (MWCJL) .

PARENT COMPANY

Nucleus Software Exports Ltd.

Registered Office
33-35, Thyagraj Nagar Market
New Delhi-110 003
India

Corporate Office
A-39 Sector 62
Noida-201 307
India

SUBSIDIARIES

Nucleus Software Solutions Pte. Ltd.

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

Nucleus Software Japan Kabushiki Kaisha

Marunouchi Building 23rd Floor,
4-1 Marunouchi 2 Chome, Chiyoda-ku,
Tokyo 100-0005
Japan

Nucleus Software Inc.

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

Nucleus Software Netherlands B.V.

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

VirStra i- Technology Services Limited

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

Nucleus Software Ltd.

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



STEP-DOWN SUBSIDIARY

VirStra i- Technology (Singapore) Pte. Ltd.

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

Singapore 529 653

Branch Offices in India

A. Mumbai

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

B. Chennai

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

Branch Offices in Overseas Locations

A. London (UK)

Nucleus Software Exports Ltd.
29th Floor, I Canada Square
Canary Wharf
London E14 5DY,
UK

B. Dubai (U.A.E)

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

(xi) Investor Correspondence may be addressed to:

The Company Secretary

Nucleus Software Exports Ltd.,
33-35, Thyagraj Nagar market
New Delhi-110003.
India

Tel: +91-(120)-4031400

Fax: +91-(120)-4031672

Email: investorrelations@nucleussoftware.com

(xii) Other General Shareholder Information

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

(xiii) CEO/CFO Certification

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

(xiv) Secretarial Audit

The Company has always advocated and practiced best principles of Corporate Governance. In order to strengthen the internal processes of the secretarial department of your Company, an assignment was given for a comprehensive

Secretarial Audit for the calendar year 2012, to a professional Company Secretary firm. The audit confirmed that your Company was materially compliant with all the applicable provisions of the Companies Act, 1956, Depositories Act 1996, Listing Agreements with all the stock exchanges where the Company is listed, all the applicable guidelines, rules and regulations of the Securities & Exchange Board of India (SEBI). The Auditor also made certain recommendations for adopting Best Practices, which are being implemented.

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

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

All Directors and Senior Management personnel of the Company have affirmed compliance with the code for the financial year ended March 31, 2013. A declaration to this effect signed by the Managing Director has been published as Annexure C to this report on Corporate Governance.

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

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

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

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

Compliance Certificate on the Corporate Governance from the Auditors

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

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

a. Remuneration Committee

We have instituted a Remuneration Committee, which recommends the remuneration payable to Directors and Senior Management. A detailed note on the committee has been provided under 'Remuneration Committee' in this Report.

b. Shareholder Rights

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

- We communicate with investors regularly through e-mail, telephone and face-to-face meetings in investor conferences, Company visits or during road-shows. We also leverage the Internet in communicating with our investor base.
- The announcement of quarterly/annual results is followed by :
 - o Media interactions, wherein business television channel in India telecasts discussions with our CEO.
 - o Earnings conference calls are conducted after announcement of quarterly/annual results wherein the Management updates investor community on the progress made by the Company and answers their queries. The audio as well as the transcript of the call is uploaded on the website www.nucleussoftware.com for investors' information.
 - o During the year, the Company also initiated the practice of sending results via email to all its shareholders who have valid e-mails ids registered with their Depository Participants (DP).
 - o The Company also sends an instant alert of the results, to all those who register themselves on the corporate website.
 - o Highlights of the results along with a comparison with previous quarters/years, all financial press releases, information on Board of Directors, FAQ for shareholders and other related information on corporate governance etc. are also available on the Company website.

c. Audit Qualifications

There is no audit qualification in the Company's financial statements for the year ended March 31, 2013.

d. Training of Board Members

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

- in the business model of the Company
- risk profile of the business parameters of the Company,
- their responsibilities as Directors, and the best ways to discharge them.

Training of Board Members conveys the knowledge and understanding needed in order to be effective as a member of the Board of Directors.

- The Management makes comprehensive presentations on business model, regulatory updates, new initiatives, business scenario, Company positioning etc. and also sends relevant material to the Board on an overview of latest happenings in the corporate world.
- During the past years Directors have been attending training programmes conducted by reputed institutions on Corporate Governance Orientation, Ethical Decision Making, strategic planning etc. These programmes helped in providing an appreciation of what makes effective board members, their roles and responsibilities, especially in the context of the regulatory environment, stakeholder objectives as well as social responsibilities.

e. Mechanism for Evaluating Non-Executive Board Members

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

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

A reputed, independent external facilitator conducted the formal Board performance evaluation during the year 2010-11. The process was conducted over a period of time with clear guidelines and focus. The facilitator attended a few Board meetings, took inputs from each Director and also from certain members of the senior management while carrying out the performance evaluation. The result of the assessment was discussed with the Chairman who then presented the assessment and recommendations if any, to the other members of the Board.

f. Whistle Blower Policy

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

g. Code for Prevention of Insider Trading

Based on the requirements under SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, there exists a Code of Conduct for prevention of Insider Trading in the Company. Objective of the Code is to prevent purchase and/or sale of shares of the Company by an Insider on the basis of unpublished price sensitive information.

h. Secretarial Standards

A detail on Secretarial Standards has already been provided earlier in this Report.



SECRETARIAL AUDIT CERTIFICATE

The Board of Directors

Nucleus Software Exports Limited

We have examined the statutory records and documents of Nucleus Software Exports Limited ("the Company") for the calendar year ended 31st December 2012 in light of the provisions specified herein:-

1. The Companies Act, 1956 and the Rules made there under;
2. The Depositories Act, 1996 and the Regulations and bye-laws framed there under ;
3. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - (a) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - (c) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and
 - (d) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder ; and
 - (e) The Equity Listing Agreements with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

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

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

- (a) Maintenance of various statutory registers and documents and making necessary entries therein;
- (b) Closure of the Register of Members;
- (c) Forms, returns, documents and resolutions required to be filed with the Registrar of Companies;
- (d) Service of documents by the Company on its Members, and the Registrar of Companies;
- (e) Notice of Board meetings and Committee meetings of Directors;
- (f) The meetings of Directors and Committees of Directors including passing of resolutions by circulation;
- (g) The conduct of Annual General Meeting;
- (h) Minutes of proceedings of General Meetings and of Board and other meetings;

- (i) Approvals of the Members, the Board of Directors, the Committees of Directors and government authorities, wherever required;
- (j) Constitution of the Board of Directors / Committee(s) of Directors and appointment, retirement and re-appointment of Directors including the Managing Director;
- (k) Payment of remuneration to the Directors including the Managing Director;
- (l) Appointment and remuneration of Auditors;
- (m) Transfers and transmissions of the Company's shares, and issue and delivery of duplicate certificates of shares;
- (n) Declaration and payment of dividends;
- (o) Transfer of certain amounts as required under the Act to the Investor Education and Protection Fund;
- (p) Investment of the Company's funds including inter corporate loans and investments and loans to others;
- (q) Form of balance sheet as prescribed under Part I of Schedule VI to the Act and requirements as to Profit & Loss Account as per Part II of the said Schedule;
- (r) Generally, other applicable provisions of the Act and the Rules made under that Act.

We further report that:

- (a) The Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements, shareholdings and directorships in other companies and interests in other entities;
- (b) The Directors have complied with the disclosure requirements in respect of their eligibility of appointment and compliance with the code of Conduct for Directors and Management Personnel;
- (c) There was no prosecution initiated against or show cause notice received by the Company and no fines or penalties were imposed on the Company during the year under review under the Companies Act, SEBI Act, SCRA, Depositories Act, Listing Agreement and Rules, Regulations and Guidelines framed under these Acts against the Company,

Further we report that the Company has complied with the provisions of the Depositories Act, 1996 and the Bye-laws framed under that Act by the Depositories with regard to dematerialisation/rematerialisation of securities and reconciliation of records of dematerialised securities with all securities issued by the Company.

We further report that:

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

-
- Notifying the change in directorate of the company
 - Submission of Shareholding pattern
 - Payment of Annual Listing Fees to BSE and NSE and custodial fees to NSDL and CDSL
 - Maintenance of minimum level of public shareholding
 - Appointment of Company Secretary as Compliance Officer
 - Compliances regarding Corporate Governance Intimation regarding agreements entered into with media companies
 - Maintenance of a functional website of the Company
 - Generally, other applicable provisions of the Listing Agreement with reference to the Company
- (b) The Company has complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 with regard to the following::
- Requisite periodic and continual disclosures of shareholding or voting rights
 - Maintenance of statutory register of requisite disclosures
 - Generally, other provisions of law as applicable upon the Company
- (c) The Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 with regard to the following:
- Initial Disclosures and Annual disclosures by concerned person
 - Framing of Code of Conduct for Insider Trading and Code of Conduct for Corporate Disclosures.
 - Generally, other provisions of law as applicable upon the Company
- (d) The Company has materially complied with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 with regard to implementation of Employee Stock Option Scheme, grant of Options and other aspects.
- For P. Kansal & Associates**
Company Secretaries
- Sd/-
Priyanka Kansal
(Proprietor)
CP No.10677
- Date: May 31, 2013**
Place: New Delhi



Annexure B

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

We, Vishnu R. Dusad, CEO & Managing Director and Pramod K. Sanghi, President – Finance & CFO, of Nucleus Software Exports Limited (“the Company”), to the best of our knowledge and belief, certify that:

1. We have reviewed the financial statements for the quarter and year ended March 31, 2013 alongwith its schedules and notes on accounts, as well as the cash flow statements;
2. These statements do not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, misleading with respect to the statements made;
3. These financial statements, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and applicable laws and regulations;
4. Based on our knowledge and information, no transactions entered into by the Company during the period, which are fraudulent, illegal or violative of the Company’s code of conduct.
5. We are responsible for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of the internal controls systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee of the Company’s Board of Directors, deficiencies in the design or operation of internal controls and steps proposed to be taken to rectify these deficiencies.
6. We have disclosed, based on our most recent evaluation, to the Company’s Auditors and the Audit Committee of the Company’s Board of Directors:
 - a. Significant changes in internal control over financial reporting during the period;
 - b. There are no significant changes in accounting policies during the period; and
 - c. There are no instances of significant fraud of which we have become aware and the involvement, therein, of the management or an employee having significant role in the Company’s internal control system over financial reporting.

Noida
April 27, 2013

Sd/-
Vishnu R. Dusad
CEO & Managing Director

Sd/-
Pramod K. Sanghi
President- Finance & CFO

Annexure C

DECLARATION BY CEO & MANAGING DIRECTOR PURSUANT TO CLAUSE 49(I)(D)(ii) OF THE LISTING AGREEMENT

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

I, further confirm that the Company has in respect of the financial year ended March 31, 2013, received from its Board members as well as senior management personnel affirmation as to compliance with the Code of Conduct.

Noida
April 27, 2013

Sd/-
Vishnu R. Dusad
CEO & Managing Director

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

Forming Part of the Financial Statements for the year ended March 31, 2013



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

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

A. Industry Structure and Development

Slowdown in world economy, European debt crisis, state of the US economy, including India, have affected the Information Technology industry's growth rate, as discretionary spending and investments for innovation slowed down.

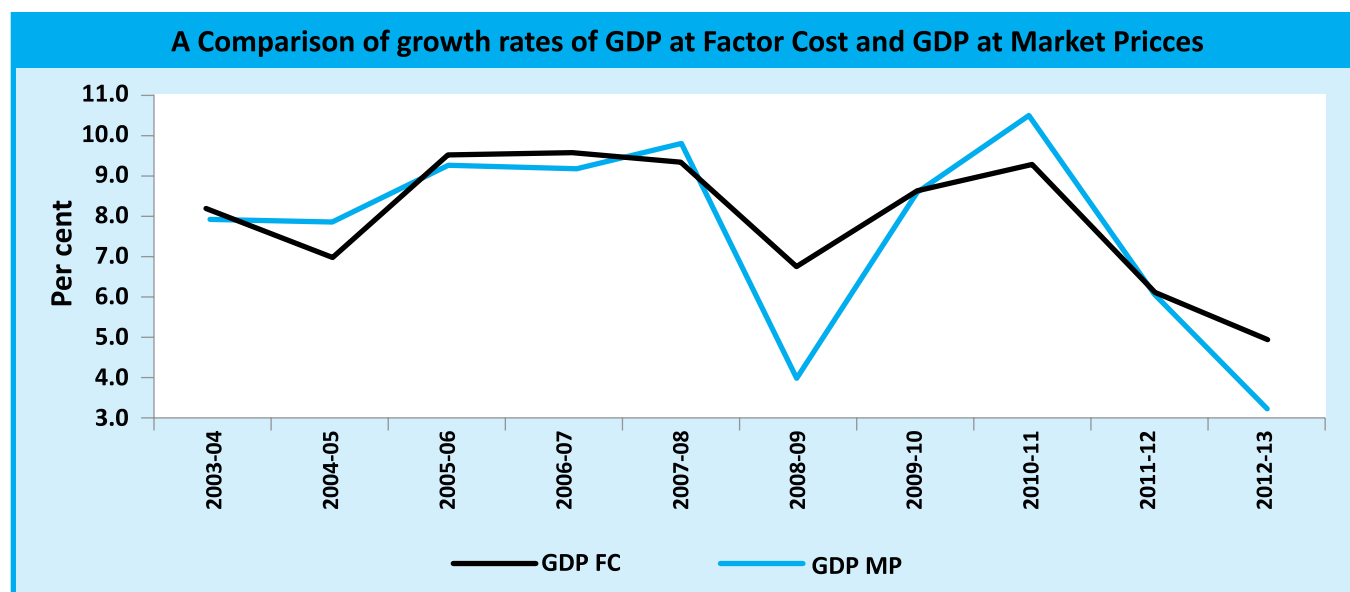
Following the slowdown induced by the global financial crisis in 2008-09, the Indian economy responded strongly to fiscal and monetary stimulus and achieved a growth rate of 8.6 per cent and 9.3 percent respectively in 2009-10 and 2010-11. However, with the economy exhibiting inflationary tendencies, high rates as well as policy constraints adversely impacted investment, and in the subsequent two years viz. 2011-12 and 2012-13, the growth rate slowed to 6.2 per cent and 5.0 per cent respectively. Nevertheless, despite this slowdown, the compound annual

growth rate (CAGR) for gross domestic product (GDP) at factor cost, over the decade ending 2012-13 is 7.9 per cent. (Source: Economic Survey 2012-13)

It is true that Indian IT is entering a new phase. Maybe this phase would not see the explosive growth that the sector had seen in its nascent stage but it is certainly more matured and long term in nature.

In the year gone by, India's \$100-billion IT industry sustained its growth trajectory by adopting new business models, driving organizational efficiencies and offering a host of new services around cloud, mobility, analytics, social media and collaboration in a multi-device connected world. The year also witnessed Indian IT industry devising new strategies to serve global and local markets in daring conditions of growth. As per the Strategic Review for 2013, Nasscom has estimated Indian IT-BPM industry export revenues of USD 75.8 billion with a Y-o-Y growth rate of 10.2 per cent.

We are a Product software Company and building products requires a mindset, capabilities and environment, which is very different from delivering services. There are very few role models



(Source : Economic Survey 2012-13)

Figure I

in India who have built successful product companies, due to various road blocks in the path of establishing product enterprise. IT spending in India is growing but still limited and there also, global vendors are preferred. Early stage funding for budding software product entrepreneurs is another problem, besides getting people with desired skill sets is another big challenge. An increasing number of motivated entrepreneurs are working to overcome these handicaps, just as founders of services companies did in the early 1990s. A convergence of factors is ensuring the emergence of successful Indian product companies.

The success achieved by Indian technology sector, and more specifically a few leading Indian software products has steadily built a distinct value proposition for Indian software product businesses. In some segments, Indian software products which are known for being more customized and industry-specific are rated at par with – and often better than – the competing products of MNC vendors, due to the lower total cost of operations, domain specificity and better product support. This makes us hopeful of the future and we work towards building a great Product Company.

Management's Discussion and Analysis

B. Company Background

The Company was incorporated on January 9, 1989 as Nucleus Software Exports Private Limited with its registered office at 33-35 Thyagraj Nagar Market, New Delhi-110003. Subsequently in October 1994, it was converted into a Public Limited Company. In August 1995, Nucleus made an Initial Public Offer and is currently listed at National Stock Exchange of India Ltd. and BSE Ltd.

Nucleus provides software solutions to the Banking and Financial Services Industry. For over 20 years, we have developed solutions spanning from Retail Banking to Corporate Banking, Cash Management, Internet Banking and Credit Cards. FinnOne™, the Flagship product of Nucleus Software is a comprehensive suite for Retail Banking applications comprising of modules like Customer Acquisition System, Loan Management, Delinquency and Recovery Management, Deposits and Finance Against Securities. Cash@Will™ and BankONet™ are the offerings from Nucleus Software in the area of Cash Management and Internet Banking respectively. Over the years, our committed professionals have provided solutions par excellence and with the experience and skills, we have been able to create a global footprint of Customers and partners across multiple continents with multi-product, multi-service, multi-currency and multi-lingual implementations, leading to worldwide acceptability and customer satisfaction. Nucleus operates through integrated and well-networked subsidiaries in India, Japan, Netherlands, Singapore and USA. Since 1995, product development has been our forte and the Company has chosen to exclusively develop products and further add value through dedicated Research and Development initiatives.

Over the years Nucleus has gained experience working closely with IT leaders in the Banking and Financial Services industry. Headquartered in Delhi, India, the Company has six wholly owned subsidiaries, as described in table I below.

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

Table I

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

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

C. The Way Forward

Complementing the evolving supply-side environment for Indian software product businesses, is the expanding addressable market potential, driven by technology, delivery and business model innovations, and a rapidly evolving domestic market.

With the pace of changing technology, continuous innovation, release of newer and improved versions of products has not remained a matter of choice. We have been very closely observing our customers' requirements and hence have become more alert to the need of increasing efficiency by developing technologically superior products, to help our customers gain more value from them and thus reduce cost, earn better margins and, in turn, offer their customers value added services at lower costs. We have a very clear focus to increase our footprint across the globe and offer multiple variants to our existent customers and win orders from all over the world.

The opportunity in the BFSI space, where the Company has carved a niche for itself, lies in creating world class products that would overcome the issues present in legacy core banking solutions being used world over. 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. (Source : NASSCOM Software Product Study)

Consumers are becoming more empowered in their financial decisions through social media and online tools, and banks will need new strategies to engage and win them. Portability, security, and ease of access to information are an important theme that will increase over the next few years. The world is converging and the following may be mentioned as the major evolving global trends:

- Personalized experience as opposed to generic experience
- Collaborative networks in this global ecosystem i.e. access to resources not necessarily owning them
- Harnessing social networks for 'selling to' and 'co-creating with' customers.

In this global scenario, where technology advances are taking place at a lightning pace; creating tremendous potential for improvement; we will be working on the following themes during the year:

- Providing Standardized yet **Personalized** suite of products for the market
- Delivering the **best in class customer experience**
- Transitioning from traditional selling to **delivering value** to customers' in the form of business impact.

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

- FinnOne™ has been ranked as the **Global No. 1 Lending Software solution** for the fifth consecutive year by IBS Publishing, UK in their Sales League Table 2013 for Banking Product Sales.



Nucleus Software Exports Limited

- Annual Report and Accounts of the Company for the year ended March 31, 2012 was adjudged as the **BEST** under the Category X – Service Sector (Other than financial services sector-turnover less than ₹ 500 crore) of the '**ICAI Awards for Excellence in Financial Reporting**'. A **GOLD SHIELD** was awarded to the Company for the fifth consecutive year.
- NASSCOM Corporate Award for Excellence in Diversity and Inclusion 2013 for the category **Best IT services & Product Company – Special recognition (less than 5000 employees)**
- '**Best Online Annual Report**' globally in the technology sector & the Best in '**Most Improved Financial Disclosure Procedures**' in the regional rankings for India for the year 2012 by IR Global Rankings (IRGR).
- Annual Report for the year ended March 31, 2012 won the **Platinum Award** for excellence within the Technology-Software industry and ranked 22nd amongst the Top 100 Annual Reports in the Vision Awards by the League of American Communications Professionals (LACP), USA.
- Social and Corporate Governance Award 2013 in the category '**Best Overall Corporate Governance**'
- Titanium Award for **Investor Relations, Corporate Governance** and Environment Responsibility in the Asset Triple A Corporate Awards 2012.
- CIMB Malaysia, our customer, powered by Nucleus Software's FinnOne™ implementation, has received the Process Excellence Award for Collection and Debt Management at the prestigious BPA Trailblazer Awards.
- Vietnam Prosperity Bank's Loan Origination system, powered by Nucleus Software's FinnOne CAS, LMS and Collections was recognized with Model Bank Award by Celent (March 2013).
- Forrester recognized Nucleus as a "Global Pursuer" and stated it "regained traction in 2010". Based on the number of deals and regions covered, Nucleus was ranked among top Banking Platform providers Source: Global Banking Platform Deals 2010, Forrester Research, Inc., 31 March 2011.
- HDFC Bank, Nucleus Software customer, won the prestigious Celent 2010 Model Bank Award for its loan origination system, FinnOne™.
- Ranked amongst the Top 25 companies adopting "Good Corporate Governance Practices" by ICSI for fourth consecutive year in 2009.
- Forrester Research, a leading independent analyst firm, recognized Nucleus Software as an industry vertical specialist in their report "Working With Tier Two Offshore Providers".
- Nucleus Software Ranked Amongst India's Top 15 Exciting Emerging Companies to Work For by Nasscom.
- Nucleus Software recognized under "Best Practices" for Performance Management System by NASSCOM, 2008.
- Nucleus selected as one of Forbes ASIA's 200 Best Under A Billion companies, for the second consecutive year, list released in September 2008.
- Nucleus Software conferred the Best Independent Software Vendor (ISV) Partner (North India for 2008) award by IBM.

- Nucleus Software awarded the "D&B - ECGC Indian Exporters' Excellence Award" by Dun & Bradstreet India (D&B India) and Export Credit Guarantee Corporation of India Ltd (ECGC) for the year 2007.
- Nucleus Software adjudged as one of the fastest growing companies in Asia Pacific under Deloitte Technology Fast 500 - 2007.
- Nucleus Software conferred with Oracle Partner of the Year Award in Fusion Middleware category at an APAC level.
- Nucleus Software awarded for being the Fastest Growing ISV in 2007 by Oracle Corporation.
- Nucleus Software ranked 13th in Dataquest Top 20 Best Employers Survey 2006. Survey was conducted by IDC-Dataquest amongst 200 IT employers across India.

D. Company Management

An active and well-informed Board is necessary to ensure highest standards of corporate governance. At Nucleus, a well qualified Board consisting of six members with Mr. Janki Ballabh as the Chairman and Mr. Vishnu R Dusad as the Managing Director & CEO, manage the Company. Five out of six members of the Board are Non-Executive, Independent Directors. With their diverse knowledge and expertise, these Independent Directors provide valuable contribution in the deliberations and decisions of the Board.

During the year, critical functions of the organisation were strengthened with assessment of Leadership bandwidth and strengthening of the process of hiring to build a strong team aligned to Nucleus fundamentals & culture. Senior members in Global Delivery, Sales and Marketing and Human Resources were hired during the year. Total manpower numbers stood at 1,503 at the end of the year.

Through these efforts we continue to build a robust Brand Nucleus with business from all global markets, creation of an effective distribution network through partnership's, alliances and acquisitions, seamless and high quality delivery with high customer satisfaction rating.

E. OPPORTUNITIES AND THREATS

We operate across the globe and due to uncertainty of economic environment globally, businesses are eyeing IT industry to bring in the transformation with new product applications to improve cost efficiency. The IT industry has had its own share of turbulent times; with adverse protectionist policies, visa regulations, falling discretionary spends and slower scale of adoption in newer geographies.

Software industry faces mutually reinforcing forces; cloud computing, mobile computing and consumerisation of technology, that reshape software provider strategies in several areas: design and deployment of software, delivery channels, and the economics of software licensing.

At this critical juncture, software industry needs to look beyond the conventional linear growth models and turn to innovative non-linear forms of growth. Product companies are by definition well placed for non linear growth and herein lies the opportunity.



Figure 2

While consolidated revenues of Company have recorded growth with respect to the previous year, growth at targeted levels remains a challenge. A few of the major opportunities and threats to the Company may be summarised as below :

Opportunities	Threats
<ul style="list-style-type: none"> Valued and trusted "brand" Banks facing challenges across new areas that require technology led solutions Increasing globalization penetration and stricter risk management 	<ul style="list-style-type: none"> Increased Competition Rapidly changing technologies unpredictable swings in global economy Attracting and retaining expert talent

This year we won 20 product orders for implementing 65 product modules from all over the world. These wins indicate availability of a ready market and the increased acceptance of Nucleus products therein. There is an opportunity created by years of hard-work and dedication, and the focus now is to convert this opportunity into 'Growth' for the Company.

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

F. OUTLOOK

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

G. RISKS AND CONCERNS

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

H. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The success of any business enterprise depends on an effective system of internal control, which may be summarized as:

- a Company's plan to encourage adherence to Company policies and procedures,
- promote operational efficiency, minimize errors and theft, and
- enhance reliability and accuracy of accounting data.

The Company continues to lay focus on defined procedures and policies, to achieve targets. Any gap in execution of project not only leads to delays but also adversely affects our long-term relations with the customers, and we are conscious of the need for on schedule and high-quality delivery. The Company has defined roles, responsibilities and authorities for employees at all levels. The Company has appointed internal auditors to check on the validity and correctness of internal reporting, which would in turn validate financial reporting. Nucleus has always been on a look out for implementing best practices of Corporate Governance. Companies with high Corporate Governance standards create greater value for all their stakeholders.

As a responsible corporate citizen, we believe in correct financial accounting and reporting and the following measures are taken in this regard:

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

The Company is committed to instill quality at all levels of implementation of projects. Moreover adequacy of internal controls across various processes are continuously monitored to rectify any deficiencies identified from time to time. Compliance certificates are also taken from all departmental heads and senior management team; which are placed before the Audit Committee at each quarterly meeting. This practice not only helps in assigning responsibility at various levels but also ensures a sense of accountability.

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



I. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

Indian IT industry continues to face challenges from an HR perspective in hiring, managing and retaining talent in current environment. Attracting quality manpower still remains an issue and to address this issue, we have invested proactively in hiring, training, cross skill development, managing motivation and paying reasonable level of salaries to employees. An effect of this is wage inflation which adds to pressure on operating margins.

Focus of HR team during the year has been on increasing product and domain competency in the organization through various measures outlined below:

- Continuous workforce enhancement through hiring high quality talent & strengthening our leadership capabilities
- Investing in developing talent across varied skill sets. Core development quadrants include:
 - Leadership and business management capabilities
 - Sales force effectiveness
 - Banking process and domain expertise
- Delivering process and work level improvements to impact how people learn, perform and engage at the workplace
- Work Place inclusiveness to leverage strengths from diverse backgrounds.

Your Company's HR function continued its focus in the strategic direction of enhancing competency and talent development for the employees.

J. FINANCIAL PERFORMANCE

Financial statements of the Company are prepared in compliance with the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India and mandatory accounting standards as prescribed in Companies (Accounting Standard) Rules, 2006. The Company has six subsidiary companies, all of which are wholly-owned subsidiaries. The Company discloses stand-alone audited financial results on a quarterly and annual basis, consolidated un-audited financial results on a quarterly basis and consolidated audited financial results on an annual basis. The financial results of the Company have been discussed in this report in two parts:

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

Standalone financial results are as below:

(₹ in crore)

For the Year Ended March 31,	2013	% of Revenue	2012	% of Revenue	Growth (%)
Revenue from Operations	202.28	100.00	204.85	100.00	(1.25)
Expenses					
a) Employee benefit expense	117.58	58.13	115.52	56.39	1.78
b) Travel expense	16.08	7.95	16.74	8.17	(3.94)
c) Finance costs (Bank Charges)	0.30	0.15	0.22	0.11	36.36
d) Other expenses	37.66	18.16	45.41	22.17	(17.07)
Total Expense	171.62	84.84	177.89	86.84	(3.52)
Operating Profit (EBITDA)	30.66	15.16	26.96	13.16	13.72
Depreciation	4.97	2.46	6.10	2.98	(18.52)
Operating Profit after Interest and Depreciation	25.69	12.70	20.86	10.18	23.15
Other Income	19.80	9.79	19.48	9.51	1.64
Foreign Exchange Gain/ (Loss)	4.19	2.07	3.52	1.72	19.03
Profit Before Tax	49.68	24.56	43.86	21.41	13.27
Taxation					
– Withholding taxes	–	–	0.89	0.43	NA
– Current Tax (Net of MAT credit entitlement)	12.79	6.32	9.58	4.68	33.51
– Other taxes	(0.20)	(0.10)	0.75	0.37	NA
Profit After Tax	37.09	18.34	32.64	15.93	13.63

Revenue from Operations

Our revenues from software development comprise of income from time and material and fixed price contracts. Revenue from time and material contracts is recognised as the services are rendered and revenue from fixed price contracts comprise of sale of license, related customisation and implementation is recognised in accordance with

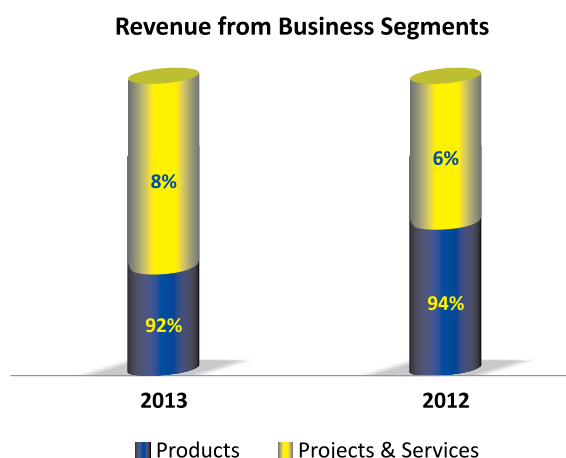
the output method based on percentage completion. Revenue from annual technical service contracts is recognised on a pro rata basis over the period in which such services are rendered.

During the year, the total revenue from operations is ₹202.28 crore, registering a decline of 1.25 % over ₹ 204.85 crore, total revenue for the previous year.

Management's Discussion and Analysis

Revenue from Products

We are a Product Company and derive most of our revenues from Products and related services, categorized under revenue from "Products". It comprises of license fees, revenue from customization and implementation of products and postproduction maintenance support. Product revenue for the year is ₹ 186.33 crore, 92.11% of the total revenue, against ₹ 192.00 crore, 93.73% of total revenue, in the previous year.

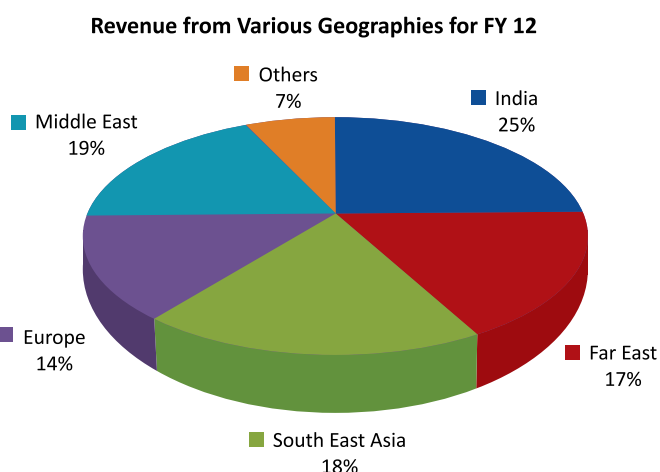
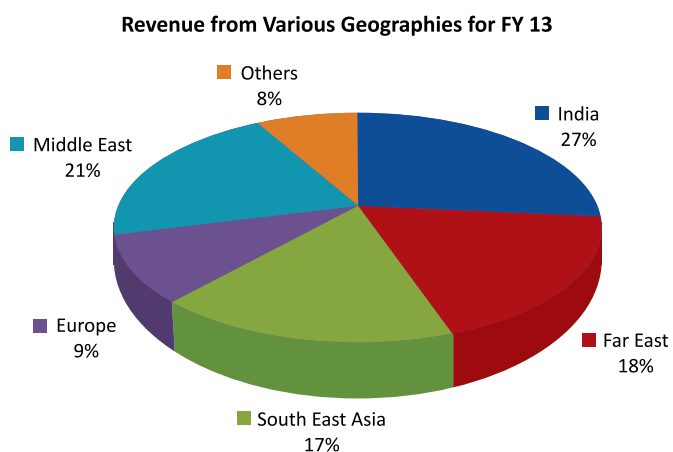


Revenue from Projects and Services

Software services rendered by the Company, classified under this segment, typically consist of development of software to meet specific customer requirements. These services consist of application development & maintenance, testing, consulting and infrastructure management services with a strong banking domain focus. Software projects and services revenue for the year is ₹ 15.95 crore, 7.89% of the total revenue, against ₹ 12.85 crore, 6.27% of total revenue, in the previous year.

Revenue from Various Geographies

Your Company is incorporated in India, caters to customers situated all across the globe and hence significant part of the revenue is derived from international sales. For the year 74% revenue was derived from other than domestic locations. The graph below presents a geography-wise distribution for the year as well as the previous year.





EXPENSES

Employee Benefit Expense

Employee benefit expense includes salaries paid to employees in India, with fixed and variable components; provision for gratuity and leave encashment, contribution to provident fund and expense on staff welfare activities. The employee benefit expenses have increased by 1.78 % to ₹117.58 crore, 58.13 % of revenue against ₹ 115.52 crore, 56.39 % of revenue in the previous year.

(₹ in crore)

For the Year Ended March 31,	2013	% of Revenue	2012	% of Revenue	Growth (%)
Salaries	107.36	53.07	105.90	51.70	1.38
Contribution to provident and other funds	5.77	2.85	5.83	2.85	(1.03)
Gratuity	2.05	1.02	1.79	0.88	14.53
Staff welfare	2.41	1.19	2.00	0.98	20.00
Total Employee Benefit Expenses	117.58	58.13	115.52	56.39	1.78
Revenue	202.28	100.00	204.85	100.00	(1.25)

Operating and Other Expenses

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

Operating and other expenses at ₹54.04 crore, 26.72% of revenue for the year remained under control, a decrease of 13.35 % against ₹62.37 crore, 30.44% of revenue in the previous year.

(₹ in crore)

For the Year Ended March 31,	2013	% of Revenue	2012	% of Revenue	Growth (%)
Outsourced Technical Services expense	3.96	1.96	12.69	6.20	(68.80)
Travelling	16.08	7.95	16.74	8.17	(3.94)
Cost of software purchased for delivery to clients	4.19	2.07	4.61	2.25	(9.11)
Power and fuel	3.40	1.68	2.96	1.45	14.86
Rent	3.07	1.52	2.92	1.43	5.14
Repair and maintenance	2.30	1.14	1.92	0.94	19.79
Legal and professional	3.89	1.92	4.07	1.99	(4.44)
Conveyance	1.11	0.55	1.11	0.54	—
Communication	1.43	0.71	1.37	0.67	4.38
Information technology expenses	1.62	0.80	1.52	0.74	6.58
Provision for doubtful debts/advances/other current assets	1.60	0.79	3.80	1.86	(57.89)
Commission to channel partners	1.04	0.51	1.83	0.89	(43.17)
Training and recruitment	1.12	0.55	0.96	0.47	16.67
Conference, exhibition and seminar	1.75	0.87	0.93	0.45	88.17
Advertisement and business promotion	0.86	0.43	0.73	0.35	17.81
Insurance	0.33	0.16	0.39	0.19	(15.38)
Finance Cost (Bank Charges)	0.30	0.15	0.22	0.11	36.36
Miscellaneous expenses	5.99	2.96	3.60	1.76	66.39
Total Operating and Other Expenses	54.04	26.72	62.37	30.44	(13.35)
Revenue	202.28	100.00	204.85	100.00	(1.25)

- Outsourced Technical Services expense have reduced due to lower outsourcing of technical work for software development. It is ₹ 3.96 crore against ₹ 12.69 crore in the previous financial year.
- Conference, exhibition and seminar expenses are the costs incurred on brand building through our participation at various events. During the year, we participated in various key events like MEFTEC -Dubai, SIBOS 'Osaka, IDG Vietnam' Hanoi etc. The expenditure is ₹ 1.75 crore against ₹ 0.93 crore in the previous financial year.
- Finance cost includes bank charges and fee for issuance of bank guarantees. It is ₹ 0.30 crore against ₹ 0.22 crore in the previous financial year.

Management's Discussion and Analysis

With disciplined approach towards management of costs, we have taken a number of steps to improve our operational efficiency and there has been a very strong control and focus on costs.

Operating Profit (EBITDA)

Operating Profit improved to ₹ 30.66 crore, 15.16 % of revenue against ₹ 26.96 crore, 13.16% of revenue in the previous year. We achieved operating margin growth in rupee terms with favorable exchange rate movement.

Depreciation

Depreciation on fixed assets is ₹4.97 crore, 2.46% of revenue for the year against ₹6.10 crore, 2.98% of revenue in the previous year.

