NUCLEUS SOFTWARE

‘ICAI Awards for Excellence in Financial Reporting’

Nucleus Software's Annual Report including the financial statements for the year ended March 31, 2013, was inducted into the coveted Hall of Fame by the Institute of Chartered Accountants of India, in the category, Service sector (other than financial services) with turnover less than Rs. 500 crore, of the ‘ICAI Awards for Excellence in Financial Reporting’ for the year 2012-13.

Mr. Vishnu R Dusad, CEO and Managing Director and Mr. Prithvi Haldea, Non-executive, Independent Director of Nucleus Software received the award on behalf of the Company.

CONTENTS

Chairman's Message	2
CEO's Message	5
The Road to Transformation	7
Integrated Talent Development and Management	8
Product Innovation	9
Customer Focus & Market Expansion for growth	11
Corporate Governance	12
Awards & Recognitions	13
Board of Directors	14
Years at a Glance	17
Directors' Report	19
Report on Corporate Governance	32
Management's Discussion and Analysis of Financial Condition and Results of Operations	59
Auditors' Report	70
Balance Sheet	74
Profit & Loss Account	75
Statement of Cash Flow	76
Notes forming part of the financial statements	77
Statement as per Section 212	104
Management's Discussion and Analysis of Financial Condition and Results of Consolidated Operations	105
Risk Management Report	116
Corporate Social Responsibility	120
Auditors' Report	122
Consolidated Financial Statements	124
Shareholders' Referencer	154
Economic Value Added	164
Segment Information & Ratio Analysis	165
Glossary	168

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.

From the Chairman's Desk

Janki Ballabh

Dear Shareholders,

Warm greetings to all of you in this 25th year of your Company's remarkable history, started by young entrepreneurs with "value creation" being the driving force.

As I write to you, the political environment in our country has changed dramatically. This has led to widespread hope of an economic upsurge. Our citizens are rightfully expecting a higher GDP growth accompanied by rising living standards across the entire social strata. We, at Nucleus Software, are committed to developing technology solutions for financial inclusion which, we believe, will enrich the people of our country as a whole.

Information Technology around the world

Nearly six years after the global financial crisis, the world economy is witnessing signs of revival this year, pulled along by a recovery in the high-income economies. Global economic indicators are showing visible improvements. However, one does not have to be especially astute to see that there are still dangers that lurk beneath the surface. The Euro Area is out of recession but median incomes are still declining in several countries. Deflation is a new threat in Europe. Quantitative easing in the US is being wound up while rising in Japan, with expectations of similar steps in the EU. Central banks in these countries are committed to keep interest rates close to zero for some years and there is a fierce debate on how this affects the less developed/ emerging economies. We, in India, saw turbulent currency markets in July and August 2013 with steep depreciation of the Rupee. High volatility creates uncertainty and risks are to be continuously monitored.

Information Technology industry in India is expected to clock export revenues of USD 84-87 billion in FY 15 maintaining a growth rate of 12-14 per cent *(Source: Nasscom)*. IT services and software products will lead this growth. Increase in IT adoption by companies will lead to a significant shift towards emergence of new technologies. The role of IT in organizations will evolve from being "order takers" to transformative "business partners".

Information Technology is continuing to play a critical role in growth of the banking sector, the industry segment your Company caters to. Larger banks are successfully implementing the basic IT infrastructure to run their operations, and the next tier is also moving towards greater IT adoption through increased usage of technology and replacement of legacy systems, to meet the growing and ever–changing business requirements. To effectively leverage this opportunity, IT companies are today required to grow and nurture their capabilities, governance models and IT talent management. End user satisfaction and value creation will remain most critical and will require greater attention.

Preceding Twelve Months

Our focus in the year was on transformation of your Company to achieve growth in revenue and profitability as well as to rightly position your Company in the future. Product companies need to innovate constantly; product development and 'go to market' strategies are key to success.

Mobile technology is changing how individuals are understood and engaged. Your Company is now building a team to develop new products and applications to exploit the huge benefits of this technology. Our R&D centre, duly recognised by

the Department of Scientific and Industrial Research, Government of India launched two new path breaking product suites: **FinnAxia™** integrated transaction banking offering and the **FinnOne™** Mobility product suite. The Mobility suite, consisting of FinnOne™ mCAS, mServe and mCollect, have been tailored to cater to specific market needs in origination, lending and collections operations management to help our customers achieve operational efficiency through turnaround speed, control and transparency. FinnAxia™, a product in the global transactional banking space, consisting of corporate solutions for receivables and collection management, payments, liquidity management and financial supply chain, is the product of the future with our customers demanding and receiving solutions which increase capital and transaction efficiency.

Our long experience and deep understanding of the banking sector worldwide and more so in the lending and cash management space and the track record of product implementations across geographies makes us a trusted and reliable partner for leading banks. Our competitive strengths include global reach and distribution, market coverage, extensive domain expertise, and excellent relationship with customers. The changing market dynamics are transforming the way our clients operate, which is driving incremental demand for our solutions, consulting expertise, and services around intellectual property. Our depth of service capabilities is enabling us to become involved earlier in the planning and design process to assist our clients as they manage their growth.

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 worldwide in the Lending Solutions space. Your Company's flagship product FinnOne™ was recognized for the sixth consecutive year as the **Global No. 1 Lending Software solution,** by International Banking Systems (IBS), UK in their Annual Sales League Table 2014. 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 your Company continues to get recognition world over for transparency, compliance, accounting and secretarial standards, and for investor-friendly disclosures. The Annual Report, including the financial statements, of your Company for the year ended March 31, 2013, was inducted into the coveted Hall of Fame by the Institute of Chartered Accountants of India, in the relevant category, of the **'ICAI Awards for Excellence in Financial Reporting'**. This elevation was in recognition of your Company having won this annual award for fifth year in a row.

Looking ahead...

New market segments and product innovation is the key to growth, underlining the importance of identifying new markets and championing emerging technologies. I would also add that the need to focus on products which deliver on the ever-changing customer requirements is equally vital. It is now even more important to deliver and package solutions in a manner that helps our customers deliver better to their end users, but which are also most cost efficient.

We are proud of software applications and services that we have developed over many years with substantial input from our customers to provide them with comprehensive business solutions. We understand the needs of our customers and have developed innovative services that can give them a competitive advantage and reduce their operating costs. Our expertise is driving meaningful value and cost savings to our clients through more efficient operating processes and improved service quality and speed for our clients' customers.

As the overall global economic environment improves, Nucleus Software is gearing up to address the vast business potential that the recovering geographies are throwing up. By remaining aware and certain about our strategy and growth plan and working more diligently, we are confident of creating an organization that retains its core values, and leverages the changes in the environment.

Our mission is to achieve sustainable revenue and earnings growth through providing superior solutions to our customers. Our strategy in future will be built on the pillars of:

- Global Diversification
- Expand Client Relationships
- Buy, Build or Partner to Add Solutions to Cross-Sell
- Support Our Clients Through Market Transformation, and
- Continually Improve to Drive Margin Expansion

My fellow members at the Board and I have a strong belief that the passion with which your Company was incorporated twenty five years back needs to be re-lived by each one of us connected with Nucleus; be it our employees, shareholders, customers, vendors or dealers. It will be only then that we will we be able to use this best suited metamorphosis tool of the twenty first century, that of technology, to make a meaningful change in the lives of billions of people around the world.

As we keep working towards the common goal, we will continue to keep paramount in our minds the un-wavering importance of 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 Software family.

Above all, Nucleites, our team at Nucleus Software, remains the true source of our confidence and success. With their competence and dedication, they continue to bring smiles on the faces of our customers. I acknowledge their contribution and am hopeful that this team grows into a phenomenal force in times to come.

I would not want to miss the opportunity of thanking my fellow Board members and business associates who have, at all times, provided us with their whole-hearted support.

My profuse thanks, of course, are to our shareholders; both institutional and individual, for their deep and abiding trust in the Company.

Finally...

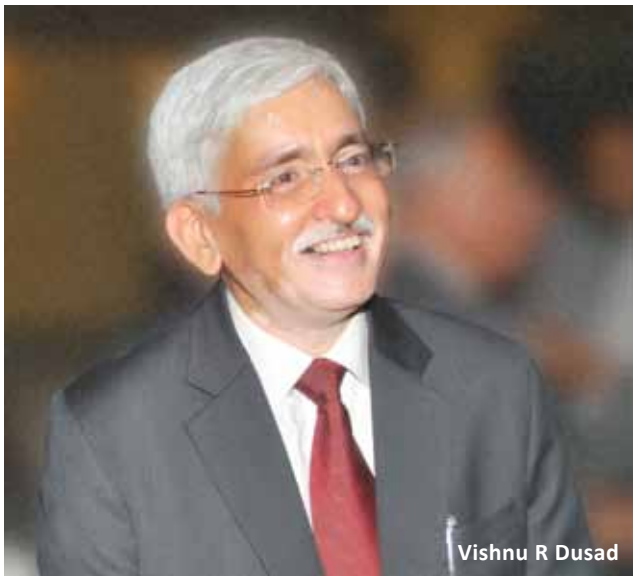
We are building a smarter, more competitive and more humane Company. Our Company's business model, which is both sustainable over the long term and fueled by some of the world's most attractive high-growth markets and technologies, will provide stronger benefits to our shareholders. Our road map is not just a list of targets; it is a management model built on developing multiple ways to create value.

I trust you share our excitement about your Company's performance and the way in which Nucleites are building on our solid past to build an even brighter future.

Janki Ballabh
Chairman

May 3, 2014

CEO's Message


Vishnu R Dusad

Dear Shareholders,

As we complete 25 years of the Company, I am extremely happy to re-connect with you at a very interesting phase in the life-cycle of your Company; a time when it has grown in size and matured in terms of delivery capabilities and footprint; and faces a unique opportunity to enhance its role as a full–service, value–adding partner to the industry. Everyone here at Nucleus is feeling energised and confident of the goals set; to take Nucleus Software into the next orbit. Going forward our Strategy is to further strengthen the Intellectual Property centric approach; delivering seamless transition experience and continuous Value to our customers. We will continue building trusted partnerships with all our stakeholders, consolidating our market leadership, adhering to Nucleus Values.

The year gone by, has been a significant year for your Company. Nucleus is one of the few Indian IT companies whose products have high acceptance amongst the top tier banks and financial institutions across the globe, and this has once again been proven by FinnOne™ bagging the prestigious **Global No. 1 Lending Software solution** award from International Banking Systems (IBS), UK, for the sixth consecutive year. This award is a reiteration of the consistent value your Company delivers to its customers through adeep domain knowledge in the lending and transaction banking space. Over the last few years, we have created a profound understanding of our customer's industry and business. We have learnt from the best, and applied that understanding to invest in some of the most acknowledged IT products for the banking and financial services industry.

I am pleased to share with you some accolades and awards which reflect our best practices in governance. Our Annual Report including the financial statements of the Company for the year ended March 31, 2013, was inducted into the coveted Hall of Fame by the Institute of Chartered Accountants of India; in the relevant category, of the **'ICAI Awards for Excellence in Financial Reporting'**. Your Company was also honored as the **Third Best Ranked Investor Relations Website in the India region** for the year 2013 by IR Global Rankings (IRGR). Your Company's Corporate Governance practices are being recognised globally and Nucleus was declared as the winner of **"Best Corporate Governance - India - 2014"**, of the World Finance Corporate Governance Awards – 2014. These awards reinforce both in form and substance, our commitment to transparency in our statutory, legal and regulatory requirements and compliance with the accounting and financial reporting practices.

Off late we have noticed new trends in the banking sector. Tough competition and the increasing burden of regulatory compliance have compelled the banks to seek ways to increase operational efficiency and reduce costs with superior and niche banking technology. Your Company views this as an opportunity and took several steps during the year that helped us deliver a year of superior earnings growth.

I am pleased to report that this year we have achieved our highest revenues ever; ₹ 346 crore, a growth of 18% percent over the previous year. Our disciplined management of costs helped us register a growth of 361 basis points in EBITDA margins to 19%. Consolidated net profit for the year at ₹ 64 crore is higher by 42 percent over the previous year. Earnings per share for the year improved to ₹ 19.87 per share against ₹ 13.95 previous year. Your Board of Directors have recommended a dividend for the fourteenth consecutive year; of 30 % (₹ 3.00 per equity share of ₹10 each), and a special dividend of 30% (₹ 3.00 per equity share of ₹ 10 each), on account of completion of 25 years of the Company; subject to the approval of the shareholders at the forthcoming Annual General Meeting.

Operating cash flow for the year after working capital changes is ₹ 66 crore against ₹ 75 crore in the previous year. The Company continues to enjoy a high level of liquidity with 'Cash and Bank balances' and 'Current Investments at ₹ 298 crore

as on March 31, 2014 against ₹ 267 crore as on March 31, 2013. In addition, the Company holds investments in tax free bonds issued by public sector enterprise of a face value of ₹ 25 crore on a 'hold to maturity' basis. The Company 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. These funds are available for the future growth of the Company.

The Indian Rupee continued to depreciate during the year, especially against the US$ and closed the year at ₹ 59.88. High inflation coupled with a high current account deficit led to extreme volatility and the Reserve Bank adopted extraordinary measures to stabilise the currency. With gold imports being regulated, the current account deficit has fallen drastically in the second half of the year and the Rupee has stabilised in the 60-62 range. Currency movements remain a difficult call and we continue to hedge close to receivables through Forward Contracts. At the year end, the Company had US$ 9.25 million of hedges compared to US$ 10.50 million at the beginning of the year.

Coming to marketing and sales, we won 14 product orders for implementing 39 product modules from all over the world. With these orders, your Company added 9 new customers during the year. We continued reaching out to our customers and other stakeholders with events, seminars, emailing campaigns and newsletters for greater brand visibility and presence. We also concentrated on key alliances with identified partners in geographies across the globe for ensuring deeper penetration world-vide. Our dialogue with various consulting firms, analysts continues to create strong relationships with such key influencers.

Today, we are on the threshold of a new digital paradigm, where ambitious banks will find ways to cater not only to their core customer base, but to the tens of millions of unbanked and underbanked who are rapidly being co-opted by alternative providers of banking services. Whatever be the case, banks will be forced to rethink their processes and systems; to be more agile and to make their analytical capabilities more insightful. The time to begin the transformation is now.

To address the increasing dependence of financial institutions to service their customers on mobile devices, your Company expanded its offerings with the introduction of complete Mobility product suite to help customers meet the dynamic business needs ensuring superior customer experience.

Nucleus Software's FinnOne™ mCAS, mServe and mCollect each offer unique business benefits to customers; both operational efficiency and customer delight. FinnAxia™ another product suite launched during the year; is a future-ready transaction banking product suite that offers Banks' customers' with end-to-end solutions addressing their working capital needs. With its various comprehensive platforms; FinnAxia™ helps Banks respond to its customers and market requirements with agility as well as capitalize on new product opportunities.

There is significant headroom in the addressable market size, while we continue to focus on the low hanging fruit. The global economy is showing signs of a paradigm shift, with Asia starting to establish itself as the global economic leader. India's growth, will play a key role in the transition of Asia into a global economic power. Technology researcher Gartner Inc. forecasts a 3% growth in global IT spending, touching $3.8 trillion in 2014. There is an opportunity to transform business landscape with enhanced IT adoption, and in turn create a significant contribution to global GDP.

Going forward, we remain committed to further enriching the experience of our customers and investing in additional infrastructure and productivity improvements. Senior members in Strategy, Product development, and Sales and Marketing were hired during the year, as a part of the strategic mission of your Company. Total manpower numbers stood at 1,520 at the end of the year.

Our greatest competitive strength of course, is our people. We are fortunate to have a team of dedicated professionals, who are working more closely than ever before to realize the full potential of Nucleus. I would also like to extend my heartfelt thanks to you, our shareholders, our customers all over the world; for retaining your trust in us; through all times.

As we talk, I am getting reminded of Swami Vivekananda's saying, and would like to close my message with his inspirational words.....

"Our duty is to encourage every one in his struggle to live up to his own highest idea, and strive at the same time to make the ideal as near as possible to the Truth "

Vishnu R Dusad
Chief Executive Officer & Managing Director

Date: May 3, 2014

The Road to Transformation

"The universe is change; our life is what our thoughts make it."- Marcus Aurelius Antoninus

We are today facing a very interesting and complex business environment. There are multiple, equally intense transformational triggers present at the same time- tipping point in globalization, significant shifts in technology, rising energy costs and increasing challenges of regulatory compliance. To add to the complexity, as the life spans of these trends continue to shorten, organizations need to learn to respond with speedy, flexible solutions to be able to flourish in the marketplace.

Nucleus Software has responded to the dynamic business conditions by an overall organizational transformation. Now in its 25th year, there is a renewed passion for perfection and relentless commitment to deliver world-class products to our customers.

Several strategic initiatives are underway. A pan-organization effort to strengthen operational processes, employee empowerment and co-creation initiatives have been proceeding for sharpening customer centricity.

Some of the highlights this year were the launch of our integrated transaction banking product suite FinnAxia™, award winning success of the Mobility platform in the marketplace, geographical expansion into new markets like Australia and sustained talent development initiatives.

Integrated Talent Development and Management

As a product-centric organization, our key focus remains on attracting the top talent from the industry while continuing to focus on strengthening our existing talent. Several strategic people-focused initiatives were launched during the year. The focal point has been on capability building and giving our people a value proposition which is unmatched in the industry.

Our endeavour has been on:

- Leadership and Talent Pipeline building through:
  1. Leadership hiring in all focus geographies
  2. Campus hiring for technical and management streams
  3. Talent Development across different verticals through employee performance and career growth plans based on Nucleus Career Growth Model (NCGM)
  4. Investment in functional (product/ technical/ domain/ project management/ quality) and non-functional (leadership and professional skills) areas across all levels
- Driving performance led culture which will enable people to learn, perform and grow
- Investment in newer markets to ensure that we have true global presence along true global workforce

Nucleus Software has been consistently recognised globally for its innovative products, processes and Corporate Governance practices and we are determined on expanding this growth story through our unique people capabilities.

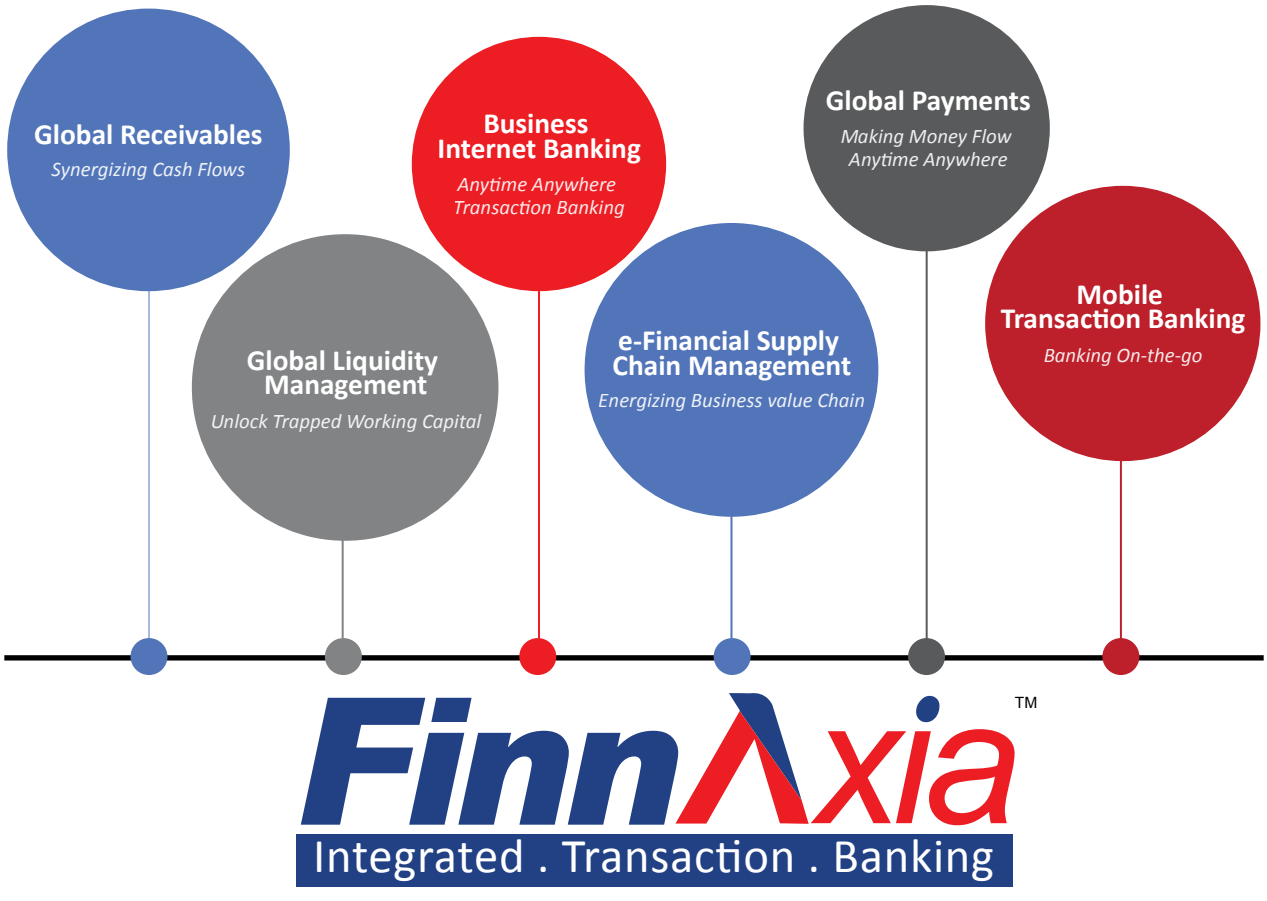
Product Innovation

A key aspect of transforming Nucleus Software is the renewed focus on Product Development. This commitment to innovation—nurturing and commercializing valuable ideas is strategic to transformation and achieving leadership. While product innovation is the surest way to achieve meaningful and lasting differentiation, it requires us to possess a dualistic mind-set: Nucleus Software's organizational ability to deliver near-term results and also prepare for perpetual results year after year.