Other Income

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

(₹ in crore)

For the Year Ended March 31,	2013	2012
On Investments		
Capital Gain- Mutual Funds	1.03	1.02
Dividend on investment in Mutual funds	7.17	8.75
Dividend from Subsidiary	3.00	3.60
Interest Income	7.33	4.02
Provisions written back	0.32	0.84
Others	0.95	1.25
Total	19.80	19.48

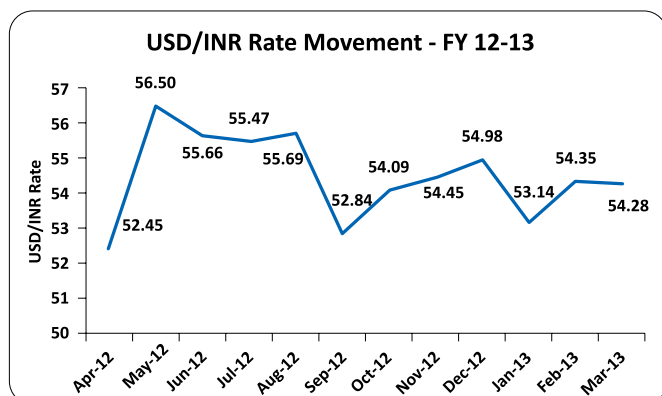
Other income for the year is ₹19.80 crore against ₹ 19.48 crore for the previous year.

The Company received an Interim dividend of ₹ 3.00 crore from a subsidiary of the Company (₹ 3.60 crore in the previous year).

Foreign Exchange Gain/ (Loss)

Foreign Exchange Gain (Loss) includes gain (loss) from translation of current assets and liabilities at quarter end rates, those arising from realization/payments of receivables/payables and from cancellation of options and forward contracts, respectively. During the year, the Company had a foreign exchange gain of ₹ 4.19 crore against a gain of ₹ 3.52 crore for the previous year.

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



With risk appetite varying and the Dollar fluctuating inversely with higher risk appetite, most of the global currencies remained under pressure against the US Dollar. The year witnessed extreme volatility with major international currencies; at different points of time, and required careful monitoring to reduce risk. The Indian Rupee varied from a high of 50.56 to the Dollar in April 2012 to a low of ₹ 57.22 in June 2012 and overall lost 6.68% against the US Dollar on a March end to March end comparison.

Taxation

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

(₹ in crore)

For the Year Ended March 31,	2013	2012
Withholding taxes charged off	–	0.89
Current Tax	12.79	9.58
Deferred Tax Expense	(0.22)	(0.17)
Earlier Year Tax	0.02	0.92
Total	12.59	11.22

Total effective tax for the year is 25.34% of Profit Before Tax, in comparison to 25.58% of Profit Before Tax for the previous year. One of the Company's unit is operational from SEZ in Jaipur. SEZ's in India are eligible for tax exemptions and a host of other fiscal benefits, incentives and concessions both from the State and Union Government.

Profit After Tax

Our profit after tax for the year is ₹ 37.09 crore, 18.34% of revenue against ₹ 32.64 crore, 15.93% of revenue, during the previous year. Excluding dividend from subsidiary, the profit after tax for the year is ₹ 34.09 crore, 16.85% of revenue against ₹ 29.04 crore, 14.18 % of revenue in the previous year.

Share Capital

Share Capital of the Company consists of Equity Share Capital. The paid-up share capital as on March 31, 2013 is 32,383,634 equity shares of ₹10 each as against 32,383,454 equity shares of ₹ 10 each as on March 31, 2012. Increase in the paid-up share capital of the Company during the year has been due to allotment of 180 shares on exercise under Employee Stock Option Plan 2005.

Retained Earnings

During the year, Company earned net profit of ₹ 37.09 crore. Your Directors have proposed a dividend of ₹9.72 crore and transferred ₹ 3.71 crore to General Reserve. During the previous year the Company paid dividend of ₹ 8.10 crore and transferred ₹ 3.26 crore to general reserve. Dividend tax for the year is ₹ 1.16 crore (₹ 0.73 crore for the previous year) after set off against taxes paid by subsidiary Company in accordance with the provisions of the Income Tax Act.



Nucleus Software Exports Limited

Reserves and Surplus

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

(₹ in crore)

Particulars	Opening Balance as on April 1, 2012	Additions/ (Deletions) during the year	Closing Balance as on March 31, 2013
Capital Reserve	0.87	0.02	0.89
Securities Premium	2.19	—	2.19
General Reserve	73.05	3.71	76.76
Hedging Reserve	(0.01)	0.65	0.64
Profit and Loss Account Balance	184.11	22.50	206.61
Total	260.21	26.88	287.09

Fixed Assets

As at March 31, 2013, gross block of fixed assets including investment in technology assets is ₹92.04 crore (₹ 87.29 crore as on March 31, 2012)

(₹ in crore)

As at March 31,	2013	2012	Inc/Dec (%)
Gross Block			
Freehold land	0.34	0.34	—
Leasehold land	6.64	6.64	—
Building	24.23	24.23	—
Office and other equipment	14.32	14.18	0.99
Computers	23.48	22.58	3.99
Vehicles	1.44	1.51	(4.64)
Furniture and fixtures	3.67	3.75	(2.13)
Software	17.17	12.79	34.25
Leasehold improvement	0.75	1.28	(41.41)
Total	92.04	87.29	5.43
Less: Accumulated Depreciation	58.91	56.35	4.54
Net Block	33.13	30.94	7.04

There are fresh additions of ₹7.18 crore during the year including ₹ 6.38 crore in technology assets. The net fixed assets after depreciation are ₹33.13 crore as on March 31, 2013 against ₹ 30.94 crore as on March 31, 2012.

Investments

The investment of the Company (net of provision if any) in the Equity Share capital of its subsidiaries stood as follows:

(₹ in crore)

Name of Subsidiary Company, Location	As at March 31	
	2013	2012
Nucleus Software Solutions Pte. Ltd. Singapore.	1.63	1.63
Nucleus Software Inc., USA.	—	—
Nucleus Software Japan Kabushiki Kaisha, Japan.	0.41	0.41
VirStra i-Technology Services Ltd., India.	1.00	1.00
Nucleus Software Netherlands B.V., Netherlands.	—	2.42
Nucleus Software Limited, India	10.00	10.00

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

Name of the Mutual Fund Scheme	Value of units as at March 31, 2013
DSP BlackRock FMP-Series 82-12M-Growth	5.00
DSP BlackRock FMP-Series 81-12M-Growth	5.00
Birla SunLife Fixed Term Plan-Series FU-Growth-366 Days	5.00
Birla SunLife Fixed Term Plan-Series FV-Growth-367 Days	2.10
ICICI Prudential Interval Fund-Annual Interval Plan IV Regular Plan	2.00
HDFC FMP 370D April 2012(2) – Growth Option	1.00
HDFC FMP 370D October 2012(1) – Growth Option	1.00
HDFC FMP 370D December 2012(1) – Growth Option	1.92
HDFC FMP 371D November 2012(1) – Growth Option	6.00
HDFC FMP 371D November 2012(2) – Growth Option	5.00
SBI Debt Fund Series-366 Days-10-Growth Option	1.00

Management's Discussion and Analysis

Name of the Mutual Fund Scheme	Value of units as at March 31, 2013
SBI Debt Fund Series-366 Days-12-Growth Option	1.00
SBI Debt Fund Series-366 Days-17-Growth Option	2.00
SBI Debt Fund Series-366 Days-19-Growth Option	6.00
UTI Fixed Income Interval Fund Annual Interval Plan-Growth	5.00
UTI Fixed Term Income Fund-Series XIII-I (368 Days) Growth	5.00
Kotak Floater Short Term Fund-Daily Dividend-Reinvestment Option	13.01
Templeton India Treasury Management Account Super Institutional Plan - Daily Dividend Reinvestment	4.69
SBI Debt Fund Series-366 Days-25-Growth Option	10.00
Birla Sunlife Cash Plus Fund-Institutional Premium-Daily Dividend-Reinvestment Option	7.37
Birla Sun Life Savings Fund - Daily Dividend-Reinvestment	2.06
ICICI Prudential Liquid Fund-Super Institutional Plan-Daily Dividend-Reinvestment Option	12.22
Reliance Liquid Fund-Treasury Plan-Institutional Option-Daily Dividend-Reinvestment Option	4.74
JP Morgan India Liquid Fund-Super Institutional Plan-Daily Dividend-Reinvestment Option	14.69
JPMorgan India Treasury Fund - Super IP - Gr	5.15
DSP BlackRock FMP-Series 52-9M-Dividend-Payout Option	3.00
DSP BlackRock FMP-Series 52-9M-Dividend-Payout Option	3.04
Kotak FMP Series 102 Direct - Growth	5.00
UTI Fixed Term Income Fund-Series XIV-VI (368 Days) Growth	1.83
	140.82

From this year, the Company has also initiated investments in tax free secured, redeemable, non-convertible Bonds of Public Sector Enterprises. For this year, ₹ 10 crore was invested in the same.

Other Long Term Investments

Other Long term investment comprise of investment in 250,000 Equity Shares of face value of ₹100/- each in Ujjivan Financial Services Private Ltd., a Company promoted in the area of micro finance by a group of experienced professional with banking and technology background.

Current Investments and Bank Balances

Our capital requirements are completely financed by internal accruals. The 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, 2013 the cash and bank balances (including fixed deposits) stood at ₹90.47 crore (₹ 73.58 crore as on March 31, 2012), current investments in liquid schemes and Fixed Maturity Plans of mutual funds are ₹140.82 crore (₹ 100.94 crore as on March 31, 2012) and investments in tax free secured, redeemable, non-convertible Bonds of Public Sector Enterprises are ₹ 10 crore. Total cash and current intestments are thus at ₹241.29 crore on March 31, 2013 against ₹ 174.52 crore as on March 31, 2012.

As a part of the financial policies, the Company believes in maintaining high level of liquidity as it provides immense support against contingencies and uncertainties.

(₹ in crore)

As at March 31,	2013	2012
Cash and cheque in hand	0.001	-
Balances with Bank		
In Current Accounts	4.05	3.08
In Fixed Deposit Account	85.50	70.50
Remittance in transit	0.92	-
Investments in Mutual Funds	140.82	100.94
Investments in Tax Free Bonds	10.00	-
Total	241.29	174.52

Our net cash flow from operating activities before working capital changes is ₹35.33 crore for the financial year, against ₹ 31.63 crore in the previous year. After considering working capital changes, operating cash flow is ₹ 66.03 crore against ₹ 4.27 crore in the previous year.



Nucleus Software Exports Limited

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

As at March 31,	2013	2012
Operating cash flow as % of revenue	17.47%	15.44%
Days of sale receivable	103	139
Cash and current investments as % of assets	58.18%	47.00%
Cash and current investments as % of revenue	119.29%	85.19%
Current investments as % of assets	36.36%	27.04%
Current investments as % of revenue	74.56%	49.28%

Trade Receivables

Our trade receivables (net of provision) as on March 31, 2013 are ₹ 57.29 crore against ₹ 77.74 crore on March 31, 2012. 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,	2013	2012
Less than 3 months	88.74%	94.06%
Between 3 and 6 months	7.28%	2.79%
More than 6 months	3.98%	3.15%

The Company has a policy of providing for all debtors outstanding for a period of 365 days or more and for those invoices which are otherwise considered doubtful based on the Management's perception of risk of collection.

Loans and Advances

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

(₹ in crore)

As at March 31,	2013	2012
Long term Loans and advances		
Loans and advances to subsidiaries	10.18	10.62
Security deposits	1.12	1.10
Advance income tax	13.75	10.48
Prepaid expenses	0.75	0.66
Staff Loans	0.23	0.61
	26.03	23.47
Short term Loans and advances		
Loans to subsidiaries	0.54	0.51
Security deposit	0.05	0.06
Employee advances	0.78	1.82
Prepaid expenses	3.55	1.51
Supplier advances	0.12	1.72
MAT credit entitlement	-	2.09
Others	2.38	1.62
	7.42	9.33
Total Loans and Advances	33.45	32.80

MAT credits have reduced to nil as utilized for current tax Prepaid expense. It was ₹ 2.09 crore in the previous year.

Outstanding amounts from wholly owned subsidiaries at the end of FY 2013 and FY 2012 both in Indian Rupees and foreign currency are as below:

As at March 31,	2013		2012	
	₹ Crore	US \$ Mn	₹ Crore	US \$ Mn
Long Term				
Nucleus Software Ltd, India	9.09	-	9.09	-
Nucleus Software Inc., USA	1.09	0.20	1.53	0.30
	10.18	0.20	10.62	0.30

Short Term

Nucleus Software Inc., USA	0.54	0.10	0.51	0.10
	0.54	0.10	0.51	0.10

Security Deposits, utilised primarily for hiring of office premises and staff accommodation, amounts to ₹ 1.17 crore as on March 31, 2013 (₹ 1.16 crore as on March 31, 2012)

Current Liabilities

Current liabilities represent trade payables, short-term provisions and other current liabilities. As on March 31, 2013 the Current liabilities are ₹ 84.89 crore (₹ 71.04 crore as on March 31, 2012)

(₹ in crore)

As at March 31,	2013	2012
Trade Payables	18.89	19.88
Advances from customers/Advance Billing	24.19	14.97
Deferred revenue	22.48	20.56
Unclaimed dividend	0.20	0.19
Payable for purchase of fixed assets	0.25	-
Book Overdraft	1.71	-
Other statutory dues	2.22	2.58
Short term provisions		
Leave encashment	1.35	1.37
Gratuity	2.23	2.08
Proposed dividend	9.72	8.10
Tax on dividend	1.65	1.31
Total	84.89	71.04

Trade payables represent the amount payable for providing goods and services and are ₹ 18.89 crore as on March 31, 2013 (₹ 19.88 crore as on March 31, 2012)

Advances from customers/Advance Billing as on March 31, 2013 is ₹ 24.19 crore (₹ 14.97 crore as on March 31, 2012). These consist of advance payments received from customers, for which related costs have not been yet incurred or product license delivery is at later date. Deferred revenue represents the advance invoicing for annual

Management's Discussion and Analysis

maintenance charges for which services are to be rendered in the future. As of March 31, 2013 it is ₹22.48 crore (₹ 20.56 crore as on March 31, 2012)

Statutory dues are the amounts accrued for taxes deducted at source by the Company, staff provident fund, employee state insurance liabilities, sales tax, etc. As on March 31, 2013 it is ₹2.22 crore (₹ 2.58 crore as on March 31, 2012)

Short term provisions for leave encashment and gratuity are those for which liability is expected to arise in near future. A sum total of all these short-term provisions as on March 31, 2013 are ₹ 14.95 crore (₹ 12.86 crore as on March 31, 2012).

Long-term Provisions

Long term provisions as on March 31, 2013 were ₹10.39 crore (₹ 9.64 crore as on March 31, 2012). The break-up of provision at the year-end is given below:

(₹ in crore)

As at March 31,	2013	2012
Gratuity	6.89	6.28
Leave encashment	3.50	3.36
Total	10.39	9.64

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

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



AUDITORS' REPORT

For the Financial Statements for the year ended March 31, 2013

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NUCLEUS SOFTWARE EXPORTS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **Nucleus Software Exports Limited** ("the Company"), which comprise the Balance Sheet as at 31 March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 ("the Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have

obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, 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 it appears from our examination of those books.
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
 - (e) On the basis of the written representations received from the directors as on 31 March, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2013 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Firm Registration No. 015125N)

Sd/-

RASHIM TANDON

Partner
(Membership No. 095540)

Noida, 27 April, 2013



ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph I under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

1. Having regard to the nature of the Company's business, clauses (vi), (x), (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) of paragraph 4 of CARO are not applicable.
2. In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. According to the information and explanations given to us no material discrepancies were noticed on such verification.
 - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion not affected the going concern status of the Company.
3. In respect of its inventories:
 - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
4. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
5. In our opinion and according to the information and explanations given to us 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 inventory. 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 sale of services. The Company's operations did not give rise to sale of goods during the current year. During the course of our audit, we have not observed any major weakness in such internal control system.
6. Based on the examination of the books of account and related records and according to the information and explanations provided to us, there are no contracts or arrangements with companies, firms or other parties which need to be entered in the register required to be maintained under Section 301 of the Companies Act, 1956.
7. In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the Management is commensurate with the Size of the Company and the nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 for the Company.
9. According to the information and explanations provided to us in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Professional Tax, Work Contract Tax and Cess within the prescribed time with the appropriate authorities during the year. There are no undisputed amounts payable in respect of these dues for a period of more than six months as at 31 March, 2013 from the date they became payable.
 - (b) We are informed that the operations of the Company during the year did not give rise to any liability for Custom Duty and Excise Duty.

- (c) We are informed that there are no dues in respect of Income Tax, Sales Tax, Service Tax and Cess as at 31 March, 2013 which have not been deposited on account of any dispute except following:

Name of the statute	Nature of the dues	Total amount involved (Rupees)	Period to which the amount relates	Forum where dispute is pending
Income-tax Act, 1961	Income-tax	1,122,734	Assessment year 2006-07	Income-tax Appellate Tribunal
Income-tax Act, 1961	Income-tax	1,153,664	Assessment year 2007-08	Commissioner of Income Tax (Appeals)

10. According to the information and explanations given to us and the records examined by us, the Company has not taken any loans from financial institutions and banks nor has it issued any debentures and other securities. Accordingly, the provisions of clause 4 (xi) of the Order are not applicable to the Company.
11. Based on the examination of the books of account and related records and according to the information and explanations provided to us, no term loans were obtained by the Company.
12. 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.
13. According to information and explanations given to us and to the best of our knowledge and belief, no fraud by the Company or no fraud on the Company was noticed or reported during the year.

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Firm Registration No. 015125N)

Sd/-

RASHIM TANDON

Partner
(Membership No. 095540)

Noida, 27 April, 2013



Nucleus Software Exports Limited

BALANCE SHEET AS AT 31 MARCH, 2013

		(Amount in ₹)	
	Notes Ref.	As at 31 March 2013	As at 31 March 2012
<u>EQUITY AND LIABILITIES</u>			
1. SHAREHOLDERS' FUNDS			
a. Share capital	2.1	323,851,340	323,849,540
b. Advance pursuant to stock option plan	2.2	13,200	167,640
c. Reserves and surplus	2.3	2,870,914,728	2,602,137,843
		3,194,779,268	2,926,155,023
2. NON-CURRENT LIABILITIES			
Long-term provisions	2.4	103,918,332	96,392,299
3. CURRENT LIABILITIES			
a. Trade payables	2.5	188,939,713	198,792,722
b. Other current liabilities	2.6	510,518,062	382,985,666
c. Short-term provisions	2.7	149,480,388	128,612,757
		848,938,163	710,391,145
		4,147,635,763	3,732,938,467
<u>ASSETS</u>			
1. NON-CURRENT ASSETS			
a. Fixed assets			
- Tangible assets	2.8	287,808,339	293,787,001
- Intangible assets	2.8	43,487,776	15,583,028
		331,296,115	309,370,029
b. Non-current investments	2.9	132,912,212	157,154,212
c. Deferred tax assets (net)	2.10	54,240,458	52,050,122
d. Long-term loans and advances	2.11	260,326,654	234,686,263
e. Other non-current assets	2.12	1,836,179	12,116,785
		780,611,618	765,377,411
2. CURRENT ASSETS			
a. Current investments	2.13	1,508,238,181	1,009,413,967
b. Inventories		49,486,419	-
c. Trade receivables	2.14	572,941,136	777,422,303
d. Cash and bank balances	2.15	904,671,094	735,785,265
e. Short-term loans and advances	2.16	74,182,007	93,368,199
f. Other current assets	2.17	257,505,308	351,571,322
		3,367,024,145	2,967,561,056
		4,147,635,763	3,732,938,467

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

In terms of our report attached
For **DELOITTE HASKINS & SELLS**
Chartered Accountants
Sd/-
RASHIM TANDON
Partner

Place : Noida
Date : 27 April, 2013

For and on behalf of the Board of Directors
NUCLEUS SOFTWARE EXPORTS LIMITED
Sd/-
JANKI BALLABH
Chairman
Sd/-
P K SANGHI
Chief Financial Officer
Place : Noida
Date : 27 April, 2013
Sd/-
VISHNU R DUSAD
Managing Director
Sd/-
POONAM BHASIN
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2013

(Amount in ₹)

	Notes Ref.	Year ended 31 March 2013	Year ended 31 March 2012
1. REVENUE FROM OPERATIONS			
Income from software products and services	2.18	2,022,817,881	2,048,546,368
2. OTHER INCOME	2.19	239,863,978	229,976,005
3. TOTAL REVENUE (1+2)		2,262,681,859	2,278,522,373
4. EXPENSES			
a. Employee benefits expense	2.20	1,175,843,796	1,155,150,579
b. Operating and other expenses	2.21	537,349,889	621,510,275
c. Finance cost	2.22	2,987,677	2,232,483
d. Depreciation and amortisation expense	2.8	49,701,538	61,025,968
TOTAL EXPENSES		1,765,882,900	1,839,919,305
5. PROFIT BEFORE TAX (3-4)		496,798,959	438,603,068
6. TAX EXPENSE			
a. Current tax expense	2.24	127,941,102	95,800,000
b. Tax expense relating to prior year		168,292	9,225,898
c. Withholding taxes charged off		–	8,860,814
d. Net current tax expense		128,109,394	113,886,712
e. Deferred tax credit	2.10	(2,190,336)	(1,704,906)
NET TAX EXPENSE		125,919,058	112,181,806
7. PROFIT FOR THE YEAR (5-6)		370,879,901	326,421,262
8. EARNINGS PER EQUITY SHARE	2.31		
Equity shares of ₹ 10 each			
a. Basic		11.45	10.08
b. Diluted		11.45	10.08
Number of shares used in computing earnings per share			
a. Basic		32,383,534	32,382,995
b. Diluted		32,383,534	32,382,995
See accompanying notes forming part of the financial statements	I & 2		

In terms of our report attached
For **DELOITTE HASKINS & SELLS**
Chartered Accountants
Sd/-
RASHIM TANDON
Partner

Place : Noida
Date : 27 April, 2013

For and on behalf of the Board of Directors
NUCLEUS SOFTWARE EXPORTS LIMITED
Sd/-
JANKI BALLABH
Chairman
Sd/-
P K SANGHI
Chief Financial Officer
Place : Noida
Date : 27 April, 2013
Sd/-
VISHNU R DUSAD
Managing Director
Sd/-
POONAM BHASIN
Company Secretary



Nucleus Software Exports Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2013

	Notes Ref.	Year ended 31 March 2013	(Amount in ₹) Year ended 31 March 2012
A. Cash flow from operating activities			
Net profit before tax		496,798,959	438,603,068
Adjustment for:			
Depreciation		49,701,538	61,025,968
Exchange Loss/(gain) on translation of foreign currency accounts		(41,911,314)	(33,205,498)
Dividend received from non-trade investments		(71,681,063)	(87,450,249)
Dividend on Long term trade investment		(50,000)	-
Dividend received from subsidiary		(30,000,000)	(36,000,000)
Interest on fixed deposits and others		(72,579,793)	(40,152,332)
Interest on loan to subsidiaries		(758,308)	-
Net Loss/(Profit) on sale of investments		(10,295,275)	(10,222,787)
Amortisation of employees stock compensation expenses		-	(6,230,635)
Net Loss/(Profit) on sale of fixed assets		(2,979,280)	256,326
Provision for doubtful debts/advances/other current assets		16,018,490	38,046,006
Provisions written back		(3,242,396)	(8,355,612)
Provision for diminution in the value of investments		24,242,000	-
Operating profit before working capital changes		353,263,558	316,314,255
Adjustment for (increase) / decrease in operating assets			
- Trade receivables		229,370,483	(365,217,121)
- Inventories		(49,486,419)	-
- Short-term loans and advances		5,138,691	(11,679,952)
- Long-term loans and advances		2,728,911	2,130,278
- Other current assets		82,891,942	29,571,243
- Other non-current assets		10,280,606	(12,082,053)
Adjustment for (increase) / decrease in operating liabilities			
- Trade payables and other current liabilities		130,258,829	104,209,186
- Short-term provisions		1,298,083	8,754,068
- Long-term provisions		7,526,033	8,120,293
		773,270,717	80,120,197
Income tax paid (net)		(112,980,233)	(37,380,465)
Net cash from operating activities (A)		660,290,484	42,739,732
B. Cash flow from investing activities			
Purchase of fixed assets		(69,340,142)	(29,433,165)
Sale of fixed assets		3,186,072	260,340
Purchase of current investments		(4,075,468,639)	(4,400,303,991)
Proceeds from sale of current investments		3,576,644,425	4,632,204,680
Loans and advances to subsidiaries (net)		8,440,108	(35,458,642)
Bank balance not considered as cash and cash equivalents - placed		(857,023,761)	(706,891,014)
Bank balance not considered as cash and cash equivalents - matured		706,891,014	405,185,216
Interest on fixed deposits and others		74,024,283	21,907,007
Income tax paid		(26,968,168)	(9,487,421)
Dividend received from non-trade investments		71,681,063	87,450,249
Dividend on Long term trade investment		50,000	-
Dividend received from subsidiary		30,000,000	36,000,000
Profit on Sale of Long term non trade investment		10,295,275	10,072,500
Net cash from / (used in) investing activities (B)		(547,588,470)	11,505,759
C. Cash flow from financing activities			
Dividend paid (including corporate dividend tax)		(89,227,448)	(88,251,778)
Advance pursuant to employee stock option scheme / proceeds from employee stock option exercised		24,120	124,620
Net cash used in financing activities (C)		(89,203,328)	(88,127,158)
Net increase / (decrease) in cash and cash equivalents (A+B+C)		23,498,686	(33,881,667)
Opening cash and cash equivalents	2.15	28,894,251	59,747,957
Exchange difference on translation of foreign currency bank accounts		(4,745,604)	3,027,961
Closing cash and cash equivalents	2.15	47,647,333	28,894,251

See accompanying notes forming part of the financial statements

I & 2

In terms of our report attached

For **DELOITTE HASKINS & SELLS**

Chartered Accountants

Sd/-

RASHIM TANDON

Partner

Place : Noida

Date : 27 April, 2013

For and on behalf of the Board of Directors

NUCLEUS SOFTWARE EXPORTS LIMITED

Sd/-

JANKI BALLABH

Chairman

Sd/-

P K SANGHI

Chief Financial Officer

Place : Noida

Date : 27 April, 2013

Sd/-

VISHNU R DUSAD

Managing Director

Sd/-

POONAM BHASIN

Company Secretary

Notes forming part of the financial statements

Note 1:

1.1. 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, 2013, the Company is listed on two stock exchanges in India namely National Stock Exchange and Bombay Stock Exchange. The Company has wholly owned subsidiaries in Singapore, USA, Japan, Netherlands and India. The Company's business consists of software product development and marketing and providing support services mainly for corporate business entities in the banking and financial services sector.

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

1.2. 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 year. Examples of such estimates include estimates of expected contract costs to be incurred to complete contracts, provision for doubtful debts, future obligations under employee retirement benefit plans and estimated useful life of fixed assets. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the year in which the results are known / materialise.

(iii) Inventories

Inventories are valued at the lower of cost and the net realisable value after providing for obsolescence and other losses, where considered necessary. Cost includes all charges in bringing the goods to the point of sale.

(iv) Cash flow statement

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

(v) Depreciation and amortisation

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

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

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

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

(vi) Revenue recognition

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

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

Revenue from sale of goods is recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to customers. Sales exclude sales tax and value added tax.

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

(vii) Other Income

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

Interest income is accounted on accrual basis.

Dividend income is recognised when the right to receive the same is established.



(viii) Expenditure

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

(ix) Tangible assets and capital work in progress

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. Fixed assets are stated at the cost of acquisition including 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.

(x) Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

(xi) Foreign exchange transactions

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

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

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

(xii) Investments

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

(xiii) Employee stock option based compensation

The excess of market price of underlying equity shares as of

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

(xiv) Employee benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plans

The Company's contribution to provident fund is considered as defined contribution plans and is charged as an expense as they fall due based on the amount of contribution required to be made.

Defined benefit plans

For defined benefit plans in the form of gratuity, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each year end. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the year in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under:

- in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the year in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date.

(xv) Post Sales client support and warranties

The Company provides its clients with fixed period warranty for correction of errors and support on its fixed price product orders. Revenue for such warranty period is allocated based on the estimated effort required during warranty period.

(xvi) Operating leases

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

(xvii) Earnings per share

Basic earnings per share is computed using the weighted average number of equity shares outstanding during the year.

Notes forming part of the financial statements

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.

(xviii) Taxation

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

(xix) 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.

(xx) 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.

(xxi) Provision and Contingencies

The Company recognises a provision when there is a present obligation as a result of a past event and it is probable that it would involve an outflow of resources and a reliable estimate can be made of the amount of such obligation. Such provisions are not discounted to their present value and are determined based on the management's estimation of the

obligation required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect management's current estimates.

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

Contingent assets are not recognised in the financial statements.

(xxii) Hedge Accounting

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

(xxiii) Derivative Contracts

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

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

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

(xxiv) Operating cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.



Nucleus Software Exports Limited

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2013

2.1 SHARE CAPITAL

(Amount in ₹)

a. Particulars	As at 31 March 2013	As at 31 March 2012
Authorized		
Equity shares		
40,000,000 (40,000,000) equity shares of ₹ 10 each	400,000,000	400,000,000
b. Issued, Subscribed and Paid-Up		
Issued		
32,386,434 (32,386,254) equity shares of ₹ 10 each	323,864,340	323,862,540
Subscribed and Paid-Up		
32,383,634 (32,383,454) equity shares of ₹ 10 each, fully paid up	323,836,340	323,834,540
Add: 2,800 (2,800) forfeited equity shares pending reissue	15,000	15,000
	323,851,340	323,849,540

Refer notes (i) to (vi) below :-

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year:-

Particulars	Opening Balance	Allotted under Employee Stock Option Plans	Closing Balance
Year ended 31 March, 2013			
– Number of shares	32,383,454	180	32,383,634
– Amount	323,834,540	1,800	323,836,340
Year ended 31 March, 2012			
– Number of shares	32,382,524	930	32,383,454
– Amount	323,825,240	9,300	323,834,540

(ii) Rights, preferences and restrictions attached to shares

The Company has one class of equity shares having a par value of ₹ 10 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(iii) Number of shares held by shareholders holding more than 5% of the aggregate shares in the Company :-

Particulars	As at 31 March, 2013		As at 31 March, 2012	
	(Number)	(Percentage)	(Number)	(Percentage)
Karmayogi Holdings Private Limited	9,000,000	28%	9,000,000	28%
Vishnu R Dusad	3,603,492	11%	3,603,492	11%
Nucleus Software Engineers Private Limited	2,385,882	7%	2,385,882	7%
Madhu Dusad	2,036,248	6%	2,036,248	6%

(iv) As at 31 March, 2013, 1,320 shares (As at 31 March, 2012, 16,764 shares) of ₹ 10 each were reserved for issuance towards employee stock options granted. (Also see note 2.2)

(v) Subscribed and paid up share capital includes 16,185,012 equity shares of ₹ 10 each, fully paid up, issued as bonus shares by utilisation of securities premium reserve during the year ended 31 March, 2008.

Notes forming part of the financial statements

(vi) Details of forfeited shares

Particulars	As at 31 March, 2013		As at 31 March, 2012	
	(Number)	(Percentage)	(Number)	(Percentage)
Equity shares with voting rights	2,800	15,000	2,800	15,000

2.2 EMPLOYEES STOCK OPTION PLAN ("ESOP")

- Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999, issued by the SEBI, is effective for all stock option schemes established after 19 June 1999. In accordance with these Guidelines, the excess of the market price of the underlying equity shares as of the date of grant of options over the exercise price of the option, including up-front payments, if any, is to be recognized and amortised on graded vesting basis over the vesting period of the options.
- The Company currently has three ESOP schemes, ESOP scheme - 2002 (instituted in 2002), ESOP scheme - 2005 (instituted in 2005) and ESOP scheme - 2006 (instituted in 2006). These schemes were duly approved by the Board of Directors and Shareholders in their respective meetings. The 2002 scheme provides for the issue of 225,000 options, 2005 scheme for 600,000 options and 2006 scheme for 1,000,000 options to eligible employees. These schemes are administered by the Compensation Committee comprising four members, the majority of whom are independent directors.
- Details of options granted, forfeited and exercised during the year in the above mentioned scheme are as follows:**

Particulars	As at 31 March, 2013	Weighted Average	As at 31 March, 2012	Weighted Average
	(Number)	(₹)	(Number)	(₹)
2002 Stock Option Scheme				
Options outstanding at the beginning of the year	—	—	49,550	360
Options granted	—	—	—	—
Options forfeited	—	—	(49,550)	360
Options exercised	—	—	—	—
Balance carried forward	—	—	—	—
2005 Stock Option Scheme				
Options outstanding at the beginning of the year	1,700	144	43,920	341
Options granted	—	—	—	—
Options forfeited	(200)	144	(41,290)	355
Options exercised	(180)	144	(930)	144
Balance carried forward	1,320	144	1,700	144
2006 Stock Option Scheme				
Options outstanding at the beginning of the year	15,064	509	84,002	302
Options granted	—	—	—	—
Options forfeited	(15,064)	509	(68,938)	263
Options exercised	—	—	—	—
Balance carried forward	—	—	15,064	509
Total stock options outstanding at end of the period (in Nos)	<u>1,320</u>		<u>16,764</u>	
Advance pursuant to stock option plan (in Rs.)	<u>13,200</u>		<u>167,640</u>	

- During the year ended 31 March, 2013, 15,264 shares (Year ended 31 March, 2012 : 159,778 shares) were forfeited and the amount paid up as application money aggregating to ₹ 152,640 (Year ended 31 March, 2012 : ₹ 2,005,780) has been transferred to the Capital reserve. (Also see note 2.3(a))
- The Share based compensation expense reversal for the year ended 31 March, 2013 is ₹ Nil (Year ended 31 March, 2012 : ₹ 6,230,635).



Nucleus Software Exports Limited

(Amount in ₹)

Particulars	As at 31 March, 2013	As at 31 March, 2012
2.3 RESERVES AND SURPLUS		
a. Capital reserve		
Opening balance	8,735,290	6,729,510
Add: Amount forfeited against employees stock option plan	152,640	2,005,780
Closing balance	8,887,930	8,735,290
b. Securities premium account		
Opening balance	21,865,309	21,740,689
Add : Premium on conversion of stock options issued to employees	24,120	124,620
Closing balance	21,889,429	21,865,309
c. Employee stock options outstanding account		
Opening balance	—	6,230,635
Less: Reversal on forfeiture of stock options granted	—	6,230,635
Closing balance	—	—
d. Hedging reserve [see note 2.36]		
Opening balance	(147,146)	14,565,858
Add / (Less) : Effect of foreign exchange rate variations on hedging instruments outstanding at the end of the year	6,517,220	(14,713,004)
Closing balance	6,370,074	(147,146)
e. General reserve		
Opening balance	730,532,471	697,890,345
Add: Transferred from surplus in statement of Profit and Loss	37,087,990	32,642,126
Closing balance	767,620,461	730,532,471
f. Surplus in Statement of Profit and Loss		
Opening balance	1,841,151,919	1,635,625,240
Add: Profit for the year	370,879,901	326,421,262
Less : Appropriations		
– Proposed final dividend on equity shares [see note (i) and (ii) below]	97,150,902	80,960,696
– Tax on dividend [see note 2.39]	11,646,094	7,291,761
– Transferred to general reserve	37,087,990	32,642,126
Closing balance	2,066,146,834	1,841,151,919
	2,870,914,728	2,602,137,843

Note :

- The Board of Directors, had declared final dividend of ₹ 2.50 per share (25% on equity shares of par value of ₹ 10 each) for the year ended 31 March, 2012, which was approved by shareholders through poll in adjourned Annual General Meeting held on 11 July, 2012.
- The Board of Directors, at their meeting held on 27 April, 2013 has recommended a final dividend of ₹ 3 per equity share for the year ended 31 March, 2013. The payment is subject to the approval of the shareholders at the ensuing Annual General Meeting.