This year, one of the key aspects of Nucleus Software's transformational journey has been on implementing best-in-class Product Lifecycle Management (PLM) methodologies, agile roadmap process and toolkits for internal and external partners to complement and support our world class R&D team. We are creating focused teams who will ensure that our product vision and roadmap will be in sync with the business strategies and priorities of our key customers.

A New Paradigm in Integrated Transaction Banking

Banks and large corporates increasingly require granular information in real-time across the financial value chain and a 360 degree view of all transactions to predict accurate cash flow needs and optimize the entire financial value chain to unlock trapped working capital. Nucleus Software has aligned development teams, business experts and testing and Quality Assurance teams for understanding the market challenges and coming up with tailored solutions. FinnAxia™ is a new, dynamic and comprehensive product suite, designed to power the transaction banking space. Developed on the foundations of the Company's deep banking domain knowledge, understanding of the market dynamics and based on continuous customer collaboration, FinnAxia™ is a robust and reliable product suite to fulfill the dynamic needs of global transaction banking market. This functionally rich, market ready product suite has already been tested with few customers globally, proving increased business value.



Customer Focus & Market Expansion for growth

Nucleus Software has invested in and strengthened its global sales and marketing backbone. It has expanded its global foot print into new major financial hubs including Australia.

With over 25 years of experience, we are not only sensitive to the changing technology needs of our customers but also of their overall business expectations. We engage closely with our customers to enable better relationships, innovation, advocacy and much more.

We are looking at a profitable growth by penetrating deeper into fast growing markets like Africa, Middle East and Australia. As a part of the process of preparing for the next phase of growth, our focus is on hiring high-quality talent locally, who also understand the local own culture.

Communicating leadership

Our marketing efforts are focused on our success stories spread across 50 countries across the globe. We have continued our focused outreach to key audiences across geographies through customized mailers, events, discussions and personal meetings. Nucleus Software's high visibility continued in global Industry events like SIBOS, Asian Banker Summit and ENG automotive summit. In addition, key customers and prospects interactions were organized in various locations including Manila, Singapore , Mumbai and Kuala Lumpur. Public relations, a key aspect of brand visibility, was a focus to establish sustained conversations in vital press channels.

Apart from this, we revitalized our corporate website and presence across digital channels to reach out to our key audiences like talent, bankers and media. In-house initiatives like the online annual report design won plaudits - the 3rd Best Ranked Company – Investor Relations Website, for India Region by IRGR and Platinum award for excellence within the Industry Technology-Software category. The online report has been ranked 15 worldwide in the Top 50 Annual Reports in the Vision Awards by the League of American Communications Professionals (LACP).

We will concentrate on communicating our global leadership position by establishing thought leadership, supporting market penetration and new product initiatives

Collaborative partnerships

A network of strategic partnerships that allows us to leverage our partner's strengths in areas related to Functions, Technology, Implementation and Sales enables us to create new avenues of delivering products and solutions globally.

Our Strategic Alliances team has taken various steps to appoint new partners, develop best of industry processes to offer consistent experience to partners, penetrate in new territories with partners and generate leads and new business opportunities.

Our partner network is successfully growing with the appointment of two global strategic system integrator partners, channel partners that represent Nucleus Software in 15 countries across SEA, SA, MEA; and one Technology Partner. We built strong relationship with multiple analyst firms. Various partner enablement and education initiatives have been launched to bring partners up to the speed.

In 2013-14, Nucleus Software won two awards from partners for its outstanding contribution towards joint business and extensively promoting partner products:

a. IBM Blue Wave award for "IBM Strategic ISV Partner for FSS Sector – 2013"

b. Best Middleware ISV of the year 2013 by Oracle

Nucleus Software will continue focusing on strengthening relationships, launching partner enablement and training programs, investing in joint regional partner events and improving effectiveness of partner eco-system in its transformation journey.

Corporate Governance

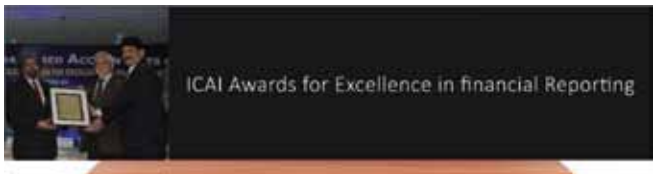
Nucleus Software is guided by its Corporate Governance philosophy to comply with not only the statutory requirements, but also voluntarily formulate and adhere to a set of strong Corporate Governance practices. We believe that sound Corporate Governance is critical to enhance and retain the trust of all stakeholders. The Company's goal is to find proactive and productive ways of being fairer and more transparent, and also adopt best practices. The various awards and recognitions accorded to Nucleus Software globally is a reflection our commitment.

Awards & Recognitions

2013-14 has been a year full of global recognitions for Nucleus Software. We have won 11 awards in the areas of Corporate Governance, Financial Reporting, Diversity and Inclusion, Investor Relations, Social Responsibility, Environment Responsibility and Product Innovation.

Nucleus Software's FinnOne™ has again been ranked as the Global No. 1 Lending Software solution for the sixth consecutive year by IBS Publishing, UK in their Sales League Table 2014.

The Company's Online Annual Report for the year ended March 31, 2013 won the Platinum award for excellence within the Industry Technology-Software category and was ranked 15th worldwide in the Top 50 Annual Reports in the Vision Awards by the League of American Communications Professionals (LACP).



Our Annual Report including the financial statements, for the year ended March 31, 2013, was inducted into the coveted Hall of Fame by The Institute of Chartered Accountants of India, in the category, Service sector (other than financial services) with turnover less than ₹ 500 crore, of the 'ICAI Awards for Excellence in Financial Reporting' for the year 2012-13 (5th year in a row).

We were declared winner of "Financial & Investor Relations Award – 2013" at World CSR Congress.

We won "Best Corporate Governance - India - 2014", of the World Finance Corporate Governance Awards – 2014.

We won the Titanium Award for Investor Relations, Corporate Governance, Social Responsibility and Environment Responsibility of the Asset Triple A Corporate Awards 2013.

The Company's Investor Relations website was adjudged as the Third Best Ranked in the India region for the year 2013 by IR Global Rankings (IRGR).

Board of Directors

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

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

Board of Directors

Mr. Janki Ballabh
Chairman

Mr. Vishnu R Dusad
CEO & Managing Director

Mr. Prithvi Haldea
Non-Executive Director

Mr. Sanjiv Sarin
Non-Executive Director

Prof. Trilochan Sastry
Non-Executive Director

Mr. N. Subramaniam
Non-Executive Director

Company Secretary

Ms. Poonam Bhasin

Auditors

Deloitte Haskins & Sells
Chartered Accountants

Bankers

Citibank
HDFC Bank

Committees of the Board

Audit Committee

- Mr. N. Subramaniam, Committee Chairman
- Mr. Prithvi Haldea
- Mr. Sanjiv Sarin

Compensation Committee

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

Stakeholder Relationship Committee

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

Nomination and Remuneration Committee

- Mr. Prithvi Haldea, Committee Chairman
- Mr. Janki BallabhS
- Mr. Vishnu R Dusad
- Mr. Sanjiv Sarin
- Prof. Trilochan Sastry
- Mr. N. Subramaniam

Corporate Governance Committee

- Mr. Janki Ballabh, Committee Chairman
- Mr. Vishnu R Dusad
- Mr. Prithvi Haldea
- Mr. Sanjiv Sarin
- Prof. Trilochan Sastry
- Mr. N. Subramaniam

Corporate Social Responsibility Committee

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

Offices

Registered Office

Nucleus Software Exports Ltd.
CIN : L74899DL1989PLC034594
33-35 Thyagraj Nagar Mkt, New Delhi- 110003
Ph: +91- 11- 24627552 Fax: +91- 24620872

Corporate Office

Nucleus Software Exports Ltd.
A-39, Sector 62, Noida- 201307, India
Ph: +91- 120- 4031400 Fax: +91- 120- 4031672
Email: investorrelations@nucleussoftware.com
Website: www.nucleussoftware.com

Global Leadership in Lending

FinnOne™ has been recognised as the No. 1 Best Selling Lending Banking System for the 6th consecutive year by IBS Publishing, an independent research and publishing house in its Annual Sales League Table 2014. FinnOne™, the flagship product of Nucleus Software, is a powerhouse of seamlessly integrated applications, designed to provide operational support, risk management and decision-making support to banks and financial services companies.

In order to retain our leadership position in the Lending software market, Nucleus Software has implemented a strategy of continuing to develop new products aimed at delivering greater value to the customers.

Anywhere, Anytime Banking Nucleus Software's Mobility Suite

To address the increasing dependence of banks and financial institutions to service their customer on mobile devices, Nucleus Software has introduced a comprehensive Mobility product suite to help our valued customers meet the dynamic business needs ensuring superior customer experience. Nucleus Software's FinnOne™ mCAS, mServe and mCollect offer unique business benefits to customers – both operational efficiency and customer delight. The Lending Mobility suite implementations have won recognitions and acclaim globally with it being chosen for the Celent Model Bank, finalists in Finnoviti and retail banker international awards. The ICICI Project Marc implementation has recently been awarded Asian Banker Award.

Functionally rich and scalable, FinnAxia™'s mobility suite integrates payments, cash management, account services and liquidity management to transform customer's device into fingertip banking thereby transformational banking.

Enabling Efficient and Secured Debt Collection With Religare Finvest Ltd.

Debt collection has been identified as a critical business process by Religare Finvest Ltd., an NBFC focussed on SME financing, where a friendlier and easier approach could result in improved customer satisfaction and loyalty.

Nucleus Software worked closely with Religare to identify the key challenges such as delays in data updating and validation, risk of float money in the system and operational challenges.

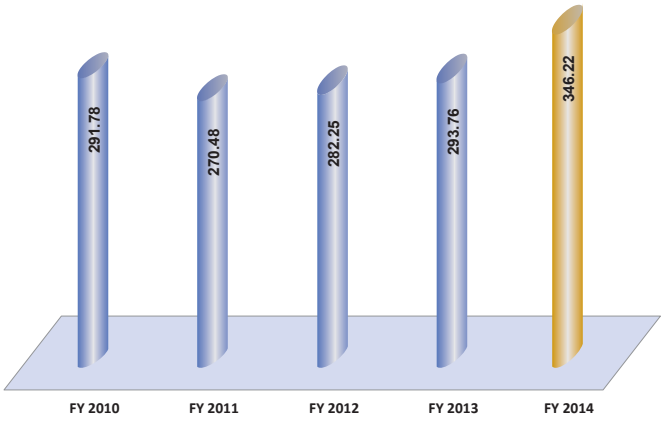
Nucleus Software implemented its out-of-the-box mobile version of its FinnOne™ mCollect solution which has proven successful in delivering significant operational efficiency and cost benefit including a paperless system; empowering the collection agents to access the much needed information instantaneously and achieving end customer satisfaction.

Benefits Accrued

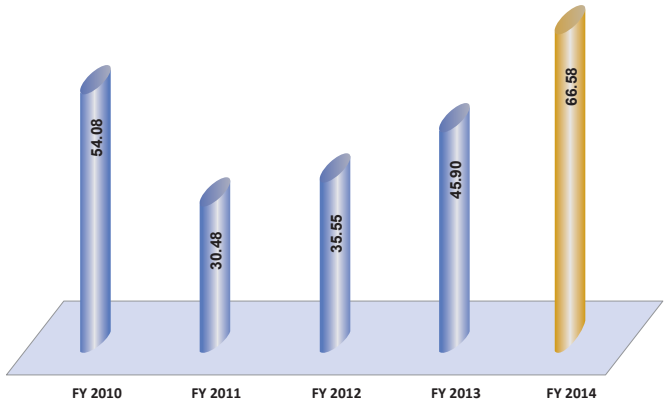
- Real time payment updation and issuance of receipts
- Enhanced productivity and collection efficiency
- No manual control on float money required
- Employee empowerment through hand held device
- 99% penetration across debt collection channel
- 85% reduction in float money in the system
- Overall collection of TAT improvement by 1-2 days
- Reduced cost on account of manual receipts

Graphical Representation

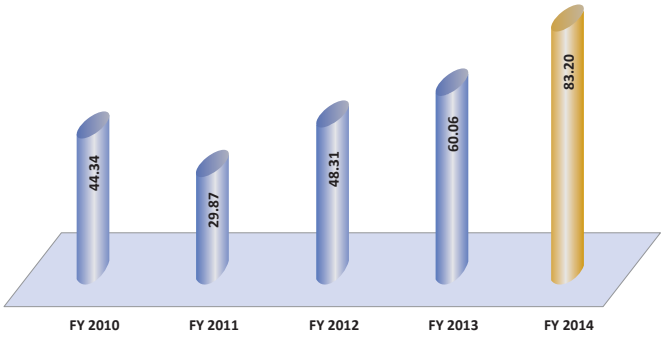
Revenue (in ₹ Crore)



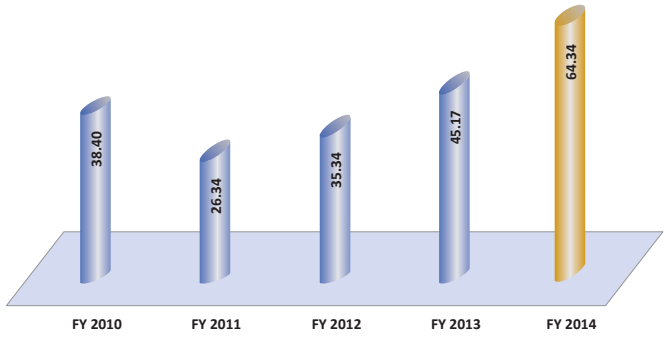
Operating Profit (EBITDA) (in ₹ Crore)



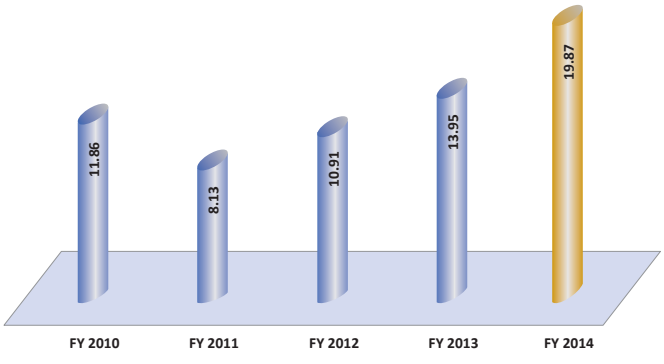
Profit Before Tax (PBT) (in ₹ Crore)



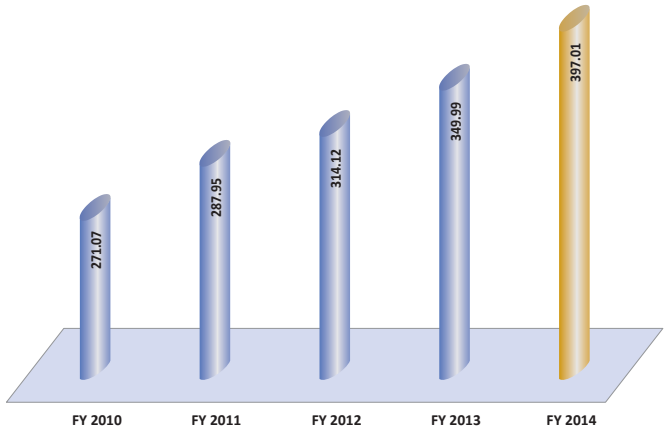
Profit After Tax (PAT) (in ₹ Crore)



Earning Per Share (in ₹)



Net Worth (in ₹ Crore)



Years at a Glance

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

Consolidated Performance

For the Year Ended March 31,	2014	2013	2012	2011	2010
Revenue from Operations	346.22	293.76	282.25	270.48	291.78
Operating Profit (EBITDA)	66.58	45.90	35.55	30.48	54.08
Depreciation	7.93	6.09	7.45	9.28	11.33
Other Income (inclusive of foreign exchange gain/loss)	24.55	20.25	20.21	8.66	1.59
Tax Expense	18.86	14.89	12.96	3.52	5.94
Profit After Tax (PAT)	64.34	45.17	35.34	26.34	38.40
EBITDA as a % of Revenue from Operations	19.23	15.63	12.60	11.27	18.53
PAT as a % of Revenue from Operations	18.58	15.38	12.52	9.74	13.16
Return on Average Capital Employed (PBIT/Average Capital Employed) (%)	22.28	18.09	16.05	10.68	17.34
Return on Average Networth (%)	17.23	13.60	11.74	9.42	15.02
As at March 31,	**2014**	**2013**	**2012**	**2011**	**2010**
Share Capital	32.39	32.39	32.38	32.38	32.37
Reserves and Surplus	364.62	317.60	281.74	255.57	238.70
Net Worth	397.01	349.99	314.12	287.95	271.07
Net Fixed Assets	61.90	50.69	48.91	47.07	54.23
Cash Equivalents & Current Investments	298.02	266.72	196.16	187.51	162.41
Working Capital	293.73	282.18	249.21	218.33	117.75
No. of Shares (Face Value of ₹ 10.00)	32,383,724	32,383,634	32,383,454	32,382,524	32,370,024
Market Capitalisation	705.64	234.78	200.29	277.03	446.38
No. of Shareholders	15,008	16,336	17,953	19,123	18,366
Per Share data (in ₹)					
Earning Per Share	19.87	13.95	10.91	8.13	11.86
Dividend Per Share	6.00	3.00	2.50	2.50	2.50
Book Value Per Share	122.60	108.08	97.00	88.92	83.74

Notes:

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

Years at a Glance

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

Consolidated Performance

For the Year Ended March 31,	2014	2013	2012	2011	2010
Revenue from Operations	57,742	54,049	58,999	58,736	61,080
Operating Profit (EBITDA)	11,104	8,444	7,431	6,619	11,321
Depreciation	1,323	1,121	1,557	2,015	2,372
Other Income (inclusive of foreign exchange gain/loss)	4,094	3,276	4,224	1,881	333
Tax Expense	3,145	2,739	2,709	764	1,243
Profit After Tax (PAT)	10,730	8,311	7,387	5,720	8,039
EBITDA as a % of Revenue from Operations	19.23	15.63	12.60	11.27	18.53
PAT as a % of Revenue from Operations	18.58	15.38	12.52	9.74	13.16
Return on Average Capital Employed (PBIT/Average Capital Employed) (%)	22.28	18.09	16.05	10.68	17.34
Return on Average Networth (%)	17.23	13.60	11.74	9.42	15.02
US$/₹ Exchange Rate*	59.96	54.35	47.84	46.05	47.77
As at March 31,	**2014**	**2013**	**2012**	**2011**	**2010**
Share Capital	5,409	5,967	6,364	7,247	7,179
Reserves and Surplus	60,892	58,511	55,373	57,200	52,939
Net Worth	66,301	64,479	61,737	64,447	60,118
Net Fixed Assets	10,337	9,339	9,613	10,535	12,027
Cash Equivalents & Current Investments	49,770	49,138	38,553	41,968	36,019
Working Capital	49,053	51,986	48,980	48,865	26,114
No. of Shares (Face Value of ₹ 10.00)	32,383,724	32,383,634	32,383,454	32,382,524	32,370,024
Market Capitalisation	117,843	43,254	39,365	62,004	98,998
US$/₹ Exchange Rate#	59.88	54.28	50.88	44.68	45.09
Per Share data					
Earning Per Share	0.33	0.26	0.23	0.18	0.25
Dividend Per Share	0.10	0.06	0.05	0.05	0.05
Book Value Per Share	2.05	1.99	1.91	1.99	1.86

Notes:

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

DIRECTORS' REPORT

Directors' Report

Dear Members,

We have pleasure in presenting your Company's Twenty Fifth Annual Report, together with the Audited Financial Statement of Accounts, for the year ended March 31, 2014.

1. RESULTS OF OPERATIONS - Financial Results

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable and guidelines issued by the Securities and Exchange Board of India ("SEBI"). Accounting policies have been consistently applied except where a newly issued accounting standard, if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis. The Company has seven 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

Revenue from the consolidated operations of your Company for the year was ₹ 346.22 crore, 18% higher than ₹ 293.76 crore in the previous year. Overall operational expense for the year was at ₹ 279.64 crore, against ₹ 247.86 crore in the previous year. Operating Profit (EBITDA) improved at ₹ 66.58 crore, 19% of revenue, against ₹ 45.90 crore, 16% of revenue, in the previous year.

Profit after Tax for the year at ₹ 64.34 crore, 19% of revenue, was higher by 42% over ₹ 45.17 crore, 15% of revenue, in the previous year.

(₹ in crore)

Consolidated Financial Results:

For the Year Ended March 31,	2014	% of Revenue	2013	% of Revenue
Income from Operations	**346.22**	**100.00**	**293.76**	**100.00**
Expenses				
a) Changes in inventories of stock-in-trade	4.95	1.43	–	–
b) Employee benefit expense	180.77	52.21	163.41	55.63
c) Travel expense	19.90	5.75	20.20	6.88
d) Finance costs (Bank charges)	0.51	0.15	0.44	0.15
e) Other expenses	73.51	21.23	63.81	21.72
Total Expense	**279.64**	**80.77**	**247.86**	**84.38**
Operating Profit (EBITDA)	**66.58**	**19.23**	**45.90**	**15.63**
Depreciation	7.93	2.29	6.09	2.07
Operating Profit after Interest and Depreciation	**58.65**	**16.94**	**39.81**	**13.55**
Other Income	23.81	6.88	17.45	5.94
Foreign Exchange Gain/ (Loss)	0.74	0.21	2.80	0.95
Profit Before Tax	**83.20**	**24.03**	**60.06**	**20.45**
Taxation				
– Withholding taxes	0.65	0.19	0.63	0.21
– Net current tax	18.87	5.45	14.66	4.99
– Other taxes	(0.66)	(0.19)	(0.40)	(0.14)
Profit After Tax	**64.34**	**18.58**	**45.17**	**15.38**

b) Standalone Operations

Revenue from the standalone operations of your Company for the year was ₹ 241.11 crore against ₹ 202.28 crore in the previous year. Total operational expense for the year was at ₹ 196.53 crore against ₹ 171.62 crore in the previous year, an increase of 15%. Operating Profit (EBITDA) was at ₹ 44.58 crore, 18% of revenue, against ₹ 30.66 crore, 15% of revenue, in the previous year.