Notes forming part of the financial statements

(Amount in ₹)		
Particulars	As at 31 March, 2013	As at 31 March, 2012
2.4 LONG-TERM PROVISIONS		
Provision for employee benefits		
– Provision for compensated absences	35,029,478	33,642,649
– Provision for gratuity	68,888,854	62,749,650
	103,918,332	96,392,299
2.5 TRADE PAYABLES		
a. Trade Payables		
– Micro and small enterprises	–	–
– Others	182,598,016	190,157,677
b. Due to subsidiaries	6,341,697	8,635,045
	188,939,713	198,792,722
c. The Company has no amounts payable to Micro and Small Enterprises as defined in section 7(1) of the Micro, Small and Medium Enterprises Development Act, 2006, to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.		
2.6 OTHER CURRENT LIABILITIES		
a. Advance from customers	148,598,580	119,371,629
b. Advance billing	93,262,132	30,336,622
c. Deferred revenue	224,800,364	205,606,560
d. Unpaid dividends	2,047,659	1,911,894
e. Payable for purchase of fixed assets	2,494,274	–
f. Other payables - statutory liabilities	22,176,583	25,758,961
g. Book Overdraft	17,138,470	–
	510,518,062	382,985,666
2.7 SHORT-TERM PROVISIONS		
a. Provision for employee benefits		
– Provision for compensated absences	13,533,135	13,712,641
– Provision for gratuity	22,285,555	20,807,966
b. Provision for proposed equity dividend	97,150,902	80,958,635
c. Provision for tax on proposed dividend	16,510,796	13,133,515
	149,480,388	128,612,757



Nucleus Software Exports Limited

2.8 Fixed Assets (At Cost)

PARTICULARS	GROSS BLOCK			ACCUMULATED DEPRECIATION				NET BLOCK	
	As at 1 April, 2012	Additions	Deductions / adjustments (Note (i))	As at 31 March, 2013	As at 1 April, 2012	Depreciation for the period	Deductions / adjustments (Note (i))	As at 31 March, 2013	As at 31 March, 2012
Tangible assets									
Freehold land	3,360,720 (3,360,720)	-	-	3,360,720 (3,360,720)	-	-	-	3,360,720 (3,360,720)	3,360,720 (3,360,720)
Leasehold land	66,395,000 (66,395,000)	-	-	66,395,000 (66,395,000)	7,383,407 (6,631,849)	751,558 (751,558)	-	8,134,965 (7,383,407)	59,011,593 (59,763,151)
Leasehold improvements	12,758,283	-	5,174,863	7,583,420	12,758,283	-	5,174,863	7,583,420	-
Buildings	(12,758,283) 242,275,991 (242,275,991)	-	-	(12,758,283) 242,275,991 (242,275,991)	(11,521,316) 51,378,002 (43,376,230)	(1,236,967) 8,060,361 (8,001,772)	-	(12,758,283) 59,438,363 (51,378,002)	(1,236,967) 190,897,989 (198,899,761)
Plant and equipment	113,853,217 (113,717,275)	4,721,398 (135,942)	3,900,003	114,674,612 (113,853,217)	105,619,064 (91,457,794)	6,910,397 (14,161,270)	4,322,990	108,206,471 (8,234,153)	8,234,153 (22,259,481)
Office equipment	27,900,002 (25,506,875)	1,144,164 (2,566,727)	514,895 (173,600)	28,529,271 (27,900,002)	22,031,655 (18,957,911)	2,501,237 (3,090,362)	91,910 (16,618)	24,440,982 (22,031,655)	5,868,347 (6,548,964)
Computer equipment	225,831,595 (222,661,164)	20,024,872 (13,748,559)	11,104,437	234,752,030 (225,831,595)	203,447,818 (196,064,885)	13,246,681 (17,961,061)	11,002,384	205,692,115 (22,383,777)	22,383,777 (26,596,279)
Vehicles	15,116,453 (16,752,729)	1,533,137 (1,636,276)	2,221,884	14,427,706 (15,116,453)	12,653,271 (11,873,459)	1,116,707 (2,281,904)	2,221,884 (1,502,092)	11,548,094 (12,653,271)	2,463,182 (4,879,270)
Furniture and fixtures	37,500,454 (36,608,233)	601,700 (1,154,317)	1,432,041	36,670,113 (37,500,454)	35,933,214 (31,646,238)	1,210,200 (4,323,572)	1,327,300	35,816,114 (1,567,240)	1,567,240 (4,961,995)
Intangible assets									
Software	744,991,715 (740,036,270)	28,025,271 (17,605,545)	24,348,123 (12,650,100)	748,668,863 (744,991,715)	451,204,714 (411,529,682)	33,797,141 (51,808,466)	24,141,331 (12,133,434)	460,860,524 (451,204,714)	293,787,001 (328,506,588)
	127,918,358 (116,229,087)	43,809,145 (11,689,271)	-	171,727,503 (127,918,358)	112,335,330 (103,117,828)	15,904,397 (9,217,502)	-	128,239,727 (15,583,028)	15,583,028 (13,111,259)
	872,910,073 (856,265,357)	71,834,416 (29,294,816)	24,348,123 (12,650,100)	920,396,366 (872,910,073)	563,540,044 (514,647,510)	49,701,538 (61,025,968)	24,141,331 (12,133,434)	589,100,251 (563,540,044)	309,370,029 (341,617,847)

Notes :

(i) Some of the assets have been re-grouped during the year, based on the nature of assets.

(ii) Figures in bracket pertain to previous year.

Notes forming part of the financial statements

(Amount in ₹)		
Particulars	As at 31 March, 2013	As at 31 March, 2012
2.9 NON-CURRENT INVESTMENTS (at cost)		
– Trade (unquoted)		
Investments in equity instruments of subsidiaries		
a. 625,000 (625,000) equity shares of Singapore Dollar 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore, a wholly owned subsidiary	16,319,950	16,319,950
b. 1,000,000 (1,000,000) equity shares of US Dollar 0.35 each, fully paid up, in Nucleus Software Inc., USA, a wholly owned subsidiary	16,293,150	16,293,150
Less: Provision for diminution in value of investment in Nucleus Software Inc., USA	(16,293,150)	(16,293,150)
c. 200 (200) equity shares of Japanese Yen 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaisha, Japan, a wholly owned subsidiary	4,092,262	4,092,262
d. 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
e. 4,000 (4,000) equity shares of Euro 100 each, fully paid up, in Nucleus Software Netherlands B.V., Netherlands, a wholly owned subsidiary	24,242,000	24,242,000
Less: Provision for diminution in value of investment in Nucleus Software Netherlands B.V., Netherlands	(24,242,000)	–
f. 10,000,000 (10,000,000) equity shares of ₹ 10 each, fully paid up, in Nucleus Software Limited, India a wholly owned subsidiary [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company]	100,000,000	100,000,000
	130,412,212	154,654,212
- Other investments (unquoted)		
Investment in equity instruments (Unquoted)		
250,000 (250,000) equity shares of ₹ 10 (₹ 10) each, fully paid up, in Ujjivan Financial Services Private Limited	2,500,000	2,500,000
Aggregate amount of non current investments	132,912,212	157,154,212

(Amount in ₹)			
Particular	As at 1 April, 2012	(Credited)/ charge during the year	As at 31 March, 2013
2.10 DEFERRED TAX ASSET (Net)			
a. Deferred tax assets			
Provision for compensated absences, gratuity and other employee benefits	40,595,374	(5,123,244)	45,718,618
Provision for doubtful debts / service income accrued but not due	13,086,253	(2,596,125)	15,682,378
	53,681,627	(7,719,369)	61,400,996
b. Deferred tax liabilities			
On difference between book balance and tax balance of fixed assets	1,631,505	5,529,033	7,160,538
c. Net deferred tax (liability) / asset	52,050,122	(2,190,336)	54,240,458



Nucleus Software Exports Limited

(Amount in ₹)

Particulars	As at 31 March, 2013	As at 31 March, 2012
2.11 LONG-TERM LOANS AND ADVANCES		
(Unsecured, considered good)		
a. Loans to subsidiaries (see note 2.32) (also see note (i) and (ii) below)	101,802,898	106,210,318
b. Security Deposits	11,176,092	10,971,675
c. Loans and advances to employees		
– Staff Loans	2,300,076	6,112,938
d. Prepaid expenses	7,512,579	6,633,045
e. Balances with government authorities		
– Advance tax [net of provision of ₹ 277,168,123 (₹ 204,312,932)] (see note 2.25)	137,535,009	104,758,287
	260,326,654	234,686,263

Note (i) : Disclosure under section 370 (1B) of the companies Act, 1956 is given below :-

Amount outstanding at the end of year

– **Long Term**

a. Nucleus Software Limited, India	90,946,898	90,946,318
b. Nucleus Software Inc., USA	10,856,000	15,264,000

– **Short Term (See note 2.16)**

a. Nucleus Software Limited, India	–	–
b. Nucleus Software Inc., USA	5,428,000	5,088,000

Maximum amount outstanding during the year

a. Nucleus Software Limited, India	90,946,898	90,946,318
b. Nucleus Software Inc., USA	22,600,000	26,015,000

Note (ii) : Disclosure as per Clause 32 of the Listing Agreements with the Stock Exchanges is given below :-

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

(Amount in ₹)

Name of the party	Interest Rate	Repayment Schedule	As at 31 March, 2013	Maximum balance outstanding during the year
a. Nucleus Software Limited, India	Interest free	Payable on demand after 31 March, 2018	90,946,318 (90,946,318)	90,946,318 (90,946,318)
b. Nucleus Software Inc., USA	3% over six months LIBOR	5 yearly installments (December, 2011 to December, 2015)	16,284,000 (20,352,000)	22,600,000 (26,015,000)

Note : Figures in bracket pertains to previous year ended 31 March, 2012.

(Amount in ₹)

Particulars	As at 31 March, 2013	As at 31 March, 2012
2.12 OTHER NON CURRENT ASSETS		
(Unsecured, considered good)		
a. Service income accrued but not due	–	10,457,053
b. Long-term bank deposits	1,625,000	1,625,000
c. Interest accrued but not due on bank deposits	211,179	34,732
	1,836,179	12,116,785

Note :-

Balances with scheduled banks - in deposit accounts represents deposits under lien with bank and are restricted from being settled for more than 12 months from the Balance Sheet Date.

Notes forming part of the financial statements

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

a. Investment in mutual funds

Name	Units as at 31 March, 2013	Value of units as at 31 March, 2013	Units as at 31 March, 2012	Value of units as at 31 March, 2012
	(Numbers)	(₹)	(Numbers)	(₹)
– Liquid Schemes of Mutual Funds (Quoted)				
a. Birla Sun Life Savings Fund - Daily Dividend-Regular Plan	205,788	20,597,222	–	–
b. Birla Sun Life Cash Plus - Daily Dividend-Regular Plan	735,277	73,671,097	–	–
c. Kotak Floater Short Term Fund - Daily Dividend	128,641	130,136,216	–	–
d. Templeton India Treasury Management Account Super Institutional Plan	46,901	46,932,204	–	–
e. ICICI Prudential Liquid - Regular Plan - Daily Dividend	1,222,150	122,242,629	–	–
f. Reliance Liquid Fund-Treasury Plan-Daily Dividend Option-LFID	31,013	47,410,382	–	–
g. JPMORGAN India Liquid Fund-Super Inst.-Daily Dividend Reinvestment	14,676,604	146,881,985	–	–
h. JPMORGAN India Treasury Fund-Super Inst.-Daily Dividend Reinvestment	5,148,608	51,531,900	–	–
i. Axis Liquid Fund- Institutional-Daily Dividend Reinvestment	–	–	114,366	114,377,238
j. HDFC Liquid Fund Premium Plan-Dividend-Daily Reinvest	–	–	3,673,228	45,033,042
k. ICICI Prudential Liquid Super Institutional Plan-Dividend-Daily	–	–	12,649	1,264,658
l. Kotak Liquid (Institutional Premium)-Daily Dividend	–	–	3,981,247	48,683,080
m. JP Morgan India Liquid Fund-Super IP-Daily Dividend-Reinvestment	–	–	1,976,926	19,784,881
n. Reliance Liquidity Fund-Super IP-Daily Dividend-Reinvestment	–	–	3,086,549	30,881,230
– Fixed Maturity Plans/Interval Plans (Quoted)				
a. Birla Sun Life Fixed Term Plan-Series FU-Growth-366 Days	5,000,000	50,000,000	–	–
b. Birla Sun Life Fixed Term Plan-Series FV-Growth-367 Days	2,100,000	21,000,000	–	–
c. Kotak FMP Series 102 Direct - Growth	5,000,000	50,000,000	–	–
d. SBI Debt Fund Series - 366 days-10-Growth	1,000,000	10,000,000	–	–
e. SBI Debt Fund Series - 366 days-12-Growth	1,000,000	10,000,000	–	–
f. SBI Debt Fund Series - 366 days-17-Growth	2,000,000	20,000,000	–	–
g. SBI Debt Fund Series - 366 days-19-Growth	6,000,000	60,000,000	–	–
h. SBI Debt Fund Series - 366 days 25 - Direct Plan-Growth	10,000,000	100,000,000	–	–
i. DSP BlackRock FMP-Series 82-12M-Growth	5,000,000	50,000,000	–	–
j. DSP BlackRock FMP-Series 81-12M-Growth	5,000,000	50,000,000	–	–
k. DSP BlackRock FMP-Series 52-9M-Dividend Payout	3,000,000	30,000,000	–	–
l. DSP BlackRock FMP-Series 52-9M-Dividend-Payout	3,041,587	30,415,869	–	–
m. ICICI Prudential Interval Fund-Annual Interval Plan IV-Regular Plan-Growth	1,442,814	20,000,000	–	–
n. HDFC FMP 370D April 2012(2) – Growth - Series XXI	1,000,000	10,000,000	–	–
o. HDFC FMP 370D October 2012(1) – Growth - Series 22	1,000,000	10,000,000	–	–
p. HDFC FMP 371D November 2012(1) – Growth - Series 23	6,000,000	60,000,000	–	–
q. HDFC FMP 371D November 2012(2) – Growth - Series 23	5,000,000	50,000,000	–	–
r. HDFC FMP 370D December 2012(1) – Growth - Series 23	1,915,678	19,156,780	–	–
s. UTI-Fixed Income Interval Fund-IV-Annual Interval Plan-Retail Option-Growth	3,365,915	50,000,000	–	–
t. UTI Fixed Term Income Fund-Series XIII-I (368 Days) Growth Plan	5,000,000	50,000,000	–	–
u. UTI Fixed Term Income Fund-Series XIV-VI (368 Days)-Direct Plan-Growth	1,826,190	18,261,897	–	–
v. BSL Quarterly Interval Fund-Series 4 -Dividend Payout Option	–	–	4,998,351	50,000,000
w. BSL Short Term FMP-Series 31 Dividend-Payout Option	–	–	9,981,527	99,815,270
x. DSP BlackRock FMP-Series 42-3M-Dividend Payout	–	–	3,959,080	39,590,798
y. DSP BlackRock FMP-Series 40-3M-Dividend Payout	–	–	5,000,000	50,000,000
z. HDFC FMP 92 D March 2012 (1) - Dividend-Series XIX	–	–	5,000,000	50,000,000
aa. HDFC FMP 92 D March 2012 (2) - Dividend-Series XXI	–	–	5,000,000	50,000,000
ab. HDFC FMP 366D March 2012 (1) - Growth - Series XXI	–	–	4,998,377	49,983,770
ac. ICICI Prudential FMP -Series 63 - 1 Year Plan C-Growth Option	–	–	5,000,000	50,000,000
ad. IDFC Fixed Maturity Plan-Quarterly Series 72- Dividend Option	–	–	4,600,000	46,000,000
ae. IDFC Fixed Maturity Plan-Quarterly Series 74- Dividend Option	–	–	4,000,000	40,000,000
af. Kotak Quarterly Interval Plan Series 4-Dividend Option	–	–	4,996,453	50,000,000
ag. SBI Debt Fund Series-90 Days-59-Dividend-Payout Option	–	–	5,400,000	54,000,000
ah. SBI Debt Fund Series-90 Days-60-Dividend-Payout Option	–	–	6,000,000	60,000,000
ai. JP Morgan India FMP -Series 9-Dividend Plan-Payout Option	–	–	6,000,000	60,000,000
	96,887,166	1,408,238,181	87,778,753	1,009,413,967
b. Investment in bonds (Quoted)				
– Indian Railway Finance Corporation Limited Tax free bonds	100,000	100,000,000	–	–
Aggregate amount of current investment		1,508,238,181		1,009,413,967
Aggregate market value of quoted investment		1,525,694,247		1,011,292,717



Nucleus Software Exports Limited

(Amount in ₹)

Particulars	As at 31 March, 2013	As at 31 March, 2012
2.14 TRADE RECEIVABLES (see note below)		
(Unsecured)		
a. Debts outstanding for a period exceeding six months from the date they were due for payment		
– Considered good	22,819,606	24,439,872
– Considered doubtful	23,716,430	26,236,921
	46,536,036	50,676,793
Less: Provision for doubtful debts	(23,716,430)	(26,236,921)
	22,819,606	24,439,872
b. Other debts (Unsecured, Considered good)	550,121,530	752,982,431
	572,941,136	777,422,303

Note :-

Trade receivables include debt due from companies under the same management within the meaning of section 370(1B) of Companies Act, 1956.

a. Nucleus Software Solutions Pte Ltd, Singapore	5,331,026	9,984,233
b. Nucleus Software Japan Kabushiki Kaisha, Japan	11,721,037	55,712,666
c. Nucleus Software Inc., USA	38,439,793	18,662,145
d. Nucleus Software Netherlands B.V., Netherlands	27,195,883	28,421,047
e. VirStra i -Technology Services Limited, India	135,845	–
f. Nucleus Software Limited, India	–	21,580

2.15 CASH AND BANK BALANCES

Cash and cash equivalents

a. Cash on hand	13,879	–
b. Remittance in transit	9,219,803	–
c. Balances with scheduled banks:		
– in current accounts	3,958,371	4,286,771
– in EEFC accounts	32,694,065	21,824,424
d. Balance with non scheduled banks in current accounts:		
– Citibank, United Kingdom	413,361	837,721
– Citibank, U.A.E	708,222	1,142,091
– Citibank, Spain	639,632	803,244
	47,647,333	28,894,251

Other bank balances

a. Balances with scheduled banks in earmarked accounts:		
– Unclaimed dividend accounts	2,052,623	1,917,027
b. Balances with scheduled banks in deposit accounts with original maturity of more than 3 months :		
– Original maturity of more than 12 months	791,365,904	654,973,987
– Original maturity of less than 12 months	63,605,234	50,000,000
	857,023,761	706,891,014
	904,671,094	735,785,265

Notes forming part of the financial statements

(Amount in ₹)

Particulars	As at 31 March, 2013	As at 31 March, 2012
Details of balances as on balance sheet dates with scheduled banks in current accounts:-		
– Citi Bank	241,128	1,299,526
– HDFC Bank	3,148,910	1,022,338
– DBS Bank	61,497	994,306
– ICICI Bank	270,089	747,617
– State Bank of India	236,747	222,984
– Citi Bank *	32,051,065	14,249,561
– HDFC Bank *	643,000	7,574,863
– HDFC Bank **	2,052,623	1,728,851
– HSBC Bank **	–	188,176
	38,705,059	28,028,222
* EEFC account		
** Earmarked for unclaimed dividend		
Details of balances as on balance sheet dates with scheduled banks in deposit accounts:-		
– HDFC Bank	60,539,294	958,987
– Citi Bank	8,100,000	2,500,000
– Bank of India	198,500,000	200,200,000
– State Bank of Travancore	89,400,000	200,000,000
– ICICI Bank	200,000,000	–
– Corporation Bank	198,331,844	199,000,000
– State Bank of India	–	2,215,000
– Punjab national Bank	100,100,000	100,100,000
	854,971,138	704,973,987
Detail of fixed deposit under lien		
– HDFC Bank	1,039,294	958,987
– Citi Bank	2,500,000	2,500,000
– State Bank of India	–	590,000
Total	3,539,294	4,048,987

2.16 SHORT-TERM LOANS AND ADVANCES

(Unsecured, considered good)

a. Loans to subsidiaries (see note 2.32)	5,428,000	5,088,000
b. Security deposit	501,317	643,145
c. Loans and advances to employees		
– Staff loans	3,241,606	3,392,018
– Employee advances	7,756,341	18,208,165
d. Prepaid expenses	35,491,286	15,068,180
e. Balances with government authorities		
– Advance fringe benefit tax [net of provision ₹ 24,915,859 (₹ 24,915,859)]	2,732,275	2,732,275
– Service tax credit receivable	4,373,739	1,808,055
– Mat credit entitlement	–	20,937,715
f. Others		
Supplier advances	1,198,356	17,230,247
Mark-to-market gain on forward contracts (see note 2.36)	7,149,157	598,943
– Expenses recoverable from customers	6,309,930	7,661,456
	74,182,007	93,368,199



Nucleus Software Exports Limited

(Amount in ₹)

Particulars	As at 31 March, 2013	As at 31 March, 2012
2.17 OTHER CURRENT ASSETS		
(Unsecured)		
a. Service income accrued but not due		
– Considered good	227,284,511	320,664,343
– Considered doubtful	22,421,781	14,096,726
	249,706,292	334,761,069
Less : Provision for service income accrued but not due	(22,421,781)	(14,096,726)
	227,284,511	320,664,343
b. Interest accrued but not due on		
– Fixed deposits with banks	29,293,091	30,609,179
– Loan to subsidiary	140,857	297,800
– Current, non trade investments	786,849	–
	257,505,308	351,571,322

Particulars	Year ended 31 March, 2013	Year ended 31 March, 2012
2.18 INCOME FROM SOFTWARE PRODUCTS AND SERVICES		
Software development Products and services (see note below)		
a. Domestic	533,324,855	511,351,372
b. Overseas	1,489,493,026	1,537,194,996
	2,022,817,881	2,048,546,368

Note:

Income from software products and services for year ended 31 March, 2013 includes prior period revenue of ₹ 3,745,151 (Year ended 31 March, 2012 : ₹ Nil).

2.19 OTHER INCOME

a. Interest income on		
– Deposits with banks	71,655,245	39,330,470
– Loan to subsidiary	758,308	821,862
– Current, non trade investments	924,548	–
b. Dividend income from		
– Current, non trade investments	71,681,063	87,450,249
– Non-current, non trade investment	50,000	–
– Subsidiary company	30,000,000	36,000,000
c. Net gain on sale of investments		
– Current, non trade investments	10,328,341	10,222,787
d. Net Gain / (Loss) on foreign currency		
– Gain / (Loss) on exchange fluctuation	41,145,981	34,582,508
– Gain / (Loss) on ineffective hedges (see note 2.36)	765,334	646,079
e. Other non-operating income		
– Excess provisions written back	3,242,396	8,355,612
– Net Reversal of employees stock compensation expense	–	6,230,635
– Net Profit on sale of fixed assets/discarded assets	2,979,280	–
– Miscellaneous income	6,333,482	6,335,803
	239,863,978	229,976,005

Notes forming part of the financial statements

			(Amount in ₹)
Particulars	Year ended 31 March, 2013	Year ended 31 March, 2012	
2.20 EMPLOYEE BENEFITS EXPENSES			
a. Salaries and wages	1,073,556,000	1,059,020,798	
b. Contribution to provident and other funds	57,691,669	58,330,038	
c. Gratuity expense (see note 2.35)	20,545,059	17,934,823	
d. Staff welfare expenses	24,051,068	19,864,920	
	1,175,843,796	1,155,150,579	
Employee benefit expenses include Managing Director remuneration as follows :			
a. Salary	6,000,000	6,000,000	
b. Contribution to provident and other funds	360,000	360,000	
	6,360,000	6,360,000	
Notes:			
The above remuneration does not include expense towards retirement benefits since the same is calculated for the Company as a whole.			
2.21 OPERATING AND OTHER EXPENSES			
a. Outsourced technical service expense	39,553,206	126,920,264	
b. Cost of software purchased for delivery to clients	41,889,855	46,140,126	
c. Power and fuel	34,022,746	29,605,014	
d. Rent (see note 2.23)	30,655,263	29,224,530	
e. Repair and maintenance			
– Buildings	2,687,382	1,449,512	
– Others	20,269,984	17,758,733	
f. Insurance	3,281,282	3,935,239	
g. Rates and taxes	2,520,471	2,577,101	
h. Travel expenses			
– Foreign	142,286,446	154,839,187	
– Domestic	18,479,421	12,547,211	
i. Advertisement and business promotion	8,569,442	7,262,626	
j. Legal and professional (see note 2.27)	38,857,429	40,714,795	
k. Directors remuneration	6,900,000	6,220,000	
l. Conveyance	11,099,886	11,094,776	
m. Communication	14,291,745	13,714,899	
n. Training and recruitment	11,184,030	9,600,522	
o. Net loss on sale of fixed assets/discarded assets	–	256,326	
p. Loss on Current non trade investments	33,066	–	
q. Conference, exhibition and seminar	17,476,768	9,273,702	
r. Information technology expenses	16,175,849	15,204,151	
s. Provision for doubtful debts/advances/other current assets	16,018,490	38,046,006	
t. Provision for diminution in value of investment	24,242,000	–	
u. Commission to channel partners	10,401,531	18,315,556	
v. Miscellaneous expenses	26,453,597	26,809,999	
	537,349,889	621,510,275	
Directors Remuneration includes :			
Non Executive Directors			
a. Commission	5,000,000	3,800,000	
b. Sitting fees	1,900,000	2,420,000	
	6,900,000	6,220,000	



Nucleus Software Exports Limited

(Amount in ₹)

Particulars	Year ended 31 March, 2013	Year ended 31 March, 2012
2.22 FINANCE COST		
Bank Charges	<u>2,987,677</u>	<u>2,232,483</u>

2.23 OPERATING LEASE

Obligations on long-term, non-cancelable operating leases

The Company has acquired office premises under cancellable and non-cancellable operating lease. Operating lease rentals paid during the year ended 31 March, 2013 is ₹ 30,655,263 (Year ended 31 March, 2012 : ₹ 29,224,530). The future minimum lease expense in respect of non-cancellable leases is as follows:

(Amount in ₹)

Particulars	As at 31 March, 2013	As at 31 March, 2012
Future minimum lease payments		
a. Not later than 1 year	—	875,000
b. Later than 1 year but not later than 5 years	—	—
	<u>—</u>	<u>875,000</u>

2.24 Tax Expense

- The Company had set up SEZ unit, which has commenced operations during the year ended 31 March, 2012. Income from SEZ unit is eligible for exemption under section 10 AA. This has resulted in decrease in income tax liability of the Company as income earned from SEZ unit is not liable to tax under Income tax Act, 1961.
- During earlier years, the Company had calculated its tax liability under Minimum Alternative Tax (MAT) as its liability under MAT was higher than normal tax liability. The excess of tax payable under MAT over normal tax payable (MAT Credit entitlement) was carried forward to be set off against the future tax liabilities. During the year ended 31 March, 2013, the Company is liable to Normal Tax as its Normal Tax is higher than MAT Tax Liability. The Company has utilised the balance MAT Credit Entitlement of Rupees 20,937,715 during the year ended 31 March, 2013, to set off its liability for payment of Income Tax.

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

- Advance Tax (Net of provision) aggregating to ₹ 137,535,009 (As at 31 March, 2012 : ₹ 104,758,287) has been classified as Long-Term Loans and Advances as the same represents amount recoverable from Income Tax Department after the completion of Income Tax Assessments.
- MAT Credit Entitlement balance aggregating to ₹ Nil (As at 31 March, 2012 : ₹ 20,937,715) which the Company expects to set off against Income Tax payable for the year ending 31 March, 2013 has been considered to be Short-Term Loans and Advances.

2.26 Commitments

(Amount in ₹)

Particulars	As at 31 March, 2013	As at 31 March, 2012
a. Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances).	<u>1,961,645</u>	<u>4,893,234</u>
b. Other Commitments		

The Company has committed to provide financial support to its subsidiary companies - Nucleus Software Netherlands B.V., Netherlands and Nucleus Software Inc., USA as and when required.

The Company has given an undertaking to repay the amounts due to Nucleus Software Solutions Pte Limited, Singapore (subsidiary company) by Nucleus Software Japan Kabushiki Kaisha, Japan (subsidiary company) and Nucleus Software Inc., USA (subsidiary company), in the event that the later parties are unable to repay the same, as and when it falls due. (Also see note 2.32)

As on 31 March, 2013, the Company has outstanding bank guarantee and later of credits of ₹ 64,134,981 (Previous year ₹ 8,821,000). These are secured to the extent of ₹ 15 crore against all present and future receivables and inventories of the Company.

Notes forming part of the financial statements

(Amount in ₹)		
Particulars	Year ended 31 March, 2013	Year ended 31 March, 2012
2.27 Auditors Remuneration (excluding service tax)		
a. As auditors - statutory audit, including quarterly audits	1,800,000	1,800,000
b. For taxation matters	350,000	—
c. For other services	550,000	684,165
d. Reimbursement of expenses	270,481	399,166
	2,970,481	2,883,331
2.28 CIF value of imports		
Capital goods	19,455,630	13,316,249
2.29 Earnings in foreign currency		
a. Software development services and products	1,489,493,026	1,537,194,996
b. Others	758,308	628,518
	1,490,251,334	1,537,823,514
2.30 Expenditure in foreign currency		
a. Travel expenses	106,548,551	115,134,978
b. Legal and professional	5,772,285	8,213,978
c. Cost of software purchased for delivery to clients	8,178,975	19,436,639
d. Conference, exhibition and seminar	17,145,119	8,684,282
e. Outsourced technical service expense	10,293,052	64,693,143
f. Salaries and wages	34,745,147	37,386,635
g. Commission to channel partners	9,756,568	18,315,556
h. Rent	8,029,258	6,564,459
i. Others	17,737,043	13,202,354
	218,205,998	291,632,024
2.31 Earnings per share		
a. Profit after taxation available to equity shareholders (Rupees)	370,879,901	326,421,262
b. Weighted average number of equity shares used in calculating basic earnings per share	32,383,534	32,382,995
c. Effect of dilutive issue of shares	—	—
d. Weighted average number of equity shares used in calculating diluted earnings per share	32,383,534	32,382,995
e. Basic earnings per share (Rupees)	11.45	10.08
f. Diluted earnings per share (Rupees)	11.45	10.08

2.32 RELATED PARTY TRANSACTIONS

List of related parties – where control exists

a. Wholly owned subsidiary companies

- Nucleus Software Solutions Pte Ltd, Singapore
- Nucleus Software Japan Kabushiki Kaisha, Japan
- Nucleus Software Inc., USA
- Nucleus Software Netherlands B.V., Netherlands
- VirStra i -Technology Services Limited, India
- Nucleus Software Limited, India

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

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

c. Other related parties:

Key managerial personnel:

- Vishnu R Dusat (Managing Director)



Nucleus Software Exports Limited

(Amount in ₹)

Particulars	Year ended 31 March, 2013	Year ended 31 March, 2012
Transactions with related parties		
a. Software development, services and products		
– Nucleus Software Solutions Pte Ltd, Singapore	52,856,299	51,344,570
– Nucleus Software Japan Kabushiki Kaisha, Japan	137,911,855	125,593,043
– Nucleus Software Inc., USA	11,329,297	10,892,196
– Nucleus Software Netherlands B.V., Netherlands	7,992,509	56,557,519
b. Other income		
Dividend income		
– VirStra i -Technology Services Limited, India	30,000,000	36,000,000
Interest income		
– Nucleus Software Inc., USA	758,308	821,862
c. Managerial remuneration [including perquisite value of ₹ 676,800 for the year ended 31 March, 2013 (Year ended 31 March, 2012 : ₹ 628,215)]		
– Vishnu R Dusad (Managing director)	7,036,800	6,988,215
d. Cost of software purchased for delivery to clients		
– Nucleus Software Solutions Pte Ltd, Singapore	3,666,229	3,391,493
e. Outsourced technical service expense		
– Nucleus Software Solutions Pte Ltd, Singapore	5,950,532	19,809,374
f. Lease Rent Paid		
– Nucleus Software Limited, India	8,257,656	6,193,242
g. Reimbursement of expenses from		
– Nucleus Software Solutions Pte Ltd, Singapore	5,003,379	6,948,004
– Nucleus Software Japan Kabushiki Kaisha, Japan	579,883	103,171
– Nucleus Software Inc., USA	6,555,572	6,182,401
– Nucleus Software Netherlands B.V., Netherlands	1,864,256	3,483,694
– VirStra i -Technology Services Limited, India	217,957	241,476
– Nucleus Software Limited, India	5,539	33,145
h. Reimbursement of expenses to		
– Nucleus Software Solutions Pte Ltd, Singapore	378,182	1,945,394
– Nucleus Software Japan Kabushiki Kaisha, Japan	6,317,633	570,270
– Nucleus Software Limited, India	275,663	471,694
i. Loans and advances		
– Nucleus Software Limited, India	–	41,785,962
j. Repayment of Loan		
– Nucleus Software Inc., USA	5,474,002	5,203,000
k. Capital Assets Purchased		
– Nucleus Software Limited, India	–	1,451,944
l. Bad Debts Written off		
– Nucleus Software Japan Kabushiki Kaisha, Japan	–	4,685,318

Notes forming part of the financial statements

Outstanding balances as at year end

(Amount in ₹)		
Particulars	As at 31 March, 2013	As at 31 March, 2012
a. Trade receivables		
– Nucleus Software Solutions Pte Ltd, Singapore	5,331,026	9,984,233
– Nucleus Software Japan Kabushiki Kaisha, Japan	11,721,037	55,712,666
– Nucleus Software Inc., USA	38,439,793	18,662,145
– Nucleus Software Netherlands B.V., Netherlands	27,195,883	28,421,047
– VirStra i -Technology Services Limited, India	135,845	–
– Nucleus Software Limited, India	–	21,580
b. Trade payables		
– Nucleus Software Solutions Pte Ltd, Singapore	4,024,181	7,183,101
– Nucleus Software Japan Kabushiki Kaisha, Japan	1,352,053	–
– VirStra i -Technology Services Limited, India	164,400	–
– Nucleus Software Limited, India	801,063	1,451,944
c. Loans to subsidiaries		
– Nucleus Software Inc., USA	16,284,000	20,352,000
– Nucleus Software Limited, India	90,946,898	90,946,318
d. Interest income accrued but not due		
– Nucleus Software Inc., USA	140,857	297,800
e. Service income accrued but not due		
– Nucleus Software Netherlands B.V., Netherlands	11,994,819	23,382,503
f. Deferred revenue		
– Nucleus Software Japan Kabushiki Kaisha, Japan	4,763,855	–
– Nucleus Software Netherlands B.V., Netherlands	634,897	–
g. Advance billing		
– Nucleus Software Inc., USA	13,675,086	–
h. Guarantees on behalf of		
– Nucleus Software Japan Kabushiki Kaisha, Japan	62,443,012	81,622,588
– Nucleus Software Inc., USA (see note 2.26)	41,059,474	–
i. Investments in subsidiary companies (net of provision) (see note 2.9)	130,412,212	154,654,212

2.33 Research and development expenditure

(Amount in ₹)		
Particulars	Year ended 31 March, 2013	Year ended 31 March, 2012
Expenditure on Research and development as per Accounting Standard 26 from 01 April, 2012 to 31 March, 2013		
(i) Revenue	135,482,672	119,045,958
(ii) Capital	–	–
	135,482,672	119,045,958

The Company has been accorded initial recognition for the in-house R&D unit by the Department of Scientific and Industrial Research (DSIR) for its R&D centre at Noida effective 31 December, 2012 which is valid till 31 March, 2015. The Company has thereafter applied to DSIR for the approval of weighted deduction under section 35(2AB) of the Income Tax Act, 1961 which is pending with the authorities.

2.34 Segment reporting – Basis of preparation

a. Segment accounting policies

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



Nucleus Software Exports Limited

b. Composition of reportable segments

The Company operates in five main geographical segments: India, Far East, South east Asia, Europe and Middle East which individually contribute 10% or more of the Company's revenue and segment assets.

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

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

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

Information in respect of primary segment

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

a. For the year ended 31 March, 2013

	(Amount in ₹)					
Description	India	Far East	South East Asia	Europe	Middle East	Others
Revenue from operations	533,324,855	370,337,810	343,039,441	188,561,662	422,432,061	165,122,052
Expenses	401,794,237	140,417,519	220,032,108	115,340,205	180,071,908	90,655,114
Segment result	131,530,618	229,920,291	123,007,333	73,221,457	242,360,153	74,466,938
Unallocated corporate expenditure						
Operating profit before tax						
Other income						
Net foreign exchange gain/(loss)						
Profit before tax						
Tax Expense						
Net current tax expense						
Deferred tax charge/(credit)						
Profit for the year						

b. For the year ended 31 March, 2012

Revenue from operations	511,351,372	354,615,075	373,773,656	284,579,827	380,285,453	143,940,985
Expenses	421,866,634	222,881,056	224,786,733	162,309,439	189,207,839	73,154,031
Segment result	89,484,738	131,734,019	148,986,923	122,270,388	191,077,614	70,786,954
Unallocated corporate expenditure						
Operating profit before tax						
Other income						
Net foreign exchange gain/(loss)						
Profit before tax						
Tax Expense						
Net current tax expense						
Deferred tax charge/(credit)						
Profit for the year						

Notes forming part of the financial statements

Assets and liabilities of reportable primary segment are as follows:

a. As at 31 March, 2013

(Amount in ₹)							
Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Segment assets	451,521,994	39,328,110	156,956,494	62,701,433	217,390,629	83,726,429	1,011,625,089
Unallocated corporate assets							3,136,010,674
Total assets							4,147,635,763
Segment liabilities	354,994,135	29,539,313	124,167,693	58,268,466	141,255,865	85,082,344	793,307,816
Unallocated corporate liabilities							159,548,679
Total liabilities							952,856,495
Capital employed							3,194,779,268
As at 31 March, 2012							
Segment assets	313,460,224	206,603,461	255,520,576	168,911,494	181,480,235	105,480,816	1,231,456,806
Unallocated corporate assets							2,501,481,661
Total assets							3,732,938,467
Segment liabilities	176,967,550	103,637,668	117,739,873	62,487,313	128,096,828	73,647,087	662,576,319
Unallocated corporate liabilities							144,207,125
Total liabilities							806,783,444
Capital employed							2,926,155,023

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

a. For the year ended 31 March, 2013

(Amount in ₹)							
Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Capital expenditure (unallocated)							71,834,416
Total capital expenditure							71,834,416
Depreciation expenditure (unallocated)							49,701,538
Total depreciation							49,701,538
Segment non-cash expense other than depreciation	8,795,604	–	(1,447,338)	24,242,000	7,103,222	1,567,002	40,260,490
Total non cash expenditure other than depreciation	8,795,604	–	(1,447,338)	24,242,000	7,103,222	1,567,002	40,260,490

b. For the year ended 31 March, 2012

Capital expenditure (unallocated)							29,294,816
Total capital expenditure							29,294,816
Depreciation expenditure (unallocated)							61,025,968
Total depreciation							61,025,968
Segment non-cash expense other than depreciation	8,642,775	308,247	17,057,514	–	2,940,579	9,096,891	38,046,006
Total non cash expenditure other than depreciation	8,642,775	308,247	17,057,514	–	2,940,579	9,096,891	38,046,006



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Information in respect of secondary segment

Information for business segments

Description	(Amount in ₹)		
	Products	Software projects and services	Total
a. For the year ended 31 March, 2013			
Revenue	1,863,334,662	159,483,219	2,022,817,881
Carrying amount of segment assets	931,866,438	79,758,651	1,011,625,089
b. For the year ended 31 March, 2012			
Revenue	1,920,016,407	128,529,961	2,048,546,368
Carrying amount of segment assets	1,154,192,704	77,264,102	1,231,456,806

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

2.35 Employee Benefit Obligations

Defined contribution plans

An amount of ₹ 57,691,669 for the year ended 31 March, 2013 (Year ended 31 March, 2012 : ₹ 58,330,038), have been recognized as an expense in respect of Company's contribution for Provident Fund and Employee State Insurance Fund deposited with the government authorities and has been shown under employee benefit expenses in the Statement of Profit and Loss.

Defined benefit plans

The Gratuity scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service or part thereof in excess of 6 months subject to a maximum limit of Rs 1,000,000 in terms of the provisions of the Payment of Gratuity Act, 1972. Vesting occurs upon completion of 5 years of service.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation as on 31 March, 2013

a. Particulars	(Amount in ₹)	
	As at 31 March, 2013	As at 31 March, 2012
Obligation at beginning of the year	83,557,616	75,668,784
Current service cost	14,043,237	14,467,346
Interest cost	7,280,939	6,501,164
Actuarial losses/(gains)	(781,645)	(3,033,687)
Past service cost	—	—
Benefits paid	(13,067,924)	(10,045,991)
Obligation at year end	91,032,223	83,557,616
b. Change in plan assets		
Plan Assets at year beginning, at fair value	—	—
Contributions by employer	13,067,924	10,045,991
Benefits paid	(13,067,924)	(10,045,991)
Plan assets at period end, at fair value	—	—
The Scheme does not have any assets as at the valuation date to meet the gratuity liability.		
Expected employer's contribution next year	22,285,555	20,807,966

Notes forming part of the financial statements

c. Gratuity cost for the year:		(Amount in ₹)			
Particulars		Year ended 31 March, 2013		Year ended 31 March, 2012	
Current service cost		14,043,237		14,467,346	
Interest cost		7,280,939		6,501,164	
Actuarial losses/(gains)		(781,645)		(3,033,687)	
Past service cost		—		—	
Net gratuity cost		20,542,531		17,934,823	
d. Experience adjustment		(Amount in ₹)			
Particulars	Year ended 31 March, 2009	Year ended 31 March, 2010	Year ended 31 March, 2011	Year ended 31 March, 2012	Year ended 31 March, 2013
Defined benefit obligation	51,341,655	58,763,800	75,668,784	83,557,616	91,032,223
Plan assets	—	—	—	—	—
Surplus/(Deficit)	(51,341,655)	(58,763,800)	(75,668,784)	(83,557,616)	(91,032,223)
Experience adjustment on plan liabilities	2,701,103	(3,409,464)	(609,066)	(1,340,985)	(2,781,491)
Experience adjustment on plan assets	—	—	—	—	—
e. Economic assumptions :					
Discount rate				7.85%	8.35%
Salary escalation rate				7%	10% p.a. for first years & 7% p.a. thereafter
f. Discount rate:					
The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.					
g. Salary escalation rate:					
The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.					
h. Demographic assumptions					
Retirement age					58 years
Mortality table					LIC (1994-96) duly modified
i. Withdrawal rates					
					Ages - Withdrawal Rate (%)
					21-50 years - 20%
					51-54 years - 2%
					55-57 years - 1%

2.36 Forward contract and option in foreign currency

	(Amount in ₹)		
a. Forward contract outstanding	Buy/Sell	As at 31 March, 2013	As at 31 March, 2012
In USD	Sell	9,000,000	10,750,000
Equivalent amount in Rupees	Sell	488,520,000	546,960,000
b. Loans and advances include net marked to market gain of ₹ 7,135,408 relating to forward contracts which are outstanding as at year end. The gain on such forward contract which are designated as effective, aggregating to ₹ 6,370,074 have been credited to Hedging Reserve. The gain on ineffective contracts aggregating to ₹ 765,334 has been credited to Statement of Profit and Loss.			



Nucleus Software Exports Limited

c. The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

Currency	As at 31 March, 2013		As at 31 March, 2012	
	Amount in foreign currency	(Amount in ₹)	Amount in foreign currency	(Amount in ₹)
Receivable				
USD	9,311,009	505,401,569	15,534,392	784,876,585
EURO	1,480,193	102,917,819	1,234,341	83,824,066
MYR	3,446,139	60,410,817	3,289,324	54,600,193
GBP	—	—	62,899	5,128,155
SGD	177,131	7,731,768	246,768	9,984,233
CHF	—	—	12,845	723,816
SEK	—	—	62,844	482,642
JPY	20,370,242	11,721,037	—	—
Payable				
USD	5,060,295	274,672,813	5,955,649	303,023,399
EURO	351,212	24,419,770	230,985	15,686,184
MYR	55,495	972,827	—	—
GBP	68,049	5,592,947	63,285	5,159,654
SGD	92,455	4,035,661	177,536	7,183,101
CHF	12,690	723,838	12,845	723,816
SEK	57,801	482,638	62,884	482,642
AED	49,252	727,945	354,446	4,905,539
JPY	3,119,773	1,795,117	—	—

2.37 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS (Unaudited)

(Amount in ₹)

Particulars	Year ended 31 March, 2013	Year ended 31 March, 2013
Income from software services and products	2,022,817,881	2,048,546,368
Software development expenses	1,245,075,662	1,399,674,173
Gross Profit	777,742,219	648,872,195
Selling and marketing expenses	239,135,624	183,864,671
General and administration expenses	231,970,076	195,354,493
Operating profit before depreciation	306,636,519	269,653,031
Depreciation and amortisation expense	49,701,538	61,025,968
Operating profit after depreciation	256,934,981	208,627,063
Other income	239,863,978	229,976,005
Profit before tax	496,798,959	438,603,068
Tax expense:		
Net current tax expense	128,109,394	113,886,712
Deferred tax credit	(2,190,336)	(1,704,906)
	125,919,058	112,181,806
Profit for the year	370,879,901	326,421,262

Notes forming part of the financial statements

2.38 TRANSFER PRICING

- The Company had during the previous year ended 31 March, 2012 set up an SEZ unit at Jaipur. The Income from SEZ unit is eligible for exemption under section 10 AA. The Company has established a comprehensive system of maintenance of information and documents as required by transfer pricing legislation under section 92D for its international transactions and is in the process of establishing such system for specified domestic transactions. The Company will further update above information and records and expects these to be in existence latest by due date of the filing of return, as required under law. The management is of the opinion that all above transactions are at arm's length so that aforesaid legislation will not have any impact on the financial statement, particularly on the amount of tax expense and that of provision for taxation.
- 2.39** During the year ended 31 March, 2013, as per provision of Income-tax Act, 1961, the Company has taken credit of corporate dividend tax aggregating ₹ 4,864,702 (Year ended 31 March, 2012 : ₹ 5,839,693) on account of tax paid on dividend received from one of its subsidiaries.
- 2.40** Revenue recognised up to the reporting date in respect of contracts in progress at the reporting date aggregates to ₹ 764,470,880 (As at 31 March, 2012 : ₹ 951,240,690).
- 2.41** Previous year figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification/disclosure.

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

Sd/-	Sd/-
JANKI BALLABH	VISHNU R DUSAD
<i>Chairman</i>	<i>Managing Director</i>
Sd/-	Sd/-
P K SANGHI	POONAM BHASIN
<i>Chief Financial Officer</i>	<i>Company Secretary</i>

Place : New Delhi
Date : 27 April, 2013



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

Subsidiary	Nucleus Software Solutions Pte. Ltd.	Nucleus Software Inc.	Nucleus Software Japan Kabushiki Kaisha	Nucleus Software Netherlands B.V.	VirStra i-Technology Services Ltd.	Nucleus Software Limited	VirStra i-Technology (Singapore) Pte Ltd (Step down subsidiary Company)
Financial Year of the Subsidiary Company ended on	March 31, 2013	March 31, 2013	March 31, 2013	March 31, 2013	March 31, 2013	March 31, 2013	March 31, 2013
No. of shares of the Subsidiary Company	625,000 shares of SG\$1 each fully paid up	100,000 shares of US\$0.35 each fully paid up	200 shares of 50,000 Yen each fully paid up	4,000 Shares of Euro 100 each fully paid up	1,000,000 Shares of ₹10 each fully paid up	10,000,000 Shares of ₹10/- each fully paid up	200,000 Shares of SG\$ 1 each fully paid up
Percentage of holding (Equity)	100%	100%	100%	100%	100%	100%	100%
Percentage of holding (Preference)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
The net aggregate of profit/losses of the Subsidiary Company for its financial year so far as they concern the members of the Holding Company							
a) Dealt with in the Accounts for the period ended 31.03.13	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Not dealt with in the Accounts for the period ended 31.03.13	SG\$ 699,448 Equivalent to ₹ 30,530,905	US\$ 162,812 Equivalent to ₹ 8,871,616	Yen 44,655,527 Equivalent to ₹ 29,401,199	Euro (133,169) Equivalent to (₹ 9,343,121)	₹ 32,918,856	(₹ 3,900,029)	SG\$ 587,990 Equivalent to ₹ 25,665,764
The net aggregate of profit/losses of the Subsidiary Company for its previous financial years since it became a subsidiary so far as they concern the members of the Holding Company							
a) Dealt with in the Accounts for the period ended 31.03.13	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Not dealt with in the Accounts for the period ended 31.03.13	SG\$ 4,525,118 Equivalent to ₹ 18,292,694	US\$ (914,612) (Equivalent to ₹ (42,651,283))	Yen (806,843) (Equivalent to ₹ (777,335))	Euro 435,539 (Equivalent to ₹ 26,221,986)	₹ 58,584,978	(₹ 14,883,949)	SG\$ (6,375) (Equivalent to ₹ (257,933))

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, 2013



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

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

Financial statements of the Company are prepared under the historical cost convention in compliance with the requirements of the Companies Act, 1956, Generally Accepted Accounting Principles (GAAP) in India and mandatory accounting standards as prescribed in Companies (Accounting Standard) Rules, 2006. All income and expenditure items having a material bearing on the financial statements are recognized on accrual basis. The consolidated financial statements have been prepared in accordance with the principles and procedures for the preparation and presentation as laid under Accounting Standard 21 on "Consolidated Financial Statements" issued by the ICAI.

Overview

The Company was incorporated on January 9, 1989 as Nucleus Software Exports Private Limited with its registered office at 33-35 Thyagraj Nagar Market, New Delhi 110 003. Subsequently in October 1994, it was converted into a Public Limited Company. In August 1995, Nucleus made an Initial Public Offer and is currently listed at National Stock Exchange of India Ltd., and BSE Ltd. Nucleus provides software solutions to the Banking and Financial Services Industry. For over 20 years, we have developed solutions spanning from Retail Banking to Corporate Banking, Cash Management, Internet Banking and Credit Cards. FinnOne™, the Flagship product of Nucleus Software is a comprehensive suite for Retail Banking applications comprising of modules like Customer Acquisition System, Loan Management, Delinquency and Recovery Management, Deposits and Finance Against Securities. Cash@Will™ and BankONet™ are the offerings from Nucleus Software in the area of Cash Management and Internet Banking respectively. Over the years, our committed professionals have provided solutions par excellence and with the experience and skills, we have been able to create a global footprint of clients and partners across multiple continents with multi-product, multi-service, multi-currency and multi-lingual implementations, leading to worldwide acceptability and customer satisfaction. Nucleus operates through integrated and well-networked subsidiaries in India, Japan, Netherlands, Singapore and USA and branch offices in Chennai and Mumbai in India and in London, UK and Dubai. The Singapore subsidiary has branch offices in Seoul in Korea and Manila in Philippines. These Subsidiaries/branch offices help the Company in providing front-end support to clients and explore new opportunities.

Since 1995, product development has been our forte and the Company has chosen to exclusively develop products and further add value through dedicated research and development initiatives.

Company Strengths

The Company's business broadly consists of Development and Marketing of Software Products and Software Services for business entities in the Banking and Financial Services (BFS) vertical. With a single point focus on the banking and financial industry, the Company's focus on product development is to build products on latest architecture & technology stack. They will have advanced feature & functionalities

to support growing need of business. At Nucleus our strategy is to ultimately touch and improve lives of more and more people across the world by equipping Banks with superior technology products for managing lending operations. Our key strengths include:

- Robust functionality of products
- A satisfied and widely spread customer base
- Commitment to deliver quality and Value through our portfolio of products
- Strong and rich BFS domain expertise
- Reputation of being a 'Leader' / Niche player
- Following Best practices of Corporate Governance
- A pool of technically qualified skilled resources
- Highly competent and geared up Leadership team
- Industry recognitions and accolades from all across the globe

Nucleus Software is embarking on a makeover which will take it to the next level. This endeavor demonstrates our passion for perfection and relentless commitment to deliver world class products to our customers. In this journey, we have been honoured and feel grateful for having received various accolades, a few of them to list would be:

- FinnOne™ has been ranked as the **Global No. 1 Lending Software solution** for the fifth consecutive year by IBS Publishing, UK in their Sales League Table 2013 for Banking Product Sales.
- Annual Report and Accounts of the Company for the year ended March 31, 2012 was adjudged as the **BEST** under the Category X – Service Sector (Other than financial services sector-turnover less than ₹ 500 crore) of the **'ICAI Awards for Excellence in Financial Reporting'**. A GOLD SHIELD was awarded to the Company for the fifth consecutive year.
- NASSCOM Corporate Award for Excellence in Diversity and Inclusion 2013 for the category **Best IT services & Product Company – Special recognition (less than 5000 employees)**
- **'Best Online Annual Report'** globally in the technology sector & the Best in **'Most Improved Financial Disclosure Procedures'** in the regional rankings for India for the year 2012 by IR Global Rankings (IRGR).
- Annual Report for the year ended March 31, 2012 won the **Platinum Award** for excellence within the Technology-Software industry and ranked 22nd amongst the Top 100 Annual Reports in the Vision Awards by the League of American Communications Professionals (LACP), USA.
- Social and Corporate Governance Award 2013 in the category **'Best Overall Corporate Governance'**
- Titanium Award for **Investor Relations, Corporate Governance** and Environment Responsibility in the Asset Triple A Corporate Awards 2012.
- CIMB Malaysia, our customer, powered by Nucleus Software's FinnOne™ implementation, has received the Process Excellence Award for Collection and Debt Management at the prestigious BPA Trailblazer Awards.

Management's Discussion and Analysis

- Vietnam Prosperity Bank's Loan Origination system, powered by Nucleus Software's FinnOne CAS, LMS and Collections was recognized with Model Bank Award by Celent (March 2013).
- Forrester recognized Nucleus as a "Global Pursuer" and stated it "regained traction in 2010". Based on the number of deals and regions covered, Nucleus was ranked among top Banking Platform providers Source: Global Banking Platform Deals 2010, Forrester Research, Inc., 31 March 2011.
- HDFC Bank, Nucleus Software customer, won the prestigious Celent 2010 Model Bank Award for its loan origination system, FinnOne™.
- Ranked amongst the Top 25 companies adopting "Good Corporate Governance Practices" by ICSI for fourth consecutive year in 2009.
- Forrester Research, a leading independent analyst firm, recognized Nucleus Software as an industry vertical specialist in their report "Working With Tier Two Offshore Providers".
- Nucleus Software Ranked Amongst India's Top 15 Exciting Emerging Companies to Work For by Nasscom.
- Nucleus Software recognized under "Best Practices" for Performance Management System by NASSCOM, 2008.
- Nucleus selected as one of Forbes ASIA's 200 Best Under A Billion companies, for the second consecutive year, list released in September 2008.
- Nucleus Software conferred the Best Independent Software Vendor (ISV) Partner (North India for 2008) award by IBM.
- Nucleus Software awarded the "D&B - ECGC Indian Exporters' Excellence Award" by Dun & Bradstreet India (D&B India) and Export Credit Guarantee Corporation of India Ltd (ECGC) for the year 2007.
- Nucleus Software adjudged as one of the fastest growing companies in Asia Pacific under Deloitte Technology Fast 500 - 2007.
- Nucleus Software conferred with Oracle Partner of the Year Award in Fusion Middleware category at an APAC level.
- Nucleus Software awarded for being the Fastest Growing ISV in 2007 by Oracle Corporation.
- Nucleus Software ranked 13th in Dataquest Top 20 Best Employers Survey 2006. Survey was conducted by IDC-Dataquest amongst 200 IT employers across India.

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

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

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

Customer Acquisition System (CAS) automates and manages the complete application processing flow of retail loans, corporate loans and credit card applications. It allows online credit evaluation,

and if desired, automatic credit evaluation of the application and processing till disbursement initiation. User can define the various parameters as per the policies of the banking or financial services Company, thereby reducing the time and manpower involved in the scrutiny of applications. A variety of tools such as online calculators, activity schedulers, mailers, and contact activity planners help in improving efficiency of the acquisition process. In addition to a strong Deduplication module, CAS can also take data feeds from external agencies, such as credit bureaus and Central Banks. CAS has a robust scoring module wherein the parameters and rules, which are used by the system to generate credit scores, are maintained. With the centralized and controlled master set-up, the organizations can effectively introduce quick-to-market products and schemes to hone their competitive edge of being change leaders.

- **Loan Management System (LMS)** focuses on the loan servicing aspects of a retail and corporate loans business. The system supports the financial institution in billing, accrual, rescheduling or restructuring, prepayments, termination, interest and overdue calculation, classification of non-performing assets and its relevant provisioning, repossession of asset. LMS is the backbone of all customer servicing activities with respect to the loans with the objective of providing operational control. LMS has robust features pertaining to repayment from customer through various modes like cheque, auto debit or ECS. LMS also has integrated cheque printing system for printing payment of cheque's or draft. The system supports accounting as defined by the user at various stages of loan life cycle.
- **Collections Management System** focuses on the tracking and management of delinquent customers. The system helps to queue up delinquent agreements cases based on severity of client risk profiles. The system then automatically allocates the cases to collectors based on user-defined logic or hierarchy. Manual allocation and reallocation of agreements is also feasible in the system. It builds customer delinquency history and also aids in the building of the defaulters' databases. Collectors are provided with periodical work-list and contact recording facilities. The system also facilitates escalation of agreement to effectively monitor and administer the agreements.
- **Islamic Financing** is an offering comprising of CAS and LMS modules designed as per Islamic/Shariah rules. It is designed with function specific modules, managing the complete finance cycle starting from 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.
- **Bank Reconciliation System** is a tool to reconcile Bank accounts maintained by business units with its bankers. The system helps in identification of differences in transaction between bank statement and books. It reduces risk of fraud, enables credit to vendor/

customers on time, shows the true and fair position of books of accounts at any given point of time.

- **Forecaster system** is a web-based data-mining tool that involves access to and manipulation of business data available with the organization. It is used to identify patterns and relationships in data and do a case-based reasoning. Based on this reasoning, it creates models that can be used to visualize the situation and hence make informed decisions and do predictive analysis. It uses advanced statistics and data mining algorithms such as decision tree, logistic and multiple linear regressions. The system provides an end to end solution to implement data mining projects by using Cross Industry Standard process (CRISP) for data mining.
- **PowerPay** is an effective tool to enable bank and finance companies to calculate the commissions and other payouts payable to various service providers. The system takes data from various source systems and calculates the payouts based on various parameters defined. Before calculating the payout, it provides facility to get the data validated from respective business partner. It provides facility of handling disputes raised by any business partner. It also facilitates claw back of payouts already given.
- **Lead Management System** is an effective tool for sales and marketing management. The Lead Management System is an independent module providing tools for effective and systematic customer acquisition process by handling the lead throughout its lifecycle. The system will automate the process of lead capture, tracking, follow up, and closure. The system supports dedupe functionality, prospect/lead curing, and reference management. The system provides a flexible rule based lead classification and allocation process.
- **Asset Based Securitization** is a module which helps the NBFC/ Bank to securitize or selloff their lending portfolio. It is aimed at providing the users with a simple and comprehensive module which helps in bringing operational and system control in the securitization process of the NBFC / Bank. The system helps in pool generation on the basis of filter criteria, pool upload and download, partial or full release of pool, buyback of securitized pool etc. The system also takes care of the accounting for securitized pool.

Cash@Will™ is a web-enabled comprehensive solution of cash management that caters to Collections, Payments and Liquidity Management aspects of Cash Management Business. Cash@Will™ suite offers the following line of products for banks to streamline their processes:

- **Cash@Will – Collections:** Collection Services in Cash@Will™ undertakes the overall Receipts Management for the Corporate Customer. The collections can be instrument based (Cheque / Draft / PDC), electronic (direct debit) or Cash. It facilitates multiple points of information capture and supports the centralized model of operations as well as the decentralized model. The models can be extended to logistics providers also for encapsulating the information processed / captured by the outsourced Data Entry teams as well. Further, it also provides the integration options with the Clearing House, ACH, Correspondent Bank, etc to reduce the information capture efforts.
- **Cash@Will – Payments:** Payments Module of Cash@Will™ is a value enhancing payments solution that enables banks to

Management's Discussion and Analysis

handle low-value and high value payments of corporate like vendor payments, salaries, tax payments, dividends and interest payments. Payment solution is capable of managing bulk physical processing as well as electronic payments. It provides multiple payment capabilities like – inter bank, intra-bank, domestic and overseas. The Payment Module enables the bank to meet the fund outflow needs of an organization by streamlining the operations and increasing efficiency. Payments module offers the customer paper based and electronic payments. It offers multiple initiation modes (standing Instructions, Payment Entry or File upload), Instrument designing, Inventory management, MICR or non MICR printing, Signatory Management, Logo Printing, Printer Watch, Online Core banking interface.

- **Cash@Will – Liquidity Management:** Liquidity Management is the art of managing the Company's most valuable asset, cash. Liquidity management tools and techniques focus on minimizing the external borrowings, thereby reducing the interest expense, and simultaneously investing the excess funds to maximize the income.

BankONet™ the internet banking front end interfaces with the bank backend processors to provide the customer with a wide range of services for which he is eligible and has subscribed for. Key services are for cash management, reports and account balances.

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

FinnOne™ is flagship product for the lending business from Nucleus software. FinnOne™ was developed more than a decade back to serve lending need in BFSI. Cash@Will™, our existent product was developed about a decade ago to serve Cash Management needs of the Banks while serving their Corporate Customers. In past few years technology & business needs have changed rapidly. To mitigate the risk of obsolescence and align with market needs, the Company decided

to initiate new product development; **FinnOne™ Pro Gold** in the lending vertical and **FinnOne - Transaction Banking System** in the Cash Management verticals of the banking space.

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

Group Structure

Nucleus' operations are managed through Parent Company based in India and well-networked subsidiaries in India, Japan, Netherlands, Singapore and USA. All major software development takes place in development centres in India and Singapore; the subsidiaries above and branch offices in India, Korea, Philippines, UAE and UK provide an effective front-end of customer acquisition and servicing. At the Parent Company level, global responsibilities for Software Delivery, Quality Assurance, Product and Account Management, Sales and Marketing, Finance and Human Resources have been defined to achieve the objectives.

Senior members in Global Delivery, Sales and Marketing and Human Resources were hired during the year. Total manpower numbers stood at 1,503 at the end of the year.

Through these efforts we continue to build a robust Brand Nucleus with business from all global markets, creation of an effective distribution network through partnership's, alliances and acquisitions, seamless and high quality delivery with high customer satisfaction rating.

FINANCIAL PERFORMANCE

Financial statements of the Company are prepared under the historical cost convention in compliance with the requirements of the Companies Act, 1956, the Generally Accepted Accounting Principles (GAAP) in India and mandatory accounting standards as prescribed in Companies (Accounting Standard) Rules, 2006. The Company has six subsidiary companies, all over the world, all of which are wholly-owned subsidiaries. The Company discloses audited financial results on a quarterly and annual basis. The financial results of the Company have been discussed in this report in two parts:

- i) Nucleus Software Exports Limited (Consolidated) including performance of subsidiaries of Nucleus Software, discussed in this chapter. This consolidated presentation is more relevant for understanding the overall performance of the group especially as intercompany transactions are eliminated being contra.
- ii) Nucleus Software Exports Limited (Standalone) which excludes the performance of subsidiaries of the Company, has been discussed in the earlier part of this Annual Report.

Salient features that differentiate these two new products are:

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

Figure 1



Nucleus Software Exports Limited

The consolidated financial results are as below:

(₹ in crore)

For the Year Ended March 31,	2013	% of Revenue	2012	% of Revenue	Growth (%)
Income from Operations	293.76	100.00	282.25	100.00	4.08
Expenses					
a) Employee benefit expense	163.41	55.63	157.08	55.65	4.03
b) Travel expenditure	20.20	6.88	19.54	6.92	3.38
c) Finance costs (Bank Charges)	0.44	0.15	0.33	0.12	33.33
d) Other expenses	63.81	21.72	69.75	24.71	(8.52)
Total Expenses	247.86	84.38	246.70	87.40	0.47
Operating Profit (EBITDA)	45.90	15.63	35.55	12.60	29.11
Depreciation	6.09	2.07	7.45	2.64	(18.26)
Operating Profit after Interest and Depreciation	39.81	13.55	28.10	9.96	41.67
Other Income	17.28	5.88	16.87	5.98	2.43
Foreign Exchange Gain/ (Loss)	2.97	1.01	3.34	1.18	11.33
Profit Before Tax	60.06	20.45	48.31	17.12	24.32
Taxation					
– Withholding Taxes	0.63	0.21	0.92	0.32	(31.52)
– Current Tax (Net of MAT credit entitlement)	14.66	4.99	11.45	4.06	28.03
– Other taxes	(0.40)	(0.14)	0.59	0.21	(166.67)
Profit After Tax	45.17	15.38	35.34	12.52	27.82

Revenue from Operations

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

We witnessed year on year growth driven by product sales and successful implementations across locations. During the year, the total revenue from operations is ₹ 293.76 crore, registering a growth of 4.08% over ₹ 282.25 crore, total revenue for the previous year.

Revenue from Products

We are a Product Company and derive most of our revenues from Products and related services, categorized under revenue from “Products”. It comprises of license fees, revenue from customization and implementation of products and post-production maintenance support. Product revenue for the year is ₹ 197.69 crore, 67.30% of the total revenue, against Product revenue of ₹ 204.99 crore, 72.63% of total revenue, in the previous year.

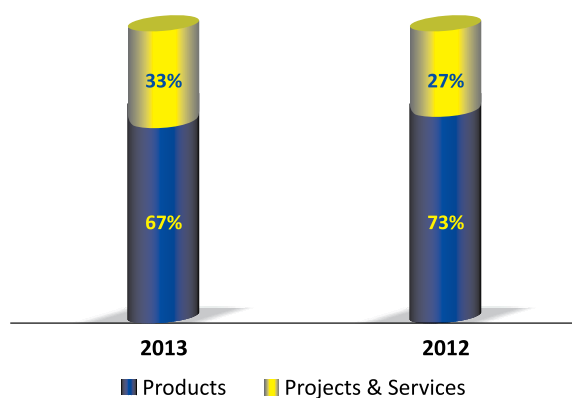
Revenue from Projects and Services

Software services rendered by the Company, classified under this segment, typically consist of development of software to meet specific customer requirements. These services consist of application development & maintenance, testing, consulting and infrastructure management services with a strong banking domain focus. Revenue from Software projects and services has grown for the year to ₹ 96.07 crore, 32.70% of the total revenue for fiscal 2013 against ₹ 77.26 crore, 27.37% of the total revenue for fiscal 2012.

Revenue from Various Geographies

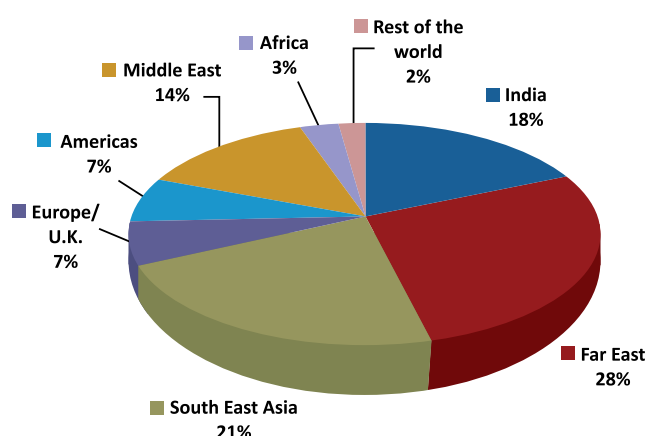
Your Company is incorporated in India, caters to customers situated all across the globe, and hence significant part of the revenue is derived from international sales. The graph below presents a geography-wise distribution for the year as well as the previous year.

Revenue from Business Segments

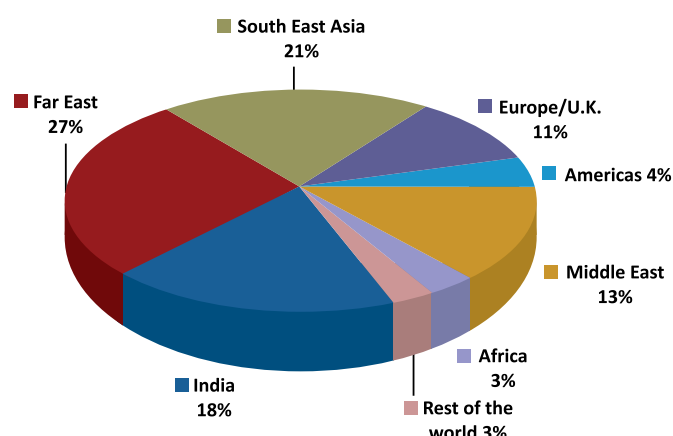


Management's Discussion and Analysis

Revenue from Various Geographies for FY 13



Revenue from Various Geographies for FY 12



EXPENSES

Employee Benefit Expense

Employee benefit expenses include salaries paid to employees globally which have fixed and variable components; provision for retirement benefits, contribution to provident fund and expense on staff welfare activities. The employee benefit expenses have increased by 4.03 % to ₹163.41 crore, 55.63 % of total revenue. For the previous year, they were at ₹157.08 crore, 55.65% of total revenue.

(₹ in crore)

For the Year Ended March 31,	2013	% of Revenue	2012	% of Revenue	Growth (%)
Salaries	150.52	51.24	145.23	51.45	3.64
Contribution to provident and other funds	7.71	2.62	7.43	2.63	3.77
Gratuity expense	2.28	0.78	1.95	0.69	16.92
Staff welfare	2.90	0.99	2.47	0.88	17.41
Total Employee Benefit Expenses	163.41	55.63	157.08	55.65	4.03
Revenue	293.76	100.00	282.25	100.00	4.08

Operating and Other Expenses

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

Operating and other expenses at ₹ 84.45 crore, 28.75% of revenue for the year remained under control, a decrease of 5.77% against ₹ 89.62 crore, 31.75% of revenue in the previous financial year.

(₹ in crore)

For the Year Ended March 31,	2013	% of Revenue	2012	% of Revenue	Growth (%)
Outsourced Technical Services expense	10.71	3.65	19.88	7.04	(46.13)
Travelling	20.20	6.88	19.55	6.93	3.33
Cost of software purchased for delivery to customers	5.59	1.90	7.89	2.80	(29.15)
Power and fuel	4.03	1.37	3.36	1.19	19.85
Rent	10.96	3.73	9.44	3.34	16.10
Rates & Taxes	0.33	0.11	0.29	0.10	13.79
Repair and maintenance	2.94	1.00	2.37	0.84	24.05
Legal and professional	8.86	3.02	6.80	2.41	30.36
Conveyance	1.58	0.54	1.43	0.51	10.60
Communication	2.72	0.93	2.44	0.86	11.43
Information technology expenses	1.83	0.62	1.73	0.61	5.78
Provision for doubtful debts/advances/other current assets	4.37	1.49	4.63	1.64	(5.62)
Commission to channel partners	1.04	0.35	1.83	0.65	(43.17)
Training and recruitment	1.38	0.47	1.30	0.46	6.15
Conference, exhibition and seminar	1.82	0.62	1.00	0.35	82.00
Advertisement and business promotion	1.06	0.36	0.98	0.35	8.16
Insurance	0.57	0.19	0.58	0.21	(1.72)
Finance Cost (Bank Charges)	0.44	0.15	0.33	0.12	33.33
Miscellaneous expenses	4.02	1.37	3.79	1.34	6.07
Total Operating and Other Expenses	84.45	28.75	89.62	31.75	(5.77)
Revenue	293.76	100.00	282.25	100.00	4.08



Nucleus Software Exports Limited

- Outsourced Technical Services expense have reduced due to lower outsourcing of technical work for software development. It is ₹ 10.71 crore against ₹ 19.88 crore in the previous financial year.
- Lower Cost of software purchased for delivery to customers is an effect of corresponding decrease in trading revenue. It is ₹ 5.59 crore against ₹ 7.89 crore in the previous financial year.
- Provisions for doubtful debts include bad debts written off and provision for all invoices outstanding for a period of 365 days or more and those invoices which are considered doubtful based on the Management's perception of risk of collection as per the Company's policies. It is ₹ 4.37 crore against ₹ 4.63 crore in the previous financial year.
- Conference, exhibition and seminar expenses are the costs incurred on brand building through our participation at various events. During the year, we participated in various key events like MEFTEC -Dubai, SIBOS -Osaka, IDG Vietnam - Hanoi etc. The expenditure is ₹ 1.82 crore against ₹ 1.00 crore in the previous financial year.
- Finance cost includes bank charges and fee for issuance of bank guarantees. It is ₹ 0.44 crore against ₹ 0.33 crore in the previous financial year.

With disciplined approach towards management of costs, we have taken a number of steps to improve our operational efficiency and there has been a very strong control and focus on costs.

Operating Profit (EBITDA)

Operating Profit improved to ₹ 45.90 crore, 15.63% against ₹ 35.55 crore, 12.60% of revenue in the previous year. We achieved operating profit growth of ₹ 10.35 crore and a growth in operating margins by 303 basis points with favorable exchange rate movement.

Depreciation

Depreciation on fixed assets was ₹6.09 crore, 2.07% of revenue for the year against ₹7.45 crore, 2.64% of revenue in the previous year. Depreciation is lower due to certain assets completing their useful life tenure.

Other Income

Other Income represents income received in the form of dividends from non-trade investments, interest on fixed deposits, capital gains on the sale of current investments. All these investments are in India.

(₹ in crore)

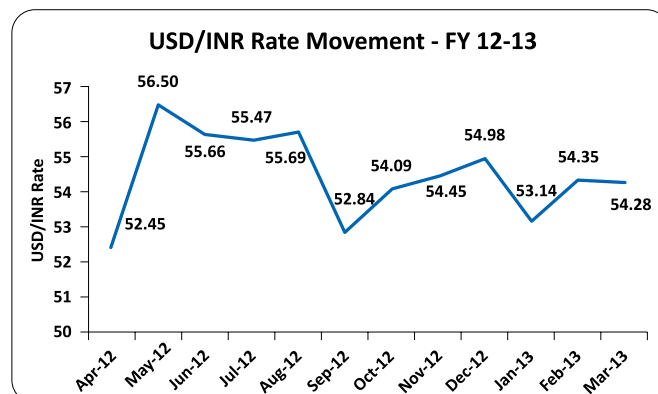
For the Year Ended March 31,	2013	2012
On Investments		
Capital Gain- Mutual Funds	1.03	1.02
Dividend on investment in Mutual fund units	7.34	8.88
Interest Income	7.29	3.94
Foreign Exchange differences on consolidation	(0.17)	0.20
Provisions written back	0.67	0.84
Others	1.12	1.99
Total	17.28	16.87

Other income for the year is ₹17.28 crore, against ₹16.87 crore in the previous year.

Foreign Exchange Gain / (Loss)

Foreign Exchange Gain (Loss) includes gain (loss) from translation of current assets and liabilities at quarter end rates, those arising from realization/payments of receivables/payables and from cancellation of options and forward contracts, respectively. During the year, the Company had a foreign exchange gain of ₹2.97 crore against ₹ 3.34 crore for the previous year.

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



The year witnessed extreme volatility with major international currencies; at different points of time, and required careful monitoring to reduce risk. The Indian Rupee varied from a high of 50.56 to the Dollar in April 2012 to a low of ₹ 57.22 in June 2012 and overall lost 6.68% against the US Dollar on a March end to March end comparison. Japanese Yen in which 11% of your Company's revenue arises, weakened by over 20 percent between December 2012 and March 2013 against the US Dollar and as the Indian Rupee traded in a narrow band, the cross was negative for our Yen realisations.

The Company follows a well-defined policy of hedging close to receivables through Forward Contracts which are designated as Highly Probable forecast transactions. The Company has a conservative approach and does not speculate in foreign currency markets. Forwards are held to maturity and regular reporting and monitoring systems are in place including quarterly updates to the Audit Committee. In terms of foreign currency hedges, we had on March 31, 2013, 10.50 million US dollars of forward contracts at an average rate of 56.15, designated as highly probable forecast transactions. There is a mark-to-market gain of ₹ 73.97 lakhs reflected in the hedging reserve in balance sheet. Currency-wise revenues for the year along with a comparison for the previous years are as follows:

For the Year Ended March 31,	2013	2012
Indian Rupee	18.16%	18.12%
Japanese Yen	11.29%	7.16%
Singapore \$	10.18%	8.38%
US \$	55.30%	61.66%
Malaysian Ringgit	2.15%	1.53%
South Korean Won	0.93%	1.17%
Euro	1.48%	1.98%
GBP	0.41%	—
CHF	0.06%	—
SEK	0.04%	—
TOTAL	100.00%	100.00%

Management's Discussion and Analysis

Taxation

It represents provision for corporate & income taxes determined in accordance with tax laws applicable in countries where the Company and subsidiaries operate.