Profit after Tax for the year was at ₹ 55.09 crore, 23% of revenue, against ₹ 37.09 crore, 18% of revenue, after considering dividend receipt of ₹ 9.39 crore (₹ 3.00 crore previous year) from one of the wholly owned subsidiary of the Company.

In accordance with the General Circular 08/2014 issued by Ministry of Company Affairs, Government of India, the Board report in respect of financial year commenced earlier than 1st April, 2014 shall be governed by the relevant provisions/ Schedules/ rules of the Companies Act, 1956 and hence this Board report has been prepared accordingly. Reference to Companies Act 2013 has been made, wherever required.

Standalone Financial Results: *(₹ in crore)*

For the Year Ended March 31,	2014	% of Revenue	2013	% of Revenue
Income from Operations	**241.11**	**100.00**	**202.28**	**100.00**
Expenses				
a) Changes in inventories of stock-in-trade	4.95	2.05	–	–
b) Employee benefit expense	124.80	51.76	117.58	58.13
c) Travel expense	17.38	7.21	16.08	7.95
d) Finance costs (Bank charges)	0.35	0.15	0.30	0.15
e) Other expenses	49.05	20.34	37.66	18.62
Total Expenses	**196.53**	**81.51**	**171.62**	**84.84**
Operating Profit (EBITDA)	**44.58**	**18.49**	**30.66**	**15.16**
Depreciation	6.76	2.80	4.97	2.46
Operating Profit after Interest and Depreciation	**37.82**	**15.69**	**25.69**	**12.70**
Other Income	28.77	11.93	19.80	9.79
Foreign Exchange Gain/ (Loss)	1.17	0.49	4.19	2.07
Profit Before Tax	**67.76**	**28.10**	**49.68**	**24.56**
Taxation				
– Net current tax	13.38	5.55	12.81	6.33
– Other taxes	(0.71)	(0.29)	(0.22)	(0.11)
Profit After Tax	**55.09**	**22.85**	**37.09**	**18.34**

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

a) Provisions of The Companies Act, 1956 and other applicable laws, and

b) Cash flows of the Company

We are pleased to state that for the 14th consecutive year, your Company is recommending a dividend this year also. The proposed dividend is 30% (₹ 3.00 per equity share of ₹ 10 each), previous year 30% (₹ 3.00 per equity share of ₹ 10 each). The Board is delighted to inform you that on account of completion of 25 years of the Company, it has also recommended a onetime special dividend of 30% (₹ 3.00 per equity share of ₹ 10 each), thus totaling to ₹ 6.00 per share as dividend for the year. Dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting. If approved, the total dividend payout will be ₹ 19.43 crore, against a payout of ₹ 9.72 crore in the previous year. The total payout excluding the special dividend will be 18% of standalone profits for the year.

The Register of Members and Share Transfer Register shall remain closed during the period July 1-8, 2014 (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 1, 2014, being the first day of Book-Closure and to those whose names appear as beneficial owner in the records of National Securities Depositories Ltd. and Central Depository Services (India) Ltd. on close of business as on June 30, 2014.

3. TRANSFER TO RESERVES

Your Company proposes to transfer ₹ 5.51 crore to the General Reserve out of the amount available for appropriation.

4. SHARE CAPITAL

- **Issue of Shares under Employees Stock Option Plan**

  During the year ended March 31, 2014, the Company allotted 90 equity shares to employees upon exercise of stock options under Employee Stock Option Plan 2005.

- **Issued and Paid-up Share Capital**

  The paid-up share capital of the Company, as on March 31, 2014, is 32,383,724 equity shares of ₹ 10 each as against 32,383,634 equity shares of ₹ 10 each as on March 31, 2013.

- **Shares under Compulsory Dematerialization**

  The shares of the Company are under compulsory dematerialization ("Demat") category and are available for trading on both the depositories in India viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Of the entire paid up shares, 32,018,248 shares, or 99%, are in dematerialized form as at March 31, 2014. The International Securities Identification Number (ISIN) allotted to the Company's shares is INE096B01018.

5. LISTING

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

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

6. REVIEW OF BUSINESS & OUTLOOK

Your Company continues its journey as a preferred partner for banking and financial organizations worldwide, providing innovative and pioneering products, services and solutions globally.

The outlook for the global economy is "cautiously optimistic". The US economy is on a growth path, Europe is recovering and growing albeit slowly, emerging economies are expected to grow, but there is a sense of watchfulness over the downside risks, old and new risks are present and the coming year will bring more volatility. Optimism springs from the belief that stronger growth in advanced economies will boost demand for emerging-market exports. Increase in global technology spending and opportunities created through adoption of disruptive technologies are expected to propel growth in FY 2015.

Your Company commenced the financial year 2013-14 with greater focus on investments in development and technology enablement**.** The year witnessed new product launches, seamless implementation across geographies and healthier customer relationships as the driving force for strengthening our global leadership position. With investments in building talent acquisition and development capabilities, we believe the transformational initiatives in operations and human resources will pay significant returns and will empower the Company for sustainable growth.

7. NEW PRODUCT LAUNCHES

During the year, your Company successfully expanded its product offerings with launch of two new product suites: FinnAxia™ and FinnOne ™ Mobility.

FinnAxia™ – Banks and large corporates increasingly require granular information in real-time, across the financial value chain and a 360 degree view of all transactions to predict accurate cash flow needs and unlock trapped working capital. FinnAxia™ is an integrated global transaction banking solution built on latest Java J2EE technology over Service Oriented Architecture (SOA) platform. With this product suite, banks can breakdown traditional product silos, launch personalized products/services over multiple channels and create winning corporate customer propositions.

FinnOne™ Mobility suite - This is a portfolio of mobile solutions tailored to serve specific market needs in Retail Loan Origination, Lending and Collections operations management to help our customers achieve operational efficiency through better turnaround speed, control and transparency.

With the addition of these products, your Company is hopeful of creating a business environment of winning corporate customer propositions and achieving operational excellence.

8. LIQUIDITY AND CASH EQUIVALENTS

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

a. 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.

b. Maintain sufficient cash as reserves that will aid the Company in capturing meaningful business opportunities, including acquisitions.

c. Invest surplus funds in low-risk bank deposits, debt schemes of mutual fund and tax free secured bonds of Public Sector Enterprises.

Cash and cash equivalents at a consolidated level of ₹ 298.02 crore, constitute 75% of the shareholders' funds at the year end, against ₹ 266.72 crore, 76% of the shareholders' funds at the close of the previous year. In addition, the Company holds tax free bonds issued by public sector enterprises of a face value of ₹ 25 crore on a 'hold to maturity' basis.

9. NOTABLE ACCOLADES RECEIVED DURING THE YEAR

- FinnOne™ has been ranked as the **Global No. 1 Lending Software solution** for the sixth consecutive year, by IBS Publishing, UK in their Sales League Table 2014.
- The Annual Report including the financial statements of the Company for the year ended March 31, 2013, was inducted into the coveted Hall of Fame by the Institute of Chartered Accountants of India, in the category, Service sector (other than financial services) with turnover less than ₹ 500 crore, of the **'ICAI Awards for Excellence in Financial Reporting'** for the year 2012-13. The Hall of Fame honour is awarded to an entity for winning the Gold Shield for Annual Report and Accounts of the Company, in the same category, for five years consecutively.
- **"Financial & Investor Relations Award – 2013"** at World CSR Congress.
- **"Best Corporate Governance - India - 2014"**, of the World Finance Corporate Governance Awards – 2014.
- The Company's Online Annual Report for the year ended March 31, 2013 won the **Platinum Award** for excellence within the Industry Technology-Software and ranked fifteenth amongst the Top 50 Annual Reports worldwide in the Vision Awards by the League of American Communications Professionals (LACP), USA.
- Third **Best Ranked IR Website in India** region for the year 2013 by IR Global Rankings (IRGR).
- Titanium Award for I**nvestor Relations, Corporate Governance Social Responsibility, Environment Responsibility** of the Asset Triple A Corporate Awards 2013.

10. SUBSIDIARY COMPANIES

Your Company has seven wholly owned subsidiaries across the globe. Following is a list of all these subsidiaries as on March 31, 2014 :

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
Nucleus Software Australia Pty. Ltd.	Australia	February 3, 2014

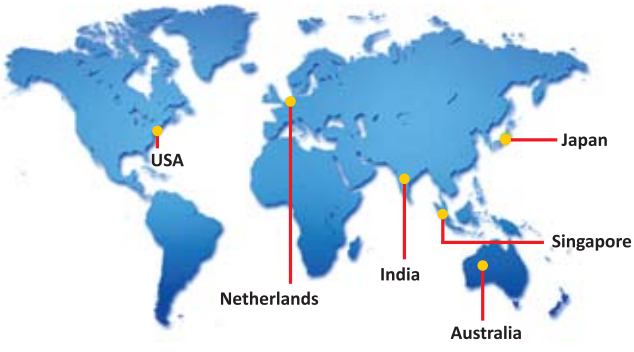
In order to rationalize operations, the Company closed down its step - down subsidiary; VirStra *i*-Technology (Singapore) Pte. Ltd. w.e.f. February 19, 2014. The name of the Company was struck off and published in the final gazette notification issued by Accounting and Corporate Regulatory Authority, Singapore. This subsidiary was incorporated in Singapore on December 17, 2004 as a wholly owned subsidiary of VirStra *i*- Technology Services Ltd. However, it was not able to carry out any business activity during the last five years. Our customers in South East Asia continue to be serviced by our direct subsidiary Nucleus Software Solutions Pte. Ltd. based in Singapore.

In line with your Company's growth plan of expanding reach into the high potential geographies for generating additional revenue streams, and in order to focus on tapping the growing business potential from ANZ region; a wholly owned subsidiary, Nucleus Software Australia Pty. Ltd. was incorporated on February 3, 2014 in Australia.

Apart from the above, 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 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 notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable and guidelines issued by the Securities and Exchange Board of India ("SEBI"). Accounting policies have been consistently applied except where a newly issued accounting standard, if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

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 and Australia, with full responsibility for business development, sales and delivery for customers in the region.

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.

d) VirStra *i*- Technology Services Ltd.

VirStra *i*- Technology Services Ltd. is based in Pune, India. It was incorporated in 2004 to provide software development services.

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

g) **Nucleus Software Australia Pty. Ltd.**

Nucleus Software Australia Pty. Ltd. (NSA) is based in Sydney, Australia. It was incorporated in 2014 for tapping the growing business opportunities in ANZ region. NSA shall operate as a business development and sales hub for the region.

11. INFRASTRUCTURE

Your Company has offices at several locations across the globe. The office space and seating capacity of these offices as on March 31, 2014 is detailed below:

Office Location	Area in Sq. ft.	Seating Capacity - No. of Persons
INDIA		
NOIDA	208,122	1,677
Chennai	4,500	48
Singapore	4,807	46
New Delhi	4,200	40
Pune	9,573	120
Mumbai	3,250	31
Dubai	1,290	17
Jaipur	22,312	250
Tokyo, Japan	428	15
Amsterdam, Netherlands	561	7
London, UK	240	4
New Jersey, USA	1,250	15
	260,533	**2,270**

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

12. QUALITY PROCESSES

Nucleus is committed to ensure the highest level of quality for its products and services. In its journey towards excellence in delivery, "Real Time Feedback" has been selected as its main quality theme. Process improvement initiatives were centered on quantifying and measuring real time effectiveness rather than just pure compliance. This step has ensured that the quality check is done at the time of the activity, giving almost real time feedback and value to its stakeholders. We implemented the latest build and release automation tools, enabling daily builds to increase the quality and productivity. Nucleus strengthened its review mechanism by collaborating with customers during project execution, which led to faster feedback and improved quality. There was lot of focus on Project Management process improvements, which resulted in improvement of on-time, on-budget completion of projects.

This initiative demonstrates Nucleus's never ending commitment to achieve higher performance and higher quality in its products and services enabling "Customer Delight". A dedicated team is also responsible for collecting improvement suggestions from across the organization and incorporating them in the standard processes of the organization. Existing processes are reviewed for their effectiveness and benchmarked with respect to industry by participating in various reputed industry forums on quality and processes.

13. NUCLEUS BRAND VISIBILITY

During FY 14, Your Company's influence continued to grow as part of our comprehensive brand strategy to reach more markets around the world. Our integrated marketing communication initiatives have brought Nucleus Software closer to key audiences including customers, stakeholders and employees. A concerted effort is on to convert the decades of trusted experiences and relationships into visible relatable brand experiences.

Direct Customer Interactions

Your Company participated in key Industry events like SIBOS (Dubai), FIBAC (Mumbai) and Automotive Summit (Vienna) to ensure substantial visibility for your Company's offerings. In addition, we work to ensure success in individual markets by understanding local requirements and launch programs that cater to these specific markets. During the year, special customer meets were held in markets such as Mumbai, and Manila to understand how we can help customers deliver increased value to their clients. We also participated in partner-led events in Sri Lanka, Thailand and Mongolia to leverage opportunities though our alliance relationships.

Digital Presence & Visibility

Through the year, by strategic public relations at higher levels, we are generating coverage in key business publications in India. Not just that, a significant presence was also created by articles on mobility, transaction banking and digital impact on banking to position Nucleus Software's offerings amongst the banking and financial services community. A concerted effort has been underway to improve digital presence of the brand by using social media assets like Linkedin, Twitter, Facebook, YouTube etc. which has yielded significant results. A continuous daily conversation has been established especially with talent desirous to join your Company in positioning the values, culture, and benefits of a career with Nucleus Software. The Company's website has been completely overhauled with deeper sections and relevant content being added to communicate the Company's offerings to all stakeholders. Apart from this, newsletters, emailers, case studies and various other marketing collaterals have been created to ensure the brand image is portrayed consistently and with impact.

Product Launch Leverage

This year, the Company launched FinnAxia™ – the integrated transaction banking product suite successfully with able marketing for visibility. The product suite was previewed successfully in SIBOS in Dubai followed by a gala press and

customer launch in Singapore, the regional transaction banking hub. This functionally rich, market ready product suite has been tested with few customers globally and has successfully delivered business value.

The Mobility suite of FinnOne™ was one of the key marketing campaigns for the year. With satisfied customers, stepping forward to share the value delivered by your Company's product implementation, it helped in enhancing the product innovation profile of the organisation amidst various stakeholders like analysts, consultants and media. News and articles about mCollect, mServe and mCAS; the mobility suite, have helped in bring visibility to your Company's newest offerings. Nucleus Software was included, as a mobile banking solution vendor amongst 15 vendors, in Forrester Research's report: "Market Overview: Off-The-Shelf Channel Banking Solutions Can Differentiate and Manage Costs" October 2013. The report talks about the various criteria for selecting and delivering Internet, cross-channel, and mobile banking channel solutions.

Your Company firmly believes that effective leverage of the brands, FinnOne™ and Finnaxia™, will be strategic and significant to the growth plans.

14. HUMAN RESOURCE MANAGEMENT

As your Company continues the journey towards a reinvigorated Nucleus, the year saw launch of various organization-wide HR initiatives. As a Product organization, the key focus always remains on attracting top talent from the industry while at the same time retaining our top performers. To achieve this objective, the focus was on capability building and providing employees with an unmatched value proposition.

Our constant endeavor has been on:

- Leadership and Talent Pipeline building through:
  - a. Leadership hiring across all geographies
  - b. Hiring local talent in different geographies
  - c. Talent Development across different verticals through employee performance and career growth plans based on Nucleus Career Growth Model (NCGM)
  - d. Investment in functional (product/ technical/ domain/ project management/ quality) and non-functional (leadership and professional skills) areas across all levels
- Driving Pay for performance culture which will enable people to learn, perform and grow
- Investments in newer market to ensure global presence thorugh global workforce

Your Company has been consistently ranked as No. 1 Global Market Leader in lending software and is determined on expanding this growth story through its asset of unique people capabilities.

With greater focus on goals based high performance culture and a clear performance and career growth plan for each employee, the coming years will see employee learning at Nucleus move up the curve substantially. Succession planning will also be an area of focus, to ensure healthy leadership/talent pipeline by investing in leadership development across levels, management trainee program from premier B Schools and Software Engineer Trainee Program for inducting fresh talent and finally interventions around building competence on new product and new technology.

The global employee strength of the Company at the end of the year stood at 1520.

15. ADDITIONAL INFORMATION TO SHAREHOLDERS

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

16. INVESTOR WEBSITE

During the year, your Company launched a revamped Investors section on its website. This new section provides information in a more organized and searchable manner, and is targeted towards both the existing shareholders and potential investors.

17. SECRETARIAL AUDIT

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

An assignment for a comprehensive Secretarial Audit for the FY 2013- 14 was awarded to a practicing Company Secretary. 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 additional Best Practices, which are now being implemented.

18. 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 unpaid /unclaimed dividends which have remained unpaid or unclaimed for a period of seven years from the date of declaration to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205 C of the said Act.

19. FOREIGN EXCHANGE RISK

The Indian Rupee continued to depreciate during most of the year, especially against the US Dollar and after hitting a low of ₹ 68.80 in August 2013, finally recovered to ₹ 59.89 at the end of the year. High inflation coupled with a high current account

deficit led to extreme volatility and the RBI adopted extraordinary measures to stabilize the currency. With gold imports being regulated, the current account deficit fell drastically in the second half of the year and the Rupee stabilized. Currency movements remain a difficult call and we continue to hedge close to receivables through Forward Contracts.

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 group Company had US$ 9.25 million of hedges compared to US$ 10.50 million at the beginning of the year.

20. 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.

21. AUDITORS

The Statutory Auditors of the Company, Deloitte Haskins & Sells, retire at the conclusion of the ensuing Annual General Meeting. In accordance with the Companies Act 2013 and the Companies (Audit and Auditors) Rules, 2014, the Audit Committee post considering the qualifications and experience of Deloitte Haskins & Sell, Chartered Accountants, recommended their reappointment to the Board. The Board further recommends their appointment as Statutory Auditors of the Company for the financial year 2014-15, to the shareholders' for approval in the ensuing AGM.

Deloitte Haskins & Sell, Chartered Accountants have been Statutory Auditors of the Company since FY 10-11 and have already completed a term of four consecutive years with the Company. Hence, in compliance with requirements of the Companies Act, 2013, they are being recommended to the shareholders for a further appointment of another year.

Deloitte Haskins & Sell, Chartered Accountants have furnished a certificate of their eligibility as per section 141 of the Companies Act, 2013 and have provided their consent for appointment as Statutory Auditors of the Company. 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.

22. INSIDER TRADING REGULATIONS

Based on the requirements of 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 in your Company.

23. DIRECTORS

In terms of the Articles of Association of the Company, Mr. N. Subramaniam and Mr. Sanjiv Sarin, Directors, retire at the ensuing Annual General Meeting.

The Company has received requisite notice in writing from a member proposing Mr. N. Subramaniam for appointment as an Independent Director under the Companies Act, 2013, not liable to retire by rotation.

The Company has also received requisite notice in writing from a member proposing to appoint Mr. Janki Ballabh (currently Director of the Company liable to retire by rotation) for appointment as an Independent Director under the Companies Act 2013, not liable to retire by rotation.

The Company has received declarations from the Independent Directors proposed to be appointed at the forthcoming Annual General Meeting confirming that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing agreement with the stock exchanges.

24. COMMITTEES OF THE BOARD

During the year, in accordance with the Companies Act, 2013, the Board re-constituted some of its Committees and also formed a Corporate Social Responsibility Committee. There are currently six Committees of the Board, as follows:

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

25. VIGIL MECHANISM

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

26. CORPORATE GOVERNANCE

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

Your Company has established and maintained a strong ethical environment, overseen by a fiercely independent Board of Directors. The Company practices and policies reflect true spirit of Corporate Governance initiatives. Your Company is in compliance of all mandatory requirements of Corporate

Governance as stipulated under Clause 49 of the Listing Agreement with the stock exchanges. Compliance status is provided in the Corporate Governance report of this Annual Report. A certificate issued by 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 B**.

27. 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.

28. 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.

The Companies Act 2013 has prescribed provisions with regard to Corporate Social Responsibility. We, at Nucleus, have mapped our status with the requirements of the Act and are working towards full-fledged compliance with the law. A Corporate Social Responsibility Committee comprising of a majority of Independent Directors and chaired by an Independent Director was constituted in October 2013. The Committee framed and recommended a CSR Policy to the Board for adoption and instituted a transparent monitoring mechanism for ensuring implementation of the projects / activities proposed to be undertaken by the Company.

The objective of CSR Policy of your Company is to support the guiding principle of "Together We Grow". Through the CSR initiatives, your Company strives to provide equitable opportunities for sustainable growth, thereby aligning with the corporate goal to build Nucleus into an organization which maximizes Stakeholder Value. Your Company would engage in activities whereby business further contributes to make a positive and distinguishing impact on the environment, customers, employees and other stakeholders. Your Company is conscious of its duties towards the community and our planet and the coming years shall witness your Company in several CSR areas.

29. 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	1,000,000
(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, 2014	–	–	1,320	–
(e) (i) Options exercised during the year	–	–	90	–
(ii) Total number of shares arising as a result of exercise of above options during the year		–	90	–
(f) Options forfeited during the year	–	–	1,230	
(g) Option lapsed during the year	–	–	–	
(h) Variation of terms of options during the year	–	–	–	–
(i) Amount realized by exercise of options during the year	–	–	12,060	
(j) Total number of options in force as on March 31, 2014	–	–	–	–

During the year, 50,000 stock options granted to an employee under ESOP 2005 plan were not taken up and therefore no calculations are required to be made or reported regarding difference between intrinsic value and fair market value of ESOPs granted.