(₹ in crore)

For the Year Ended March 31,	2013	2012
Withholding taxes charged off	0.63	0.92
Current Tax	14.66	11.45
Deferred Tax Credit (net)	(0.42)	(0.31)
Earlier Year Tax	0.02	0.90
Total	14.89	12.96

Total effective tax for the year is 24.79% of Profit Before Tax, in comparison to 26.83% of Profit Before Tax for the previous year. One of the Company's unit is operational from SEZ in Jaipur. SEZ's in India are eligible for tax exemptions and a host of other fiscal benefits, incentives and concessions both from the State and Union Government.

Profit After Tax

Our profit after tax for the year is ₹ 45.17 crore, 15.38% of revenue, recording a growth of 27.82% over ₹ 35.34 crore, 12.52% of revenue, previous year.

We are conscious of the need of overall revenue growth, which would enable us to sustain ourselves in this era of intense competition. We would continue with our major emphasis on increasing revenue growth coupled with higher productivity to generate better margins. Capturing greater market share in products would also yield better realizations. Emerging markets across the world will continue to provide stability and growth would be led by larger engagements and value offerings.

Share Capital

Share Capital of the Company consists of Equity Share Capital. The paid-up share capital as on March 31, 2013 is 32,383,634 equity shares of ₹10 each as against 32,383,454 equity shares of ₹10 each as on March 31, 2012. The increase in the paid-up share capital of the Company during the year has been due to allotment of 180 shares on exercise under Employee Stock Option Plan 2005.

Subsidiaries

The Company has six subsidiary companies, all over the world, all of which are wholly-owned. There is also a step down subsidiary at Singapore. As 100% of the Share Capital of the Subsidiaries is held by Nucleus Software Exports Limited and nominees; on consolidation of accounts, these amounts are contra with investments in Subsidiaries amounts in the accounts of the Parent Company. Paid-up Share Capital of the Subsidiaries as on March 31, 2013 is as per the below table.

Name of Subsidiary Company	Currency	As at March 31, 2013		As at March 31, 2012	
		In foreign Currency	Eqv. ₹ in crore	In foreign Currency	Eqv. ₹ in crore
Nucleus Software Solutions Pte. Ltd. Singapore. 625,000 equity shares of S\$ 1 each.	SGD	625,000	1.63	625,000	1.63
Nucleus Software Inc., USA. 1,000,000 shares of US\$ 0.35 cents each	USD	350,000	1.63	350,000	1.63
Nucleus Software Japan Kabushiki Kaisha, Japan. 200 equity shares of JPY 50,000 each	JPY	10,000,000	0.41	10,000,000	0.41
VirStra i-Technology Services Ltd., India. 1,000,000 equity shares of ₹ 10 each	INR	—	1.00	—	1.00
Nucleus Software Netherlands B.V., Netherlands. 4,000 equity shares of Euro 100 each	Euro	400,000	2.42	400,000	2.42
Nucleus Software Limited, India 10,000,000 equity shares of ₹10/- each	INR	—	10.00	—	10.00
Step down Subsidiary of Nucleus Software Exports Ltd.					
VirStra i-Technology (Singapore) Pte. Ltd., Singapore. 200,000 equity shares of S\$ 1 each	SGD	200,000	0.56	200,000	0.56

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

As per General Circular No: 2/2011 issued by the Government of India, Ministry of Corporate Affairs, a general exemption was provided to Companies for attaching the Directors' Report, Balance Sheet and Profit and Loss Account of all subsidiaries to its balance sheet, subject to fulfilling certain conditions as stipulated in the circular. Your Company complies with those conditions and, therefore, has been generally exempted by the

Central Government from attaching detailed accounts of the subsidiaries, and accordingly, the financial statements of the subsidiaries are not attached in the Annual Report.

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



Nucleus Software Exports Limited

Reserves and Surplus

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

	₹ in crore		
	Opening Balance as on April 1, 2012	Additions/ (Deletions) during the year	Closing Balance as on March 31, 2013
General Reserve	79.33	4.04	83.37
Securities Premium	2.19	–	2.19
Capital Reserve	0.87	0.02	0.89
Foreign Currency Translation Reserve	7.75	1.21	8.96
Hedging Reserve	(0.09)	0.83	0.74
Profit and Loss Account Balance	191.69	29.76	221.45
Total	281.74	35.86	317.60

Fixed Assets

As at March 31, 2013, gross block of fixed assets including investment in technology assets is ₹ 123.52 crore (₹ 119.22 crore as on March 31, 2012).

	₹ in crore		
As at March 31,	2013	2012	Inc/Dec (%)
Gross Block			
Freehold land	0.34	0.34	–
Leasehold land	18.78	18.78	–
Leasehold improvement	0.76	1.27	(40.63)
Building	28.17	28.14	0.11
Office and other equipment	19.18	18.83	1.86
Computers	31.11	31.16	(0.16)
Vehicles	1.44	1.52	(4.64)
Furniture and fixtures	5.16	5.15	0.19
Software	18.58	14.03	32.43
Total	123.52	119.22	3.61
Less; accumulated depreciation	72.83	70.31	3.58
Net Block	50.69	48.91	3.64
Add: Capital Work In Progress	–	–	–
Net Fixed Assets	50.69	48.91	3.64

There are fresh additions of ₹ 7.88 crore during the year, including ₹ 2.38 crore of computer hardware and ₹ 4.56 crore of software purchases. The net fixed assets after depreciation are ₹ 50.69 crore as on March 31, 2013 against ₹ 48.91 crore as on March 31, 2012.

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, 2013 the cash and bank balances (including fixed deposits) stood at ₹ 111.99 crore (₹ 92.04 crore on March 31, 2012), current investments in liquid schemes and Fixed Maturity Plans of mutual funds are ₹ 144.74 crore (₹ 104.12 crore on March 31, 2012) and investments in tax free secured, redeemable, non-convertible Bonds of Public Sector Enterprises are ₹ 10 crore. (Nil as on March 31, 2012)

Total cash and current investments are thus at ₹ 266.72 crore on March 31, 2013 against ₹ 196.16 Crore as on March 31, 2012.

	₹ in crore	
As at March 31,	2013	2012
Balances with Bank		
In Current Accounts	19.95	21.50
In Fixed Deposit Account	92.03	70.53
Investments in Mutual Funds	144.74	104.12
Investments in tax free Bonds	10.00	–
Total	266.72	196.16

As a part of the financial policies, the Company believes in maintaining high level of liquidity as it provides immense support against contingencies and uncertainties.

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

	₹ in crore	
As at March 31,	2013	2012
Balances with Banks		
In Current Accounts in India		
Citi Bank	0.04	0.43
Citi Bank – EEFC accounts in US dollar	3.44	1.94
DBS Bank	0.01	0.10
HDFC Bank – EEFC accounts in US dollar	0.06	0.76
HDFC Bank	0.34	0.18
HDFC Bank – Unclaimed dividend accounts	0.21	0.18
HSBC Bank – Unclaimed dividend accounts	–	0.02
ICICI Bank	0.0	0.07
State Bank of India	0.02	0.02
In Current Accounts in Overseas locations		
Citibank, UK	0.04	0.08
Citibank, UAE	0.07	0.11
Citibank, Spain	0.06	0.08
Citibank, Singapore	5.38	5.79
Citibank, Korea	0.64	0.90
Citibank, Philippines	0.05	0.13
PNC Bank, USA	0.79	4.46
Bank of Tokyo Mitshubishi, Japan	0.69	0.91
Shinsei Bank, Japan	2.11	2.48
Citibank, Japan	4.51	1.32
Citibank Singapore	0.02	0.06
Citibank Netherlands.	0.54	1.55
Remittance in transit	0.92	–
Total Balances in Current Accounts	19.95	21.50
In Fixed Deposit Accounts		
HDFC Bank	6.05	0.10
Citi Bank	0.8	0.28
Bank of India	19.85	20.02
State Bank of Travancore	8.94	20.00
ICICI Bank	20.00	–
Corporation Bank	19.83	19.90
State Bank of India	6.52	0.22
Punjab National Bank	10.01	10.01
Total Balances in Fixed Deposit Accounts	92.03	70.53
Total Bank Balance & Fixed Deposits	111.99	92.04

Our net cash flow from operating activities before working capital changes is ₹49.82 crore for the financial year against ₹43.95 crore in the previous year. After considering working capital changes, operating cash flow is ₹74.79 crore against ₹13.47 crore.

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

Management's Discussion and Analysis

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

As at March 31,	2013	2012
Operating cash flow as % of revenue	16.96%	15.57%
Days of sale receivable	87	114
Cash and current investments as % of assets	58.11%	47.72%
Cash and current investments as % of revenue	90.80%	69.50%
Current investments as % of assets	33.72%	25.33%
Current investments as % of revenue	52.68%	36.89%

Other Long-Term Investments

Other long term investments comprise of investment in 250,000 Equity Shares of face value of ₹10/- each in Ujjivan Financial Services Private Ltd., a Company promoted in the area of micro finance by a group of experienced professionals with banking and technology background.

Trade Receivables

Our trade receivables (net of provision) as on March 31, 2013 are ₹ 69.80 crore, against ₹ 87.83 crore as on March 31, 2012. 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,	2013	2012
Less than three months	86.91%	94.40%
Between 3 and 6 months	9.81%	3.24%
More than 6 months	3.28%	2.36%

The Company has a policy of providing for all debtors outstanding for a period of 365 days or more and for those invoices which are otherwise considered doubtful based on the Management's perception of risk of collection.

Loans and Advances

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

As at March 31,	2013	2012
Long term Loans and advances		
Security deposits	2.84	2.87
Advance income tax	14.10	10.91
Prepaid expenses	0.75	0.66
MAT credit entitlement	3.90	4.91
Loan & Advances to employees	0.23	0.61
Capital advances	-	0.01
Total	21.82	19.97
Short term Loans and advances		
Security deposits	0.05	0.06
Advance fringe benefit tax	0.27	0.27
Prepaid expenses	4.40	3.21
MAT credit entitlement	0.66	2.43
Loan & Advances to employees	1.38	2.51
Supplier advances	0.57	1.74
Mark-to-market gain on forward contracts	0.83	-
Others	1.14	1.10
Total	9.30	11.32
Total Loans and Advances	31.12	31.29

Security Deposits, utilised primarily for hiring of office premises and staff accommodation, amounts to ₹ 2.89 crore as on March 31, 2013 (₹ 2.93 crore as on March 31, 2012).

MAT credits are ₹ 4.56 crore as on March 31, 2013 against ₹ 7.43 crore as on March 31, 2012.

Current Liabilities

Current liabilities represent trade payables, short-term provisions and other current liabilities. As on March 31, 2013 the Current liabilities are ₹ 96.52 crore (₹ 85.66 crore as on March 31, 2012)

As at March 31,	2013	2012
Trade Payables	25.34	30.08
Advances from customers/advance billing	27.60	15.95
Deferred Revenue	22.48	22.12
Unclaimed dividend	0.20	0.19
Book Overdraft	1.71	-
Payable for purchase of fixed assets	0.25	-
Statutory dues	3.70	3.95
Other Payables	-	0.25
Short term provisions		
Leave encashment	1.49	1.50
Gratuity	2.38	2.21
Proposed dividend	9.72	8.10
Tax on dividend	1.65	1.31
Total	96.52	85.66

Trade payables represent the amount payable for providing goods and services and are ₹ 25.34 crore as on March 31, 2013 (₹ 30.08 crore as on March 31, 2012)

Advances from customers as on March 31, 2013 is ₹ 27.60 crore (₹ 15.95 crore as on March 31, 2012). These consist of advance payments received from customers for which related costs have not been yet incurred or product license delivery is at later date.

Deferred revenue represents the advance invoicing for annual maintenance charges for which services are to be rendered in the future. As of March 31, 2013 it is ₹22.48 crore (₹ 22.12 crore as on March 31, 2012)

Statutory dues are the amounts accrued for taxes deducted at source by the Company, staff provident fund, employee state insurance liabilities, sales tax, etc. As on March 31, 2013 it is ₹ 3.70 crore (₹ 3.95 crore as on March 31, 2012).

Short term provisions for leave encashment and gratuity are those for which liability is expected to arise in near future. A sum total of all these short-term provisions as on March 31, 2013 are ₹ 15.24 crore (₹ 13.12 crore as on March 31, 2012).

Long-term Provisions

Long term provisions as on March 31, 2013 were ₹12.44 crore (₹11.26 crore as on March 31, 2012). The break-up of provision at the year-end is given below:

As at March 31,	2013	2012
Gratuity	7.48	6.72
Leave encashment	4.96	4.54
Total	12.44	11.26

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

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



Risk Management Report

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

1. The Probability or likelihood that loss or damage will occur.
2. The Expected time of occurrence.
3. Magnitude of the negative impact that can result from its occurrence.

Focus of risk management is to identify, analyze, evaluate and mitigate all known forms of risks. It may be termed as a continuous process of developing and enhancing comprehensive systems to manage business to mitigate risk and optimize business performance. This holistic approach enables organizations to reduce duplication of efforts, increase efficiency and enable smarter business decision making process.



Figure 1

Risk Management Structure at Nucleus

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

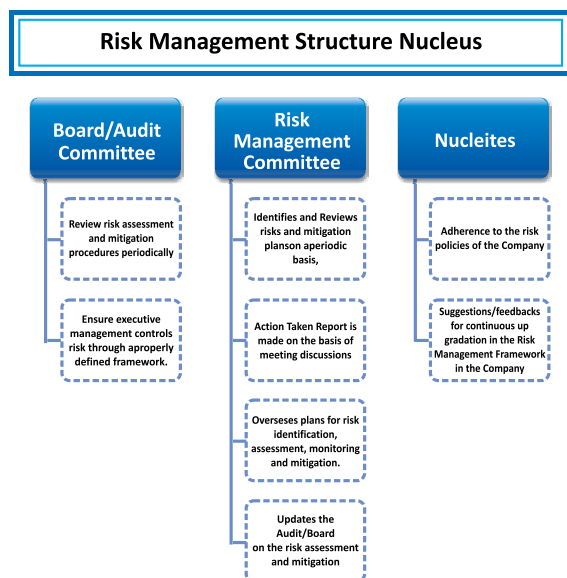


Figure 2

Company endeavors to manage unexpected outcomes and reduce the impact of risk events when they occur. Risk Management empowers Management to take informed decisions, under guidance of Board that maximize value, reduce costs and balance risk with returns.

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

At a strategic level, our risk management objectives are to:

- Identify the Company's significant risks;
- Formulate the Company's risk appetite and ensure that business profile and plans are consistent with it;
- Ensure that business growth plans are properly supported by effective risk infrastructure;
- Manage risk profile to ensure that specific deliverables remain possible under a range of adverse business conditions; and
- Help executives improve the control and co-ordination of risk taking across the business.

The Company's business operations are subject to various risks particular to the industry and certain generic risks including those described below, that could have an adverse impact on business.

Adverse Economic political and market conditions and Reduction in Corporate IT Spending Budgets may harm our business. Our business is influenced by a range of factors that are beyond our control. These include:

- General economic and business conditions;
- The overall demand for enterprise software;
- Customer budgetary constraints or shifts in spending priorities; and
- General political developments

Economic slowdown translates into reduction and /or delays in technology spending decisions by banking & financial services firms from whom we essentially derive our revenues.

A general weakening of, and related declining corporate confidence in, the global economy or the curtailment in government or corporate spending could cause our current or potential customers to reduce their information technology (IT) budgets, which could cause customers to delay or decrease purchases of our products. If demand for our product declines, or consumer or business spending for our products declines, our revenue will be adversely affected. In the past few years, ongoing difficult economic environment has forced sweeping changes in IT budgets. IT investments have faced increased scrutiny and there have also been postponement of new development work with banks and financial institutions.

In addition, political unrest, terrorist attacks and other hostilities in various parts of the world, potential public health crises and natural disasters continue to contribute to a climate of economic and political uncertainty that could adversely affect our results of operations and financial condition, including our revenue growth and profitability.

We seek to mitigate this risk by working in both Developed and Emerging economies and focusing on value based solutions which

Risk Management Report

enable our customers to significantly reduce cost in a difficult environment.

Our business depends on our ability to attract and retain talent.

Software product business models support non-linear growth, hence the talent pool needs to comprise an adequate number of professionals with very specific functional of domain expertise. The current available talent pool in India rates low in skill categories for product architect, product management, product marketing, user interface and design and release and configuration which are critical for the software product business. This wide gap is forcing companies to invest heavily in addressing training requirements. Another concern area is rapid job switches among professionals leading to high attrition levels. To contain attrition, we are investing proactively in hiring, training, cross skill development, managing motivation and rewarding performance. All these measures lead to further cost escalation aggravating margin pressure.

Our limited ability to recruit internationally may further prove a roadblock in our measure to drive sales internationally. Also if we are unable to retain key employees, our ability to develop and deliver successful products may be adversely affected. Succession planning is also equally important. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution.

Over time, we have developed a recruitment system and database specific to our domain that facilitates rapid identification of skilled candidates. We are strengthening our relations with the academic world in terms of reaching out to both business schools and engineering institutes in the country to develop a well-rounded workforce. We rely on hiring from a mix of university and industry talent worldwide and differentiate talented individuals by offering diverse customer exposure in different geographies, opportunity to work on products rather than services, and competitive compensation. During the year, we also laid focus on learning and development and global readiness for Nucleus as a global employer.

We may not be scalable as an organization for growth structures.

Our structures and processes might not have the potential to grow our revenue base significantly faster than the cost base; and hence may not be adequate for envisaged growth plan. Our people in key positions may not be suitable for large scale operations. The business model that we currently have, may not adequately facilitate growth. Our product offerings may be insufficient to fuel growth.

We are working towards mitigating this risk by instilling measures to :

- Develop leadership skills in our top brass
- Develop skills and competencies
- Retain talent

Company is constantly exposed to the risk of exchange rate fluctuations. We conduct major portion of our business transactions in currencies other than the Indian Rupee. More than eighty percent of our revenue is denominated in foreign currency, predominantly the US Dollars. 75-80% of our expenses are in the Indian Rupee and therefore the Company is exposed to continuing risk of foreign exchange fluctuation. Movements in value of the Indian Rupee against the US Dollars, Euro and Japanese Yen can cause significant variation in our revenue and profitability.

The exchange rate between the Indian Rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Indian Rupee was unable to return as a strong currency and ended the year historically on the weakest ending level of 54.28 to a Dollar, weakening by more than 6.50% percent over the previous year when it was 50.88 on March 31, 2012. A weaker local currency can lead to increased profitability in the short run with implications on cost in the medium term. In earlier years, there has been steep appreciation in the external value of the Indian Rupee and volatility management becomes extremely challenging.

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

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

	As of March 31,	
	2013	2012
Aggregate amount of outstanding forward and options contracts	\$ 10.50 million	\$ 12.00 million
Gain/(loss) on outstanding forward and options contracts reflected in the Hedging Reserve in the Balance Sheet	₹ 0.74 crore	₹ 0.09 crore

The Company follows a well-defined policy of hedging close to receivables through Forward Contracts which are designated as Highly Probable forecast transactions. The Company has a conservative approach and does not speculate in foreign currency markets. Forwards are held to maturity and regular reporting and monitoring systems are in place including quarterly updates to the Audit Committee.

We face strong competition across all markets for our products and services. Our competitors range in size from Fortune 100 companies to small, specialized single-product businesses. In addition, we also compete with numerous smaller local companies in the various geographic markets in which we operate. Although we believe our product robustness is our competitive advantage, our competitors may be more effective in devoting technical, marketing, and financial resources to compete with us. In addition, competitors offer a full suite of services and tend to focus on providing end to end solutions. Due to the wide focus of these products, the functionalities offered in specific areas are limited vis-à-vis the products offered by your Company. Therefore, our products tend to complement other products being used by the customer.

These competitive pressures may result in decreased sales volumes, price reductions, and/or increased operating costs, such as for marketing and sales incentives, resulting in lower revenue, gross margins, and operating income. As we continue to create additional functionality and products, we compete with additional vendors.



We compete based on our ability to offer to our customers' competitive integrated solutions that provide the most current and desired product and services features. In response to competition, we rely on the following to compete effectively:

- a successful delivery model;
- a well-developed recruiting, training and retention model;
- a broad referral base;
- continuing investments in process improvement and knowledge capture

As we continue to respond to market demand with additional functionality and products, we will continue to compete with additional vendors. We believe our products compete effectively based on our strategy of providing flexible, easy to use solutions.

We may not be able to adequately protect our Intellectual Property (IP) rights. Your Company has an IP led business model and globally licenses IP in the form of products for the Banking and Financial Services Industry. Protecting our global intellectual property rights and combating unlicensed copying and use of software and other intellectual property is challenging. Reductions in the legal protection for software intellectual property rights could adversely affect revenue. Our inability to prevent violation or misuse of intellectual property could cause significant damage to our reputation and adversely affect our results of operations. We may at times be unable to protect our source code from copying if there is an unauthorized disclosure of source code; critical to our business. This could make it easier for third parties to compete with our products by copying functionality, which would also affect us unfavourably.

We have made and expect to continue making significant expenditure related to the use of technology and intellectual property rights as part of our strategy to manage this risk. Our security architecture is in line with client processes and has been tailor-made specifically towards our business compliance requirements. Our data, applications, network and workflow are comprehensively secured. We have also implemented DLP (Data loss prevention) solution to safeguard /Protect our IPR. Customized policies have been made to control the data protection; this includes policies for different source codes, organizational process & assets etc. As a policy, the Company develops own IP at its own cost using own resources and is actively engaged in seeking maximum legal protection for the Intellectual Property through a combination of trademarks, confidentiality procedures and contractual provisions.

Increased exposure with specific customers may impact our profitability. This may result in an increase in the credit risk and make us highly vulnerable for customers negotiating positions at the time of contract renewal or work distribution among multiple vendors. The group's profitability and revenues would be affected in case of loss of business with these major customers or significant downsizing of projects by these customers.

Major revenue contribution by a few customers may pose a risk in the circumstances when:

- There is loss of business from those customers
- They decide to significantly reduce volume of business with us
- Cancellation or deferral of significant projects from these customers
- Moving work in-house by them.

At the same time, large customers help us scale up revenues quickly and repeat-business contributes to higher margins through lower marketing costs. We being in the product space, enjoy enduring long-term relationships with large customers. Your Company derived 47% of revenues from top 5 customers, similar to last year. Vendor consolidation and budgetary constraints at customers end have also been partially responsible for this decreased exposure with certain customers. These advantages and risks have to be balanced and we believe the solution is to increase the number of large customers, as business with existing customers is the backbone of our platform for providing complete product and services solutions.

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

Nucleus has defined roles, responsibilities and authorities for employees at all levels. The Company has a robust system of Internal Audit and has appointed reputed Internal Auditors to check on the validity and correctness of internal reporting, which in turn validates financial reporting. Well –designed authority matrix for Global Heads of Functions, Strategic Business Unit (SBU) Heads and Business Unit (BU) Heads further strengthen the Internal Control function. Such measures not only aid in assigning responsibility at various levels but also ensures a sense of accountability in people. To further ensure better internal control, the Board empowers the all-independent Audit Committee, with the authority to investigate any matter relating to the internal control system and to review the scope of Internal Audit.

Our prime focus on providing products and services only in the BFS domain to Banks and Financial Institutions exposes us to the risk of Industry concentration. This is linked to attendant risk of our performance being linked to health of the financial system and the banking sector worldwide and may impact our operating results or financial condition. A slowdown in economy translates to reduction or a delay in technology spending decisions by banking & financial services firms. While acknowledging this risk, we continue to focus on this sector and are confident that our "Value" based solutions will find greater market success. Our focus now is on improving efficiency by maintaining the existing operations at a lower cost. The present situation emphasizes the need for a strong risk management strategy to sense and avert systemic failures.

Security vulnerabilities and business continuity risk poses a threat to successfully running our operations. Our inability to put in place a Business Continuity Plan (BCP) to ensure the maintenance or recovery of operations, including service delivery to the consumers, when confronted with adverse events such as a disruption or failure of our systems or operations in the event of a major earthquake, weather event, cyber-attack, terrorist attack, or other catastrophic event could cause delays in completing sales, providing services, or performing other mission-critical functions. Our corporate headquarters, a significant portion of our research and development activities, and certain other critical business operations are located in Noida, India which is adjacent to the national capital of India, Delhi. Here it may be

Risk Management Report

worthwhile to mention that according to the Seismic Zone Mapping done by the Geological Survey of India (GSI), Delhi is considered among 30 cities in the country falling in zone IV, which is defined as a severe intensity seismic zone.

Any catastrophic event that results in the destruction or disruption of any of our critical business or information technology systems could harm our ability to conduct normal business operations. To counter this risk, Nucleus Business Continuity Plan is being developed, taking into consideration several planned and unplanned catastrophic events that may lead to business failures. We are also in the process of setting up Disaster Recovery Sites and improving our Business Continuity Model. The Company is continuously investing in security of its operations & processes and evaluating the risks on periodic bases. We are now an ISO 27001: 2005 (ISMS) certified organization, which reflects our attitude to increase adherence to secure practices. On the security front, strict procedures are in place to control the level of access to Datacenters and other sensitive areas. Access to the premises is controlled through Biometric access control systems and proximity cards. The Company has invested significantly in a state of the art network infrastructure for managing its operations and for establishing high-speed redundant links to overseas destinations. Additionally, the Internet filtering tools prevent any type of non-business usage over Internet within office and outside office.

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

Developing software products is expensive and the investment in product development often involves a long return on investment cycle. We have made and expect to continue to make significant investments in research and development and related product opportunities. Our degree of success with FinnOne™ Pro Gold and FinnOne - Transaction Banking System, our new products, will impact our ability to grow our share of the lending software market. If customers do not perceive our latest offerings as providing significant new functionality or other value, they may reduce their purchases of new software products or upgrades, unfavorably impacting revenue. Moreover, new products may not be profitable, and even if they are profitable, operating margins for new products and businesses may not be as high as the expected margins.

We operate a global business that exposes us to additional risks. Your Company is incorporated in India, has overseas subsidiaries in Japan, Netherlands, Singapore and USA and caters to customers operating in various countries and a significant part of the revenue is derived from international sales. Nucleus operations world-wide may be affected by changes in trade protection laws, policies and

measures, and other regulatory requirements affecting trade and investment. Deterioration of social, political, labour, or economic conditions in a specific country or region and difficulties in staffing and managing foreign operations may also adversely affect our operations or financial results. Substantial fluctuations in exchange rates between the Indian Rupee and foreign currencies may also adversely affect our net revenues.

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

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

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

There is always an inherent risk of Insider Trading that may happen in the shares of your public Limited Company. With your Company shares listed on National Stock Exchange of India Ltd. and BSE Ltd., there is always an inherent risk of Insider Trading that may happen in the shares of the Company. Trading in Nucleus shares by the designated employees of the Company on the basis of price sensitive information or communication counseling or procuring any unpublished price sensitive information to or from any person may be termed as insider trading.

Insider trading is a matter of concern for the Management of the Company and to mitigate this risk, Code for Prevention of Insider trading is implemented in the Company, and is reviewed by the Audit Committee time and again to ensure compliance and updation with the regulatory amendments. Secretarial audit includes a review of policies and processes governing any trading in the Company's shares by various stakeholders.



Corporate Social Responsibility

Corporate Social Responsibility is a responsible way of doing business for corporates.

Programs at Nucleus are based on adherence to ethical standards of law; most valuable for a society.

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

As per the Companies Bill 2012, corporates are expected to contribute to the welfare of the society in which they operate and wherefrom they draw their resources to generate profits. This gains importance with inclusion of separate sections on corporate social responsibility; in the Bill. The new Companies Bill, while mandating CSR spends for the corporates, also ensures monitoring of such spend through reporting and disclosures. We at Nucleus have mapped our status with the requirements and areas for improvement in order to comply with the Bill.

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

- Act in socially responsible manner at all times.
- Device mechanisms whereby business would monitor and ensure its adherence to law, ethical standards, and would embrace the responsibility for impact of its activities on the environment, consumers, employees and all its stakeholders.

The CSR programs at Nucleus are based on the above philosophy and the efforts for accomplishing the objectives of CSR are segregated into three main areas:

1. Society, 2. Environment and 3. Workplace

A number of initiatives in all these areas were taken during the year, building a culture of responsibility and paving the way for further contribution in the years ahead. Some of these initiatives are described below.



Nucleus for the Society: Society is an integral part of our existence and we Nucleites recognize this fact and in-turn try to give it back to the society. Nucleites value the role of society in our existence and turn out in great numbers to extend support wherever required.



- Nucleus recognizes the entitlement of differently-abled persons to realization of all human rights and fundamental freedom on equal terms with others in society, without discrimination of any kind. As per the Policy for Recruitment of Differently-abled Resources, we have Nucleites who are either visually, orthopedically, hearing or speech impaired, working with us in different business units. The endeavor is to assist in their growth and contribute towards taking the organization forward by providing all essential software/ tools/ trainings which would assist in their productivity.
 - Separate trainings are organised for colleagues who are needs and are differently-abled. This has resulted in setting expectations within the teams and profiling of appropriate job descriptions.
 - Our office premises are also People With Disability (PWD) friendly
 - Our Company as a member of NASSCOM actively participates to build capacity to employ People with Disability and explore opportunities to enhance capacity within.
 - We also participate in Job Fair for People with Disability organized time and again.
- Various exhibitions by Non-Governmental Organisations (NGO) were conducted in the office campus, ahead of festivals like Diwali and Holi to promote sale of products/ articles prepared by rural artisans and Prisoners of Tihar Jail.
- Nucleites have always supported the needy families of our demised ex-employees and contributed in the form of donations as well as providing employment to their capable family members.
- Nucleites came forward and shared clothes, books and toys with under-privileged children on the occasion of Diwali and helped bring a smile on their faces.

Nucleus for Environment: Being a software company our product has a limited impact on the environment. Our company actively makes an effort to abide by the ethics of reduce, re-cycle and re-use, thereby consciously investing in products with a sustainable life-cycle.

- The huge green lawn at our corporate headquarters in Noida is an effort to ensure rain water harvesting to replenish the water table.
- Our corporate office has building well insulated and double glazed windows which help in saving electricity consumption. Also, the AC Plant being water cooled is almost 30% more efficient than air cooled reciprocator compressors, thereby saving on the electricity consumption.

Corporate Social Responsibility

- Various measures were taken during the year to making the organisation more energy efficient and reduce the consumption of electricity; contributing towards a greener planet.
- Our office in Jaipur SEZ has also been designed in a manner to ensure similar conservation of electricity.
- We ensure and promote judicious use of office equipment/ stationery
- Quarterly/Annual Reports are being sent in a soft copy format to the stakeholders, reducing paper usage.
- The Company has daily shuttle bus service from office to metro stations availed by Nucleites to reduce traffic congestion and environmental pollution
- The Company ensures that the resources used throughout the entire life-cycle of our products are optimally used and all members in the value chain are well aware of the same.
- We provide software services in Banking & Financial Services domain and make use of technologies that are resource efficient.
- We also invest in improving our technologies and services keeping social, ethical and environmental concerns in consideration.

Nucleus as a workplace: Nucleus believes that all its employees must live with social and economic dignity and freedom, regardless of nationality, gender, race, economic status or religion. Nucleus is committed to protecting human rights in all its operations and the communities in which it operates. Various activities were conducted during the year to help employees lead a healthy and balanced life.

- **Nucleus won the Nasscom Corporate Award** for excellent in Diversity and Inclusion- 2013 for a category of Best IT Services & Product Company (Less than 5000 employees). The award was given as a special recognition to Nucleus Software for emerging as a caring organisation towards its employees.
- Various activities were conducted during the year to assist employees in leading a healthy and balanced life.
- The Company tied up with a Health & Fitness expert, there is a Doctor@Nucleus initiative, whereby a Doctor is available weekly

to provide consultation and guidance within the office campus. Employees are also regularly provided health care tips through internal communication channels to safeguard against contagious diseases and to encourage a healthy lifestyle.

- Special sessions were conducted by expert practitioners for employees to address their medical related issues/ problems. These included sessions on cancer awareness for women and various blood donation camps
- Online counselling services being initiated through an agency to help employees address a range of problems related to relationship, stress, depression and workplace guidance
- MBA scholarship is being provided for in campus MBA programs by reputed institutes for Nucleites, to upgrade knowledge and productivity.
- Nucleus reimburses the education of children of its office help staff, those that have stayed with the organization for more than 5 years. The reimbursement covers their tuition fee for the year, course books & stationery and cost of school uniform.
- To combat day to day work-life stress we have yoga, gym and fitness facilities within the campus for Nucleites to lead a healthy life
- Nuc-Club, a voluntary cross-functional team takes care of regular events for sports, quizzes, literary events, music, dance and other performing arts, and helps maintain a youthful and collegial atmosphere in the company.

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

Today Nucleus perceives **Corporate Social Responsibility** as a means to balance economic, social and environmental objectives while addressing stakeholder expectations and enhancing shareholder value. To this effect we actively promote inclusive growth and equitable development and value human rights. As per the **National Voluntary Guidelines on Socio-Economic and Environmental Responsibilities of Business**, we are structuring our initiatives in such a way that they address the nine guidelines mentioned therein.



AUDITORS' REPORT

For the Consolidated Financial Statements for the year ended March 31, 2013

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF NUCLEUS SOFTWARE EXPORTS LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Nucleus Software Exports Limited** ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group"), which comprise the Consolidated Balance Sheet as at 31 March, 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on the financial statement of subsidiaries referred to below in the Other Matter paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March, 2013;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Other Matter

We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets (net) of Rs.236,663,796 as at 31 March, 2013, total revenues of Rs.586,041,462 and net cash flows amounting to Rs. 52,653,947 for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the management and our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors.

Our opinion is not qualified in respect of this matter.