30. 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.
- In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of the employees are set out in the Annexure to the Report of the Directors. However, having regard to the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report excluding the aforesaid information, is being sent to all the members of your Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary. The information is also available at the registered office of the Company for any interested shareholder.

31. DIRECTOR'S RESPONSIBILITY

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

(i) in the preparation of the annual accounts for the year 2013-14, the applicable accounting standards have been followed and there is no departure;

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

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

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

32. ACKNOWLEDGEMENTS

Your Directors would like to place on record their gratitude for the co-operation received from the Government of India, Government 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 the Company's bankers, customers, vendors, partners and shareholders for their continued support to the Company. In specific, the Board would like to put on record its sincere appreciation of the commitment and contribution made by all employees of the Company.

For and on behalf of the Board of Directors

Noida **Janki Ballabh**
May 3, 2014 **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 is always in the lookout for energy efficient measures for operation, and values conservation of energy through usage of latest technologies for improving productivity and quality of products and services.

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

- Installing 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.
- 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. Water efficiency and conservation initiatives, rainwater harvesting systems, help the Company in significant conservation of water and minimal wastage.Various eco-friendly green ideas have also been put to use at the 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, focused on building its own Intellectual Property. Since 1989, Nucleus has been continuously involved in research and development activities to develop new business applications for the banking industry. Being a product development Company, there is a continuous need to develop and upgrade software and associated services. Our software products are developed internally, which allows us to maintain our competitive advantage. It also gives us the freedom take appropriate call on modifications and enhancements whenever necessary. As per the plan, your Company added several key new members to the R&D team and hired technology experts during the year. 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 full-fledged R&D team; headed by a senior Management team member with multiple years of experience in product development and delivery. We have also created a centralized business analyst pool which interacts with customers to ensure that their requirements are clearly documented and understood, and to support the delivery in delivering as per norms. New technologies are being developed that will place risk management at the centre of any business strategy deployed by financial institutions, especially in these uncertain times.

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 customer requirements.

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

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

The year saw new product development yielding positive results with release of FinnAxia™ and FinnOne ™ Mobility suite of applications and the two new product offerings from your Company.

FinnAxia™ –FinnAxia™ is an integrated global transaction banking solution built on latest Java J2EE technology over **S**ervice **O**riented **A**rchitecture (SOA) platform. With this product suite, banks can breakdown traditional product silos, launch personalized products/services over multiple channels and create winning corporate customer propositions and achieve operational excellence. The key product components of FinnAxia™ are Global Payments 1.0, Global Receivables 1.0, Global Liquidity Management 4.2, Financial Supply Chain Management 1.5.

FinnOne ™ Mobility suite - FinnOne ™ Mobility suite is a portfolio of mobile solutions tailored to serve specific market needs in retail loan Origination, Lending; & Collections operations management to help our customers achieve operational efficiency through turnaround speed, control and transparency. This mobility suite comprises of FinnOne™ mCAS 1.3, FinnOne™ mServe 1.2 and FinnOne™ mCollect 1.4.

The focus now continues on development of new FinnOne™ Lending product and other initiatives. The new product would have a new technology architecture and with enhanced business functionalities for alignment to the latest trends. R&D is a continuous innovation process and with changing needs and technology, we would need to reinvent our products and versions as we go along.

3. Research & Development Expenditure

As reported, the in house R&D unit of your Company located in the corporate office in Noida, was accorded recognition by the Department of Scientific and Industrial Research (DSIR) effective December 31, 2012. Further during the year, your Company also received approval of the in-house Research and Development facility as above; for the purposes of Section 35 (2AB)of the Income Tax Act 1961, from December 31, 2012 to March 31, 2015.

R&D expenditure for FY 2014 and FY 2013 is as follows:

(₹ in crore)

	2014	2013
Revenue expenditure on new products	16.45	13.55
Revenue expenditure on existing products	17.34	17.62
Capital expenditure	–	–
Total	**33.79**	**31.17**
R&D expenditure /Total revenue	14.01%	15.41%

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.

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, is present in a Special Economic Zone; both as a co-developer and a unit. The Company also has a network of international offices across the globe.

During the year, your Company won 14 product orders for implementing 39 product modules from all over the world. With these orders, your Company added 9 new customers during the year.

In FY 2014, foreign exchange earnings were at ₹ 171.26 crore, 71% of revenue against ₹ 148.95 crore, 74% of total revenue in FY 2013.

2. Foreign Exchange Earned and Used

(₹ in crore)

For the Year ended March 31,	2014	2013
Foreign Exchange earnings		
from software development of products and services	171.26	148.95
from dividend and interest income	9.45	0.08
Foreign Exchange outgo (Including capital goods)	30.35	23.77

For and on behalf of the Board of Directors

Noida
May 3, 2014

Janki Ballabh
Chairman

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 2014, 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.

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

Noida
May 3, 2014

REPORT ON CORPORATE GOVERNANCE

Report on Corporate Governance

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

Both globally as well as in India, Corporate Governance is increasingly being recognized as a key component in the efficient functioning of every business. Good Corporate Governance practices are sine qua non for a sustainable business organisation that aims at generating long term value for all its stakeholders. It mainly involves the establishment of structures and processes, with appropriate checks and balances, that enable the Board to discharge its responsibilities accordingly.

Securities and Exchange Board of India (SEBI) reviewed the provisions of the Listing Agreement with an objective to align it with the provisions of the Companies Act, 2013, adopt best practices of Corporate Governance and to make the Corporate Governance framework more effective. The revised framework was subsequently notified by SEBI. Nucleus is already compliant with most of the new provisions.

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

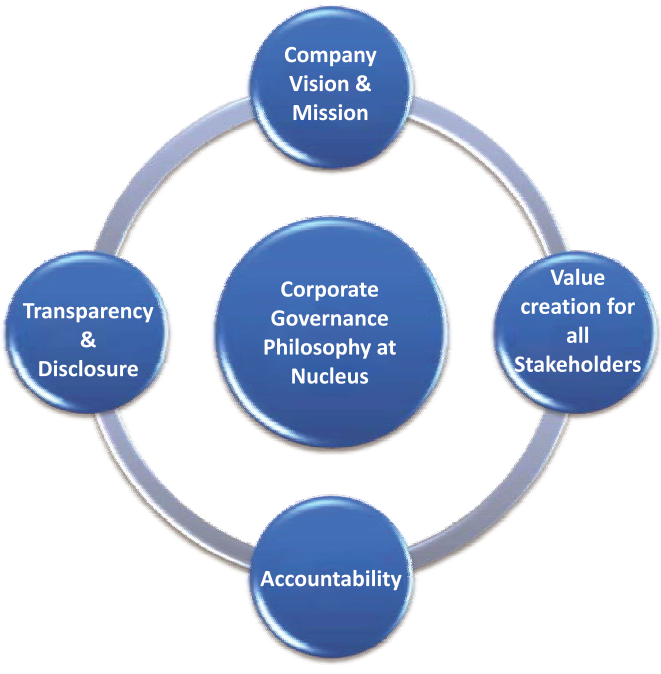


Figure 1

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

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

A. Board of Directors

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

The Companies Act, 2013 has made several significant changes which seek to redefine "Governance" in India. New concepts have been introduced such as Women Directors on the boards to bring in gender diversity, Small Shareholder Director, Board Performance Evaluation and Corporate Social Responsibility.The internal financial controls and risk management oversight of the Boards have been strongly emphasised, disclosures have been enhanced and Independent Directors have been entrusted with larger responsibilities to make their role more objective and purposeful. Overall, the new Act aims to raise the governance profile of Indian companies.

a) Attributes of a Board

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

b) Size of the Board

An ideal Board should ensure an appropriate balance of power, independence and authority. As of March 31, 2014, 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 composition as on March 31, 2014:

Name of Director	Position	Age in years
Mr. Janki Ballabh (DIN 00011206)	Chairman, Non-Executive, Independent Director	71
Mr. Vishnu R Dusad (DIN 00008412)	Managing Director, Promoter, Executive Director	57
Mr. Prithvi Haldea (DIN 00001220)	Non-Executive, Independent Director	63
Mr. Sanjiv Sarin (DIN 00016155)	Non-Executive, Independent Director	55

Name of Director	Position	Age in years
Prof. Trilochan Sastry (DIN 02762510)	Non-Executive, Independent Director	54
Mr. N. Subramaniam (DIN 00166621)	Non-Executive, Independent Director	53

Table 1

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 each of the Board members is presented below.

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

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

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

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

Mr. Vishnu R. Dusad, Managing Director & CEO

Mr. Vishnu R. Dusad is one of the main founders of Nucleus Software Exports Ltd. and has served as a Director since the inception of the Company. Mr. Dusad completed his Bachelor's Degree in Technology from the Indian Institute of Technology (IIT), Delhi and has been associated with the development of the software industry in India since 1983 as an entrepreneur. He was appointed Managing Director of the Company in January 1997. Mr. Dusad has enriched Nucleus with his technology background and 28 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. Prithvi Haldea, Non-Executive, Independent Director

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

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

Mr. Haldea is presently the Member of the Government's Standing Council of Experts for the Financial Sector, Board of Governors of Indian Institute of Corporate Affairs, and Member of the Quality Review Board-ICAI. He is also a member of several committees including SEBI Primary Market Advisory Committee, SEBI Committee for Reviewing Disclosures and Application Form in Public Issues, 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 an Advisor to the Association of Investment Bankers of India and to Gaja Capital Pvt. Ltd.

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, Rules Committee (for the Companies Act) of the Ministry of Corporate Affairs, MCA Committee on Review of Corporate Governance Norms, MCA Committee for Review of the Chartered Accountants Act, 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 1,60,000 cases, www.primedirectors.com: a databank of professionals for listed companies to select independent directors, now hosting profiles of over 20,000 professionals, www.indianboards.com profiling directors of listed companies and www.msmementor.in, a national skills registry of professionals for the benefit of MSMEs. He had earlier designed and maintained www.directorsdatabase.com, covering detailed profiles of directors

of Indian listed companies and www.iepf.gov.in, an investor education initiative. 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, Non-Executive, Independent Director

Mr. Sanjiv Sarin is a postgraduate from IIT Delhi and has PGDBM from XLRI, Jamshedpur. He has 32 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.

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

Professor Trilochan Sastry, Non-Executive, Independent 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. He serves on the Board of NABARD and had earlier served on the Board of IIM Bangalore for 5 years.

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

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

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

Mr. Subramaniam joined the Board of Directors of Nucleus Software Exports Ltd. in July 2012.

d) Diversity in Board

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

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

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

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) Membership Term

The Companies Act, 2013, mandates that not less than two-thirds of the total number of Directors of a public company shall be persons whose period of office is liable to determination by retirement of Directors by rotation; and at every annual general meeting, one-third of such of the directors for the time being as are liable to retire by rotation. The Independent Directors proposed to be appointed in the ensuing Annual General Meeting shall not liable to retire by rotation.

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. As per the Companies Act, 2013, Independent Directors are not eligible to receive options under the various Employee Stock Option Plans (ESOP) launched by the Company from time to time.

Compensation Paid /Payable to the Directors for the period April 2013 to March 2014

(Amount in ₹)

Name of Director	Position	Salary	Company's Contribution to Provident and other funds	Perquisites/ Allownaces	Commission	Sitting Fees	Total Compensation
Mr. Janki Ballabh	Chairman, Non-Executive, Independent Director	–	–	–	1,280,000	200,000	1,480,000
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	6,000,000	360,000	89,003	–	–	6,449,003
Mr. Arun Shekhar Aran*	Non-Executive, Independent Director	–	–	–	91,180	60,000	1,51,180
Mr. Prithvi Haldea	Non-Executive, Independent Director	–	–	–	1,280,000	520,000	1,800,000
Mr. Sanjiv Sarin	Non-Executive, Independent Director	–	–	–	1,280,000	540,000	1,820,000
Prof. Trilochan Sastry	Non-Executive, Independent Director	–	–	–	1,188,820	200,000	1,388,820
Mr. N. Subramaniam	Non-Executive, Independent Director	–	–	–	1,280,000	340,000	1,620,000
Total		**6,000,000**	**360,000**	**89,003**	**6,400,000**	**1,860,000**	**14,709,003**

Table 2

** Mr. Arun Shekhar Aran ceased to be a Director of the Company w.e.f April 27, 2013*

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

None of the above Directors are eligible for any severance package and do not hold any stock options of the Company as on March 31, 2014. The notice period for a Director is as mutually agreed between the Executive Director and the Board.

Details of Equity Shares held by Non-Executive Directors as on March 31, 2014

Name of Director	Position	No. of Equity Shares
Mr. Janki Ballabh	Chairman, Non-Executive, Independent Director	–
Mr. Prithvi Haldea	Non-Executive, Independent Director	–
Mr. Sanjiv Sarin	Non-Executive, Independent Director	17,300
Prof. Trilochan Sastry	Non-Executive, Independent Director	–
Mr. N. Subramaniam	Non-Executive, Independent Director	7,684

Table 3

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, 2014 is mentioned in the table below :

Name of Director	Position	Relationship with other Directors	Directorships Held of other Companies			Committee Positions held as a	
			Public	Private	Section 25 Company	Chairperson	Member
Mr. Janki Ballabh	Chairman, Non-Executive, Independent Director	None	5	–	–	5	3
Mr. Vishnu R Dusad	Managing Director, Promoter Executive Director	None	2	6	1	–	1
Mr. Prithvi Haldea	Non-Executive, Independent Director	None	2	4	–	–	3
Mr. Sanjiv Sarin	Non-Executive, Independent Director	None	2	–	–	1	2
Prof. Trilochan Sastry	Non-Executive, Independent Director	None	–	–	–	–	1
Mr. N. Subramaniam	Non-Executive, Independent Director	None	1	4	–	1	1

Table 4

In accordance with Clause 49 of the Listing Agreement :

i) Membership/Chairmanships of only the Audit Committee and Shareholders/Investors' Grievance Committee of all Public Limited Companies including Nucleus Software Exports Ltd. is considered.

ii) None of our Directors are members of more than ten Board level committees, or Chairman of more than five committees in Companies in which they are Directors. All the Directors are, as such, fully compliant with the requirement.

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

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:

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

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

(vi) Scheduling of Board Meetings and Attendance during the Year 2013-14.

- 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. Eight Board meetings were held by your Company during the year 2013-14 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 2013-14, and the attendance record of the members in these meetings is provided in Table 5.

	Name of Directors						
Board Meeting	**Mr. Janki Ballabh**	**Mr. Vishnu R Dusad**	**Mr. Arun Shekhar Aran ***	**Mr. Prithvi Haldea**	**Mr. Sanjiv Sarin**	**Prof Trilochan Sastry**	**Mr. N. Subramaniam**
April 27, 2013	✓	✓	✓	✓	✓	✓	✓
July 10, 2013	✓	✓	–	✓	✓	✓	✓
July 20, 2013	✓	✓	–	✓	✓	x	✓
September 29, 2013	x	x	–	✓	✓	x	✓
October 19, 2013	✓	✓	–	✓	✓	✓	x
November 11, 2013	✓	✓	–	✓	✓	✓	✓
January 19, 2014	✓	✓	–	✓	✓	x	✓
March 30, 2014	✓	✓	–	✓	✓	✓	✓

** Mr. Arun Shekhar Aran ceased to be a Director of the Company w.e.f April 27, 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 one 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.

(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

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

During the year, in accordance with the Companies Act, 2013, the Board re-constituted some of its Committees and also formed a Corporate Social Responsibility Committee.

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

All Committees have formally established terms of reference/ charter.

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

Nucleus Board Committees

Figure 2

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. 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 :

a) Recommends to the Board of Directors, the Statutory Auditors to be appointed and approve the compensation of the Statutory Auditors.

b) Confirms and assures 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 during 2013-14

Mr. N. Subramaniam was appointed as Chairman of the Audit Committee during the year. The Audit Committee of the Company is constituted in line with the provisions of clause 49 of the Listing Agreements entered into with the Stock Exchanges read with section 292 A of the Companies Act, 1956 ("Act"). The Company Secretary of the Company is the Secretary of the Committee.

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

The Composition of the Audit Committee as on March 31, 2014 and details of attendance of the members in the meetings are as follows:

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. N. Subramaniam	Committee Chairman, Non-Executive, Independent Director	10	9
Mr. Prithvi Haldea	Non-Executive, Independent Director	10	10
Mr. Sanjiv Sarin	Non-Executive, Independent Director	10	10

Table 6

Chairman of the Audit Committee was present at the previous year Annual General Meeting held on July 10, 2013 to answer shareholders' queries.

In addition to the members of the Audit Committee, the Chief Financial Officer, Internal Auditor, Statutory Auditors and other executives attend the meetings of the Committee upon invitation. Necessary information such as Management Discussion and Analysis of financial condition and results of operations, statement of significant related party transactions submitted by the management, management letters, internal audit reports relating to internal control weaknesses as 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, meetings of the Audit Committee, independent of the Management, are scheduled every quarter, a few days prior to the Audit Committee's meeting to review the quarterly results. 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, 2014

As of March 31, 2014, 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 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, 2015 and that the necessary resolutions for appointing them as the Statutory Auditors be placed before the shareholders.

Sd/-

N. Subramaniam

b) Nomination and Remuneration Committee

In accordance with Section 178 (1) of the provisions of Companies Act, 2013, during the year, the Board of Directors of the Company merged the Nomination Committee and Remuneration Committee of the Company. The newly formed Committee was named "Nomination and Remuneration Committee".

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

This Committee is responsible for:

- Identifying persons who are qualified to become Directors, and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal, and carry out evaluation of every Director's performance.
- Formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees.
- Formulation of criteria for evaluation of Independent Directors and the Board.
- Devising a policy on Board diversity.

(ii) Appointment of Independent Directors

According to Clause 49 of the Listing Agreement, an Independent Director is a person who is not an officer or employee of the Company or its subsidiaries. The Companies Act 2013 and relevant Rules also prescribe definition and qualifications of Independent Director.

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

- Independence from Management
- No substantial shareholding
- Other significant relationship which may cause a conflict of interest.
- Capability of taking fair decisions without being influenced.
- Independent Directors are expected to balance the decision-making process of the Board by constructively challenging the Company's strategy and exercise due diligence
- Independent Directors should possess the requisite business and industry expertise in the domain 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.

(iii) Composition of the Nomination and Remuneration Committee and Meetings Held during 2013-14

Mr. Prithvi Haldea is the Chairman of the Nomination and Remuneration Committee. As of March 31, 2014, the Committee consisted of six members, out of

which five members are non-executive Directors. The Company Secretary of the Company is the Secretary of the Committee. The Committee met once during the year.

The Composition of the Nomination and Remuneration Committee as on March 31, 2014 and details of attendance of the members in the meetings are as follows:

Name of Director	Position	No. of Meetings	
		Held	Attended
Mr. Prithvi Haldea	Committee Chairman, Non-Executive, Independent Director	1	1
Mr. Janki Ballabh	Non-Executive, Independent Director	1	1
Mr. Vishnu R. Dusad	Managing Director, Promotor, Executive Director,	1	1
Mr. Sanjiv Sarin	Non-Executive, Independent Director	1	1
Prof. Trilochan Sastry	Non-Executive, Independent Director	1	–
Mr. N Subramaniam	Non-Executive, Independent Director	1	–

Table 7

(iv) Remuneration Policy

Remuneration policy for the members of the Board of Directors of the Company 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 Nomination and Remuneration Committee decides the commission payable to the Managing Director and the Non-Executive Directors out of the profits for the financial year and within the ceilings prescribed under the Companies Act, 2013 and as approved by the shareholders at a General Meeting.
- Non-Executive Directors of the Company are paid sitting fees for attending meetings of the Board and meetings of Committees of the Board, as per the Companies Act, 2013 and as prescribed in the Articles of Association of the Company.
- The Company reimburses expenditure reasonably incurred by the Directors in the performance of their duties as per the provisions of the applicable laws Companies Act 2013 and in conjunction with the rules and policies of the Company.
- The Nomination and Remuneration Committee reviews and finalizes the remuneration of the key executives on an annual basis, or earlier if deemed necessary.

c) Stakeholder Relationship Committee

The Board of Directors in order to align with the Companies Act 2013, decided to rename "Share Transfer and Shareholders' Grievance Committee" to "Stakeholders Relationship Committee," in their meeting held in October 2013.

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

The Stakeholders Relationship Committee 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.

(ii) Composition of the Stakeholder Relationship Committee and Meetings Held during 2013-14

Mr. Sanjiv Sarin is the Chairman of the Stakeholder Relationship Committee. The Company Secretary of the Company is the Secretary of the Committee. The Committee met four times during the year.

The Composition of the Stakeholder Relationship Committee as on March 31, 2014 and a details of attendance of the members in the meetings are as follows:

Director	Position	No. of Meetings	
		Held	Attended
Mr. Sanjiv Sarin	Committee Chairman, Non-Executive, Independent Director	4	4
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	4	4
Mr. Prithvi Haldea	Non-Executive, Independent Director	4	3
Prof. Trilochan Sastry	Non-Executive, Independent Director	4	1

Table 8

(ii) Details of investor complaints/requests received and resolved during the year 2013-14 are as follows:

Nature of Complaints	No. of Complaints/Requests		
	Received	Resolved	Pending at the year end
Non Receipt of Annual Report	Nil	Nil	Nil
Non Receipt of Dividend Warrant	12	12	Nil
Duplicate/Revalidation of Dividend Warrant	43	43	Nil
Non receipt of securities	1	1	Nil
SEBI/Stock Exchange/Legal	1	1	Nil

Table 9

d) Corporate Governance Committee

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

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

This Committee assists the Board in:

- 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.

In accordance with the requirements of the Companies Act, 2013 the Committee referred to the Board, adoption of a Code of Conduct for Independent Directors. The Code is a guide to professional conduct for Independent Directors, which will provide confidence to the investor community, particularly minority shareholders, regulators and companies in the institution of the Independent Directors.

(ii) Composition of the Corporate Governance Committee and Meetings Held during 2013-14

Mr. Janki Ballabh Chairman of the Board, is Chairman of the Corporate Governance Committee. The Company Secretary of the Company acts as the Secretary to the Committee. The Committee met twice during the year.

(ii) Composition of the Corporate Governance Committee as on March 31, 2014 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, Non-Executive, Independent Director	2	2
Mr. Vishnu R Dusad	Managing Director, Promoter, Executive Director	2	2
Mr. Prithvi Haldea	Non-Executive, Independent Director	2	2
Mr. Sanjiv Sarin	Non-Executive, Independent Director	2	2
Prof. Trilochan Sastry	Non-Executive, Independent Director	2	2
Mr. N. Subramaniam	Non-Executive, Independent Director	2	1

Table 10

e) 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").

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

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

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

- 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.
- 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;

- To determine at such intervals, as the Compensation Committee considers appropriate, the persons to whom shares or options may be granted;
- 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;
- To decide the conditions under which shares or options vested in employees may lapse in case of termination of employment for any reason;
- 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;
- 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;
- To specify the grant, vesting and exercise of shares/ option in case of employees who are on long leave;
- 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;
- To attend to any other responsibility as may be entrusted by the Board.

(ii) Composition of the Compensation Committee and Meetings Held during 2013-14

Mr. Prithvi Haldea is the Chairman of the Committee. The Company Secretary of the Company acts as the Secretary to the Committee. The Committee met once during the year.

The Composition of the Compensation Committee as on March 31, 2014 and details of attendance of the members in the meetings are as follows:

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

Table 11

f) Corporate Social Responsibility (CSR) Committee

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

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

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

The responsibilities of the Corporate Social Responsibility Committee are:

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

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

(ii) Composition of the Corporate Social Responsibility Committee and Meetings Held

Prof. Trilochan Sastry is Chairman of the Committee. The Company Secretary of the Company acts as the Secretary to the Committee. The Committee met once during the year.

The Composition of the Corporate Social Responsibility Committee as on March 31, 2014 and details of attendance of the members in the meetings are as follows:

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

Table 12

C. Shareholder Information

a) Means of Communication

(i) Quarterly/Annual Results

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

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

- The Company also communicates 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 get themselves registered 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.

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

(ii) Newspapers for publication of financial results

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

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

During the year, the Company revamped its investors section on its website Our goal, through this new initiative, is to enable shareholders and potential investors (as also media and researchers) to easily find or navigate pertinent information about us, including:

- Company Overview, Financials, Board of Directors, Stock Exchange filings, Shares, Corporate Governance, Corporate Social Responsibility, Awards, Investor contact, Investor related Frequently Asked Questions (FAQ) and various forms for shareholder assistance.

- The important events such as AGM etc. and official press releases of the Company are also updated on the Company's website regularly.

- Interested persons, who register on the Company's website, receive alerts and updates on financial events, financial results, press releases and annual and quarterly reports.

(iv) Interaction with Institutional investors, analysts etc.

- The Investor Relations team of the Company conducts regular meetings and conference calls of the Company Management with the institutional investors, analysts etc.

- Financial results and press releases are sent to all institutional investors, analysts who are registered in the Company database, to keep them abreast of all significant developments.

- The investor presentations made to institutional investors or analysts are displayed on the Company's website.

(v) Annual Report

The Company's Annual Report containing, inter alia, Letter from the Chairman, Letter from the CEO, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report, Report on Corporate Governance and Risk Management, Financial Highlights, Management Discussion and Analysis and other important information is circulated to all the members. The Annual Report of the Company is also available on the Company's website; both in a downloadable pdf format and an HTML online format, for ease of use.

(vi) Dedicated Email id for shareholders

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

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

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

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

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

b) Corporate Identity Number (CIN)

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

c) Shareholder Education

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

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

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

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

d) General Body Meetings

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

Financial Year, Date, Time	Venue	Ordinary Resolution	Special Resolution
FY 12-13, July 10, 2013, 11.30 a.m.	Sri Sathya Sai International Centre	• Adoption of Annual Accounts for the year ended March 31, 2013. • Re-appointment of Mr. Janki Ballabh and Mr. Prithvi Haldea. • Appointment of Deloitte Haskins & Sells as the Statutory Auditors. • Declaration of Dividend on equity shares.	Regularisation of appointment of Mr. N. Subramaniam - Additional Director. Regularisation of appointment of Prof. Trilochan Sastry - Additional Director.
FY 11-12, July 11, 2012, 11.30 a.m.	Sri Sathya Sai International Centre	• 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 Deloitte Haskins & Sells as the Statutory Auditors. • Declaration of Dividend on equity shares.	

Financial Year, Date, Time	Venue	Ordinary Resolution	Special Resolution
FY 10-11, July 08,2011, 11.00 a.m.	Sri Sathya Sai International Centre	• 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 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

Table 13

(ii) Detail of Attendance at the AGM held for FY 13-14

AGM Date	Attended by Directors					
	Mr. Janki Ballabh	Mr. Vishnu R Dusad	Mr. Prithvi Haldea	Mr. Sanjiv Sarin	Prof. Trilochan Sastry	Mr. N. Subramaniam
July 10, 2013	√	√	√	√	√	√

No Extraordinary general meeting was held by the Company during the financial year ended March 31, 2014.

No Resolution was passed during the year through Postal Ballot.

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. These are also disclosed in notes which forms part of the financial statements.

(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. In accordance with the Companies Act 2013 and the Listing Agreement with the Stock exchanges, the Board adopted a revised Whistle Blower Policy during the year.

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

- Provision for made for adequate safeguards 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'. During the year the Policy was revised as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("Sexual Harassment Act"). As per the policy, any employee may report his/her complaint to the Committee by various modes i.e. in person, through email, in writing or by calling on mobile no. as mentioned. The Committee would then make enquiries and submit its recommendation to the HR Head. He would further take a decision on the same and report to the Board. We affirm that adequate access

was provided to any complainant who wished to register a complaint under the policy, during the year.

(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) 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.

(viii) Subsidiary Companies

The Company has seven subsidiaries across the globe; all of which are wholly-owned. The following table provides a list of all these subsidiaries as on March 31, 2014.

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
February 3, 2014	Nucleus Software Australia Pty Limited	Australia

Table 14

(ix) 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.

a) Mr. Sanjiv Sarin, Non-Executive Director on the Board of Directors of the Company, is a Director on the Board of Directors of VirStra *i*- Technology Services Ltd.

b) Mr. Prithvi Haldea and Mr. Sanjiv Sarin, Non Executive Directors on the Board of Directors of the Company, are Directors on the Board of Directors of Nucleus Software Ltd.

c) The Audit Committee of the Company reviews the financial statements, in particular, the investments made by VirStra *i*- Technology Services Ltd. and Nucleus Software Ltd.

d) 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 8, 2014, 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 1 to 8, 2014 (both days inclusive)

• **Financial Calendar for the financial year 2014-15 (tentative and subject to change)**

Financial reporting for :	Tentative dates
First quarter ending June 30, 2014	between July 20-31, 2014
Second quarter ending September 30, 2014	between October 20-31, 2014
Third quarter ending December 31, 2014	between January 20-31, 2015
Year ending March 31, 2015	between April 20- 30, 2015
Annual General Meeting for the year ending March 31, 2015	July 2015

• **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 2014-15 have been paid to both the Stock Exchanges.

(i) Dividend Payment Date:

The Board of Directors have recommended to the shareholders a final dividend of ₹ 3.00 per share to the shareholders and a special dividend of ₹ 3.00 per share (on equity share of par value of ₹ 10 each) on account of completion of completion of 25 years of the Company. The dividend, if approved at the Annual General Meeting, will be payable to Members whose names appear on the Register of Members of the Company on July 1, 2014, being the first day of Book-Closure and to those whose names appear as beneficial owner in the records of National Securities Depositories Ltd. and Central Depository Services (India) Ltd. on close of business as on June 30, 2014.

(ii) Market Price Data on NSE & BSE for the financial year 2013-14

Month	NSE			BSE		
	High (₹)	Low (₹)	Total Volume	High (₹)	Low (₹)	Total Volume
April 13	82.40	72.50	179,490	82.00	72.20	75,249
May 13	77.60	70.50	245,896	77.40	70.40	60,662
June 13	73.00	68.00	200,173	72.80	68.00	59,492
July 13	75.45	66.00	762,919	75.45	66.35	142,147
August 13	87.90	65.75	623,652	87.90	65.25	309,862
September13	96.25	82.10	617,764	96.50	81.80	204,010
October 13	109.90	85.30	1,183,798	109.40	82.80	428,084
November 13	122.90	89.20	1,122,469	122.80	89.45	413,596
December 13	143.05	103.80	1,720,882	143.50	104.70	688,458
January 14	201.10	133.15	8,268,865	200.90	133.10	2,511,774
February 14	216.50	169.00	4,168,259	216.65	169.95	1,327,840
March 14	247.90	196.60	5,178,777	248.00	195.55	1,809,282
Total Shares traded during the year			**24,273,944**			**8,029,645**

Table15

Equity shares of the Company are traded in "Group B" category and are 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

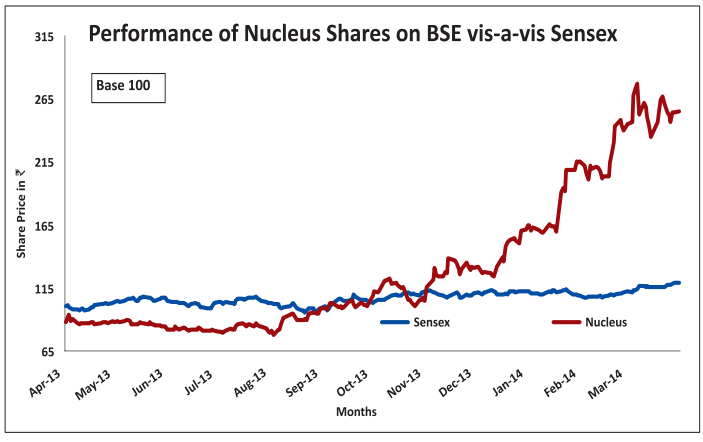
The Equity shares of the Company are under compulsory dematerialization ("Demat") category and can be traded only in electronic form. The Company has dematerialized 32,01,8248 shares (98.87 % of the paid up share capital) as at March 31, 2014.

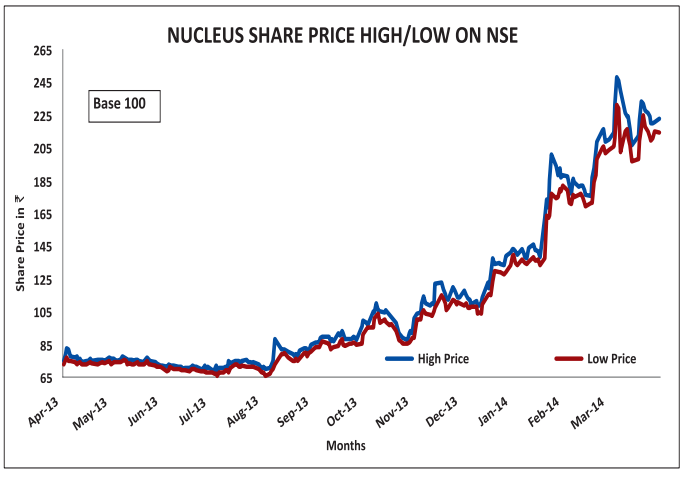
The procedure for converting the shares in dematerialized mode is as under:

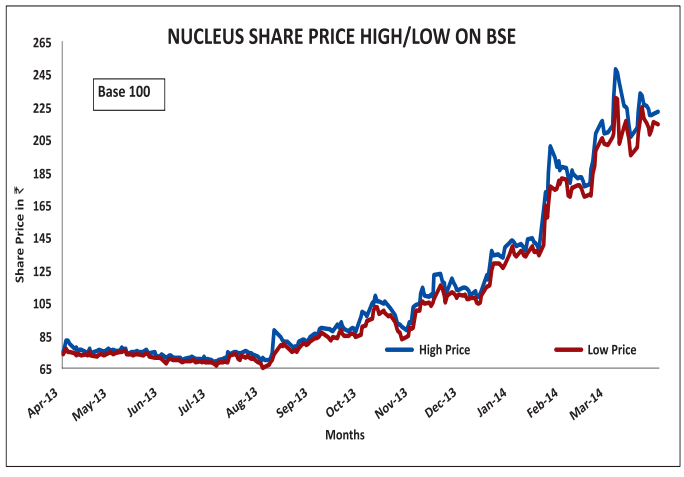
- Share certificate(s) along with Demat Requisition Form (DRF) is to be submitted by the shareholder to his Depository Participant (DP)
- DP processes the DRF and generates a unique number viz. DRN.
- DP forwards the DRF and share certificates to the Company's Registrar & Shares Transfer Agent.
- The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

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

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







(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, 2014

Category	As on March 31, 2014		
	Share Holders	Share Holding	Share Holding (%)
Promoter and Promoter Group	**11**	**18,610,666**	**57.47**
Public Share Holding			
Mutual Funds	7	2,961,110	9.14
Financial Institutions /Banks	2	34,930	0.11
Foreign Institutional Investors	12	2,481,465	7.66
Individuals	14,018	6,808,006	21.03
Bodies Corporate	456	828,578	2.56
Overseas Corporate Bodies / Non Resident Indians/ Clearing Members/ Trusts	502	658,969	2.03
Total	**15,008**	**32,383,724**	**100.00**

Table 16

(vii) Distribution of Shareholding

Equity Shares Held		As on March 31, 2014				As on March 31, 2013			
		Share Holders		Shares		Share Holders		Shares	
From	To	(No.)	(%)	(No.)	(%)	(No.)	(%)	(No.)	(%)
1	100	9,634	64.19	404,676	1.25	9,485	58.06	423,033	1.31
101	200	1,843	12.28	321,019	0.99	2,193	13.42	378,741	1.17
201	500	1,688	11.25	609,799	1.88	2,317	14.18	804,380	2.48
501	1,000	970	6.46	731,073	2.26	1,325	8.11	1,005,845	3.10
1,001	5,000	677	4.51	1,478,031	4.56	818	5.01	1,747,106	5.40
5,001	10,000	94	0.63	660,368	2.04	104	0.64	755,073	2.33
10,001	and above	103	0.68	28,178,758	87.02	94	0.58	27,269,456	84.21
TOTAL		**15,008**	**100.00**	**32,383,724**	**100.00**	**16,336**	**100.00**	**32,383,634**	**100.00**

(viii) Depository Receipts / Global Depository Receipts / Warrants

As on March 31, 2014, 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 2013-14.

(ix) Employee Stock Option Plans (ESOP)

Your Company has three Employee Stock Option Plans in operation. During the year, the Company allotted 90 equity shares to employees, in pursuance of the stock options exercised by them in July 2013.

(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, Australia 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), operates from 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
Mitsubishi Building
11F, 5-2 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 1, 6th Floor, Marigold Premises,
Vadgaon Sheri
Pune 411 014
India

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

Nucleus Software Australia Pty. Ltd.
Suite 4, 96-98 Wigram Street
Harris Park
NSW 2150
Australia

Branch Offices in India

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

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

Branch Offices in Overseas Locations

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

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

(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

As per the Companies Act 2013, Secretarial Audit by a practicing Company Secretary has become mandatory for prescribed Companies. We are pleased to share that your Company, as a voluntary practice, has been getting Secretarial audit done for the past several years, and also reporting it in the Annual Report. An assignment for a comprehensive Secretarial Audit for the FY 2013- 14 was awarded to a practicing Company Secretary. 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 additional Best Practices, which are now being implemented.

(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, 2014. 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

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

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. 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.

- The Company also send 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 alert of the results, to all those who register themselves on the corporate website.
- Highlights of the results along with a comparison with previous quarters/years, all financial press releases, information on Board of Directors, FAQ for shareholders and other related information on corporate governance etc. are also available on the Company website.

b. Audit Qualifications

There is no audit qualification in the Company's financial statements for the year ended March 31, 2014.

c. 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, some of the 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.

d. 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.

e. Whistle Blower Policy

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

f. 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.

SECRETARIAL AUDIT CERTIFICATE

The Board of Directors
Nucleus Software Exports Limited
33-35, Thyagraj Nagar Market,
New Delhi – 110 003

We have examined the statutory records and documents of Nucleus Software Exports Limited ("the Company") for the financial year April 1, 2013 to March 31, 2014 in light of the provisions specified herein:-

1. The Companies Act, 1956 and Companies Act, 2013 (to the extent it is notified) and the rules made thereunder;
2. The Depositories Act, 1996 and the Regulations and bye-laws framed thereunder ;
3. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
   (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 r/w 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 conduction 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.

Secretarial Audit Certificate

We further report that:

(a) The Company has complied with the requirements under the Equity Listing Agreements entered into with the Bombay Stock Exchange 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 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 Loveneet Handa& Associates
Company Secretaries

Sd/-
Loveneet Handa
(Proprietor)
Membership No:25973
CP No.10753

Date: May 31, 2014
Place: New Delhi

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, 2014 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.

	Sd/-	**Sd/-**
Noida	**Vishnu R. Dusad**	**Pramod K. Sanghi**
May 3, 2014	**CEO & Managing Director**	**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, 2014, received from its Board members as well as senior management personnel affirmation as to compliance with the Code of Conduct.

Sd/-
Vishnu R. Dusad
CEO & Managing Director

Noida
May 3, 2014

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

Forming Part of the Financial Statements for the year ended March 31, 2014

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

In the recent past, the Indian economy had to overcome varied challenges in its resolve to sustain its economic success. The major challenges included unsupportive external environment, domestic structural constraints, growth slowdown and inflationary pressures. The slowdown manifested in the decline in the growth of Gross Domestic Product (at factor cost at constant 2004-05 prices) from 8.9 per cent in 2010-11 to 6.7 per cent in 2011-12 and 4. 5 per cent in 2012-13. *(Source Macro-Economic Framework Statement 2014-15; Union budget 2014-15)*. For 2013-14, the estimated number is 4.9 per cent. The growth slowdown in India is broadly in sync with trends in similar emerging economies.

Indian IT industry has evolved from being a "Vendor" to being a "Partner", sharing their expertise in creating and implementing Best practices globally. Changing business models, emergence of new technologies, buyer segments and solutions for emerging markets will help India retain its position as the global sourcing leader and an emerging trustworthy innovation hub.

We are a Product software Company and building products requires a mindset, capabilities and environment, which is very different from delivering services. So far, India's over $100 billion IT industry has been built mostly on software services and back office projects delivered mostly by the Indian IT majors. As per the newly formed software product think-tank iSpirt, software products can be a $100 billion industry in India by 2025. Software product exports from India, although smaller as compared to IT services, have been growing steadily and is estimated at USD 1.7 billion, approx. 8.8% growth over FY 2013 *(Source : Nasscom Strategic Report 2014)*. This makes us hopeful of the future and we work towards building a great Product Company.

B. Company Background

The Company was incorporated on January 9, 1989 as Nucleus Software Exports Private Limited with its registered office at 33-35 Thyagraj 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 and Internet Banking. 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.

During the year, your Company successfully expanded product offerings with launch of two new product suites during the year; FinnAxia™ transaction banking offering and FinnOne™ Mobility product suite. FinnAxia™; a product in the global transactional banking space. The key product components of FinnAxia™ are Global Payments 1.0, Global Receivables 1.0, Global Liquidity Management 4.2, Financial Supply Chain Management 1.5. These are the products of future with our customers demanding and receiving solutions which increase capital and transaction efficiency. The Mobility suite consisting of FinnOne™ mCAS 1.3, FinnOne™ mServe 1.2 and FinnOne™ mCollect 1.4, have been tailored to cater to specific market needs in Origination, Lending & Collections operations management to help our customers achieve operational efficiency through turnaround speed, control and transparency.

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 Software operates through integrated and well-networked subsidiaries in India, Japan, Netherlands, Singapore, USA and a recently set up wholly owned subsidiary in Australia. 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 software has gained experience working closely with IT leaders in the Banking and Financial Services industry. Headquartered in New Delhi, India, the Company has seven wholly owned subsidiaries, as described in table 1 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
February 3, 2014	Nucleus Software Australia Pty. Ltd.	Australia

Table 1

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

Globalization has a profound impact in shaping the Indian IT industry over the years with India capturing a sizeable chunk of the global market for technology sourcing and business services. Over the years the growth drivers for this sector have been the verticals of manufacturing, telecommunication, insurance, banking, finance and of late the fledgling retail revolution. As the new scenario unfolds, it is getting clear that the future growth of IT and ITeS will be fuelled by mobile applications, and the connected consumer who will conduct transactions using mobile devices. Personal Computers (PC) sales are falling as tablets take over and the pace of innovation is astounding.

Your Company provides software solutions to customers in the BFS space where growing business requirements are driving rapid adoption of technology. The key growth drivers would include regulatory compliance needs, internal/operational efficiencies to better align business processes, enhanced customer experience for competitive differentiation and new business opportunities in extending reach to the unbanked population. Customers' requirements for IT management solutions remain as high if not higher than ever but they need them focused more towards the ultimate user of IT services and at a price that is competitive.

Modern banking will be more about connecting people and their money more quickly, accurately and efficiently than ever before. As Banks begin to place focus more firmly on what customers want, we as a provider of banking solutions will have to continuously work on path breaking technologies to provide niche products that suit the requirements of these banks. Innovation will be the mantra for the times to come and the way to shape business at Nucleus Software.

With our modern technology adapt products and services, we will provide ways to ambitious banks to cater not only to their core customer base, but to the tens of millions of unbanked and under banked. In all cases, it will require banks to rethink their systems and processes to be more agile and to make their analytical capabilities more insightful. No matter the course, the way forward will not be easy, requiring a whole deal of effort. Yet, the alternative will be even less palatable in a gradual slide into irrelevance, an opportunity missed. The time to begin the transformation is now and we view it very positively.