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

Sd/-
RASHIM TANDON
Partner
(Membership No. 095540)

Noida, 27 April, 2013



Nucleus Software Exports Limited

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2013

(Amount in ₹)

	Notes Ref.	As at 31 March 2013	As at 31 March 2012
EQUITY AND LIABILITIES			
1. SHAREHOLDERS' FUNDS			
a. Share capital	2.1	323,851,340	323,849,540
b. Advance pursuant to stock option plan	2.2	13,200	167,640
c. Reserves and surplus	2.3	3,176,035,120	2,817,421,828
		3,499,899,660	3,141,439,008
2. NON-CURRENT LIABILITIES			
a. Long-term provisions	2.4	124,450,634	112,631,182
3. CURRENT LIABILITIES			
a. Trade payables	2.5	253,360,204	300,796,129
b. Other current liabilities	2.6	559,494,626	424,674,306
c. Short-term provisions	2.7	152,415,178	131,147,976
		965,270,008	856,618,411
		4,589,620,302	4,110,688,601
ASSETS			
1. NON-CURRENT ASSETS			
a. Fixed assets			
- Tangible assets	2.8	461,482,267	473,042,374
- Intangible assets	2.8	45,427,669	16,079,558
		506,909,936	489,121,932
b. Non-current investments	2.9	2,523,000	2,523,000
c. Deferred tax assets (net)	2.10	60,779,256	56,613,368
d. Long-term loans and advances	2.11	218,166,791	199,771,294
e. Other non-current assets	2.12	2,023,135	13,948,997
		790,402,118	761,978,591
2. CURRENT ASSETS			
a. Current investments	2.13	1,547,406,783	1,041,280,367
b. Inventories		49,486,419	—
c. Trade receivables	2.14	698,017,163	878,322,125
d. Cash and cash equivalents	2.15	1,119,864,480	920,260,987
e. Short-term loans and advances	2.16	93,101,702	113,188,279
f. Other current assets	2.17	291,341,637	395,658,252
		3,799,218,184	3,348,710,010
		4,589,620,302	4,110,688,601

See accompanying notes forming part of the financial statements

I & 2

In terms of our report attached

For **DELOITTE HASKINS & SELLS**

Chartered Accountants

Sd/-

RASHIM TANDON

Partner

Place : Noida

Date : 27 April, 2013

For and on behalf of the Board of Directors

NUCLEUS SOFTWARE EXPORTS LIMITED

Sd/-

JANKI BALLABH

Chairman

Sd/-

P K SANGHI

Chief Financial Officer

Place : Noida

Date : 27 April, 2013

Sd/-

VISHNU R DUSAD

Managing Director

Sd/-

POONAM BHASIN

Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

(Amount in ₹)

	Notes Ref.	Year ended 31 March 2013	Year ended 31 March 2012
1. REVENUE FROM OPERATIONS			
Income from software products and services	2.18	2,937,585,189	2,822,547,662
2. OTHER INCOME	2.19	202,510,490	202,064,298
3. TOTAL REVENUE (1 + 2)		3,140,095,679	3,024,611,960
4. EXPENSES			
a. Employee benefits expense	2.20	1,634,056,622	1,570,771,533
b. Operating and other expenses	2.21	840,158,741	893,037,374
c. Finance cost	2.22	4,419,833	3,280,714
d. Depreciation and amortisation expense	2.8	60,916,415	74,503,704
TOTAL EXPENSES		2,539,551,611	2,541,593,325
5. PROFIT BEFORE TAX (3-4)		600,544,068	483,018,635
6. TAX EXPENSE			
a. Current tax expense for current year		146,583,956	114,513,971
b. Tax expense relating to prior year		168,292	8,952,138
c. Withholding taxes charged off		6,273,943	9,162,560
d. Net current tax expense		153,026,191	132,628,669
e. Deferred tax credit		(4,172,645)	(3,011,458)
NET TAX EXPENSE		148,853,546	129,617,211
7. PROFIT FOR THE YEAR		451,690,522	353,401,424
8. EARNINGS PER EQUITY SHARE	2.26		
Equity shares of ₹ 10 each			
a. Basic		13.95	10.91
b. Diluted		13.95	10.91
Number of shares used in computing earnings per share			
a. Basic		32,383,534	32,382,995
b. Diluted		32,383,534	32,382,995
See accompanying notes forming part of the consolidated financial statements	I & 2		

In terms of our report attached
For **DELOITTE HASKINS & SELLS**
Chartered Accountants
Sd/-
RASHIM TANDON
Partner

Place : Noida
Date : 27 April, 2013

For and on behalf of the Board of Directors
NUCLEUS SOFTWARE EXPORTS LIMITED
Sd/-
JANKI BALLABH
Chairman
Sd/-
P K SANGHI
Chief Financial Officer
Place : Noida
Date : 27 April, 2013
Sd/-
VISHNU R DUSAD
Managing Director
Sd/-
POONAM BHASIN
Company Secretary



Nucleus Software Exports Limited

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	Notes Ref.	Year ended 31 March 2013	(Amount in ₹) Year ended 31 March 2012
A. Cash flow from operating activities			
Net profit before tax		600,544,068	483,018,635
Adjustment for:			
Depreciation		60,916,415	74,503,704
Exchange difference on translation of foreign currency accounts		(40,716,923)	(11,678,207)
Dividend received from non trade investments		(73,283,265)	(88,779,805)
Dividend on Long term trade investment		(50,000)	-
Interest on fixed deposits		(72,894,566)	(39,404,315)
(Profit)/Loss on sale of investments		(10,328,341)	(10,222,787)
Amortisation of employees compensation expenses		-	(6,230,635)
Profit on sale of fixed assets (net)		(2,979,280)	256,326
Provisions written back		(6,703,108)	(8,355,612)
Advances and other current assets written off		-	-
Provision for doubtful debts / advances		43,661,751	46,335,254
Operating profit before working capital changes		498,166,751	439,442,558
Adjustment for (increase) / decrease in operating assets			
Trade receivable		177,567,139	(412,141,742)
Short-term loans and advances		17,338,603	216,024
Inventories		(49,486,419)	-
Long-term loans and advances		3,423,101	2,449,205
Other current assets		93,312,620	2,834,347
Other non-current assets		11,925,862	(13,914,265)
Adjustment for (increase) / decrease in operating liabilities			
Trade payables and other current liabilities		112,077,402	142,028,706
Short-term provisions		1,697,654	9,513,759
Long-term provisions		11,819,452	18,314,680
Other long term liabilities		-	(997,636)
		877,842,165	187,745,636
Direct taxes paid		(130,172,843)	(53,076,235)
Net cash from operating activities (A)		747,669,322	134,669,402
B. Cash flow from investing activities			
Purchase of fixed assets/capital work in progress		(76,210,145)	(67,723,263)
Profit / (Loss) on sale of fixed assets		2,979,280	(256,326)
Purchase of current investments		(4,217,984,920)	(4,543,133,547)
Proceeds on sale of current investments		3,711,858,504	4,759,468,424
Bank balance not considered as cash and cash equivalents - placed		(922,336,052)	(706,956,152)
Bank balance not considered as cash and cash equivalents - matured		707,293,108	405,148,260
Interest on fixed deposits		73,410,671	21,193,326
Income tax paid		(26,968,168)	(9,487,421)
Dividend received from non trade investments		73,283,265	88,779,805
Dividend on Long term trade investment		50,000	-
Profit on Sale of Long term non trade investment		10,328,341	10,222,787
Net cash from/ (used in) investing activities (B)		(664,296,116)	(42,744,107)
C. Cash flow from financing activities			
Dividend paid (including corporate dividend tax)		(94,095,935)	(94,091,878)
Advance pursuant to employee stock option scheme / proceeds from employee stock option exercised		24,120	124,620
Net cash used in financing activities (C)		(94,071,815)	(93,967,258)
Net increase / (decrease) in cash and cash equivalents (A+B+C)		(10,698,609)	(2,041,963)
Opening cash and cash equivalents	2.15	212,967,879	211,981,886
Exchange difference on translation of foreign currency bank accounts		(4,740,842)	3,027,956
Closing cash and cash equivalents	2.15	197,528,428	212,967,879
See accompanying notes forming part of the consolidated financial statements	I & 2		

In terms of our report attached

For **DELOITTE HASKINS & SELLS**

Chartered Accountants

Sd/-

RASHIM TANDON

Partner

Place : Noida

Date : 27 April, 2013

For and on behalf of the Board of Directors

NUCLEUS SOFTWARE EXPORTS LIMITED

Sd/-

JANKI BALLABH

Chairman

Sd/-

P K SANGHI

Chief Financial Officer

Place : Noida

Date : 27 April, 2013

Sd/-

VISHNU R DUSAD

Managing Director

Sd/-

POONAM BHASIN

Company Secretary

Note 1:

Significant accounting policies

(i) 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, 2013, the Company is listed on two stock exchanges in India namely National Stock Exchange and Bombay Stock Exchange. The shares of the Company have been voluntarily delisted from Madras Stock Exchange w.e.f. 16 September, 2011.

The Company has wholly owned subsidiaries in Singapore, USA, Japan, Netherlands and India (the Company and its subsidiaries constitute "the Group").

The Group's business consists of software product development and marketing and providing support services mainly for corporate business entities in the banking and financial services sector.

(ii) Basis of preparation

The consolidated financial statements are prepared under the historical cost convention on the accrual basis, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") and mandatory accounting standards 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.

(iii) Principles of consolidation

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

Name of the Company	% Shareholding	Country of incorporation
Nucleus Software Solutions Pte. Ltd.	100	Singapore
Nucleus Software Inc.	100	United States of America
Nucleus Software Japan Kabushiki Kaisha	100	Japan
VirStra i – Technology Services Limited	100	India
VirStra i – Technology (Singapore) Pte. Ltd. (Subsidiary of VirStra i – Technology Services Limited)	100	Singapore
Nucleus Software Netherlands B.V.	100	Netherlands
Nucleus Software Limited	100	India

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

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

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

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

(iv) 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. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the year in which the results are known / materialise.

(v) Inventories

Inventories are valued at the lower of cost and the net realisable value after providing for obsolescence and other losses, where considered necessary. Cost includes all charges in bringing the goods to the point of sale.

(vi) Cash flow statement

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

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

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realised gains and



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

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

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

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

- Income and expense items are translated at the weighted average exchange rates.
- Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the exchange rates on that date.
- 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.
- All resulting exchange differences are recognised in the Statement of Profit and Loss of the reporting period.
- 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:

- Income and expense items are translated at the weighted average exchange rates.
- Assets and liabilities, both monetary and non-monetary are translated at the closing rate.
- All resulting exchange differences are accumulated in a foreign currency translation reserve which is reflected under reserves and surplus.
- Contingent liabilities are translated at the closing rate.

(viii) 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.

Revenue from sale of goods is recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to customers. Sales exclude sales tax and value added tax.

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

(ix) Other Income

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

Interest income is accounted on accrual basis.

Dividend income is recognised when the right to receive the same is established.

(x) 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.

(xi) Depreciation and amortisation

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

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

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

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

Notes forming part of the consolidated financial statements

(xii) 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.

(xiii) 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 Group.

(xiv) 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.

(xv) 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.

(xvi) Employee benefits

a. India

Short-term employee benefits

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

Long-term employee benefits

Defined contribution plans

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

Defined benefit plans

Gratuity

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plan is determined based on an actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rate used for determining the present value of

the obligation under defined benefit plans, is based on the market yields on Government securities as at the valuation date having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss.

Other employee benefits

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

b. Singapore

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

c. United States of America

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

d. Netherlands

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

(xvii) Post sales client support and warranties

The Company provides its clients with fixed period warranty for correction of errors and support on its fixed price product orders. Revenue for such warranty period is allocated based on the estimated effort required during warranty period.

(xviii) Operating leases

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

(xix) Earnings per share

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

(xx) 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.

(xxi) Impairment

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

(xxii) Provision and Contingencies

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

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

Contingent assets are not recognised in the financial statements.

(xxiii) Hedge Accounting

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

(xxiv) Derivative Contracts

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

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

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

(xxv) Operating cycle

Based on the nature of products / activities of the Group and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Group has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

Notes forming part of the consolidated financial statements

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2013

2.1 SHARE CAPITAL

(Amount in ₹)

Particulars	As at 31 March 2013	As at 31 March 2012
a. Authorized		
Equity shares		
40,000,000 (40,000,000) equity shares of ₹ 10 each	400,000,000	400,000,000
Issued, Subscribed and Paid-Up		
Issued		
32,386,434 (32,386,254) equity shares of ₹ 10 each	323,864,340	323,862,540
Subscribed and Paid-Up		
32,383,634 (32,383,454) equity shares of ₹ 10 each, fully paid up	323,836,340	323,834,540
Add: 2,800 (2,800) forfeited equity shares pending reissue	15,000	15,000
	323,851,340	323,849,540

Refer notes (i) to (vi) below :-

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year:-

Particulars	Opening Balance	Allotted under Employee Stock Option Plans	Closing Balance
Year ended 31 March, 2013			
– Number of shares	32,383,454	180	32,383,634
– Amount	323,834,540	1,800	323,836,340
Year ended 31 March, 2012			
– Number of shares	32,382,524	930	32,383,454
– Amount	323,825,240	9,300	323,834,540

(ii) Rights, preferences and restrictions attached to shares

The Company has one class of equity shares having a par value of ₹ 10 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(iii) Number of shares held by shareholders holding more than 5% of the aggregate shares in the Company :-

Particulars	As at 31 March, 2013		As at 31 March, 2012	
	(Number)	(Percentage)	(Number)	(Percentage)
Karmayogi Holdings Private Limited	9,000,000	28%	9,000,000	28%
Vishnu R Dusad	3,603,492	11%	3,603,492	11%
Nucleus Software Engineers Private Limited	2,385,882	7%	2,385,882	7%
Madhu Dusad	2,036,248	6%	2,036,248	6%

(iv) As at 31 March, 2013, 1,320 shares (As at 31 March, 2012, 16,764 shares) of ₹ 10 each were reserved for issuance towards employee stock options granted.

(v) Subscribed and paid up share capital includes 16,185,012 equity shares of ₹ 10 each, fully paid up, issued as bonus shares by utilisation of securities premium reserve during the year ended 31 March, 2008.



(vi) Details of forfeited shares

Particulars	As at 31 March, 2013		As at 31 March, 2012	
	(Number)	(₹)	(Number)	(₹)
Equity shares with voting rights	2,800	15,000	2,800	15,000

2.2 EMPLOYEES STOCK OPTION PLAN ("ESOP")

- Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999, issued by the SEBI, is effective for all stock option schemes established after 19 June 1999. In accordance with these Guidelines, the excess of the market price of the underlying equity shares as of the date of grant of options over the exercise price of the option, including up-front payments, if any, is to be recognized and amortised on graded vesting basis over the vesting period of the options.
- The Company currently has three ESOP schemes, ESOP scheme - 2002 (instituted in 2002), ESOP scheme - 2005 (instituted in 2005) and ESOP scheme - 2006 (instituted in 2006). These schemes were duly approved by the Board of Directors and Shareholders in their respective meetings. The 2002 scheme provides for the issue of 225,000 options, 2005 scheme for 600,000 options and 2006 scheme for 1,000,000 options to eligible employees. These schemes are administered by the Compensation Committee comprising four members, the majority of whom are independent directors.
- Details of options granted, forfeited and exercised during the year in the above mentioned scheme are as follows:**

Particulars	As at	Weighted	As at	Weighted
	31 March, 2013	Average	31 March, 2012	Average
	(Number)	(₹)	(Number)	(₹)
2002 Stock Option Scheme				
Options outstanding at the beginning of the year	—	—	49,550	360
Options granted	—	—	—	—
Options forfeited	—	—	(49,550)	360
Options exercised	—	—	—	—
Balance carried forward	—	—	—	—
2005 Stock Option Scheme				
Options outstanding at the beginning of the year	1,700	144	43,920	341
Options granted	—	—	—	—
Options forfeited	(200)	144	(41,290)	355
Options exercised	(180)	144	(930)	144
Balance carried forward	1,320	144	1,700	144
2006 Stock Option Scheme				
Options outstanding at the beginning of the year	15,064	509	84,002	302
Options granted	—	—	—	—
Options forfeited	(15,064)	509	(68,938)	263
Options exercised	—	—	—	—
Balance carried forward	—	—	15,064	509
Total stock options outstanding at end of the period (in Nos)	1,320	—	16,764	—
Advance pursuant to stock option plan (in Rs.)	13,200	—	167,640	—

- During the year ended 31 March, 2013, 15,264 shares (Year ended 31 March, 2012 : 159,778 shares) were forfeited and the amount paid up as application money aggregating to ₹ 152,640 (Year ended 31 March, 2012 : ₹ 2,005,780) has been transferred to the Capital reserve. Also refer note 2.3(a)
- The Share based compensation expense reversal for the year ended 31 March, 2013 is ₹ Nil (Year ended 31 March, 2012 : ₹ 6,230,635).

Notes forming part of the consolidated financial statements

(Amount in ₹)

Particulars	As at 31 March, 2013	As at 31 March, 2012
2.3 RESERVES AND SURPLUS		
a. Capital reserve		
Opening balance	8,735,290	6,729,510
Add: Amount forfeited against employees stock option plan	152,640	2,005,780
Closing balance	8,887,930	8,735,290
b. Securities premium reserve		
Opening balance	21,865,309	21,740,689
Add : On conversion of stock options issued to employees	24,120	124,620
Closing balance	21,889,429	21,865,309
c. Employee stock options outstanding account		
Opening balance	—	6,230,635
Less: Reversal on forfeiture of stock options granted	—	6,230,635
Closing balance	—	—
d. Hedging reserve [see note 2.33]		
Opening balance	(864,230)	16,179,937
Add / (Less) : Effect of foreign exchange rate variations on hedging instruments outstanding at the end of the year	8,260,953	(17,044,167)
Closing balance	7,396,723	(864,230)
e. Foreign currency translation reserve		
Opening balance	77,496,433	53,929,896
Add: Addition during the year	12,148,803	23,566,537
Closing balance	89,645,236	77,496,433
f. General reserve		
Opening balance	793,308,264	756,821,599
Add: Transferred from surplus in statement of Profit and Loss	40,379,876	36,486,665
Closing balance	833,688,140	793,308,264
g. Surplus in Statement of Profit and Loss		
Opening balance	1,916,880,762	1,694,058,560
Add: Profit for the Year	451,690,522	353,401,424
Less : Appropriations		
- Proposed final dividend on equity shares [see note (i) and (ii) below]	97,150,902	80,960,696
- Tax on dividend	16,512,844	13,131,861
- Transferred to general reserve	40,379,876	36,486,665
Closing balance	2,214,527,662	1,916,880,762
	3,176,035,120	2,817,421,828

Note :

- The Board of Directors, had declared final dividend of ₹ 2.50 per share (25% on equity shares of par value of ₹ 10 each) for the year ended 31 March, 2012, which was approved by shareholders through poll in adjourned Annual General Meeting held on 11 July, 2012.
- The Board of Directors, at their meeting held on 27 April, 2013 has recommended a final dividend of ₹ 3 per equity share for the year ended 31 March, 2013. The payment is subject to the approval of the shareholders at the ensuing Annual General Meeting.



(Amount in ₹)

Particulars	As at 31 March, 2013	As at 31 March, 2012
2.4 LONG-TERM PROVISIONS		
Provision for employee benefits		
– Provision for compensated absences	49,607,478	45,438,889
– Provision for gratuity	74,843,156	67,192,293
	124,450,634	112,631,182
2.5 TRADE PAYABLES		
Trade Payables		
– Micro and small enterprises	–	–
– Others	253,360,204	300,796,129
	253,360,204	300,796,129
The Company has no amounts payable to micro, small and medium enterprises as defined in section 7(1) of the Micro, Small and Medium Enterprises Development Act, 2006, to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.		
2.6 OTHER CURRENT LIABILITIES		
a. Advance from customers	165,930,459	129,160,551
b. Advance Billing	110,065,714	30,336,622
c. Deferred revenue	224,800,364	221,217,667
d. Unclaimed dividends	2,047,659	1,911,894
e. Book overdraft	17,138,470	–
f. Payable for purchase of fixed assets	2,494,274	–
g. Retention money	–	2,534,414
h. Other payables – statutory liabilities	37,017,686	39,513,158
	559,494,626	424,674,306
2.7 SHORT-TERM PROVISIONS		
a. Provision for employee benefits		
– Provision for compensated absences	14,906,087	14,950,516
– Provision for gratuity	23,847,393	22,105,310
b. Provision for proposed equity dividend	97,150,902	80,958,635
c. Provision for tax on proposed dividend	16,510,796	13,133,515
	152,415,178	131,147,976

Notes forming part of the consolidated financial statements

Note 2.8 Fixed Assets (At Cost)

	Gross block					Accumulated depreciation			Net block	
	As at 1 April, 2012	Additions	Deductions / adjustments (Note (i) & (iii))	As at 31 March, 2013	As at 1 April, 2012	Depreciation for the year	Deductions / adjustments (Note (i) & (iii))	As at 31 March, 2013	As at 31 March, 2013	As at 31 March, 2012
Tangible assets										
Freehold land	3,360,720	—	—	3,360,720	—	—	—	—	3,360,720	3,360,720
	(3,360,720)	—	—	(3,360,720)	—	—	—	—	(3,360,720)	(3,360,720)
Leasehold land	187,842,361	—	—	187,842,361	12,070,877	2,001,441	—	14,072,318	173,770,043	175,771,484
	(187,842,361)	—	—	(187,842,361)	(10,069,435)	(2,001,442)	—	(12,070,877)	(175,771,484)	(177,772,926)
Leasehold improvement	12,758,283	—	5,174,863	7,583,420	12,758,283	—	5,174,863	7,583,420	—	—
	(12,758,283)	—	—	(12,758,283)	(11,521,316)	(1,236,967)	—	(12,758,283)	—	(1,236,967)
Buildings	281,350,951	375,807	50,020	281,676,738	52,242,631	9,378,698	—	61,621,329	220,055,409	229,108,320
	(243,428,946)	(37,972,025)	(20)	(281,350,951)	(43,414,662)	(8,827,969)	—	(52,242,631)	(229,108,320)	(200,014,284)
Plant and machinery (including Office equipment)	188,329,581	6,405,509	2,940,540	191,794,550	160,942,824	13,012,240	2,994,490	170,960,574	20,833,976	27,386,757
	(169,409,862)	(16,676,275)	(2,243,444)	(188,329,581)	(137,331,264)	(21,382,916)	(2,228,644)	(160,942,824)	(27,386,757)	(32,078,599)
Computer equipment	311,626,220	23,800,537	24,319,717	311,107,040	282,051,866	16,866,880	24,410,056	274,508,690	36,598,350	29,574,354
	(296,858,516)	(21,352,496)	(6,584,792)	(311,626,220)	(264,648,602)	(22,911,866)	(5,508,601)	(282,051,866)	(29,574,354)	(32,209,914)
Vehicles	15,116,453	1,533,137	2,221,884	14,427,706	12,653,271	1,116,707	2,221,884	11,548,094	2,879,612	2,463,182
	(16,752,729)	—	(1,636,276)	(15,116,453)	(11,873,459)	(2,281,903)	(1,502,091)	(12,653,271)	(2,463,182)	(4,879,270)
Furniture and fixtures	51,509,453	1,084,216	964,124	51,629,545	46,131,897	2,303,476	789,985	47,645,388	3,984,157	5,377,556
	(44,764,417)	(6,082,959)	(662,077)	(51,509,453)	(38,926,554)	(6,363,372)	(841,971)	(46,131,897)	(5,377,556)	(5,837,863)
	1,051,894,022	33,199,206	35,671,148	1,049,422,080	578,851,649	44,679,442	35,591,278	587,939,813	461,482,267	473,042,374
	(975,175,834)	(82,033,755)	(5,315,567)	(1,051,894,022)	(517,785,292)	(65,006,434)	(3,940,077)	(578,851,648)	(473,042,374)	(457,390,543)
Intangible assets										
Software	140,325,796	45,606,641	97,817	185,834,620	124,246,238	16,236,973	76,260	140,406,951	45,427,669	16,079,558
	(128,067,060)	(12,164,836)	(93,900)	(140,325,796)	(114,688,109)	(9,497,269)	(60,860)	(124,246,238)	(16,079,558)	(13,378,951)
Total	1,192,219,818	78,805,847	35,768,965	1,235,256,700	703,097,886	60,916,415	35,667,538	728,346,764	506,909,936	489,121,932
Previous year	(1,103,242,895)	(94,198,591)	(5,221,667)	(1,192,219,818)	(632,473,401)	(74,503,704)	(3,879,218)	(703,097,886)	(489,121,933)	(470,769,494)

Notes :

- Includes the effect of translation in respect of assets held by foreign subsidiaries which are considered as non-integral to the operations of the company in terms of Accounting Standard - 11 as specified in the Companies (Accounting Standard) Rules, 2006.
- Some of the assets have been re-grouped during the year, based on the nature of assets.
- Figures in bracket pertain to previous year.



Nucleus Software Exports Limited

(Amount in ₹)

Particulars	As at 31 March, 2013	As at 31 March, 2012
2.9 NON-CURRENT INVESTMENTS (at cost)		
– Non trade (unquoted)		
Investment in equity instruments		
250,000 (250,000) equity shares of ₹ 10 (₹ 10) each, fully paid up, in Ujjivan Financial Services Private Limited	2,500,000	2,500,000
Investments in Government securities		
National savings certificates	23,000	23,000
Aggregate amount of non current-investments	2,523,000	2,523,000

2.10 DEFERRED TAX ASSET (net)

Particulars	As at 31 March, 2012	(Credited)/ charge during the year	As at 31 March, 2013
a. Deferred tax assets			
Provision for compensated absences, gratuity and other employee benefits	43,822,633	(7,742,424)	51,565,057
Provision for doubtful debts / service income accrued but not due	13,086,252	(2,596,126)	15,682,378
	56,908,885	(10,338,550)	67,247,435
b. Deferred tax liabilities			
On difference between book balance and tax balance of fixed assets	295,517	6,172,662	6,468,179
c. Effect of foreign currency translation on items constituting deferred tax asset for foreign subsidiary	–	(6,757)	–
d. Net deferred tax (liability) / asset	56,613,368	(4,172,645)	60,779,256

(Amount in ₹)

Particulars	As at 31 March, 2013	As at 31 March, 2012
2.11 LONG-TERM LOANS AND ADVANCES (Unsecured, considered good)		
a. Security Deposits	28,385,386	28,719,233
b. Loans and advances to employees		
– Staff Loans	2,300,076	6,112,938
c. Prepaid expenses	7,512,579	6,633,045
d. Balances with government authorities		
– Advance tax	140,990,887	109,097,103
– Mat Credit Entitlement	38,977,863	49,053,049
f. Others		
– Capital advances	–	155,926
	218,166,791	199,771,294

2.12 OTHER NON CURRENT ASSETS

(Unsecured, considered good)		
a. Service income accrued but not due	–	12,289,265
b. Long-term bank deposits	1,811,956	1,625,000
c. Interest accrued but not due on bank deposits	211,179	34,732
	2,023,135	13,948,997

Note :- Balances with scheduled banks - in deposit accounts represents deposits under lien with bank and are restricted from being settled for more than 12 months from the Balance Sheet Date.

Notes forming part of the consolidated financial statements

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

Investments in mutual funds - Non trade

Name of the Mutual Fund Scheme	Units as at 31 March, 2013	Value of units as at 31 March, 2013	Units as at 31 March, 2012	Value of units as at 31 March, 2012
	(Number)	(₹)	(Number)	(₹)
– Liquid Schemes of Mutual Funds (Quoted)				
a. Birla Sun Life Savings Fund - Daily Dividend-Regular Plan	205,788	20,597,222	–	–
b. Birla Sun Life Cash Plus - Daily Dividend-Regular Plan	735,277	73,671,097	–	–
c. Kotak Floater Short Term Fund - Daily Dividend	128,641	130,136,216	–	–
d. Templeton India Treasury Management Account Super Institutional Plan	46,901	46,932,204	–	–
e. ICICI Prudential Liquid - Regular Plan - Daily Dividend	1,222,150	122,242,629	–	–
f. Reliance Liquid Fund-Treasury Plan-Daily Dividend Option-LFID	31,013	47,410,382	–	–
g. JPMORGAN India Liquid Fund-Super Inst.-Daily Dividend Reinvestment	14,676,604	146,881,985	–	–
h. JPMORGAN India Treasury Fund-Super Inst. - Daily Dividend Reinvestment	5,148,608	51,531,900	–	–
i. Axis Liquid Fund- Institutional-Daily Dividend Reinvestment	–	–	114,366	114,377,238
j. HDFC Liquid Fund Premium Plan-Dividend-Daily Reinvest	–	–	3,673,228	45,033,042
k. ICICI Prudential Liquid Super Institutional Plan-Dividend-Daily	–	–	12,649	1,264,658
l. Kotak Liquid (Institutional Premium)-Daily Dividend	–	–	3,981,247	48,683,080
m. JP Morgan India Liquid Fund-Super IP-Daily Dividend-Reinvestment	–	–	1,976,926	19,784,881
n. Reliance Liquidity Fund-Super IP-Daily Dividend-Reinvestment	–	–	3,086,549	30,881,230
o. ICICI Prudential Liquid Super Institutional Plan Daily Dividend	366,244	36,632,675	318,592	31,866,400
p. Kotak Floater Short Term Fund-Daily Dividend-Reinvestment Option	2,507	2,535,927	–	–
– Fixed Maturity Plans/Interval Plans (Quoted)				
a. Birla Sun Life Fixed Term Plan-Series FU-Growth-366 Days	5,000,000	50,000,000	–	–
b. Birla Sun Life Fixed Term Plan-Series FV-Growth-367 Days	2,100,000	21,000,000	–	–
c. Kotak FMP Series 102 Direct - Growth	5,000,000	50,000,000	–	–
d. SBI Debt Fund Series - 366 days-10-Growth	1,000,000	10,000,000	–	–
e. SBI Debt Fund Series - 366 days-12-Growth	1,000,000	10,000,000	–	–
f. SBI Debt Fund Series - 366 days-17-Growth	2,000,000	20,000,000	–	–
g. SBI Debt Fund Series - 366 days-19-Growth	6,000,000	60,000,000	–	–
h. SBI Debt Fund Series - 366 days 25 - Direct Plan-Growth	10,000,000	100,000,000	–	–
i. DSP BlackRock FMP-Series 82-12M-Growth	5,000,000	50,000,000	–	–
j. DSP BlackRock FMP-Series 81-12M-Growth	5,000,000	50,000,000	–	–
k. DSP BlackRock FMP-Series 52-9M-Dividend Payout	3,000,000	30,000,000	–	–
l. DSP BlackRock FMP-Series 52-9M-Dividend-Payout	3,041,587	30,415,869	–	–
m. ICICI Prudential Interval Fund-Annual Interval Plan IV-Regular Plan-Growth	1,442,814	20,000,000	–	–
n. HDFC FMP 370D April 2012(2) – Growth - Series XXI	1,000,000	10,000,000	–	–
o. HDFC FMP 370D October 2012(1) – Growth - Series 22	1,000,000	10,000,000	–	–
p. HDFC FMP 371D November 2012(1) – Growth - Series 23	6,000,000	60,000,000	–	–
q. HDFC FMP 371D November 2012(2) – Growth - Series 23	5,000,000	50,000,000	–	–
r. HDFC FMP 370D December 2012(1) – Growth - Series 23	1,915,678	19,156,780	–	–
s. UTI-Fixed Income Interval Fund-IV-Annual Interval Plan-Retail Option-Growth	3,365,915	50,000,000	–	–
t. UTI Fixed Term Income Fund-Series XIII-I (368 Days) Growth Plan	5,000,000	50,000,000	–	–
u. UTI Fixed Term Income Fund-Series XIV-VI (368 Days)-Direct Plan- Growth	1,826,190	18,261,897	–	–
v. BSL Quarterly Interval Fund-Series 4 -Dividend Payout Option	–	–	4,998,351	50,000,000
w. BSL Short Term FMP-Series 31 Dividend-Payout Option	–	–	9,981,527	99,815,270
x. DSP BlackRock FMP-Series 42-3M-Dividend Payout	–	–	3,959,080	39,590,798
y. DSP BlackRock FMP-Series 40-3M-Dividend Payout	–	–	5,000,000	50,000,000
z. HDFC FMP 92 D March 2012 (1) - Dividend-Series XIX	–	–	5,000,000	50,000,000
aa. HDFC FMP 92 D March 2012 (2) - Dividend-Series XXI	–	–	5,000,000	50,000,000
ab. HDFC FMP 366D March 2012 (1) - Growth - Series XXI	–	–	4,998,377	49,983,770
ac. ICICI Prudential FMP -Series 63 - 1 Year Plan C-Growth Option	–	–	5,000,000	50,000,000
ad. IDFC Fixed Maturity Plan-Quarterly Series 72- Dividend Option	–	–	4,600,000	46,000,000
ae. IDFC Fixed Maturity Plan-Quarterly Series 74- Dividend Option	–	–	4,000,000	40,000,000
af. Kotak Quarterly Interval Plan Series 4-Dividend Option	–	–	4,996,453	50,000,000
ag. SBI Debt Fund Series-90 Days-59-Dividend-Payout Option	–	–	5,400,000	54,000,000
ah. SBI Debt Fund Series-90 Days-60-Dividend-Payout Option	–	–	6,000,000	60,000,000
ai. JP Morgan India FMP -Series 9-Dividend Plan-Payout Option	–	–	6,000,000	60,000,000
	97,255,917	1,447,406,783	88,097,345	1,041,280,367
b. Investment in bonds (Quoted)				
– Indian Railway Finance Corporation Limited Tax free bonds	100,000	100,000,000	–	–
Aggregate amount of current investment		1,547,406,783		1,041,280,367
Aggregate market value of quoted investment		1,564,862,849		1,043,159,117



Nucleus Software Exports Limited

(Amount in ₹)

Particulars	As at 31 March, 2013	As at 31 March, 2012
2.14 TRADE RECEIVABLES		
(Unsecured)		
a. Debts outstanding for a period exceeding six months from the date they were due for payment		
– Considered good	22,895,265	20,701,721
– Considered doubtful	56,424,192	34,711,546
	79,319,457	55,413,267
Less: Provision for doubtful debts	(56,424,192)	(34,711,546)
	22,895,265	20,701,721
b. Other debts (Unsecured, Considered good)		
– Considered good	675,121,898	857,620,404
– Considered doubtful	3,955,166	–
	679,077,064	857,620,404
Less: Provision for doubtful debts	(3,955,166)	–
	675,121,898	857,620,404
	698,017,163	878,322,125

2.15 CASH AND BANK BALANCES

Cash and cash equivalents

a. Cash on hand	34,887	4,019
b. Remittance in transit	9,219,803	–
c. Balances with scheduled banks:		
– in current accounts	4,419,858	8,069,198
– in EEFC accounts	35,073,125	26,991,330
d. Balance with non scheduled banks in current accounts:		
– Citibank, United Kingdom	413,361	837,721
– Citibank, U.A.E	708,222	1,142,091
– Citibank, Spain	639,632	803,244
– Citibank, Singapore	53,605,425	57,207,655
– Citibank, Korea	6,351,622	9,034,805
– Citibank, Philippines	510,820	1,302,859
– PNC Bank, USA	7,872,980	44,597,895
– Bank of Tokyo Mitsubishi, Japan	6,896,748	9,061,238
– Shinsei Bank, Japan	21,092,582	24,818,258
– Citibank, Japan	45,089,368	13,175,437
– Citibank, Singapore	212,706	551,955
– Citibank, Netherlands	5,387,289	15,370,174
	197,528,428	212,967,879

Other bank balances

a. Balances with scheduled banks in earmarked accounts:		
– unclaimed dividend accounts	2,052,623	1,982,165
b. Balances with scheduled banks in deposit accounts with original maturity of more than 3 months :		
– Original maturity of more than 12 months	791,365,904	655,310,943
– Original maturity of less than 12 months	128,917,525	50,000,000
	922,336,052	707,293,108
	1,119,864,480	920,260,987

Notes forming part of the consolidated financial statements

(Amount in ₹)

Particulars	As at 31 March, 2013	As at 31 March, 2012
Details of balances as on balance sheet dates with scheduled banks in current accounts:-		
– HDFC Bank	3,437,683	1,824,194
– Citi Bank	413,842	4,280,097
– DBS Bank	61,497	994,306
– ICICI Bank	270,089	747,617
– State Bank of India	236,747	222,984
– Citi Bank *	34,430,125	19,413,719
– HDFC Bank *	643,000	7,577,611
– HDFC Bank **	2,052,623	1,793,989
– HSBC Bank **	–	188,176
	41,545,606	37,042,693

* EEFC account

** Earmarked for unclaimed dividend

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

– HDFC Bank	60,539,294	958,987
– Citi Bank	8,250,000	2,836,956
– Bank of India	198,500,000	200,200,000
– State Bank of Travancore	89,400,000	200,000,000
– ICICI Bank	200,000,000	–
– Corporation Bank	198,331,844	199,000,000
– State Bank of India	–	2,215,000
– Punjab national Bank	100,100,000	100,100,000
– State Bank of India	65,162,291	–
	920,283,429	705,310,943

Detail of fixed deposit under lien:-

– HDFC Bank	1,039,294	958,987
– Citi Bank	2,836,956	2,836,956
– State Bank of India	–	590,000
	3,876,250	4,385,943

2.16 SHORT-TERM LOANS AND ADVANCES

(Unsecured, considered good)

a. Security deposit	501,317	643,145
b. Loans and advances to employees		
– Staff loans	3,241,606	3,476,151
– Employee advances	10,584,740	21,647,716
c. Prepaid expenses	44,005,542	32,119,962
d. Balances with government authorities		
– Advance fringe benefit tax [net of provision ₹ 24,915,859 (₹ 24,915,859)]	2,732,275	2,732,275
– Service tax credit receivable	5,111,326	2,587,336
– Mat Credit Entitlement	6,632,094	24,335,872
e. Others		
– Supplier advances	5,683,830	17,439,976
– Mark-to-market gain on forward contracts (see note 2.30)	8,299,043	9,275
– Expenses recoverable from Customers	6,309,929	8,196,571
	93,101,702	113,188,279



(Amount in ₹)

Particulars	As at 31 March, 2013	As at 31 March, 2012
2.17 OTHER CURRENT ASSETS		
(Unsecured)		
a. Service Income accrued but not due		
Unsecured		
– Considered good	261,186,552	364,987,062
– Considered doubtful	22,421,781	14,096,726
	<u>283,608,333</u>	<u>379,083,788</u>
Less : Provision for service income accrued but not due	(22,421,781)	(14,096,726)
	<u>261,186,552</u>	<u>364,987,062</u>
b. Interest accrued but not due on		
– Deposits with banks	29,368,236	30,671,190
– Current, non trade investments	786,849	–
	<u>291,341,637</u>	<u>395,658,252</u>

(Amount in ₹)

Particulars	Year ended 31 March, 2013	Year ended 31 March, 2012
2.18 INCOME FROM SOFTWARE PRODUCTS AND SERVICES		
Software development products and services (see note below)	<u>2,937,585,189</u>	<u>2,822,547,662</u>

Note:

Income from software products and services for year ended 31 March, 2013 includes prior period revenue of ₹ 4,199,051 (Year ended 31 March, 2012 : ₹ Nil).