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 sixth consecutive year, by IBS Publishing, UK in their Sales League Table 2014.
- The Annual Report including the financial statements of the Company for the year ended March 31, 2013, was inducted into the coveted Hall of Fame by the Institute of Chartered Accountants of India, in the category, Service sector (other than financial services) with turnover less than ₹ 500 crore, of the **'ICAI Awards for Excellence in Financial Reporting'** for the year 2012-13. The Hall of Fame honour is awarded to an entity for winning the Gold Shield for Annual Report and Accounts of the Company, in the same category, for five years consecutively.
- **"Financial & Investor Relations Award – 2013"** at World CSR Congress.
- **"Best Corporate Governance - India - 2014"**, of the World Finance Corporate Governance Awards – 2014.
- The Company's Online Annual Report for the year ended March 31, 2013 won the **Platinum Award** for excellence within the Industry Technology-Software and ranked fifteenth amongst the Top 50 Annual Reports worldwide in the Vision Awards by the League of American Communications Professionals (LACP), USA.
- Third **Best Ranked IR Website in India** region for the year 2013 by IR Global Rankings (IRGR).
- Titanium Award for I**nvestor Relations, Corporate Governance Social Responsibility, Environment Responsibility** of the Asset Triple A Corporate Awards 2013.
- CIMB Malaysia, our customer, powered by Nucleus Software's FinnOneTM 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, FinnOneTM.
- 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.

D. Company Management

An active and well-informed Board is necessary to ensure highest standards of Corporate Governance. At Nucleus Software, 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. As on March 31, 2014, 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 Product development, Sales and Marketing were hired during the year. Group manpower numbers stood at 1,520 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

As a global organization, we have a relentless focus on product development assimilating global best practices, which has led to our Lending and Transaction Banking product implementations across more than 50 countries with over 150 customers. We have, however, not realised our potential and are either not present, or minimally present in a large part of the developed world. Our domain knowledge and years of experience positions us well to enter new markets and expand market share in existing markets.

At the same time, there are challenges posed by rapidly evolving technology and business models, consolidation of solution vendors by customers and growing competition. Internally we have to manage our talent pool and excite and motivate them to continuously innovate.

To successfully tap these opportunities, with the given constraints, we are exploring different business models to effectively meet customer expectations on cost effective business solutions. 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. With the changing political and economic scenario, 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 the "Transaction Banking" space and consequent specialization enables us to monetize our IPR.

F. OUTLOOK

Worldwide IT spending is projected to total $3.8 trillion in 2014, a 3.1 percent increase from 2013 spending of $3.7 trillion, according to the latest forecast by Gartner, Inc. Definitely, the future is bright and we believe that with our vision for growth, we shall strive to capture growth with our specialized software solutions. 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

Internal controls are a set of processes and policies/procedures put in place to help achieve the strategic objectives of an organization. Good controls encourage operational efficiency, compliance with laws, regulations and minimize/eliminate errors, theft and fraud. At the same time internal controls also 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 Software 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.

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. Diversity and inclusion have been steadily gaining traction in corporate India in recent years. India's demographics are creating some unique challenges. Even as the world is graying, India is getting younger. By 2020, the average Indian will be only 29 years of age *(Source: Economic Survey 2011-12)*. Effectively managing a multigenerational workforce has also become an additional issue to be addressed.

Attracting quality manpower still remains an issue and to address this issue, we have invested proactively in hiring, training, cross skill development, capability building and providing employees with an unmatched value proposition. An effect of this is wage inflation which adds to pressure on operating margins.

Your Company's HR function continued its focus in the strategic direction of enhancing competency and talent development for the employees. With greater focus on goals based high performance culture and a clear performance and career growth plan for each employee, the next financial year will see employee learning at Nucleus move up the curve substantially.

J. FINANCIAL PERFORMANCE

Financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable and guidelines issued by the Securities and Exchange Board of India ("SEBI"). Accounting

policies have been consistently applied except where a newly issued accounting standard, if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis. The Company has seven 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. The Company has seven 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

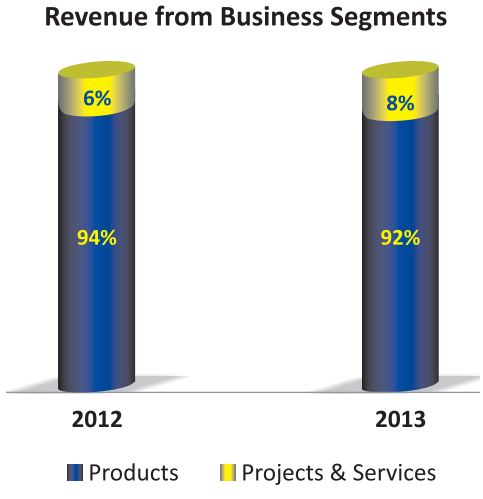
ii) Nucleus Software Exports Limited (Consolidated) including performance of subsidiaries of Nucleus Software, and has been discussed in the later chapters of this report.

Standalone financial results: *(₹ in crore)*

For the Year Ended March 31,	2014	% of Revenue	2013	% of Revenue	Growth (%)
Revenue from Operations	**241.11**	**100.00**	**202.28**	**100.00**	**19.20**
Expenses					
a) Changes in inventories of stock-in-trade	4.95	2.05	–	–	–
b) Employee benefit expense	124.80	51.76	117.58	58.13	6.14
c) Travel expense	17.38	7.21	16.08	7.95	8.08
d) Finance costs (Bank charges)	0.35	0.15	0.30	0.15	16.67
e) Other expenses	49.05	20.34	37.66	18.62	30.24
Total Expenses	**196.53**	**81.51**	**171.62**	**84.84**	**14.51**
Operating Profit (EBITDA)	**44.58**	**18.49**	**30.66**	**15.16**	**45.40**
Depreciation	6.76	2.80	4.97	2.46	36.02
Operating Profit after Interest and Depreciation	**37.82**	**15.69**	**25.69**	**12.70**	**47.22**
Other Income	28.77	11.93	19.80	9.79	45.30
Foreign Exchange Gain/ (Loss)	1.17	0.49	4.19	2.07	(72.08)
Profit Before Tax	**67.76**	**28.10**	**49.68**	**24.56**	**36.39**
Taxation					
– Net current tax	13.38	5.55	12.81	6.33	4.45
– Other taxes	(0.71)	(0.29)	(0.22)	(0.11)	NA
Profit After Tax	**55.09**	**22.85**	**37.09**	**18.34**	**48.53**

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. 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. Revenue from sale of licenses, where no customisation is required, are recognised upon delivery of these licenses which constitute transfer of all risks and rewards. Revenue from annual technical service contracts is recognized on a pro rata basis over the period in which such services are rendered.



During the year, the revenue from operations is ₹ 241.11 crore, registering a growth of 19.20% over ₹ 202.28 crore, revenue for the previous year.

Revenue from Products

We are a Product Company and derive most of our revenues from Products and related services. Product 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. Product revenue for the year is ₹ 227.08 crore, 94.18% of the total revenue, against ₹ 186.33 crore, 92.11% of total revenue, in the previous year.

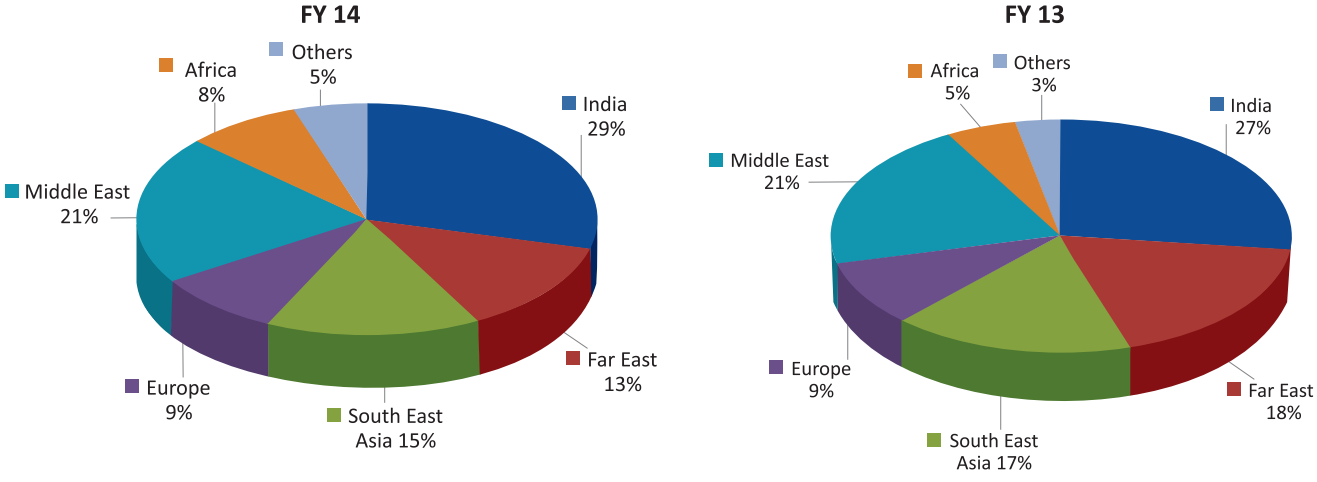
Revenue from Projects and Services

Software projects and services includes other time and material contracts and fixed price contracts, whereby no license sale is made by the Company. 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 ₹ 14.04 crore, 5.82% of the total revenue, against ₹ 15.95 crore, 7.89% of total revenue, in the previous year.

Revenue from Various Geographies

Your Company is incorporated in India and caters to customers situated all across the globe and hence significant part of the revenue is derived from international sales. For the year 71% revenue was derived from overseas. The graph below presents a geography-wise distribution for the year as well as the previous year.

Revenue from various geographies



EXPENSES

Employee Benefit Expense

Employee benefit expense includes salaries paid to employees in India, with fixed 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 6.14% to ₹ 124.80 crore, 51.76% of revenue against ₹117.58 crore, 58.13% of revenue in the previous year.

(₹ in crore)

For the Year Ended March 31,	2014	% of Revenue	2013	% of Revenue	Growth (%)
Salaries	113.76	47.18	107.35	53.07	5.97
Contribution to provident and other funds	6.04	2.51	5.77	2.85	4.68
Gratuity	2.41	1.00	2.05	1.02	17.56
Staff welfare	2.59	1.07	2.41	1.19	7.47
Total Employee Benefit Expenses	**124.80**	**51.76**	**117.58**	**58.13**	**6.14**
Revenue	***241.11***	***100.00***	***202.28***	***100.00***	***19.20***

Operating and Other Expenses

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

Operating and other expenses at ₹66.78 crore, 27.70% of revenue for the year, an increase of 23.58 % against ₹54.04 crore, 26.72% of revenue in the previous year.

(₹ in crore)

For the Year Ended March 31,	2014	% of Revenue	2013	% of Revenue	Growth %
Outsourced Technical Service Expense	3.48	1.45	3.96	1.96	(11.90)
Travelling	17.38	7.21	16.08	7.95	8.08
Cost of software purchased for delivery to clients	8.57	3.55	4.19	2.07	104.55
Power and fuel	3.89	1.61	3.40	1.68	14.20
Rent	3.00	1.24	3.07	1.52	(2.22)
Repair and maintenance	2.36	0.98	2.30	1.13	2.87
Legal and professional	4.25	1.76	3.89	1.92	9.38
Conveyance	1.49	0.62	1.11	0.55	33.82
Communication	1.41	0.58	1.43	0.71	(1.37)
Information technology expenses	2.40	0.99	1.62	0.80	48.23
Provision for doubtful debts/advances/other current assets	4.24	1.76	1.60	0.79	164.40
Commission to channel partners	1.87	0.77	1.04	0.51	79.54
Training and recruitment	2.34	0.97	1.12	0.55	109.47
Conference, exhibition and seminar	1.68	0.70	1.75	0.86	(4.04)
Advertisement and business promotion	1.06	0.44	0.86	0.42	24.09
Insurance	0.45	0.19	0.33	0.16	37.46
Finance Cost (Bank Charges)	0.35	0.15	0.30	0.15	16.67
Miscellaneous expenses	6.57	2.73	6.01	2.97	9.35
Total Operating and Other Expenses	**66.78**	**27.70**	**54.04**	**26.72**	**23.58**
Revenue	***241.11***	***100.00***	***202.28***	***100.00***	***19.20***

Cost of software purchased for delivery to clients is ₹ 8.57 crore against ₹ 4.19 crore in the previous financial year commensurate with related revenue.

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 SIBOS (Dubai), FIBAC (Mumbai), Automotive Summit (Vienna) etc. The expenditure is ₹ 1.68 crore against ₹ 1.75 crore in the previous financial year.

Finance cost includes bank charges and fee for issuance of bank guarantees. It is ₹0.35 crore against ₹0.30 crore in the previous financial year.

Provision for bad debts at ₹ 4.24 crore for the year (previous year ₹ 1.60 crore) includes ₹ 2.20 crore provisioning for debts due from a subsidiary company. On consolidation of parent company and subsidiaries, this figure is profit/loss neutral.

Operating Profit (EBITDA)

Operating Profit improved to ₹ 44.58 crore, 18.49% of revenue against ₹30.66 crore, 15.16% of revenue in the previous year. A growth of 361 basis points was registered in EBITDA margins

Depreciation

Depreciation on fixed assets is ₹ 6.76 crore, 2.80% of revenue for the year against ₹ 4.97 crore, 2.46% of revenue in the previous year. It has increased due to depreciation on hardware/software additions of ₹ 15.75 crore during the year.

Other Income

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

(₹ in crore)

For the Year Ended March 31,	2014	2013
On Investments		
Capital Gain- Mutual Funds	4.97	1.03
Dividend on investment in Mutual fund units	5.73	7.17
Dividend from Subsidiary	9.39	3.00
Interest on fixed deposits	6.46	7.17
Interest on tax free bonds	1.00	0.09
Provisions written back	0.46	0.32
Others	0.76	1.02
Total	**28.77**	**19.80**

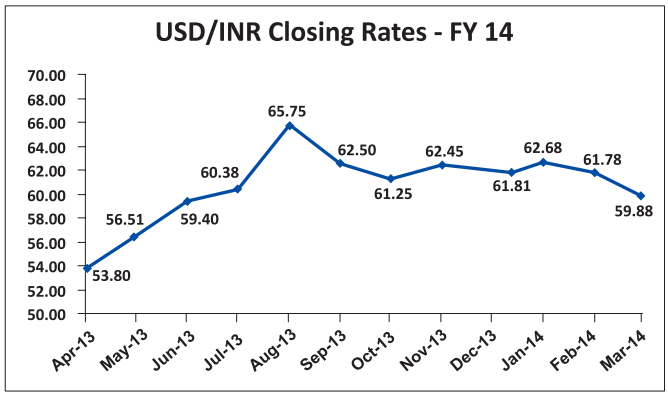
Other income for the year is ₹ 28.77 crore against ₹19.80 crore for the previous year.

The Company received an Interim dividend of ₹ 9.39 crore from the Singapore subsidiary of the Company (₹ 3.00 crore in the previous year from an Indian subsidiary). These dividends from subsidiaries do not form part of income on consolidation of parent company and subsidiaries.

Foreign Exchange Gain/ (Loss)

Foreign Exchange Gain (Loss) includes gain (loss) from translation of current assets and liabilities at quarter end rates, those arising from realization/payments of receivables/payables. During the year, the Company had a foreign exchange gain of ₹ 1.17 crore against a gain of ₹ 4.19 crore for the previous year. Foreign Exchange continues to be volatile, as depicted in the below mentioned chart.

The Indian Rupee varied from a high of 53.66 to the Dollar in May 2013 to a low of ₹ 68.80 in August 2013 and overall lost 9.95 % against the US Dollar on a March end to March end comparison.



Taxation

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

Deferred tax is recognized on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods, in accordance with accounting standards.

(₹ in crore)

For the Year Ended March 31,	2014	2013
– Current Tax	14.41	12.79
– Deferred Tax Expense	(0.71)	(0.22)
– Earlier Year Tax	(1.03)	0.02
Total	**12.67**	**12.59**

Total effective tax for the year is 18.70% of Profit Before Tax, in comparison to 25.34% of Profit Before Tax for the previous year. One of the Company's units 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. Capital and revenue expenditure of the Company's R & D centre in Noida, duly recognized by the Department of Scientific and Industrial Research (DSIR), is entitled to weighted deduction for tax purposes in accordance with section 35(2 AB) of the Income Tax Act, 1961.

Profit After Tax

Our profit after tax for the year is ₹ 55.09 crore, 22.85% of revenue against ₹ 37.09 crore, 18.34% of revenue, during the previous year.

Share Capital

Share Capital of the Company consists of Equity Share Capital. The paid-up share capital as on March 31, 2014 is 32,383,724 equity shares of ₹ 10 each as against 32,383,634 equity shares of ₹ 10 each as on March 31, 2013. Increase in the paid-up share capital of the Company during the year has been due to allotment of 90 shares on exercise under Employee Stock Option Plan 2005.

Retained Earnings

During the year, Company earned net profit of ₹ 55.09 crore. Your Directors have proposed a dividend of Rs 9.72 crore, a special dividend on account of 25th year of the Company of ₹ 9.72 crore and transferred ₹ 5.51 crore to General Reserve. During the previous year the Company paid dividend of ₹ 9.72 crore and transferred ₹ 3.71 crore to general reserve. Dividend tax for the year is ₹ 1.71 crore (₹ 1.16 crore for the previous year) after set off against taxes paid by subsidiary Company in accordance with the provisions of the Income Tax Act.

Reserves and Surplus

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

(₹ in crore)

Particulars	Opening Balance as on April 1, 2013	Additions/ (Deletions) during the year	Closing Balance as on March 31, 2014
Capital Reserve	0.89	–	0.89
Securities Premium	2.19	–	2.19
General Reserve	76.76	5.51	82.27
Hedging Reserve	0.64	2.17	2.81
Profit and Loss Account Balance	206.61	28.45	235.06
Total	**287.09**	**36.13**	**323.22**

Fixed Assets

As at March 31, 2014, gross block of fixed assets including investment in technology assets is ₹ 106.79 crore (₹ 92.04 crore as on March 31, 2013)

(₹ in crore)

Gross Block	2014	2013	Inc/Dec (%)
Freehold land	0.34	0.34	–
Leasehold land	6.64	6.64	–
Building	24.15	24.23	(0.33)
Office and other equipment	14.57	14.32	1.75
Computers	26.10	23.48	11.16
Vehicles	1.94	1.44	34.72
Furniture and fixtures	3.62	3.67	(1.36)
Software	28.72	17.17	67.27
Leasehold improvement	0.71	0.75	(4.05)
Total	**106.79**	**92.04**	**16.03**
Less: accumulated depreciation	62.86	58.91	6.71
Net Block	**43.93**	**33.13**	**32.60**
Add: Capital Work in Progress	1.26	–	–
Net Fixed Assets	**45.19**	**33.13**	**36.40**

There are fresh additions of ₹ 17.64 crore during the year including ₹ 15.75 crore in technology assets. The net fixed assets after depreciation and including capital work in progress are ₹ 43.93 crore as on March 31, 2014 against ₹ 33.13 crore as on March 31, 2013.

Investments

i) **Non-current investments** totaling ₹ 37.36 crore as on March 31, 2014 against ₹ 13.29 crore as on March 31, 2013.

a. Investment In subsidiaries -The investment of the Company in the Equity Share capital of its subsidiaries stood at ₹ 13.04 crore.

(₹ in crore)

Name of Subsidiary Company, Location	As at March 31,	
	2014	2013
Nucleus Software Solutions Pte. Ltd. Singapore	1.63	1.63
Nucleus Software Inc., USA	1.63	1.63
Less: Provision for diminution in value of investment in Nucleus Software Inc., USA	(1.63)	(1.63)
Nucleus Software Japan Kabushiki Kaisha, Japan	0.41	0.41
VirStra *i*-Technology Services Ltd., India	1.00	1.00
Nucleus Software Netherlands B.V., Netherlands	2.42	2.42
Less: Provision for diminution in value of investment in Nucleus Software Netherlands B.V., Netherlands	(2.42)	(2.42)
Nucleus Software Limited, India	10.00	10.00
Nucleus Software Australia Pty. Limited*	–	–

* Nucleus Software Australia Pty. Limited was incorporated during the year with share capital of 1 AUD

b. Investments in equity shares of an un-listed company are ₹ 0.25 crore.

c. Investments in tax free bonds (issued by public sector enterprises) held on a hold to maturity basis are ₹ 24.07 crore.

ii) Current Investments and Bank Balances

In Fixed Maturity plans and liquid plans of mutual funds as per below table.

(₹ in crore)

Name of the Mutual Fund Scheme	Value of units as at 31 Mar 2014
Birla Sun Life Cash Plus - Daily Dividend-Regular Plan	0.02
Birla Sun Life Cash Plus - Daily Dividend-Direct Plan	7.42
JP Morgan India Liquid Fund- Daily Dividend-Direct Plan	3.59
ICICI Prudential Liquid Fund- Daily Dividend-Direct Plan	6.34
Kotak Floater Short Term Fund- Daily Dividend-Direct Plan	7.66
Kotak Floater Short Term Fund - Regular Plan- Daily Dividend	1.73
HDFC Liquid Fund- Daily Dividend-Direct Plan	9.51
Reliance Liquid Fund-Treasury Plan- Daily Dividend-Direct Plan	21.09

(₹ in crore)

Name of the Mutual Fund Scheme	Value of units as at 31 Mar 2014
UTI Money market Fund-Institutional Plan- Direct Plan- Daily Dividend	4.25
Templeton India Treasury Management Account Super Institutional Plan - Direct Plan- Daily Dividend	1.13
SBI Liquid Fund- Direct Plan- Daily Dividend	0.81
Axis Liquid Fund- Direct Plan- Daily Dividend	19.35
IDFC Banking Debt Fund Regular Plan- Dividend	2.20
Kotak FMP Series 102 Direct - Growth	5.00
SBI Debt Fund Series - 366 days 25 - Direct Plan-Growth	10.00
DSP BlackRock FMP-Series 93-12M-Dividend-Payout	3.04
ICICI Prudential Interval Fund-Annual Interval Plan IV -Regular Plan - Growth	2.00
ICICI Prudential FMP Series 69 -366 Days Plan G Growth	5.00
ICICI Prudential FMP Series 68 -369 Days Plan I Growth	1.00
Kotak FMP Series 105 Direct - Growth	3.10
HDFC FMP 371D July 2013 (1) Series 26 – Growth Option	4.77
DSP BlackRock FMP-Series 129-12M-Growth Option	5.00
DSP BlackRock FMP-Series 130-12M-Growth Option	5.00
DSP BlackRock FMP-Series 126-12M-Growth Option	0.95
Birla SunLife Fixed Term Plan-Series IV-Growth-368 Days	5.00
Birla SunLife Fixed Term Plan-Series JL-Growth-368 Days	3.00
Birla SunLife Fixed Term Plan-Series IH-Growth-368 Days	2.00
Birla SunLife Fixed Term Plan-Series JI-Growth-368 Days	2.00
Kotak FMP Series 129 - Growth	5.00
HDFC FMP 370D October 2013(1)-Series 28- Growth Option	2.00
HDFC FMP 371D December 2013(2)- Series 29 - Growth Option	2.50
HDFC FMP 371D November 2013(2)- Series 28 – Growth Option	1.09
HDFC FMP 372D October 2013(1) Series 28- Growth Option	3.80
SBI Debt Fund Series-366 Days-45-Growth Option	2.17
SBI Debt Fund Series-366 Days-46-Growth Option	5.50
SBI Debt Fund Series-366 Days-48-Growth Option	5.00
DSP BlackRock FMP-Series 144-12M-Growth Option	5.00
Birla SunLife Fixed Term Plan-Series JO-Growth-368 Days	5.00
ICICI Prudential FMP Series 72 -368 Days Plan A Growth	5.00
ICICI Prudential FMP Series 72 -368 Days Plan K Growth	5.00
Total	**189.02**

As of March 31, 2014 the cash and bank balances (including fixed deposits) stood at ₹71.99 crore (₹90.47 crore as on March 31, 2013), current investments in liquid schemes and Fixed Maturity Plans of mutual funds are ₹189.02 crore (₹140.82 crore as on March 31, 2013). Total cash equivalents and current investments are thus at ₹261.01 crore on March 31, 2014 against ₹ 241.29 crore as on March 31, 2013.

(₹ in crore)

As at March 31,	2014	2013
Cash and cheque in hand	0.01	0.001
Balances with Bank		
In Current Accounts	3.09	4.05
In Fixed Deposit Account	68.89	85.50
Remittance in transit	–	0.92
Investments in Mutual Funds	189.02	140.82
Investments in Tax Free Bonds *	–	10.00
Total	**261.01**	**241.29**

* Investments in Tax Free Bonds provided under Non-current Investments in FY 14

Our net cash flow from operating activities before working capital changes is ₹ 50.91 crore for the financial year, against ₹ 35.33 crore in the previous year. After considering working capital changes, operating cash flow is ₹ 36.76 crore against ₹ 66.03 crore in the previous year.

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

As at March 31,	2014	2013
Operating cash flow as % of revenue	21.11%	17.47%
Days of sale receivable	48	103
Cash and Equivalents as % of shareholders' funds	73.40%	75.53%
Cash and Equivalents as % of revenue	108.26%	119.29%
Current investments as % of shareholders' funds	53.16%	47.21%
Current investments as % of revenue	78.40%	74.56%

Trade Receivables

Our trade receivables (net of provision) as on March 31, 2014 are ₹ 31.93 crore against ₹ 57.29 crore on March 31, 2013.

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

As at March 31,	2014	2013
Less than three months	83.62%	88.74%
Between 3 and 6 months	13.22%	7.28%
More than 6 months	3.16%	3.98%

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 Ministry of Corporate Affairs (MCA), Government of India, Loans and Advances have been classified into long-term and short-term based on their period of realization.

(₹ in crore)

Long term Loans and advances	2014	2013
Loans and advances to subsidiaries	9.19	10.18
Security deposit	1.18	1.12
Advance income tax	14.03	13.75
Prepaid expenses	0.77	0.75
Staff Loans	0.06	0.23
Total	**25.24**	**26.03**
Short term Loans and advances		
Loans to subsidiaries	0.60	0.54
Security deposit	0.23	0.05
Employee advances	0.51	0.78
Prepaid expenses	4.65	3.55
Supplier advances	1.90	0.12
Mark-to-market gain on forward contracts	2.82	0.71
Service tax credit receivable	5.03	0.44
Others	0.97	1.23
Total	**16.71**	**7.42**
Total Loans and Advances	**41.95**	**33.45**

Outstanding amounts from wholly owned subsidiaries at the end of FY 2014 and FY 2013 both in Indian Rupees and foreign currency are as below:

As at March 31,	2014		2013	
	In ₹ crore	In US $ Mn	In ₹ crore	In US $ Mn
Long Term				
Nucleus Software Limited, India	8.59	–	9.09	–
Nucleus Software Inc., USA	0.60	0.10	1.09	0.20
	9.19	**0.10**	**10.18**	**0.20**
Short Term				
Nucleus Software Inc., USA	0.60	0.10	0.54	0.10
	0.60	**0.10**	**0.54**	**0.10**

Security Deposits, utilised primarily for hiring of office premises and staff accommodation, amounts to ₹ 1.41 crore as on March 31, 2014 (₹ 1.17 crore as on March 31, 2013)

Current Liabilities

Current liabilities represent trade payables, short-term provisions and other current liabilities. As on March 31, 2014 the Current liabilities are ₹ 93.87 crore (₹ 84.89 crore as on March 31, 2013).

(₹ in crore)

As at March 31,	2014	2013
Trade Payables	16.21	18.89
Advances from customers/Advance Billing	18.46	24.19
Deferred revenue	19.72	22.48
Unclaimed dividend	0.24	0.20
Payable for purchase of fixed assets	–	0.25
Book Overdraft	1.19	1.71
Due to subsidiaries	7.89	–
Other statutory dues	3.73	2.22
Short term provisions		
Leave encashment	1.20	1.35
Gratuity	2.50	2.23
Proposed dividend	19.43	9.72
Tax on dividend	3.30	1.65
Total	**93.87**	**84.89**

Trade payables represent the amount payable for providing goods and services and are ₹ 16.21 crore as on March 31, 2014 (₹ 18.89 crore as on March 31, 2013)

Advances from customers/Advance Billing as on March 31, 2014 is ₹ 18.46 crore (₹ 24.19 crore as on March 31, 2013). These consist of advance payments received from customers and advance billing, 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, 2014 it is ₹ 19.72 crore (₹ 22.48 crore as on March 31, 2013)

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, 2014 it is ₹ 3.73 crore (₹ 2.22 crore as on March 31, 2013)

Short term provisions for leave encashment and gratuity are those for which liability is expected to arise in near future. A sum total of these short-term provisions, including proposed dividend and tax on dividend are ₹ 26.43 crore as on March 31, 2014 (₹ 14.95 crore as on March 31, 2013).

Long-term Provisions

Long term provisions as on March 31, 2014 were ₹ 10.63 crore (₹ 10.39 crore as on March 31, 2013). The break-up of provision at the year-end is given below:

(₹ in crore)

As at March 31,	2014	2013
Gratuity	7.63	6.89
Leave encashment	3.00	3.50
Total	**10.63**	**10.39**

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, 2014

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, 2014, 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") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) 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, 2014;

(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 notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).

   (e) On the basis of the written representations received from the directors as on 31 March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2014 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, 03 May, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 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), (xii), (xiii), (xiv), (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 sale of goods. 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 purchase of inventory during the current year. During the course of our audit, we have not observed any major weakness in such internal control system.

6. In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:

   a. The particulars of contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.

   b. The Company has entered into one such transaction exceeding ₹ 5 lacs aggregating to ₹ 960,678 which is of a special nature for which comparable quotations are not available and in respect of which we are, therefore, unable to comment if the transactions have been carried out at prices having regard to the prevailing market prices at the relevant time.

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, 2014 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, 2014 which have not been deposited on account of any dispute except following:

Name of the statute	Nature of the dues	Total amount involved (₹)	Period to which the amount relates	Forum where dispute is pending
Income-tax Act, 1961*	Income-tax	1,153,664	Assessment year 2007-08	Assessing Officer
Income-tax Act, 1961	Income-tax	117,813	Assessment year 2006-07	Commissioner of Income Tax (Appeals)

* ₹ 1,153,664 is deposited with Income tax authorities under protest

Annexure to the Independent Auditors' Report

10. The Company does not have accumulated losses at the end of the financial year and the Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year

11. 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.

12. According to the information and explanations given to us, the Company has not given guarantees for loans taken by others from banks and financial institutions.

13. 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.

14. 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.

15. During the year the Company has not made any preferential allotment of shares to the parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

16. According to information and explanations given to us and to the best of our knowledge and belief, no fraud by the Company or no material 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, 03 May, 2014

BALANCE SHEET AS AT 31 MARCH, 2014

(Amount in ₹)

	Notes Ref.	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
1. SHAREHOLDERS' FUNDS			
a. Share capital	2.1	323,852,240	323,851,340
b. Advance pursuant to stock option plan	2.2	-	13,200
c. Reserves and surplus	2.3	3,232,229,347	2,870,914,728
		3,556,081,587	**3,194,779,268**
2. NON-CURRENT LIABILITIES			
Long-term provisions	2.4	**106,344,418**	**103,918,332**
3. CURRENT LIABILITIES			
a. Trade payables	2.5	162,061,578	188,939,713
b. Other current liabilities	2.6	512,252,985	510,518,062
c. Short-term provisions	2.7	264,413,311	149,480,388
		938,727,874	**848,938,163**
		4,601,153,879	**4,147,635,763**
ASSETS			
1. NON-CURRENT ASSETS			
a. Fixed assets			
- Tangible assets	2.8	315,227,041	287,808,339
- Intangible assets	2.8	124,087,871	43,487,776
- Capital work in progress		12,560,000	–
		451,874,912	331,296,115
b. Non-current investments	2.9	373,562,267	132,912,212
c. Deferred tax assets (net)	2.10	61,385,458	54,240,458
d. Long-term loans and advances	2.11	252,350,976	260,326,654
e. Other non-current assets	2.12	4,688,330	1,836,179
		1,143,861,943	**780,611,618**
2. CURRENT ASSETS			
a. Current investments	2.13	1,890,248,637	1,508,238,181
b. Inventories		–	49,486,419
c. Trade receivables	2.14	319,335,108	572,941,136
d. Cash and bank balances	2.15	719,873,578	904,671,094
e. Short-term loans and advances	2.16	167,158,765	74,182,007
f. Other current assets	2.17	360,675,848	257,505,308
		3,457,291,936	**3,367,024,145**
		4,601,153,879	**4,147,635,763**
See accompanying notes forming part of the financial statements	1 & 2		

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

Place : Noida
Date : 03 May, 2014

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

Sd/-
JANKI BALLABH
Chairman

Sd/-
VISHNU R DUSAD
Managing Director & Chief Executive Officer

Sd/-
P K SANGHI
President Finance & Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) & Company Secretary

Place : Noida
Date : 03 May, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2014

(Amount in ₹)

	Notes Ref.	Year ended 31 March 2014	Year ended 31 March 2013
1. REVENUE FROM OPERATIONS			
Income from software product and services	2.18	2,411,107,181	2,022,817,881
2. OTHER INCOME	2.19	299,391,988	239,863,978
3. TOTAL REVENUE (1+2)		**2,710,499,169**	**2,262,681,859**
4. EXPENSES			
a. Changes in inventories of stock of trade		49,486,419	-
b. Employee benefits expense	2.20	1,248,031,797	1,175,843,796
c. Operating and other expenses	2.21	664,299,419	537,349,889
d. Finance cost	2.22	3,499,856	2,987,677
e. Depreciation and amortisation expense	2.8	67,602,999	49,701,538
TOTAL EXPENSES		**2,032,920,490**	**1,765,882,900**
5. PROFIT BEFORE TAX (3-4)		**677,578,679**	**496,798,959**
6. TAX EXPENSE			
a. Current tax expense		144,100,000	127,941,102
b. Tax credit relating to prior year	2.24	(10,253,915)	168,292
c. Net current tax expense		133,846,085	128,109,394
d. Deferred tax credit	2.10	(7,145,000)	(2,190,336)
NET TAX EXPENSE		**126,701,085**	**125,919,058**
7. PROFIT FOR THE YEAR (5-6)		**550,877,594**	**370,879,901**
8. EARNINGS PER EQUITY SHARE	2.31		
Equity shares of ₹ 10 each			
a. Basic		17.01	11.45
b. Diluted		17.01	11.45
Number of shares used in computing earnings per share			
a. Basic		32,383,699	32,383,534
b. Diluted		32,383,699	32,383,534
See accompanying notes forming part of the financial statements	1 & 2		

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

Place : Noida
Date : 03 May, 2014

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

Sd/-
JANKI BALLABH
Chairman

Sd/-
VISHNU R DUSAD
Managing Director & Chief Executive Officer

Sd/-
P K SANGHI
President Finance & Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) & Company Secretary

Place : Noida
Date : 03 May, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2014

(Amount in ₹)

		Notes Ref.	Year ended 31 March 2014	Year ended 31 March 2013
A.	**Cash flow from operating activities**			
	Net profit before tax		677,578,679	496,798,959
	Adjustment for:			
	Depreciation and amortisation expense		67,602,999	49,701,538
	Exchange Loss/(gain) on translation of foreign currency accounts		(11,771,028)	(41,911,314)
	Dividend received from non-trade investments		(57,339,926)	(71,681,063)
	Dividend on Long term trade investment		(62,500)	(50,000)
	Dividend received from subsidiary		(93,931,921)	(30,000,000)
	Interest on fixed deposits and others		(74,490,642)	(72,579,793)
	Interest on loan to subsidiaries		(549,224)	(758,308)
	Net Loss/(Profit) on sale of investments		(49,710,907)	(10,295,275)
	Adjustment to the carrying amount of investments		9,350,000	-
	Net Loss/(Profit) on sale of fixed assets		(1,657,250)	(2,979,280)
	Provision for doubtful debts/advances/other current assets		48,711,894	16,018,490
	Provisions written back		(4,649,158)	(3,242,396)
	Provision for dimunition in the value of investments		-	24,242,000
	Operating profit before working capital changes		509,081,016	353,263,558
	Adjustment for (increase) / decrease in operating assets			
	- Trade receivables		243,971,039	229,370,483
	- Inventories		49,486,419	(49,486,419)
	- Short-term loans and advances		(75,188,510)	5,138,691
	- Long-term loans and advances		915,008	2,728,911
	- Other current assets		(118,206,762)	82,891,942
	- Other non-current assets		(2,852,151)	10,280,606
	Adjustment for increase / (decrease) in operating liabilities			
	- Trade payables and other current liabilities		(113,431,181)	130,258,829
	- Short-term provisions		1,270,594	1,298,083
	- Long-term provisions		2,426,086	7,526,033
			497,471,558	773,270,717
	Income tax paid (net)		(129,856,478)	(112,980,233)
	Net cash from /(used in) operating activities (A)		**367,615,080**	**660,290,484**
B.	**Cash flow from investing activities**			
	Purchase of fixed assets		(191,472,569)	(69,340,142)
	Sale of fixed assets		2,453,749	3,186,072
	Purchase of current investments		(4,468,910,636)	(4,075,468,639)
	Proceeds from sale of current investments		3,846,250,125	3,576,644,425
	Adjustment to the carrying amount of investments		(9,350,000)	-
	Loans and advances to subsidiaries (net)		87,693,795	8,440,108
	Bank balance not considered as cash and cash equivalents - placed		(671,955,211)	(851,423,761)
	Bank balance not considered as cash and cash equivalents - matured		851,423,761	706,891,014
	Interest on fixed deposits and others		71,065,597	74,024,283
	Income tax paid		(6,793,202)	(26,968,167)
	Dividend received from non-trade investments		57,339,926	71,681,063
	Dividend on Long term trade investment		62,500	50,000
	Dividend received from subsidiary		93,931,921	30,000,000
	Profit on sale of long term non trade investment		49,710,907	10,295,275
	Net cash from / (used in) investing activities (B)		**(288,549,337)**	**(541,988,469)**
C.	**Cash flow from financing activities**			
	Dividend paid (including corporate dividend tax)		(97,697,968)	(89,227,448)
	Advance pursuant to employee stock option scheme / proceeds from employee stock option exercised		12,060	24,120
	Net cash flow from / (used in) financing activities (C)		**(97,685,908)**	**(89,203,328)**
	Net increase / (decrease) in cash and cash equivalents (A+B+C)		**(18,620,165)**	**29,098,687**
	Opening cash and cash equivalents	2.15	53,247,333	28,894,251
	Exchange difference on translation of foreign currency bank accounts		**13,291,199**	**(4,745,604)**
	Closing cash and cash equivalents	2.15	47,918,367	53,247,333
	See accompanying notes forming part of the financial statements	1 & 2		

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

Place : Noida
Date : 03 May, 2014

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

Sd/-
JANKI BALLABH
Chairman

Sd/-
VISHNU R DUSAD
Managing Director & Chief Executive Officer

Sd/-
P K SANGHI
President Finance & Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) & Company Secretary

Place : Noida
Date : 03 May, 2014

Notes forming part of the financial statements

Note 1:

1.1 Company Overview

Nucleus Software Exports Limited ('Nucleus' or 'the Company') was incorporated on 9 January 1989 in India as a private limited company. It was subsequently converted into a public limited company on 10 October, 1994. The Company made an initial public offer in August 1995. As at 31 March, 2014, the Company is listed on two stock exchanges in India namely National Stock Exchange and Bombay Stock Exchange. The Company has wholly owned subsidiaries in Singapore, USA, Japan, Netherlands, Australia and India. The Company's business consists of software product development and marketing and providing support services mainly for corporate business entities in the banking and financial services sector.

1.2. Significant accounting policies

(i) Basis of preparation

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable and guidelines issued by the Securities and Exchange Board of India ("SEBI"). Accounting policies have been consistently applied except where a newly issued accounting standard, if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

(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) Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

(vi) Depreciation and amortisation

Depreciation on fixed assets, except leasehold land and leasehold improvements, is provided on the straight-line method based on useful lives of respective assets as estimated by the management. 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.

(vii) Revenue recognition

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

Revenue from time and material contracts is recognised as the services are rendered.

Revenue from fixed price contracts and sale of license and

related customisation and implementation is recognised in accordance with the percentage completion method calculated based on output method. Revenue from sale of licenses, where no customisation is required, are recognised upon delivery of these licenses which constitute transfer of all risks and rewards. 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.

(viii) 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 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.

(ix) Expenditure

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

(x) Tangible assets and capital work in progress

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation. Fixed assets under construction and cost of assets not ready to use before the year end, are disclosed as capital work-in-progress.

(xi) Intangible assets

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

(xii) Foreign exchange transactions

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

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

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

(xiii) Investments

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

(xiv) Employee stock option based compensation

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

(xv) Employee benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plans

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

Defined benefit plans

For defined benefit plans in the form of gratuity, 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 :

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits

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

(xvi) Post Sales client support and warranties

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

(xvii) Operating leases

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

(xviii) Earnings per share

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

(xix) Taxation

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the 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.

(xx) Research and development

Revenue expenditure pertaining to research is charged to the Statement of Profit and Loss. Development costs of products are also charged to the Statement of Profit and Loss unless a product's technical feasibility has been established, in which case such expenditure is capitalised. The amount capitalised comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis to creating, producing and making the asset ready for its intended use. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for Fixed Assets.

(xxi) Impairment

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

(xxii) Provision and contingencies

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

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

Contingent assets are not recognised in the financial statements.

(xxiii) Hedge accounting

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

(xxiv) Derivative contracts

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

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

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

(xxv) Insurance claims

Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that the amount recoverable can be measured reliably and it is reasonable to expect ultimate collection.

(xxvi) Service tax input credit

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is reasonable certainty in availing / utilising the credits.

(xxvii) Operating cycle

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2014

2 NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2014

2.1 SHARE CAPITAL

(Amount in `)

	Particulars	As at 31 Mar 2014 (Rupees)	As at 31 Mar 2013 (Rupees)
a.	**Authorised**		
	Equity shares		
	40,000,000 (40,000,000) equity shares of ₹ 10 each	**400,000,000**	**400,000,000**
b.	**Issued, Subscribed and Paid-Up**		
	Issued		
	32,386,524 (32,386,434) equity shares of ₹ 10 each	**323,865,240**	**323,864,340**
	Subscribed and Paid-Up		
	32,383,724 (32,383,634) equity shares of ₹ 10 each, fully paid up	323,837,240	323,836,340
	Add: 2,800 (2,800) forfeited equity shares pending reissue (see note (v) below)	15,000	15,000
		323,852,240	**323,851,340**

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

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

	Particulars	Opening Balance	Allotted under Employee Stock Option Plans during the year	Closing Balance
a.	For the year ended 31 March, 2014			
-	Number of shares	32,383,634	90	32,383,724
-	Amount	323,836,340	900	323,837,240
b.	For the year ended 31 March, 2013			
-	Number of shares	32,383,454	180	32,383,634
-	Amount	323,834,540	1,800	323,836,340

(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 Mar 2014		As at 31 Mar 2013	
	(Number)	(Percentage)	(Number)	(Percentage)
Karmayogi Holdings Private Limited	9,000,000	27.79%	9,000,000	27.79%
Nucleus Software Engineers Private Limited	2,385,882	7.37%	2,385,882	7.37%
Madhu Dusad	2,045,048	6.32%	2,036,248	6.29%
Vishnu R Dusad	1,603,492	4.95%	3,603,492	11.13%
Fidelity Puritan Trust- Fidelity Low-Priced Stock Fund*	2,100,000	6.48%	1,350,000	4.17%
ICICI Prudential Mutual Fund*	1,634,856	5.05%	1,991,188	6.15%

* Shares of the Company are held by various Mutual Fund Schemes of Asset Management Companies ("AMC"). The Company has during the year consolidated the shares held under Mutual Fund Schemes under their legal entities structure and disclosed them together.