2.19 OTHER INCOME

a. Interest income on		
– Deposits with banks	71,970,018	39,404,315
– Current, non trade investments	924,548	–
b. Dividend income from		
– Current, non trade investments	73,283,265	88,779,805
– Non-current, non trade investment	50,000	–
c. Net gain on sale of investments		
– Current, non trade investments	10,328,341	10,222,787
d. Net Gain / (Loss) on foreign currency		
– Gain / (Loss) on exchange fluctuation	28,787,958	32,497,209
– Gain / (Loss) on ineffective hedges (see note 2.30)	902,320	873,505
– Gain / (Loss) on consolidation	(1,666,854)	1,965,162
e. Other non-operating income		
– Provisions written back	6,703,108	8,355,612
– Net Reversal of employees stock compensation expense	–	6,230,635
– Net Profit on sale of fixed assets/discarded assets	2,979,280	–
– Miscellaneous income	8,248,506	13,735,268
	<u>202,510,490</u>	<u>202,064,298</u>

Notes forming part of the consolidated financial statements

Particulars	(Amount in ₹)	
	Year ended 31 March, 2013	Year ended 31 March, 2012
2.20 EMPLOYEE BENEFIT EXPENSES		
a. Salaries and wages	1,505,211,415	1,452,285,923
b. Contribution to provident and other funds	77,114,149	74,267,843
c. Gratuity expense (see note 2.30)	22,790,399	19,507,425
d. Staff welfare expenses	28,940,659	24,710,342
	1,634,056,622	1,570,771,533
Employee benefit expenses include remuneration to Key Managerial Personnel :-		
a. Salary	8,369,520	8,074,815
b. Contribution to provident and other funds	360,000	360,000
	8,729,520	8,434,815

Notes:

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

2.21 OPERATING AND OTHER EXPENSES

a. Outsourced technical service expense	107,094,085	198,792,383
b. Cost of software purchased for delivery to clients	55,877,710	78,863,741
c. Power and fuel	40,270,063	33,627,059
d. Rent (see note 2.23)	109,581,502	94,446,888
e. Repair and maintenance		
– Buildings	3,666,897	3,470,465
– Others	25,714,896	20,193,055
f. Insurance	5,692,983	5,837,276
g. Rates and taxes	3,299,162	2,965,946
h. Travel expenses	202,018,439	195,454,641
i. Advertisement and business promotion	10,573,148	9,827,884
j. Legal and professional (see note 2.25)	88,647,633	68,011,104
k. Directors remuneration (see note below)	7,496,000	7,017,000
l. Conveyance	15,815,948	14,298,922
m. Communication	27,187,866	24,396,242
n. Training and recruitment	13,792,443	13,022,565
o. Net loss on sale of fixed assets/discarded assets	–	256,326
p. Loss on Current non trade investments	33,066	–
q. Conference, exhibition and seminar	18,242,499	10,043,017
r. Information technology expenses	18,262,462	17,340,223
s. Provision for doubtful debts/advances/other current assets	43,661,751	46,335,254
t. Commission to channel partners	10,401,531	18,315,556
u. Miscellaneous expenses	32,828,658	30,521,827
	840,158,741	893,037,374

Note :

Directors Remuneration includes :

Non Executive Directors

a. Commission	5,476,000	4,357,000
b. Sitting fees	2,020,000	2,660,000
	7,496,000	7,017,000



Nucleus Software Exports Limited

(Amount in ₹)

Particulars	Year ended 31 March, 2013	Year ended 31 March, 2012
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2.22 FINANCE COST

Bank charges	4,419,833	3,280,714
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2.23 OPERATING LEASE

Obligations on long-term, non-cancelable operating leases

The Company has acquired office premises under cancellable and non-cancellable operating lease. Operating lease rentals paid during the year ended 31 March, 2013 is ₹ 109,581,502 (Year ended 31 March, 2012 : ₹ 94,446,888). The future minimum lease expense in respect of non-cancellable leases is as follows:

(Amount in ₹)

Particulars	As at 31 March, 2013	As at 31 March, 2012
Lease obligations payable		
a. Not later than 1 year	14,581,723	24,986,902
b. Later than 1 year but not later than 5 years	—	8,318,727
	14,581,723	33,305,629

2.24 COMMITMENTS

a. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances).

1,961,645 4,919,084

b. Other Commitments

As on 31 March, 2013, the Group has outstanding bank guarantee and letter of credits of ₹ 64,134,981 (Previous year ₹ 8,821,000). These are secured to the extent of ₹ 15 crores against all present and future receivables and inventories of the Company.

(Amount in ₹)

Particulars	Year ended 31 March, 2013	Year ended 31 March, 2012
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2.25 Auditors Remuneration (excluding service tax) (Refer note below)

a. As auditors	6,488,812	6,232,203
b. For taxation matters	350,000	—
c. For other services	630,000	764,165
d. Reimbursement of expenses	279,944	399,166
	7,748,756	7,395,534

Note : Includes payment to other auditors ₹ 2,307,143 (Year ended 31 March, 2012 : ₹ 2,113,160).

2.26 Earnings per share

a. Profit after taxation available to equity shareholders (₹)	451,690,522	353,401,424
b. Weighted average number of equity shares used in calculating basic earnings per share	32,383,534	32,382,995
c. Effect of dilutive issue of shares	—	—
d. Weighted average number of equity shares used in calculating diluted earnings per share	32,383,534	32,382,995
e. Basic earnings per share (₹)	13.95	10.91
f. Diluted earnings per share (₹)	13.95	10.91

2.27 RELATED PARTY TRANSACTIONS

Key managerial personnel:

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

Transactions with related parties

Managerial remuneration [including perquisite value of ₹ 676,800 for the year ended 31 March, 2013 (Year ended 31 March, 2012 : ₹ 628,215)]

Key Managerial personnel	9,406,320	9,063,030
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Notes forming part of the consolidated financial statements

Particulars	(Amount in ₹)	
	Year ended 31 March, 2013	Year ended 31 March, 2012
2.28 Research and development expenditure		
(i) Revenue	135,482,672	119,045,958
(ii) Capital	—	—
	135,482,672	119,045,958

The Company has been accorded initial recognition for the in-house R&D unit by the Department of Scientific and Industrial Research (DSIR) for its R&D centre at Noida effective 31 December, 2012 which is valid till 31 March, 2015. The Company has thereafter applied to DSIR for the approval of weighted deduction under section 35(2AB) of the Income Tax Act, 1961 which is pending with the authorities.

2.29 Segment reporting – Basis of preparation

a. Segment accounting policies

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

b. Composition of reportable segments

The Group operates in five main geographical segments: India, Far East, South east Asia, Europe and Middle East which individually contribute 10% or more of the Company’s revenue and segment assets.

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

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

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

Information in respect of primary segment

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

a. For the year ended 31 March, 2013	(Amount in ₹)						
Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Revenue from operations	533,324,855	820,439,045	627,323,093	190,033,315	422,431,871	344,033,010	2,937,585,189
Expenses	398,722,971	340,984,553	491,845,791	119,289,719	180,071,895	165,684,688	1,696,599,617
Segment result	134,601,884	479,454,492	135,477,302	70,743,596	242,359,976	178,348,322	1,240,985,572
Unallocated corporate expenditure							842,951,994
Operating profit before tax							398,033,578
Other income							174,487,066
Net foreign exchange gain/(loss)							28,023,424
Profit before tax							600,544,068
Tax Expense							
Net current tax expense							153,026,191
Deferred tax charge/(credit)							(4,172,645)
Profit for the year							451,690,522



Nucleus Software Exports Limited

b. For the year ended 31 March, 2012

(Amount in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Revenue from operations	511,351,373	752,836,056	598,266,164	297,264,647	380,285,452	282,543,970	2,822,547,662
Expenses	415,728,296	401,521,862	461,366,957	165,179,028	189,207,839	166,275,335	1,799,279,317
Segment result	95,623,077	351,314,194	136,899,207	132,085,619	191,077,613	116,268,635	1,023,268,345
Unallocated corporate expenditure							742,314,008
Operating profit before tax							280,954,337
Other income							166,746,355
Net foreign exchange gain/(loss)							35,317,943
Profit before tax							483,018,635
Tax Expense							
Net current tax expense							132,628,669
Deferred tax charge/(credit)							(3,011,458)
Profit for the year							353,401,424

Assets and liabilities of reportable primary segment are as follows:

a. As at 31 March, 2013

(Amount in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Segment assets	355,468,287	169,011,856	338,878,740	55,399,515	217,390,629	176,725,175	1,312,874,202
Unallocated corporate assets							3,276,746,100
Total assets							4,589,620,302
Segment liabilities	375,185,984	30,986,859	135,356,767	60,073,317	141,255,865	187,240,347	930,099,139
Unallocated corporate liabilities							159,621,503
Total liabilities							1,089,720,642
Capital employed							3,499,899,660

b. As at 31 March, 2012

Segment assets	240,282,272	355,294,654	410,167,352	164,915,121	181,435,590	139,005,565	1,491,100,554
Unallocated corporate assets							2,619,588,047
Total assets							4,110,688,601
Segment liabilities	198,143,975	134,956,402	169,312,159	63,157,101	128,096,827	131,796,921	825,463,385
Unallocated corporate liabilities							143,786,208
Total liabilities							969,249,593
Capital employed							3,141,439,008

Notes forming part of the consolidated financial statements

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

a. For the year ended 31 March, 2013

(Amount in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Others	Total
Capital expenditure	74,357,870	–	2,736,268	–	–	1,711,709	78,805,847
Total capital expenditure							78,805,847
Depreciation expenditure	58,531,517	400,803	1,553,834	113,168	–	317,093	60,916,415
Total depreciation							60,916,415
Segment non-cash expense other than depreciation	8,811,726	–	(1,065,199)	–	7,103,222	28,812,002	43,661,751
Total non cash expenditure other than depreciation	8,811,726	–	(1,065,199)	–	7,103,222	28,812,002	43,661,751

b. For the year ended 31 March, 2012

Capital expenditure	92,772,748	459,761	858,590	–		107,492	94,198,591
Total capital expenditure							94,198,591
Depreciation expenditure	69,595,265	652,516	4,008,466	109,675		137,782	74,503,704
Total depreciation							74,503,704
Segment non-cash expense other than depreciation	8,642,775	549,639	25,105,370	–	2,940,579	9,096,891	46,335,254
Total non cash expenditure other than depreciation	8,642,775	549,639	25,105,370	–	2,940,579	9,096,891	46,335,254

Information in respect of secondary segment

Information for business segments

(Amount in ₹)

Description	Products	Software projects and services	Total
a. For the year ended 31 March, 2013			
Revenue	1,976,839,510	960,745,679	2,937,585,189
Carrying amount of segment assets	883,494,921	429,379,281	1,312,874,202
b. For the year ended 31 March, 2012			
Revenue	2,049,907,862	772,639,800	2,822,547,662
Carrying amount of segment assets	1,082,929,011	408,171,543	1,491,100,554

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

2.30 Employee Benefit Obligations

Defined contribution plans

An amount of ₹ 77,114,149 for the year ended 31 March, 2013 (Year ended 31 March, 2012 : ₹ 74,267,843), have been recognized as an expense in respect of Group's contribution for Provident Fund and Employee State Insurance Fund deposited with the government authorities and has been shown under employee benefit expenses in the Statement of Profit and Loss.

Defined benefit plans

The Gratuity scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service or part thereof in excess of 6 months subject to a maximum limit of Rs 1,000,000 in terms of the provisions of the Payment of Gratuity Act, 1972. Vesting occurs upon completion of 5 years of service.



Reconciliation of opening and closing balances of the present value of the defined benefit obligation as on 31 March, 2013

(Amount in ₹)

Particulars	As at 31 March, 2013	As at 31 March, 2012
a. Obligation at beginning of the year	89,191,105	80,156,025
Current service cost	15,213,875	15,562,287
Interest cost	7,794,919	6,906,152
Actuarial losses/(gains)	(253,592)	(2,961,014)
Past service cost	—	—
Benefits paid	(13,537,101)	(10,472,345)
Obligation at year end	98,409,206	89,191,105
b. Change in plan assets		
Plan Assets at period beginning, at fair value	—	—
Contributions	13,537,101	10,472,345
Benefits paid	(13,537,101)	(10,472,345)
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.		
Expected employer's contribution next year	23,582,899	22,105,310

c. **Gratuity cost for the year:**

(Amount in ₹)

Particulars	Year ended 31 March, 2013	Year ended 31 March, 2012
Current service cost	15,213,875	15,562,287
Interest cost	7,794,919	6,906,152
Actuarial losses/(gains)	(253,592)	(2,961,014)
Past service cost	—	—
Net gratuity cost	22,755,202	19,507,425

d. **Experience adjustment**

(Amount in ₹)

Particulars	Year ended 31 March, 2009	Year ended 31 March, 2010	Year ended 31 March, 2011	Year ended 31 March, 2012	Year ended 31 March, 2013
Defined benefit obligation	54,471,069	62,565,402	80,156,025	89,191,105	98,409,206
Plan assets	—	—	—	—	—
Surplus/(Deficit)	(54,471,069)	(62,565,402)	(80,156,025)	(89,191,105)	(98,409,206)
Experience adjustment on plan liabilities	3,001,783	(3,924,021)	(1,206,489)	(1,145,180)	(2,428,767)
Experience adjustment on plan assets	—	—	—	—	—

e. **Economic assumptions :**

Discount rate	7.85%	8.35%
Salary escalation rate	7%	10% p.a for first years & 7% p.a thereafter

Notes forming part of the consolidated financial statements

f. Discount rate:

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

g. Salary escalation rate:

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

h. Demographic assumptions

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

i. Withdrawal rates

Ages - Withdrawal Rate (%)

21-50 years - 20%

51-54 years - 2%

55-57 years - 1%

2.31 Forward contract and option in foreign currency

a. Forward contract outstanding	Buy/Sell	As at 31 March, 2013	As at 31 March, 2012
In USD	Sell	10,500,000	12,000,000
Equivalent amount in Rupees	Sell	569,940,000	610,560,000

Loans and advances include net marked to market gain of ₹ 8,299,043 relating to forward contracts which are outstanding as at year end. The gain on such forward contract which are designated as effective, aggregating to ₹ 7,396,723 have been credited to Hedging Reserve. The gain on ineffective contracts aggregating to ₹ 902,320 has been credited to Statement of Profit and Loss.

2.32 Following expenses are reimbursed by the customers :

(Amount in ₹)

Particulars	Year ended 31 March, 2013	Year ended 31 March, 2012
Software support expenses		
Salaries and allowances	9,537,441	6,539,309
Staff welfare	—	336,768
Travelling & Conveyance	—	1,954,257
Communication expenses	—	687,962
Bandwidth charges	—	1,027,204
Rent	—	3,770,358
Assets hire charges	—	334,186
Legal and professional charges	—	1,166,140
Repair and maintenance	—	839,452
Training and recruitment	—	1,330,145
Insurance	—	55,000
Electricity and water	—	1,072,517
Miscellaneous expenses	—	387,053
Sub-total (A)	9,537,441	19,500,351
General and administration expenses		
Accounting charges	—	1,058,880
Bank charges	—	154,779
Sub-total (B)	—	1,213,659
Depreciation (C)	—	2,169,794
Grand Total (A+B+C)	9,537,441	22,883,804

Service level agreement mentioned above has been amended w.e.f October 1, 2011, wherein all the expenses for the facility incurred on and after the effective date shall not be reimbursed by Shinsei, unless they are specifically agreed to by Shinsei prior to such expenses being incurred. All such expenses shall be billed as per the specifications contained on the prior approval.



Nucleus Software Exports Limited

2.33 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS (Unaudited)

(Amount in ₹)

Particulars	Year ended 31 March, 2013	Year ended 31 March, 2012
Income from software services and products	2,937,585,189	2,822,547,662
Software development expenses	1,855,274,143	1,928,104,218
Gross Profit	1,082,311,046	894,443,444
Selling and marketing expenses	333,370,389	289,388,729
General and administration expenses	289,990,664	249,596,674
Operating profit before depreciation	458,949,993	355,458,041
Depreciation	60,916,415	74,503,704
Operating profit after depreciation	398,033,578	280,954,337
Other income	202,510,490	202,064,298
Profit before tax	600,544,068	483,018,635
Tax expense:		
Net current tax expense	153,026,191	132,628,669
Deferred tax credit	(4,172,645)	(3,011,458)
Profit for the year	451,690,522	353,401,424

2.34 Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

As per General Circular No: 2 /2011 issued by the Government of India, Ministry of Corporate Affairs, a general exemption has been provided to Companies for not attaching the individual Directors' Report, Balance Sheet and Profit and Loss Account of all subsidiaries to its Annual Report, subject to fulfilling certain conditions as stipulated in the circular. In terms of above Circular, the Company has disclosed in the Consolidated Financial Statements, the minimum information required by the aforesaid circular for each of its subsidiaries :- (a) Capital (b) Reserves (c) Total assets (d) Total liabilities (e) details of investment (f) turnover (g) profit before taxation (h) provision for taxation (i) Profit after taxation (j) proposed dividend.

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

Subsidiary companies referred to in (e) (f) and (g) below have been audited by other auditors.

a. Name of Subsidiary : VirStra I-Technology Services Limited

Particulars	31 March, 2013	31 March, 2012
At the End of the Year		
Share Capital	10,000,000	10,000,000
Reserves	91,503,835	91,707,995
Total Assets	122,705,289	121,432,720
Total Liabilities	21,201,454	19,724,725
Investments	36,632,675	31,866,400
For the Year Ended		
Turnover	204,865,714	164,232,523
Profit Before Taxation	48,062,585	56,333,285
Provision for Taxation	15,143,729	17,887,895
Profit After Taxation	32,918,856	38,445,390
Dividend*	30,000,000	36,000,000

*The Company paid interim dividend of ₹ 300 Lacs during the financial year 2012-13.

Notes forming part of the consolidated financial statements

b. Name of Subsidiary : Nucleus Software Limited (Amount in ₹)

Particulars	31 March, 2013	31 March, 2012
At the End of the Year		
Share Capital	100,000,000	100,000,000
Reserves	(18,783,978)	(14,883,949)
Total Assets	172,982,232	179,142,104
Total Liabilities	91,766,210	94,026,053
Investments	23,000	23,000
For the Year Ended		
Turnover	8,257,656	6,193,242
Profit Before Taxation	(3,900,029)	(5,125,009)
Provision for Taxation	—	—
Profit After Taxation	(3,900,029)	(5,125,009)
Dividend	—	—

c. Name of Subsidiary : Nucleus Software Netherlands B.V.

Particulars	31 March, 2013		31 March, 2012	
	(Euro)	(₹)	(Euro)	(₹)
At the End of the Year				
Share Capital	400,000	27,812,000	400,000	27,164,000
Reserves	(568,710)	(39,542,387)	(435,539)	(29,577,430)
Total Assets	489,251	34,017,615	736,987	50,048,776
Total Liabilities	657,961	45,748,002	772,525	52,462,205
Investments	—	—	—	—
For the Year Ended				
Turnover	134,894	9,379,180	1,042,348	70,785,853
Profit Before Taxation	(133,170)	(9,259,315)	15,097	1,025,261
Provision for Taxation	—	—	—	—
Profit After Taxation	(133,170)	(9,259,315)	15,097	1,025,261
Proposed Dividend	—	—	—	—

Note: Above figures in INR have been calculated at 1 Euro = ₹ 69.53 and 1 Euro = ₹ 67.91 for the years ended 31 March, 2013 and 31 March, 2012 respectively.

d. Name of Subsidiary : Nucleus Software Japan Kabushiki Kaisha

Particulars	31 March, 2013		31 March, 2012	
	(Japanese Yen)	(₹)	(Japanese Yen)	(₹)
At the End of the Year				
Share Capital	10,000,000	5,754,000	10,000,000	6,203,000
Reserves	43,848,683	25,230,532	(806,843)	(500,485)
Total Assets	203,615,773	117,160,516	281,055,291	174,338,597
Total Liabilities	149,767,090	86,175,984	271,862,134	168,636,082
Investments	—	—	—	—
For the Year Ended				
Turnover	557,226,551	320,628,157	536,615,908	332,862,848
Profit Before Taxation	48,709,710	28,027,567	24,564,875	15,237,592
Provision for Taxation	4,054,183	2,332,777	64,924	40,272
Profit After Taxation	44,655,527	25,694,790	24,499,951	15,197,320
Proposed Dividend	—	—	—	—

Note: Above figures in INR have been calculated at 1 Japanese Yen = ₹ 0.5764 and 1 Japanese Yen = ₹ 0.6203 for the years ended 31 March, 2013 and 31 March, 2012 respectively.



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e. Name of Subsidiary : Nucleus Software Inc.

Particulars	31 March, 2013		31 March, 2012	
	(USD)	(₹)	(USD)	(₹)
At the End of the Year				
Share Capital	350,000	18,998,000	350,000	17,808,000
Reserves	(751,800)	(40,807,704)	(914,611)	(46,535,408)
Total Assets	2,531,348	137,401,569	1,247,287	63,461,963
Total Liabilities	2,933,148	159,211,273	1,811,898	92,189,370
Investments	—	—	—	—
For the Year Ended				
Turnover	3,011,875	163,484,575	2,537,913	129,129,013
Profit Before Taxation	165,318	8,973,461	20,109	1,023,146
Provision for Taxation	2,507	136,080	3,040	154,675
Profit After Taxation	162,811	8,837,381	17,069	868,471
Proposed Dividend	—	—	—	—

Note: Above figures in INR have been calculated at 1 USD = ₹ 54.28 and 1 USD = ₹ 50.88 for the years ended 31 March, 2013 and 31 March, 2012 respectively. Figures for the year ended 31 March, 2012 have been audited by another firm of Chartered Accountants.

f. Name of Subsidiary : Nucleus Software Solutions Pte. Ltd.

Particulars	31 March, 2013		31 March, 2012	
	(Singapore Dollar)	(₹)	(Singapore Dollar)	(₹)
At the End of the Year				
Share Capital	625,000	27,281,250	625,000	25,287,500
Reserves	5,224,566	228,052,306	4,525,118	183,086,274
Total Assets	7,905,365	345,069,182	7,510,395	303,870,582
Total Liabilities	2,055,799	89,735,626	2,360,277	95,496,807
Investments	—	—	—	—
For the Year Ended				
Turnover	16,087,310	702,211,082	15,670,896	634,044,452
Profit Before Taxation	813,051	35,489,676	425,425	17,212,696
Provision for Taxation(Credit/(Expense))	(113,603)	(4,958,771)	16,607	671,919
Profit After Taxation	699,448	30,530,905	442,032	17,884,615
Proposed Dividend	—	—	—	—

Note: Above figures in INR have been calculated at 1 Singapore Dollar = ₹ 43.65 and 1 Singapore Dollar = ₹ 40.46 for the years ended 31 March, 2013 and 31 March, 2012 respectively.

Notes forming part of the consolidated financial statements

g. Name of Subsidiary : VirStra I-Technology (Singapore) Pte Limited

Particulars	31 March, 2013		31 March, 2012	
	(Singapore Dollar)	(₹)	(Singapore Dollar)	(₹)
At the End of the Year				
Share Capital	200,000	8,730,000	200,000	8,092,000
Reserves	(200,807)	(8,765,226)	(788,797)	(31,914,727)
Total Assets	4,873	212,706	13,597	550,135
Total Liabilities	5,680	247,932	602,394	24,372,861
Investments	—	—	—	—
For the Year Ended				
Turnover	597,214	26,068,391	—	—
Profit Before Taxation	587,990	25,665,764	(6,375)	(257,933)
Provision for Taxation	—	—	—	—
Profit After Taxation	587,990	25,665,764	(6,375)	(257,933)
Proposed Dividend	—	—	—	—

Note: Above figures in INR have been calculated at 1 Singapore Dollar = ₹ 43.65 and 1 Singapore Dollar = ₹ 40.46 for the years ended 31 March, 2013 and 31 March, 2012 respectively.

2.35 Revenue recognised upto the reporting date in respect of contracts in progress at the reporting date aggregates ₹ 840,841,702 (As at 31 March, 2012 : ₹ 1,048,415,814).

2.36 Previous year figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification/ disclosure.

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

Sd/-

JANKI BALLABH
Chairman

Sd/-

VISHNU R DUSAD
Managing Director

Sd/-

P K SANGHI
Chief Financial Officer

Sd/-

POONAM BHASIN
Company Secretary

Place : Noida

Date : 27 April, 2013



SHAREHOLDERS' REFERENCER

Shareholders' Referencer

A. Corporate

- Nucleus was incorporated in Delhi in 1989 as Nucleus Software Exports Private Limited, as per the Indian Companies Act 1956. The Company became a Public Limited Company in 1994.
- The Company made an IPO in August 1995. 1,168,900 equity shares, face value ₹ 10/-each were issued to Indian public at a premium of ₹ 40/- per share and 331,500 equity shares, face value ₹ 10/-each, were issued to Non Resident Indians at a premium of ₹ 50/-per share.

- History of Bonus issues at Nucleus is as follows:

Allotment Date	Ratio	No. of Shares
September 24, 1994	60:1	876,000
December 27, 1994	57:100	576,270
October 22, 2001	1:2	2,637,050
August 10, 2004	1:1	8,045,406
August 8, 2007	1:1	16,182,312

- The Company's Registered Office is situated at 33-35, Thyagraj Nagar Market, New Delhi-110003, India and Corporate office at A-39, Sector 62, Noida (U.P.), India.

B. Preferential Issue

The Company had allotted 1,875,500 equity shares of ₹ 10/- each on preferential basis to the promoter/associates and permanent employees of the Company at a price of ₹ 103.15/- per share inclusive of share premium on June 22, 2001.

C. Share Related Data

- Shares of Nucleus are listed on The National Stock Exchange of India Limited and BSE Ltd.
- Scrip Code of Nucleus on NSE is NUCLEUS and on BSE is 531209. The Company's shares are traded in "Group B" category at the BSE Ltd.
- International Securities Identification Number (ISIN code- NSDL and CDSL) is INE096B01018.
- Face value of the Company's equity shares is ₹ 10.
- Shares of the Company are compulsorily traded in demat form.
- 98.84% of the Company's equity shares are in demat form.
- The Company had 16,336 shareholders as on March 31, 2013.
- The Company has not issued any GDRs/ADR
- The Company had 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 exercise under various plans as on March 31, 2013 are:

ESOP (1999) Plan	–	Nil
ESOP (2002) Plan	–	Nil
ESOP (2005) Plan	–	1,320
ESOP (2006) Plan	–	Nil

D. Dividend Related Data

i. Dividend Policy

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

- Provisions of Companies Act and other applicable laws.
- Cash Flow of the Company.

The Board of Directors reviews the Dividend Policy periodically.

ii. Dividend Recommended for FY 13

The Board of Directors recommended a Final Dividend of ₹ 3.00/- per share, on equity share capital (30% on equity share of par value of ₹ 10/-) at their Board meeting held on April 27, 2013. The payment is subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company.

iii. Dividend History

The Dividend declared and paid in the previous financial years is given below:

Financial Year	Dividend		
	Percentage (%)	Per Share (in ₹)	Pay Out (In ₹ crore)
2011-12	25%	2.50	8.10
2010-11	25%	2.50	8.10
2009-10	25%	2.50	8.10
2008-09	25%	2.50	8.09
2007-08*	30%	3.00	9.71
2006-07	35%	3.50	5.64
2005-06	35%	3.50	5.64
2004-05*	25%	2.50	4.02
2003-04	25%	2.50	2.01
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.



Nucleus Software Exports Limited

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

iv. Unclaimed Dividend

With effect from October 31, 1998, any moneys transferred to the 'Unpaid dividend account' of the Company and remaining unpaid or unclaimed for a period of 7 years from the date it becomes due, shall be transferred to the Investor Education and Protection Fund (IEPF). Investors are requested to note that no claims shall lie against the Company or IEPF for any moneys transferred to IEPF in accordance with the provisions of Section 205C of the Companies Act, 1956.

Shareholders are cautioned that once unclaimed dividend is transferred to IEPF, no claim shall lie in respect thereof with the Company.

Unclaimed dividends for the financial years 2000-2001, 2001-2002, 2002-03, 2003-04 and 2004-05 have been transferred to the IEPF in accordance with the provisions of Section 205C of the Companies Act, 1956.

The dates for declaration of dividend for each financial year and due dates for transfer to IEPF is mentioned herein below:

Financial Year	Date of Declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to IEPF
2005-2006 (Final)	July 8, 2006	July 7, 2013	August 6, 2013
2006-2007 (Interim)	March 13, 2007	March 12, 2014	April 11, 2014
2007-2008 (Final)	July 8, 2008	July 7, 2015	August 6, 2015
2008-2009 (Final)	July 8, 2009	July 7, 2016	August 6, 2016
2009-2010 (Final)	June 24, 2010	June 23, 2017	July 22, 2017
2010-2011 (Final)	July 08, 2011	July 07, 2018	August 06, 2018
2011-2012 (Final)	July 11, 2012	July 10, 2019	August 09, 2019

Shareholders who have not encashed their dividend warrant(s) relating to one or more of the financial year (s) are requested to claim such dividend from Registrars of the Company at the following address:

Karvy Computershare Pvt. Ltd.
Plot No. 17-24, Vithal Rao Nagar,
Madhapur,
Hyderabad 500 081

E. Stock Market Data

i. BSE Ltd.

Monthly open, close, high and low quotations and volume of the Company's shares traded at BSE Ltd. during the year 2012-2013:

Date	Open	High	Low	Close	Traded Qty.
(Share Price in ₹)					
April'12	63.00	68.45	62.75	66.50	66,027
May'12	67.05	72.45	62.05	62.70	44,709
June'12	63.50	74.85	60.55	70.10	159,412
July'12	70.00	76.45	61.00	65.15	259,359
August'12	66.00	85.65	63.50	71.05	778,374
September'12	71.40	92.85	70.25	87.00	1,947,829
October'12	87.25	97.00	70.60	72.80	1,200,322
November'12	73.15	80.00	69.05	75.50	181,863
December'12	74.55	83.00	68.30	69.25	114,934
January'13	70.00	79.80	69.25	72.35	261,244
February'13	71.40	88.50	70.30	75.40	317,583
March'13	75.20	85.50	70.30	75.40	118,568
Total Share Traded	5,450,224				

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 2012-2013

Date	Open	High	Low	Close	Traded Qty.
(Share Price in ₹)					
April'12	63.00	69.00	62.05	66.70	176,233
May'12	68.06	69.00	62.30	62.75	170,894
June'12	63.00	74.85	60.35	70.25	403,238
July'12	69.50	76.50	61.00	64.90	901,820
August'12	65.00	85.50	64.20	70.45	1,601,682
September'12	71.00	92.75	70.55	86.85	4,054,531
October'12	86.90	96.95	72.05	73.00	2,326,111
November'12	73.30	78.60	72.00	75.20	555,608
December'12	75.00	77.05	68.30	69.55	355,685
January'13	73.80	80.00	69.70	72.45	866,374
February'13	72.10	87.80	68.65	75.60	895,092
March'13	75.65	85.15	71.05	72.50	432,647
Total Share Traded	12,739,915				

Note:

1. The highest share price of the Nucleus scrip at BSE was ₹ 97.00 in October 2012 and the lowest share price was ₹ 60.55 in June 2012.
2. The highest share price of the Nucleus scrip at National Stock Exchange was ₹ 96.95 in October 2012 and the lowest share price was ₹ 60.35 in June 2012.

Shareholders' Referencer

iii. Quarterly high-low price history of the Company's share for the year 2012-13

	(Share Price in ₹)			
	BSE		NSE	
	High	Low	High	Low
During Quarter ended				
June 30, 2012	74.85	60.55	74.85	60.35
September 30, 2012	92.85	61.00	92.75	61.00
December 31, 2012	97.00	68.30	96.95	68.30
March 31, 2013	88.50	69.25	87.80	68.65

F. Financial Reporting to the Shareholders

- The Company releases Quarterly Report in the form of soft copy and is uploaded on the Company's website www.nucleussoftware.com. This has resulted in prompt information disposal to the shareholders and also contributed 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".

- The Company sends Quarterly and Annual Results alongwith the Press Release to the shareholders through e-mail.
- The Company also sends an instant alert of the results, as soon as they are declared, to all those who register themselves on the Company's website. Those desirous of getting results as and when announced may register themselves on the Company's website.
- 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
- 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
- Your Company has been sending soft copies of Annual reports to the shareholders who had registered their email id's with the Company or Depository participants. As per the circular issued by the Ministry of Corporate Affairs, "Green Initiative in Corporate Governance", your Company has sent emails and letters to all the shareholders to exercise their option of receiving various notices and documents, including Annual Report through electronic mode,

This welcome initiative of MCA will reduce paper consumption to a great extent and enhance corporate contribution to a greener and safer environment. All shareholders of the Company can contribute to this initiative and reduce paper usage by opting to receive various notices and documents through electronic mode.

G. Investors' Services

i. Details of request/complaints received during the year 2012-13:

Nature of complaints /requests	No. of complaints/requests		
	Received during the year	Resolved during the year	Pending at the year end
Non- Receipt of Dividend Warrant	15	15	Nil
Revalidation of Dividend warrants	37	37	Nil
Issue of duplicate share certificates	Nil	Nil	Nil
Non receipt of share certificate	3	3	Nil
Non-Receipt of Annual Report	2	2	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 2012-13.

ii. Registrars of Company

Share Transfers in physical form and other communication regarding share certificates, dividends, de-materialization of physical shares and change of address may be addressed to the Registrars of the Company at the following address:

Karvy Computershare Pvt. Ltd.
Plot No. 17-24, Vithal Rao Nagar,
Madhapur, Hyderabad-500 081
Tel: 040-23420815-18, Fax: 040-23420814
Email: mailmanager@karvy.com

iii. Share Transfer System

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

The Share Transfer Committee and Shareholders' Grievance Committee is authorised to approve transfer of shares, which are received in physical form, and the said Committee approves transfer of shares.

All requests for dematerialisation of shares are processed and confirmation is given to the respective Depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL) within 15 days.

The Company has De-materialised 32,008,668 shares (98.84% of the paid up share capital) as at March 31, 2013.

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.



Nucleus Software Exports Limited

iv. Investor Service and Grievance Handling Mechanism

The largest Registrar in the country, Karvy Computershare Private Ltd., handles all share related transactions viz. transfer, transmission, transposition, nomination, dividend, change of name/address /signature, registration of mandate/Power of attorney, replacement/split/consolidation of share certificates/demat/remat of share/issue of duplicate certificates etc.

Report on shareholders' requests / grievances received and resolved is placed before the Share Transfer and Shareholders' Grievance Committee.

Investors are requested to correspond directly with Karvy, on all share related matters. The Company has an established mechanism for investor service and grievance handling with Karvy and the Compliance Office of the Company. Following are the contact details of the Registrar:

Karvy Computershare Pvt. Ltd.

Plot No. 17-24, Vithal Rao Nagar,

Madhapur, Hyderabad-500 081

Tel: 040-23420815-18 • Fax: 040-23420814

Email: mailmanager@karvy.com

v. Designated e-mail Address for Investor Services

In terms of clause 47(f) of the Listing Agreement, the designated e-mail address for investor complaints is investorrelations@nucleussoftware.com.

vi. Reconciliation of Share Capital

A qualified practising Company Secretary carries out Secretarial Audit every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. and the total issued and listed capital. The audit confirms that the total issued / paid up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

vii. Legal Proceedings

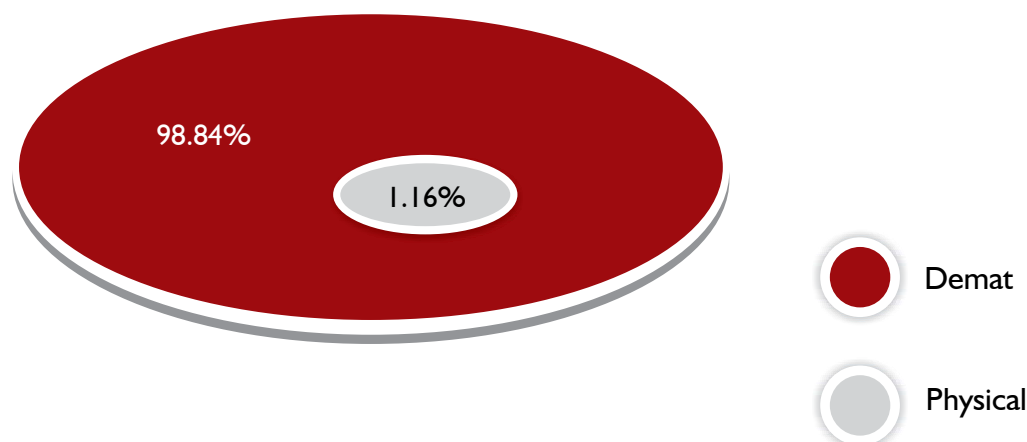
There is one legal proceeding pending against the Company in Court.

H. Shareholding Data

i. Distribution of Shareholding

No of Equity Shares Held		As on March 31, 2013				As on March 31, 2012			
		Share Holders		Shares		Share Holders		Shares	
		(Nos.)	%	(Nos.)	%	(Nos.)	%	(Nos.)	%
From	To								
1 -	100	9,485	58.06	423,033	1.31	10,603	59.06	485,880	1.50
101	200	2,193	13.42	378,741	1.17	2,601	14.49	445,824	1.38
201	500	2,317	14.18	804,380	2.48	2,396	13.35	855,170	2.64
501	1000	1,325	8.11	1,005,845	3.10	1,324	7.37	1,009,676	3.12
1001	5000	818	5.01	1,747,106	5.40	834	4.65	1,780,607	5.50
5001	10000	104	0.64	755,073	2.33	102	0.57	741,594	2.29
10001 and above		94	0.58	27,269,456	84.21	93	0.52	27,064,703	83.58
Total		16,336	100.00	32,383,634	100.00	17,953	100.00	32,383,454	100.00

Shares held in Physical and Dematerialised form as on March 31, 2013



Shareholders' Referencer

ii. Categories of Shareholders

Category	As on March 31, 2013			As on March 31, 2012		
	Share Holders (Nos.)	Voting Strength (%)	Shares Held (Nos.)	Share Holders (Nos.)	Voting Strength (%)	Shares Held (Nos.)
Promoter and Promoter Group	09	57.44	18,601,866	09	57.44	18,601,866
Individuals	15,486	22.86	7,401,719	16,954	22.32	7,229,972
Bodies Corporate	439	2.03	657,531	462	3.06	992,179
NRIs	387	2.07	670,716	512	2.15	6,93,571
FII's	2	5.04	1,632,536	3	4.20	1,360,039
Mutual Funds	11	10.53	3,408,377	13	10.83	3,504,827
Banks and Financial Institutions	2	0.03	10,884	–	–	–
Total	16,336	100.00	32,383,634	17,953	100.00	32,383,454

iii. Shares under Lock-in

There are no shares under Lock in as on March 31, 2013.

iv. Share Transfers, Demat and Remat

The details of shares transferred in physical form, dematerialised and rematerialised during the year ended March 31, 2013 are given below:

No. of Shares	
– Transferred in physical form	738
– Dematerialised	12,602
– Rematerialised	1

I. Board Practices

i. Directors and their term of office

Name of Director	Term of office
Mr. Janki Ballabh	Retirement by rotation
Mr. Vishnu R Dusad	Five years (December 31, 2016)
Mr. Prithvi Haldea	Retirement by rotation
Mr. Sanjiv Sarin	Retirement by rotation
Mr. N. Subramaniam*	Upto Annual General Meeting
Prof. Trilochan Sastry*	Upto Annual General Meeting

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. N. Subramaniam and Prof. Trilochan Sastry were appointed as Additional Directors w.e.f. July 11, 2012 and April 27, 2013 respectively.

J. Directors, Senior Management and Employees of the Company

The Directors of the Company and executive officers including of Subsidiaries, their respective ages and their respective positions with the Company are as follows:

i. Management Structure

Name	Position	Age (In Yrs.)
Janki Ballabh	Chairman	70
Vishnu R Dusad	Managing Director & Chief Executive Officer	56
Prithvi Haldea	Non-Executive Director	62
Sanjiv Sarin	Non-Executive Director	54
N. Subramaniam	Non-Executive Director	51
Prof. Trilochan Sastry	Non-Executive Director	53
Pramod K Sanghi	President - Finance & Chief Financial Officer	58
R. P. Singh	President & Head Global Product Management	52
V. Muralikrishna	Executive Vice President	44
Pankaj Bhatt	Executive Vice President	50
Manu Arora	Vice President, Head Human Resource	39
Anurag Bhatia	Senior Vice President	47
Alok Agrawal	Vice President	41
Anil Aggarwal	Vice President	47
Anurag Mantri	Vice President	43
Ashwani Arora	Vice President	40
Gaurav Mehta	Vice President	37
Kamal Nayyar	Vice President	41
Manish Arora	Vice President	42
Parag Bhise	Vice President	48
R. Venkatraman	Vice President	42
Ramesh Gopal	Vice President	45
Sanjeev Kulshreshtha	Vice President	49
Shalini Modi	Vice President	37
Shobha Ramani Chadha	Vice President	41



ii. Employee Structure

a) Employee strength globally including employees of subsidiaries.

As at March 31,	2013		2012	
	No.	%	No.	%
– Technical Staff	1,225	82	1,418	86
– Non-Technical Staff including Business Development Group	278	18	238	14
Gender classification of employees is:				
– Male	1,173	78	1,301	79
– Female	330	22	355	21
Total	1,503	100	1,656	100

b) The age profile of employees

As at March 31,	2013		2012	
	No.	%	No.	%
Between 20 and 25 years	318	21	397	24
Between 26 and 30 years	441	29	551	33
Between 31 and 40 years	642	43	616	37
Between 41 and 50 years	85	6	79	5
Between 51 years & above	17	1	13	1
Total	1,503	100	1,656	100

K. Financial Calendar for the year 2013-14

(Tentative and subject to change)

i. Financial Reporting

First quarter ending June 30, 2013	between 20 th to 31 st of July 2013
Second quarter ending September 30, 2013	between 20 th to 31 st of October 2013
Third quarter ending December 31, 2013	between 20 th to 31 st of January 2014
Year ending March 31, 2014	between 21 st to 30 th of April 2014

ii. Annual General Meeting

Year ending March 31, 2013	July 10, 2013
Year ending March 31, 2014	July, 2014

iii. Dividend

Date of Book Closure for AGM and payment of Dividend	July 2, 2013 to July 10, 2013 (both days inclusive)
Dividend Payment Date	Within 30 days from the date of declaration in Annual General Meeting

iv. The fiscal year of Nucleus is from April 1 to March 31.

L. Shareholder Satisfaction Survey

Your Company is in constant endeavor to offer better and prompt services to its shareholders and in an effort to achieve this objective, a Shareholder Satisfaction Survey is conducted, to assess the level of satisfaction among Nucleus shareholders and identify areas of strengths and weakness of Nucleus perceived by the shareholders.

A Shareholder Satisfaction Survey is conducted through a shareholder feedback form uploaded on investors section of the

Company website, for online filing. It is our constant endeavor to provide efficient and prompt services to the shareholders. responses received through this survey it help us :

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

M. Frequently Asked Questions

i. Dividend

What is the ECS facility and how does it work?

Reserve Bank of India's Electronic Clearance Service (ECS) Facility provides investors an option to collect dividend / interest directly through their bank accounts rather than receiving the same through post. Under this option, investor's bank account is directly credited and an advice thereof is issued by the Company after the transaction is effected. The concerned bank branch credits investor's account and indicate the credit entry as "ECS" in his/ her passbook / statement of account. If any investor maintains more than one bank account, payment can be received at any one of his / her accounts as per the preference of the investor. The investor does not have to open a new bank account for the purpose.

What are the benefits of ECS facility?

Some of the major benefits of ECS Facility are:

- a. Shareholder need not make frequent visits to his bank for depositing the physical paper instruments.
- b. Prompt credit to the bank account of the investor through electronic clearing at no extra cost.
- c. Exposure to delays / loss in postal service avoided.
- d. As there can be no loss in transit of warrants, issue of duplicate warrants is avoided.
- e. Fraudulent encashment of warrants is avoided.

How to avail ECS facility?

Investors holding shares in physical form may send their ECS Mandate Form, duly filled in, to the Company's R&T Agent. ECS Mandate Form is enclosed for immediate use of investors. The Form may also be downloaded from the Company's website under the section "Investors". However, if shares are held in dematerialised form, ECS mandate has to be sent to the concerned Depository Participant (DP) directly, in the format prescribed by the DP.

Can ECS Facility be opted out by the investors?

ECS would be an additional mode of payment. Investors have the right to opt out from this mode of payment by giving an advance notice of four weeks either to the Company's R&T Agent or to the concerned DP, as the case may be.

What is payment of dividend through NEFT Facility and how does it operate?

NEFT denotes payment of dividend electronically through RBI clearing to selected bank branches, which have implemented Core Banking solutions (CBS). This extends to all over the country, and is not necessarily restricted to the 68 designated centres where payment can be handled through ECS. To facilitate payment through NEFT, the shareholder is required to ensure that the bank branch where his/her account is operated, is under CBS and also records the particulars of the new bank account with the DP with whom the demat account is maintained.

What should one do in case he does not receive dividend?

Shareholders may write to the Company's R&T Agent furnishing the particulars of the dividend not received and quoting the folio number/client ID particulars (in case of dematerialized shares). The R&T Agent shall check the records and issue duplicate dividend warrant if the dividend remains unpaid in the records of the Company after expiry of the validity period of the warrant. The Company would request the concerned shareholders to execute an indemnity before issuing the duplicate warrant. If the validity period of the lost dividend warrant has not expired, shareholders will have to wait till the expiry date since duplicate warrant cannot be issued during the validity of the original warrant. On expiry of the validity period, if the dividend warrant is still shown as unpaid in records of the Company, duplicate warrant will be issued. However, duplicate warrants will not be issued against those shares wherein a 'stop transfer indicator' has been instituted either by virtue of a complaint or by law, unless the procedure for releasing the same has been completed. No duplicate warrant will be issued in respect of dividends, which have remained unpaid / unclaimed for a period of seven years in the unpaid dividend account of the Company as they are required to be transferred to the Investor Education and Protection Fund (IEPF) constituted by the Central Government.

Why should one wait till the expiry of the validity period of the original warrant?

Since the dividend warrants are payable at par at several centers across the country, banks do not accept stop payment' instructions. Hence, shareholders have to wait till the expiry of the validity of the original warrant.

How to get dividend by direct electronic deposit to bank account?

While opening accounts with Depository Participants (DPs), shareholders are required to give details of their Bank Accounts, which will be used by the Company for direct credit of the dividend to the respective accounts. However, members who wish to receive dividend in an Account other than the one specified while opening the Depository Account may notify their DPs about any change in Bank account details. Members are requested to furnish complete details of their bank accounts including MICR codes of their banks to their DPs.

ii. Dematerialization/ Rematerialisation

What is De-materialisation of shares?

Dematerialisation (Demat) is the process by which securities held in physical form evidencing the holding of securities by any person are cancelled and destroyed and the ownership thereof is entered into and retained in a fungible form on a depository by way of electronic balances. The two depositories presently functioning in India are National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Why dematerialise shares? What are the benefits of 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.

What is the SMS alert facility?

NSDL and CDSL have launched SMS Alert facility for demat account holders whereby investors can receive alerts for debits (transfers) to their demat accounts and for credits in respect of corporate actions for IPO and offer for sale. Under this facility, investors can receive alerts, a day after such debits (transfers) / credits take place. These alerts are sent to those account holders who have provided their mobile numbers to their Depository Participants (DPs). Alerts for debits are sent, if the debits (transfers) are up to five ISINs in a day. In case debits (transfers) are for more than five ISINs, alerts are sent with a message that debits for more than five ISINs have taken place and that the investor can check the details with the DP.

How does the Company pay dividend on shares De-materialised?

The dividend warrants in respect of all shares, whether held in electronic form or by way of share certificates, are sent by the company directly to the shareholders whose names are on the company's register of members or in the electronic form under the depository system on the designated date to be notified by the Company. While opening Accounts with Depository Participants (DPs), shareholders are required to give details of their bank Accounts, which will be used by the Company for direct credit of the dividend to the respective accounts.



Why cannot the Company take on record bank details in case of dematerialized shares?

As per the Depository Regulations, the Company is obliged to pay dividend on dematerialised shares as per the details furnished by the concerned DP. The Company cannot make any change in such records received from the Depository.

How are transactions effected through the Depository?

After you open an account with a DP, you can buy or sell shares in the electronic form without share certificate or transfer forms, provided the seller/buyer also holds shares in the electronic form.

You can sell the shares in the depository mode through any share broker. All you need to do is to provide him the details of your account with the DP, with a delivery instruction to debit your share account with the number of shares sold by you. When you buy shares in the depository mode, you must, similarly, inform the broker about your depository account details so that the shares bought would be credited to your account with the DP.

What is rematerialisation of shares?

It is the process through which shares held in demat form are converted into physical form by issuance of share certificate(s).

What is the procedure for rematerialisation of shares?

- Shareholders should submit duly filled in Rematerialisation Request Form (RRF) to the concerned DP.
- DP intimates the relevant Depository of the request through the system.
- DP submits RRF to Company's R&TA.
- Depository confirms rematerialisation request to the Company's R&TA.
- The Company's R&TA updates accounts and prints certificate(s) and informs the Depository.
- Depository updates the Beneficiary Account of the shareholder by deleting the shares so rematerialised.
- Share certificate(s) is despatched to the shareholder.

Can one get his original share Certificate?

No, as the share certificates on De-materialisation are cancelled you will not receive the same share certificate on Re-materialisation. The shares represented by De-materialised share certificates are fungible and, therefore, certificate numbers and distinctive numbers become irrelevant.

iii. Transfer / duplicate Certificates etc.

How to get shares registered in favour of transferee(s)?

Transferee(s) need to send share certificate(s) alongwith share transfer deed in the prescribed Form 7B, duly filled in, executed and affixed with share transfer stamps, to the Company's R&T Agent. The statutory time limit for processing the transfer is one month.

Is Permanent Account Number for transfer of shares in physical form mandatory?

SEBI vide its Circular dated May 20, 2009 has stated that for securities market transactions and off-market transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company/ RTA for registration of such transfer of shares.

How can the change in order of names (i.e. transposition) be effected?

Share certificates alongwith a request letter duly signed by all the joint holders may be sent to the Company's R&T Agent for change in order of names, known as 'transposition'. Transposition can be done only for the entire holdings under a folio and therefore, requests for transposition of part holding cannot be accepted by the Company / R&T Agent.

What is the procedure for obtaining duplicate share certificate(s) in case of loss / misplacement of original share certificate(s)?

Shareholders who have lost / misplaced share certificate(s) should inform the Company's R&T Agent, immediately about loss of share certificate(s) quoting their folio number and details of share certificate(s), if available. The R&T Agent shall immediately mark a 'stop transfer' on the folio to prevent any further transfer of shares covered by the lost share certificate(s). It is recommended that the shareholders should lodge a FIR with the police regarding loss of share certificate(s). They should send their request for duplicate shares to the Company's R&T Agent. Documents required to be submitted alongwith the application include Indemnity Bond, Surety Form, copy of FIR, Memorandum of Association and Certified Copy of Board Resolution (in case of companies).

iv. Change of Name

What is the procedure for registering change of name of shareholders?

Shareholders may request the Company's R&T Agent for effecting change of name in the share certificate(s) and records of the Company. Original share certificate(s) alongwith the supporting documents like marriage certificate, court order etc. should be enclosed. The Company's R&T Agent, after verification, will effect the change of name and send the share certificate(s) in the new name of the shareholders. Shareholders holding shares in demat form, may request the concerned DP in the format prescribed by DP.

v. Change of Address

What is the procedure to get changes in address registered in the Company's records?

Shareholders holding shares in physical form, may send a request letter duly signed by all the holders giving the new address alongwith Pin Code. Shareholders are also requested to quote their folio number and furnish proof such as attested copies of Ration Card / PAN Card / Passport / Latest Electricity or Telephone Bill / Lease Agreement etc. If shares are held in dematerialised form, information about change in address need.

Can there be multiple addresses for a single folio?

There can only be one registered address for one folio.

vi. Nomination Facility:

Statutory Provisions governing Nomination

Section 109A of the Companies Act, 1956 provides the facility of nomination to Shareholders. This facility is mainly useful for individuals holding shares in sole name. In the case of joint holding of shares by individuals, nomination will be effective only in the event of the death of all joint holders.

Investors, especially those who are holding shares in single name, are advised to avail of the nomination facility by submitting the prescribed form 2B to the Company's

R&TA. However, if shares are held in dematerialised form, nomination has to be registered with the concerned DP directly, as per the format prescribed by the DP.

Appointment of Nominee

Individual Shareholders holding the shares in single name or joint names can appoint a nominee. While an individual can be appointed as a nominee, a trust, society body corporate, partnership firm, Karta of HUF or a power of attorney holder will not be nominee(s). Minors can, however, be appointed as nominee. There can be only one nomination for one folio.

Revocation / Variation of a nomination once made

It is possible to revoke / vary a nomination once made. If nomination is made by joint holders, and one of the joint holder dies, the remaining joint holder(s) can make a fresh nomination by revoking the existing nomination.

Status of joint holders

Joint holders are not nominees; they are joint holder of the relevant shares having joint rights on the same. In the event of death any one of the joint holders, the surviving joint holder(s) of the shares is/ are the only person(s) recognized under law as holder(s) of the shares. Joint Shareholders may together appoint a nominee.

Rights of nominee

The nominee is entitled to all the rights of the deceased shareholder to the exclusion of all other persons. In case of joint holding, all the rights shall vest in the nominee only in the event of death of all the joint holders. The nominee is required to apply to the Company by reporting the death of the nominator and submitting the death certificate. The nominee has an option to decide to register himself as a shareholder or he could send an application to have the shares transferred to any other person to whom the nominator could have otherwise transferred the shares. If the nominee opts to transfer the shares to a third party, he should submit to the Company's R&TA, the transfer deed(s) duly stamped and executed accompanied by the relevant certificate(s) and other documentary proof(s).

If shares are held in dematerialized form, nomination has to be registered with the concerned DP directly as per the format prescribed.

Certain forms for the assistance of the shareholders are available on the investors page of the Company website www.nucleussoftware.com.

N. Additional Recommendations to the Shareholders / Investors

In order to minimize /avoid unnecessary risk while dealing with Securities and related matters, the following are Company's recommendations to share holders /investors:

- **Open Demat Account and Dematerialise Your share**
Investors should convert their physical holding of securities into demat holdings. Holding securities in demat form help investors to get immediate transfer of securities. No stamp duty is payable on transfer of shares held in demat form and risk associated with physical certificates such as forged transfers, fake certificates and bad deliveries are avoided.
- **Consolidate Multiple Folios**
Investors should consolidate their shareholding held in multiple folios. This would facilitate one-stop tracking of all corporate benefits on the shares and would reduce time and efforts required to monitor multiple folios.

- **Register ECS Mandate and furnish correct bank account particulars with Company/ Depository Participant**

Investor should provide an ECS mandate to the Company in case of shares held in physical form and ensure that the correct and updated particulars of their bank account are available with the Depository Participant (DP) in case of shares held in demat form. This would facilitate in their receiving direct credits of dividends, refunds etc from companies and avoiding postal delays and loss in transit.

- **Keep holding details confidential**

Folio number (Client ID and DP ID number in respect of dematerialised securities) should not be disclosed to unknown persons. Signed blank transfer deeds (delivery instruction slips in respect of dematerialised shares) should not be given to unknown persons.

- **Deal with Registered Intermediaries**

Investors should transact through a registered intermediary who is subject to regulatory discipline of SEBI, as it will be responsible for its activities, and in case intermediary does not act professionally, investors can take up the matters with SEBI.

- **Mode of Postage**

Share certificates and high value dividend warrants /cheques/ demand drafts should not be sent by ordinary post. It is recommended that investors should send such instruments by registered post or courier.

- **Permanent Account Number (PAN)**

It has become mandatory to quote PAN before entering into any transaction in the securities market. The Income Tax Department of India has highlighted the importance of PAN on its website incometaxindia.gov.in wherein lot of queries with respect to PAN have been replied in the FAQ section.

- **Insider Trading**

In order to prohibit insider trading and protect the rights of innocent investors, SEBI has enacted the SEBI (Prohibition of Insider Trading) Regulations 1992. As per Regulation 13 of the said Regulations initial and continual disclosures are required to be made by investors as under:

Initial Disclosure

Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company in Form A, the number of shares or voting rights held by such person, on becoming such holder, within 2 working days of: (a) the receipt of intimation of allotment of shares; or (b) the acquisition of shares or voting rights, as the case may be.

Continual Disclosure

Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company in Form C the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below 5%, if there has been change in such holdings from the last disclosure made under sub-regulation (1) or under this sub regulation; and such change exceeds 2% of total shareholding or voting rights in the company.

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

President - Finance & Chief Financial Officer

+91 (120) 4031800, pxsanghai@nucleussoftware.com

Company Secretary & Compliance Officer

+91 (120) 4031400, poonam@nucleussoftware.com



Economic Value Added

Economic Value Added is a measure of shareholder value. In the field of corporate finance, economic value added is a way to determine the value created, above the required return, for the shareholders of a Company. It represents the value added to the shareholder's wealth by generating operating profit (less tax) in excess of cost of capital employed to earn that profit.

EVA = Net Operating Profit after Taxes - Cost of Capital Employed.

(₹ in crore)

	FY 13	FY 12	FY 11
Cost of Capital			
Risk Free Debt Cost (%)	7.21	8.28	7.64
Market Premium*	7.00	7.00	7.00
Beta Variant	0.31	0.30	0.41
Cost of Equity	9.38	10.38	10.51
Average Debt/Total Capital (%)	—	—	—
Cost of Debt-Net of Tax(%)	—	—	—
WACC(%)	9.38	10.38	10.51
Average Capital Employed	332.07	301.05	279.51
PAT as a percentage of Average Capital Employed(%)	13.60	11.74	9.42
Economic Value Added (EVA)			
Operating Profit including other income(excluding extraordinary income)	60.05	48.30	29.87
Less: Tax**	14.89	12.96	3.53
NOPAT (Net Operating Profit after Tax)	45.16	35.34	26.34
Cost of Capital (WACC * Invested Capital)	31.16	31.26	29.38
Economic Value Added	14.00	4.08	(3.04)
Enterprise Value			
Market Value of Equity	234.78	200.30	277.05
Add: Debt	—	—	—
Less: Cash and Cash Equivalents	266.72	196.16	187.51
Enterprise Value	(31.94)	4.14	89.54
Ratios			
EVA as a percentage of average capital employed	4.22	1.35	(1.09)
Enterprise Value/Average Capital Employed	(0.10)	0.01	0.32

* Market Premium is assumed to be constant always for IT Cos.

** Taxes include withholding taxes.

Notes:

1. Cost of equity = return on risk-free investment + expected risk premium on equity investment adjusted for our beta variant in India.
2. Above figures are based on consolidated financial statements.
3. Cash and cash equivalents includes investments in liquid mutual funds.

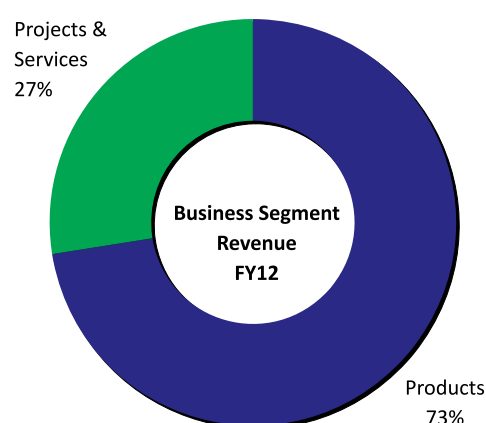
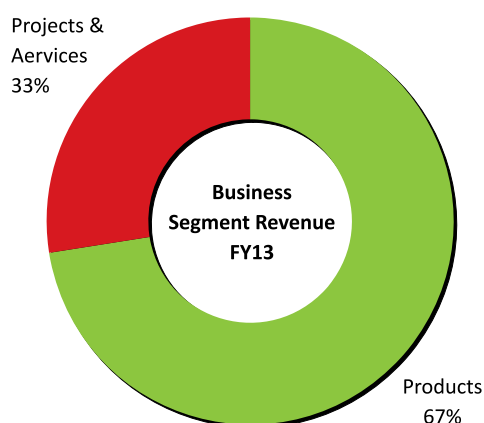
SEGMENT INFORMATION, HISTORICAL PERSPECTIVE AND RATIO ANALYSIS



Consolidated Segment Information of Nucleus Software Group

(₹ in crore)

REVENUE BY	For the Year Ended March 31,			
	2013	% of Revenue	2012	% of Revenue
GEOGRAPHICAL SEGMENTS				
India	53.33	18.15	51.13	18.12
Far East	82.04	27.93	75.28	26.67
South East Asia	62.73	21.35	59.83	21.20
Europe/ U.K.	19.00	6.47	29.73	10.53
Americas	19.73	6.72	12.19	4.32
Middle East	42.24	14.38	38.03	13.47
Africa	9.96	3.39	8.53	3.02
Rest of the World	4.73	1.61	7.53	2.67
TOTAL	293.76	100.00	282.25	100.00
CURRENCY SEGMENT				
Indian Rupee	53.33	18.16	51.13	18.12
US \$	162.46	55.30	174.04	61.66
Japanese Yen	33.18	11.29	20.21	7.16
Singapore \$	29.91	10.18	23.64	8.38
Malaysian Ringgit	6.31	2.15	4.31	1.53
Euro	4.36	1.48	5.60	1.98
South Korean Won	2.74	0.93	3.32	1.17
British Pound	1.21	0.42	—	—
Swiss Franc	0.17	0.06	—	—
Swedish Krona	0.09	0.03	—	—
TOTAL	293.76	100.00	282.25	100.00
BUSINESS SEGMENT				
Products	197.69	67.30	204.99	72.63
Own	191.89	65.32	197.35	69.92
Traded	5.80	1.98	7.64	2.71
Projects & Services	96.07	32.70	77.26	27.37
TOTAL	293.76	100.00	282.25	100.00



A Historical Perspective

(₹ in crore except per share data)

Consolidated Performance

For the Year Ended March 31,	2013	2012	2011	2010	2009
Revenue from Operations	293.76	282.25	270.48	291.78	328.40
Operating Profit (EBITDA)	45.90	35.55	30.48	54.08	49.60
EBITDA as a % of Revenue from Operations	16	13	11	19	15
Depreciation	6.09	7.45	9.28	11.33	13.28
Provision for Taxation	14.89	12.96	3.52	5.94	9.86
Profit After Tax (PAT)	45.17	35.34	26.34	38.40	32.26
PAT as a % of Revenue from Operations	15	13	10	13	10
Return on Average Networth (%)	13.60	11.74	9.42	15.02	14.16
Return on Average Capital Employed (PBIT/Average Capital Employed) (%)	18.09	16.05	10.68	17.34	18.43
As at March 31,	2013	2012	2011	2010	2009
Share Capital	32.39	32.38	32.38	32.37	32.37
Reserves and Surplus	317.60	281.74	255.57	238.70	207.93
Gross Block	123.53	119.22	110.32	112.64	112.02
Net current assets	283.39	249.21	218.33	117.75	158.89
Market Capitalisation	234.78	200.29	277.03	446.38	164.60
Per Share data					
Earning Per Share	13.95	10.91	8.13	11.86	9.97
Dividend Per Share	3.00	2.50	2.50	2.50	2.50
Book Value Per Share	108.08	97.00	88.92	83.74	74.24

Notes:

1. Market Capitalisation is calculated by considering closing market price of the scrip at close of the year which is ₹ 72.50 at March 31, 2013 and ₹ 61.85 at March 31, 2012.
2. Previous year figures have been regrouped/ reclassified wherever necessary.



A Historical Perspective

(US\$ '000 except per share data)

Consolidated Performance

For the Year Ended March 31,	2013	2012	2011	2010	2009
Revenue from Operations	54,049	58,999	58,736	61,080	72,287
Operating Profit (EBITDA)	8,444	7,431	6,619	11,321	10,918
EBITDA as a % of Revenue from Operations	16	13	11	19	15
Depreciation	1,121	1,557	2,015	2,372	2,923
Provision for Taxation	2,739	2,709	764	1,243	2,170
Profit After Tax (PAT)	8,311	7,387	5,720	8,039	7,101
PAT as a % of Revenue from Operations	15	13	10	13	10
Return on Average Networth (%)	13.60	11.74	9.42	15.02	14.16
Return on Average Capital Employed (PBIT/Average Capital Employed) (%)	18.09	16.05	10.68	17.34	18.43
US\$ Exchange Rate (In ₹)*	54.35	47.84	46.05	47.77	45.43
As at March 31,	2013	2012	2011	2010	2009
Share Capital	5,967	6,364	7,247	7,179	6,380
Reserves and Surplus	58,511	55,373	57,200	52,939	40,980
Gross Block	22,758	23,432	24,691	24,981	22,077
Working Capital	52,209	48,980	48,865	26,114	31,315
Market Capitalisation	43,254	39,365	62,004	98,998	32,440
Per Share data					
Earning Per Share	0.26	0.23	0.18	0.25	0.22
Dividend Per Share	0.06	0.05	0.05	0.05	0.06
Book Value Per Share	1.99	1.91	1.99	1.86	1.46
US\$ Exchange Rate (In ₹)#	54.28	50.88	44.68	45.09	50.74

Notes:

1. Market Capitalisation is calculated by considering closing market price of the scrip at close of the year which is ₹ 72.50 at March 31, 2013 and ₹ 61.85 at March 31, 2012.
2. Previous year figures have been regrouped/ reclassified wherever necessary.
3. *Revenue and expenditure items have been translated at the average US\$/₹ rate, mentioned here for the respective years.
4. #Balance Sheet items have been translated at year end US\$/₹ rate, mentioned here for the respective years.

Ratio Analysis

Consolidated Performance

For the Year ended March 31,	2013	2012	2011	2010	2009
Ratios Financial Performance					
Export Revenue/ Revenue (%)	81.85	81.88	84.89	87.39	88.81
Domestic Revenue/ Revenue (%)	18.15	18.12	15.11	12.61	11.19
Total Operating Expenses/ Revenue (%)	84.38	87.40	88.73	81.47	84.90
Operating Profit/ Revenue (%)	15.63	12.60	11.27	18.53	15.11
Depreciation/ Revenue (%)	2.07	2.64	3.43	3.88	4.04
Other Income/ Revenue (%)	5.88	5.98	3.48	3.30	4.17
Tax/ Revenue (%)	5.07	4.59	1.30	2.04	3.00
Effective Tax Rate (Tax/ PBT) (%)	24.79	26.83	11.79	13.40	23.39
PAT from Ordinary Activities/ Revenue(%)	9.49	6.54	6.26	9.86	5.65
PAT from Ordinary Activities/Net Worth(%)	7.97	5.88	5.88	10.62	7.72
Ratios Return					
ROCE (PBIT/ Average Capital Employed) (%)	18.09	16.05	10.68	17.34	18.43
ROANW (PAT/Average Net Worth) (%)	13.60	11.74	9.42	15.02	14.16
Ratios Balance Sheet					
Debt-Equity Ratio	—	—	—	—	—
Debtors Turnover (Days)	87	114	63	72	84
Asset Turnover Ratio	0.64	0.69	0.74	1.07	1.36
Current Ratio	3.94	3.91	4.27	2.76	3.00
Cash and Equivalents/Total Assets (%)	58.11	47.72	51.44	59.81	50.66
Cash and Equivalents/ Revenue (%)	90.80	69.50	69.32	55.66	37.20
Depreciation/Average Gross Block(%)	5.02	6.49	8.32	10.09	12.82
Technology Investment/ Revenue (%)	2.36	1.19	0.58	0.18	2.13
Ratios Growth					
Revenue Growth (%)	4.08	4.35	(7.30)	(11.15)	13.74
Export Revenue Growth (%)	4.03	0.65	(9.95)	(12.58)	13.66
Operating Expenses Growth (%)	0.47	2.79	0.96	(14.74)	29.49
Operating Profit Growth (%)	29.11	16.63	(43.64)	9.01	(32.43)
PAT Growth (%)	27.82	34.17	(31.41)	19.03	(47.76)
EPS Growth (%)	27.86	34.19	(31.45)	18.96	(47.75)
Per - Share Data (End of Year)					
Earning Per Share from Ordinary Activities (₹)	8.61	5.70	5.23	8.89	5.73
Earning Per Share (Including Other Income) (₹)	13.95	10.91	8.13	11.86	9.97
Cash Earning Per Share from Ordinary Activities (₹)	10.49	8.00	8.10	12.39	9.83
Cash Earning Per Share (Including Other Income)(₹)	15.83	13.21	11.00	15.36	14.07
Book Value Per Share (₹)	108.08	97.00	88.92	83.74	74.24
Price/Earning	5.20	5.67	10.52	11.62	5.05
Price/ Cash Earning	4.58	4.68	7.78	8.98	3.58
Price/Book Value	0.67	0.64	0.96	1.65	0.68
Dividend Per Share (DPS) (₹)	3.00	2.50	2.50	2.50	2.50
Dividend (%)	30	25	25	25	25
Dividend Payout (In ₹ Crore)	9.72	8.10	8.10	8.09	8.09

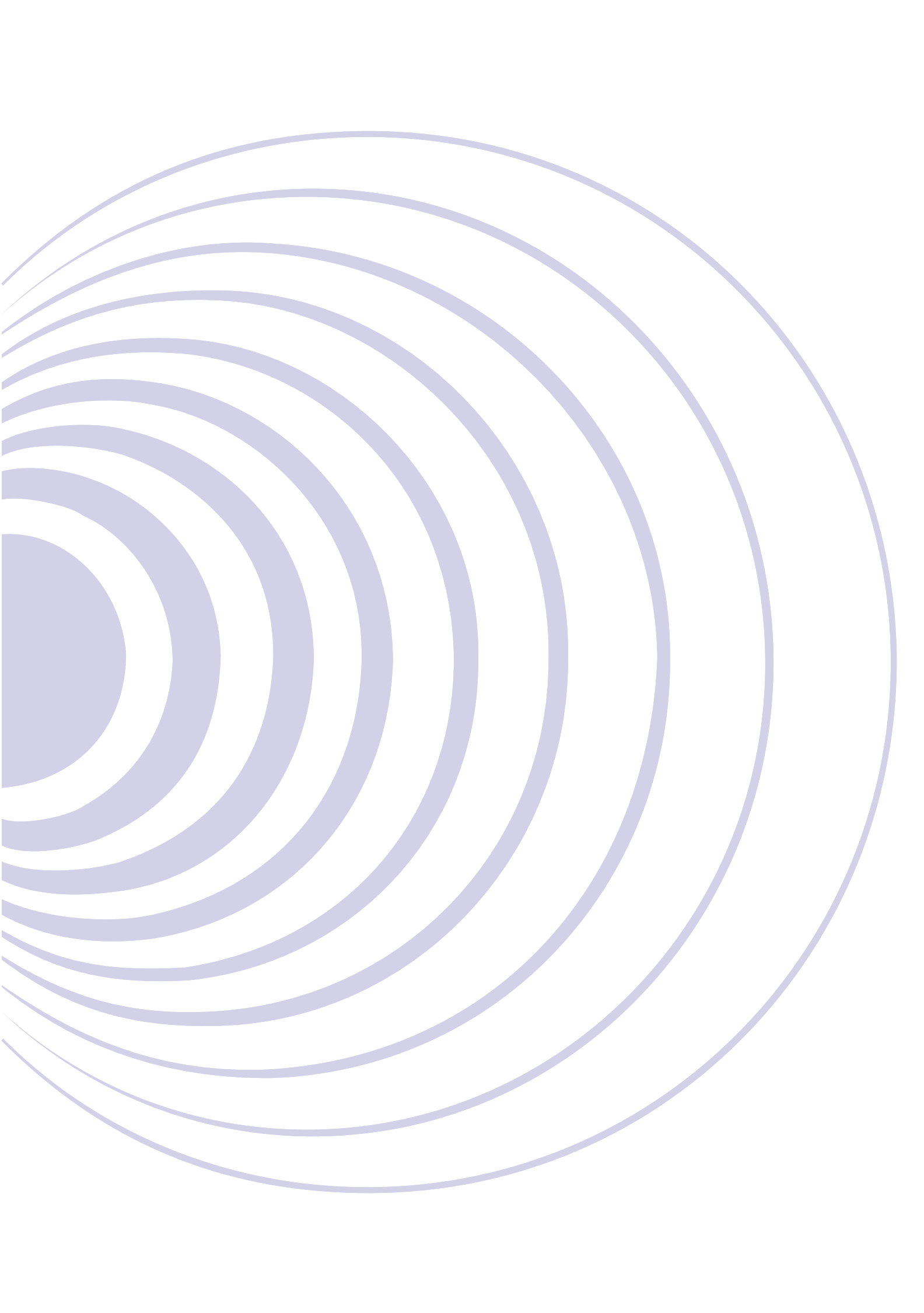
Notes:

1. While calculating the consolidated figures of group, inter group transactions have been ignored.
2. Previous year figures have been regrouped/ reclassified wherever necessary.
3. Cash and Equivalents includes cash and bank balances and current investments.



Glossary

ADR	American Depository Receipt
ADM	Application Development & Maintenance
BFS	Banking & Financial Services
BSE	Bombay Stock Exchange Ltd.
BPO	Business Process Outsourcing
CAGR	Compound Annual Growth Rate
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSR	Corporate Social Responsibility
DP	Depository Participant
DRF	Demat Requisition Form
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
ESOP	Employee Stock Option Plan
EU	European Union
FAQ	Frequently Asked Questions
GDP	Gross Domestic Product
GDR	Global Depository Receipt
ICAI	Institute of Chartered Accountants of India
ICSI	Institute of Company Secretaries of India
IPO	Initial Public Offer
IT	Information technology
ITES	Information Technology Enabled Services
IP	Intellectual Property
MCA	Ministry of Corporate Affairs
MDA	Management Discussion and Analysis
MD	Managing Director
NASSCOM	National Association of Software and Services Companies
NSE	National Stock Exchange of India Ltd.
NGO	Non Governmental Organisation
PDF	Portable Document Format
PAT	Profit After Tax
PBT	Profit Before Tax
RBI	Reserve Bank of India
SEBI	Securities & Exchange Board of India
SEZ	Special Economic Zone
STPI	Software Technology Parks of India



FinnOne™

Customer Acquisition
Loan Management
Collections

CASH@Will™

Payments/Collection
Liquidity Management

BankOne™

Internet Banking



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
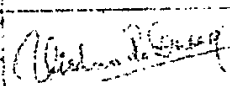
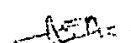
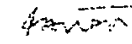
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
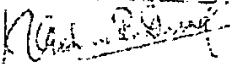
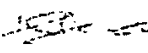
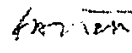
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FORM A

Format of covering letter of the annual audit report to be filed with the stock exchanges

1	Name of the Company:	Nucleus Software Exports Limited
2	Annual Consolidated Financial Statements for the year ended	31 March, 2013
3	Type of Audit observation	Unqualified
4	Frequency of observation	Not applicable
5	To be signed by:	
	Chief Financial Officer	 P K Sanghi Chief Financial Officer
	Managing Director	 Vishnu R Dussad Managing Director
	Audit Committee Chairman	 Arun Shekhar Aron Audit Committee Chairman
	Auditor of the company:	Refer our Audit Report dated 27 April, 2013 on the Consolidated financial statements of the Company For DELOITTE HASKINS & SELLS Chartered Accountants (Firm Registration No. 015125H)  RASHIM TANDON Partner (Membership No. 005460) Holds 27 April, 2013

FORM A
 Format of covering letter of the annual audit report to be filed with the stock exchanges

1	Name of the Company:	Nucleus Software Exports Limited
2	Annual Standalone Financial Statements for the year ended	31 March, 2013
3	Type of Audit observation	Unqualified
4	Frequency of observation	Not applicable
5	To be signed by	
	Chief Financial Officer	 P K Sanghi Chief Financial Officer
	Managing Director	 Vishnu R Dusat Managing Director
	Audit Committee Chairman	 Arun Shekhar Arora Audit Committee Chairman
	Auditor of the company	Refer our Audit Report dated 27 April, 2013 on the standalone financial statements of the Company For DELOITTE HASKINS & SELLS Chartered Accountants (Firm Registration No. 0111251)  RASHIM TANDON Partner Membership No. 165441, Valid till April, 2014