(iv) As at 31 March, 2014, Nil Shares (As at 31 March, 2013, 1,320 shares) of ₹ 10 each were reserved for issuance towards employee stock options granted. (Also see note 2.2)

(v) Details of forfeited shares

Particulars	As at 31 Mar 2014		As at 31 Mar 2013	
	(Number)	(₹)	(Number)	(₹)
Equity shares with voting rights	2,800	15,000	2,800	15,000

2.2 EMPLOYEES STOCK OPTION PLAN ("ESOP")

a. 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.

b. The Company currently has two ESOP schemes, 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 2005 scheme provides for 600,000 options and 2006 scheme provides 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.

c. Details of options granted, forfeited and exercised during the period in the above mentioned scheme are as follows:

Particulars	Year ended 31 Mar 2014	Weighted Average	Year ended 31 Mar 2013	Weighted Average
	(Number)	(₹)	(Number)	(₹)
2005 Stock Option Scheme				
Options outstanding at the beginning of the year	1,320	144	1,700	144
Options granted	–	–	–	–
Options forfeited	(1,230)	144	(200)	144
Options exercised	(90)	144	(180)	144
Balance carried forward	–	–	1,320	144
2006 Stock Option Scheme				
Options outstanding at the beginning of the year	–	–	15,064	509
Options granted	–	–	–	–
Options forfeited	–	–	(15,064)	509
Options exercised	–	–	–	–
Balance carried forward	–	–	–	–
Total stock options outstanding at end of the year (in No's)	–		1,320	
Advance pursuant to stock option plan (in ₹) (See Note below)	**–**		**13,200**	

d. During the year ended 31 March, 2014, 1,230 shares (Year ended 31 March, 2013 : 15,264 shares) were forfeited and the amount paid up as application money aggregating to ₹ 12,300 (Year ended 31 March, 2013 : ₹ 152,640) has been transferred to the Capital reserve. (Also see note 2.3(a))

(Amount in ₹)

Particulars	As at 31 Mar 2014	As at 31 Mar 2013
2.3 RESERVES AND SURPLUS		
a. Capital reserve		
Opening balance	8,887,930	8,735,290
Add : Amount forfeited against employees stock option plan	12,300	152,640
Closing balance	**8,900,230**	**8,887,930**
b. Securities premium account		
Opening balance	21,889,429	21,865,309
Add : Premium on conversion of stock options issued to employees	12,060	24,120
Closing balance	**21,901,489**	**21,889,429**
c. Hedging reserve [see note 2.36]		
Opening balance	6,370,074	(147,146)
Add / (Less) : Effect of foreign exchange rate variations on hedging instruments outstanding at the end of the year	21,772,962	6,517,220
Closing balance	**28,143,036**	**6,370,074**
d. General reserve		
Opening balance	767,620,461	730,532,471
Add: Transferred from surplus in Statement of Profit and Loss	55,087,759	37,087,990
Closing balance	**822,708,220**	**767,620,461**
e. Surplus in Statement of Profit and Loss		
Opening balance	2,066,146,834	1,841,151,919
Add: Profit for the year	550,877,594	370,879,901
Less : Appropriations		
- Proposed final dividend on equity shares [see note (i) & (ii) below]	(97,151,172)	(97,150,902)
- Proposed special dividend on equity shares [see note (i) below]	(97,151,172)	–
- Tax on dividend charge [see note 2.41]	(17,057,953)	(11,646,094)
- Transferred to general reserve	(55,087,759)	(37,087,990)
Closing balance	**2,350,576,372**	**2,066,146,834**
	3,232,229,347	**2,870,914,728**

Note :

(i) The Board of Directors recommended a Final Dividend of ₹ 3 per share (on equity share of par value of ₹ 10 each) and a special dividend of ₹ 3 per share (on equity share of par value of ₹ 10 each) on account of completion of 25 years of the company, at their Board meeting held on May 3, 2014. The payment is subject to the approval of the shareholders at the ensuing Annual General Meeting.

(ii) The Board of Directors, at their meeting held on 27 April, 2013 had declared a final dividend of ₹ 3 per equity share for the year ended 31 March, 2013, which was approved by shareholders through poll in Annual General Meeting held on 10 July, 2013.

(Amount in ₹)

Particulars	As at 31 Mar 2014	As at 31 Mar 2013
2.4 LONG-TERM PROVISIONS		
Provision for employee benefits		
- Provision for compensated absences	30,055,646	35,029,478
- Provision for gratuity (see note 2.35)	76,288,772	68,888,854
	106,344,418	**103,918,332**
2.5 TRADE PAYABLES		
a. Trade Payables		
- Micro and small enterprises (see note below)	–	–
- Others	160,287,186	182,598,016
b. Due to subsidiaries (see note 2.32)	1,774,392	6,341,697
	162,061,578	**188,939,713**

Note: The Company has no amounts payable to Micro and Small Enterprises as defined in section 7(1) of the Micro, Small and Medium Enterprises Development Act, 2006, to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the Auditors.

2.6 OTHER CURRENT LIABILITIES		
a. Advance from customers	184,632,621	148,598,580
b. Advance billing	–	93,262,132
c. Deferred revenue	197,237,246	224,800,364
d. Unpaid dividends	2,264,961	2,047,659
e. Payable for purchase of fixed assets	–	2,494,274
f. Other payables - statutory liabilities	37,290,760	22,176,583
g. Book Overdraft	11,901,186	17,138,470
h. Due to subsidiary (see note 2.32 & 2.38)	78,926,211	–
	512,252,985	**510,518,062**
2.7 SHORT-TERM PROVISIONS		
a. Provision for employee benefits		
- Provision for compensated absences	12,046,912	13,533,135
- Provision for gratuity (see note 2.35)	25,042,372	22,285,555
b. Provision for proposed equity dividend	194,302,344	97,150,902
c. Provision for tax on proposed dividend (see note 2.41)	33,021,683	16,510,796
	264,413,311	**149,480,388**

2.8 Fixed Assets (At Cost)

(Amount in ₹)

PARTICULARS	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
	As at 1 April, 2013	Additions	Deductions / adjustments (Note (i))	As at 31 March, 2014	As at 1 April, 2013	Depreciation for the period	Deductions / adjustments (Note (i))	As at 31 March, 2014	As at 31 March, 2014	As at 31 March, 2013
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	8,134,965	751,558	–	8,886,523	57,508,477	58,260,035
	(66,395,000)	(–)	(–)	(66,395,000)	(7,383,407)	(751,558)	(–)	(8,134,965)	(58,260,035)	(59,011,593)
Leasehold improvements	7,583,420	–	434,731	7,148,689	7,583,420	–	434,731	7,148,689	–	–
	(12,758,283)	(–)	(5,174,863)	(7,583,420)	(12,758,283)	(–)	(5,174,863)	(7,583,420)	(–)	(–)
Buildings	242,275,991	–	804,498	241,471,493	59,438,363	7,932,221	–	67,370,584	174,100,909	182,837,628
	(242,275,991)	(–)	(–)	(242,275,991)	(51,378,002)	(8,060,361)	(–)	(59,438,363)	(182,837,628)	(190,897,989)
Plant and equipment	114,674,612	2,989,515	1,864,255	115,799,872	108,206,471	3,862,655	2,611,232	109,457,894	6,341,978	6,468,141
	(113,853,217)	(4,721,398)	(3,900,003)	(114,674,612)	(105,619,064)	(6,910,397)	(4,322,990)	(108,206,471)	(6,468,141)	(8,234,153)
Office equipment	28,529,271	2,117,544	760,183	29,886,632	24,440,982	2,384,060	760,183	26,064,859	3,821,773	4,088,289
	(27,900,002)	(1,144,164)	(514,895)	(28,529,271)	(22,031,655)	(2,501,237)	(91,910)	(24,440,982)	(4,088,289)	(5,868,347)
Computer equipment	234,752,030	41,986,599	15,715,650	261,022,979	205,692,115	15,635,357	15,402,043	205,925,429	55,097,550	29,059,915
	(225,831,595)	(20,024,872)	(11,104,437)	(234,752,030)	(203,447,818)	(13,246,681)	(11,002,384)	(205,692,115)	(29,059,915)	(22,383,777)
Vehicles	14,427,706	13,721,527	8,721,166	19,428,067	11,548,094	1,852,422	8,295,795	5,104,721	14,323,346	2,879,612
	(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)
Furniture and fixtures	36,670,113	106,732	565,410	36,211,435	35,816,114	288,443	565,410	35,539,147	672,288	853,999
	(37,500,454)	(601,700)	(1,432,041)	(36,670,113)	(35,933,214)	(1,210,200)	(1,327,300)	(35,816,114)	(853,999)	(1,567,240)
	748,668,863	**60,921,917**	**28,865,893**	**780,724,887**	**460,860,524**	**32,706,716**	**28,069,394**	**465,497,846**	**315,227,041**	**287,808,339**
	(744,991,715)	**(28,025,271)**	**(24,348,123)**	**(748,668,863)**	**(451,204,714)**	**(33,797,141)**	**(24,141,331)**	**(460,860,524)**	**(287,808,339)**	**(293,787,001)**
Intangible assets										
Software	**171,727,503**	**115,496,378**	**–**	**287,223,881**	**128,239,727**	**34,896,283**	**–**	**163,136,010**	**124,087,871**	**43,487,776**
	(127,918,358)	**(43,809,145)**	**–**	**(171,727,503)**	**(112,335,330)**	**(15,904,397)**	**(–)**	**(128,239,727)**	**(43,487,776)**	**(15,583,028)**
	920,396,366	**176,418,295**	**28,865,893**	**1,067,948,768**	**589,100,251**	**67,602,999**	**28,069,394**	**628,633,856**	**439,314,912**	**331,296,115**
	(872,910,073)	**(71,834,416)**	**(24,348,123)**	**(920,396,366)**	**(563,540,044)**	**(49,701,538)**	**(24,141,331)**	**(589,100,251)**	**(331,296,115)**	**(309,370,029)**

Notes :

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

(ii) Figures in bracket pertains to previous year ended 31 March 2013/2012.

(Amount in ₹)

Particulars	As at 31 Mar 2014	As at 31 Mar 2013
2.9 NON-CURRENT INVESTMENTS (at cost)		
- Trade		
Investments in equity instruments of wholly owned subsidiaries (unquoted)		
a. 625,000 (625,000) equity shares of Singapore Dollar 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore	16,319,950	16,319,950
b. 1,000,000 (1,000,000) equity shares of US Dollar 0.35 each, fully paid up, in Nucleus Software Inc., USA	16,293,150	16,293,150
Less: Provision for diminution in value of investment in Nucleus Software Inc., USA	(16,293,150)	(16,293,150)
c. 200 (200) equity shares of Japanese Yen 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaisha	4,092,262	4,092,262
d. 1,000,000 (1,000,000) equity shares of ₹ 10 each, fully paid up, in VirStra i-Technology Services Limited, India [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company]	10,000,000	10,000,000
e. 4,000 (4,000) equity shares of Euro 100 each, fully paid up, in Nucleus Software Netherlands B.V., Netherlands	24,242,000	24,242,000
Less: Provision for diminution in value of investment in Nucleus Software Netherlands B.V., Netherlands	(24,242,000)	(24,242,000)
f. 10,000,000 (10,000,000) equity shares of ₹ 10 each, fully paid up, in Nucleus Software Limited, India [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company]	100,000,000	100,000,000
g. 1 Equity share of 1 AUD each, fully paid in Nucleus Software Australia Pty. Ltd., Australia	55	-
	130,412,267	**130,412,212**
- Other investments		
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**
Investment in bonds (quoted)		
a. Indian Railway Finance Corporation Limited - Tranche 1 Series IA (see note 2.39)	90,650,000	-
(Net of adjustment to the carrying amount of investments amounting to ₹ 9,350,000)		-
b. Indian Infrastructure Finance Company Limited - Tranche 1 Series 1A	100,000,000	-
c. Indian Railway Finance Corporation Limited - Tranche 1 Series IB	50,000,000	-
	240,650,000	**-**
Aggregate amount of non-current investments	**373,562,267**	**132,912,212**
Aggregate amount of quoted investments	240,650,000	-
Aggregate market value of quoted investments	261,365,000	-
Aggregate amount of unquoted investments	132,912,267	132,912,212

2.10 DEFERRED TAX ASSET (Net)

(Amount in ₹)

Particular	Opening as at 1 Apr 2013	(Credited)/ Charge during the year	Closing as at 31 Mar 2014
a. Deferred tax assets			
Provision for compensated absences, gratuity and other employee benefits	45,718,618	(3,034,497)	48,753,115
Provision for doubtful debts / service income accrued but not due	15,682,378	(9,017,466)	24,699,844
	61,400,996	**(12,051,963)**	**73,452,959**
b. Deferred tax liabilities			
On difference between book balance and tax balance of fixed assets	7,160,538	4,906,963	12,067,501
c. Net deferred tax (liability) / asset	**54,240,458**	**(7,145,000)**	**61,385,458**

(Amount in ₹)

Particulars	As at 31 Mar 2014	As at 31 Mar 2013
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)	91,938,634	101,802,898
b. Security Deposits	11,770,815	11,176,092
c. Loans and advances to employees		
- Staff Loans	595,890	2,300,076
d. Prepaid expenses	7,707,034	7,512,579
e. Balances with government authorities		
- Advance tax [net of provision of ₹ 354,675,203 (₹ 277,168,123)] (see note 2.25)	140,338,603	137,535,009
	252,350,976	260,326,654

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	85,950,634	90,946,898
b. Nucleus Software Inc., USA	5,988,000	10,856,000
- **Short Term (See note 2.16)**		
a. Nucleus Software Inc., USA	5,988,000	5,428,000
Maximum amount outstanding during the year		
a. Nucleus Software Limited, India	90,946,898	90,946,898
b. Nucleus Software Inc., USA	20,196,000	22,600,000

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 :

	Name of the party	Interest Rate	Repayment Schedule	Amount outstanding as at 31 Mar 2014 (₹)	Maximum balance outstanding during the year (₹)
a.	Nucleus Software Limited, India	Interest free	Payable on demand after 31 March 2018.	85,950,634 (90,946,898)	90,946,898 (90,946,898)
b.	Nucleus Software Inc., USA	3% over six months LIBOR	5 yearly installments (December 2011 to December 2015)	11,976,000 (16,284,000)	20,196,000 (22,600,000)

Note : Figures in bracket pertains to previous year ended 31 March, 2013.

(Amount in ₹)

Particulars	As at 31 Mar 2014	As at 31 Mar 2013
2.12 OTHER NON CURRENT ASSETS		
(Unsecured, considered good)		
a. Long-term bank deposits (see note below)	4,175,000	1,625,000
b. Interest accrued but not due on bank deposits	513,330	211,179
	4,688,330	**1,836,179**

Note :-

Long-term bank deposits represent 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 Mar 2014 (Numbers)	Value of units as at 31 Mar 2014 (₹)	Units as at 31 Mar 2013 (Numbers)	Value of units as at 31 Mar 2013 (₹)
–	**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	2,369	237,319	735,277	73,671,097
c.	Birla Sun Life Cash Plus - Daily Dividend-Direct Plan	740,078	74,152,137	–	–
d.	JPMORGAN India Liquid Fund- Daily Dividend-Direct Plan	3,585,782	35,894,039	–	–
e.	JPMORGAN India Liquid Fund-Super Inst.-Daily Dividend	–	–	14,676,604	146,881,985
f.	JPMORGAN India Treasury Fund-Super Inst. - Daily Dividend	–	–	5,148,608	51,531,900
g.	ICICI Prudential Liquid Fund- Daily Dividend-Direct Plan	633,625	63,395,982	–	–
h.	ICICI Prudential Liquid - Regular Plan - Daily Dividend	–	–	1,222,150	122,242,629
i.	Kotak Floater Short Term Fund- Daily Dividend-Direct Plan	75,724	76,604,051	–	–
j.	Kotak Floater Short Term Fund - Regular Plan- Daily Dividend	17,150	17,349,318	128,641	130,136,216
k.	HDFC Liquid Fund- Daily Dividend-Direct Plan	9,320,303	95,050,316	–	–
l.	Reliance Liquid Fund-Treasury Plan- Regular Plan- Daily Dividend	–	–	31,013	47,410,382
m.	Reliance Liquid Fund-Treasury Plan- Daily Dividend-Direct Plan	137,968	210,916,791	–	–
n.	UTI Money market Fund-Institutional Plan- Direct Plan- Daily Dividend	42,399	42,542,194	–	–
o.	Templeton India Treasury Management Account Super Institutional Plan - Direct Plan- Daily Dividend	11,317	11,328,734	–	–
p.	Templeton India Treasury Management Account Super Institutional Plan	–	–	46,901	46,932,204
q.	SBI Liquid Fund- Direct Plan- Daily Dividend	8,033	8,059,292	–	–
r.	Axis Liquid Fund- Direct Plan- Daily Dividend	193,497	193,519,815	–	–
s.	IDFC Banking Debt Fund Regular Plan- Dividend	2,163,842	22,000,000	–	–
–	**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	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	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 90-12M-Dividend Payout	–	–	3,000,000	30,000,000
l.	DSP BlackRock FMP-Series 93-12M-Dividend-Payout	3,041,587	30,415,869	3,041,587	30,415,869
m.	ICICI Prudential Interval Fund-Annual Interval Plan IV-Regular Plan-Growth	1,442,814	20,000,000	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.	ICICI Prudential FMP Series 69 -366 Days Plan G Growth	5,000,000	50,000,000	–	–
w.	ICICI Prudential FMP Series 68 -369 Days Plan I Growth	1,000,000	10,000,000	–	–
x.	Kotak FMP Series 105 Direct - Growth	3,100,000	31,000,000	–	–
y.	HDFC FMP 371D July 2013 (1) Series 26 – Growth Option	4,772,153	47,721,530	–	–
z.	DSP BlackRock FMP-Series 129-12M-Growth Option	5,000,000	50,000,000	–	–
aa.	DSP BlackRock FMP-Series 130-12M-Growth Option	5,000,000	50,000,000	–	–

Name	Units as at 31 Mar 2014 (Numbers)	Value of units as at 31 Mar 2014 (₹)	Units as at 31 Mar 2013 (Numbers)	Value of units as at 31 Mar 2013 (₹)
ab. DSP BlackRock FMP-Series 126-12M-Growth Option	950,000	9,500,000	–	–
ac. Birla SunLife Fixed Term Plan-Series IV-Growth-368 Days	5,000,000	50,000,000	–	–
ad. Birla SunLife Fixed Term Plan-Series JL-Growth-368 Days	3,000,000	30,000,000	–	–
ae. Birla SunLife Fixed Term Plan-Series IH-Growth-368 Days	2,000,000	20,000,000	–	–
af. Birla SunLife Fixed Term Plan-Series JI-Growth-368 Days	2,000,000	20,000,000	–	–
ag. Kotak FMP Series 129 - Growth	5,000,000	50,000,000	–	–
ah. HDFC FMP 370D October 2013(1)-Series 28- Growth Option	2,000,000	20,000,000	–	–
ai. HDFC FMP 371D December 2013(2)- Series 29 - Growth Option	2,500,000	25,000,000	–	–
aj. HDFC FMP 371D November 2013(2)- Series 28 – Growth Option	1,089,800	10,898,000	–	–
ak. HDFC FMP 372D October 2013(1) Series 28- Growth Option	3,797,996	37,979,960	–	–
al. SBI Debt Fund Series-366 Days-45-Growth Option	2,168,329	21,683,290	–	–
am. SBI Debt Fund Series-366 Days-46-Growth Option	5,500,000	55,000,000	–	–
an. SBI Debt Fund Series-366 Days-48-Growth Option	5,000,000	50,000,000	–	–
ao. DSP BlackRock FMP-Series 144-12M-Growth Option	5,000,000	50,000,000	–	–
ap. Birla SunLife Fixed Term Plan-Series JO-Growth-368 Days	5,000,000	50,000,000	–	–
aq. ICICI Prudential FMP Series 72 -368 Days Plan A Growth	5,000,000	50,000,000	–	–
ar. ICICI Prudential FMP Series 72 -368 Days Plan K Growth	5,000,000	50,000,000	–	–
	120,294,766	**1,890,248,637**	**96,887,166**	**1,408,238,181**
b. Investment in bonds (Quoted)				
- Indian Railway Finance Corporation Limited Tax free bonds (See note 2.41)	–	–	**100,000**	**100,000,000**
	–	–	**100,000**	**100,000,000**
Aggregate amount of current investment		**1,890,248,637**		**1,508,238,181**
Aggregate market value of quoted investment		**1,937,469,517**		**1,525,694,247**

2.14 TRADE RECEIVABLES (see note below)

(Unsecured)

(Amount in ₹)

Particulars	As at 31 Mar 2014	As at 31 Mar 2013
a. Debts outstanding for a period exceeding six months from the date they were due for payment		
- Considered good	10,165,542	22,819,606
- Considered doubtful	19,590,209	23,716,430
	29,755,751	46,536,036
Less: Provision for doubtful trade receivables	(19,590,209)	(23,716,430)
	10,165,542	22,819,606
b. Other debts (Unsecured, Considered good)		
- Considered good	309,169,566	550,121,530
- Considered doubtful	14,085,547	-
	323,255,113	550,121,530
Less: Provision for doubtful debts trade receivables	(14,085,547)	-
	309,169,566	550,121,530
Total	**319,335,108**	**572,941,136**

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	7,410,290	5,331,026
b.	Nucleus Software Japan Kabushiki Kaisha, Japan	7,053,967	11,721,037
c.	Nucleus Software Inc., USA	6,940,955	38,439,793
d.	Nucleus Software Netherlands B.V., Netherlands	29,720,291	27,195,883
e.	VirStra *i* -Technology Services Limited, India	45,630	135,845
f.	Nucleus Software Limited, India	13,000	-

(Amount in ₹)

Particulars	As at 31 Mar 2014	As at 31 Mar 2013
2.15 CASH AND BANK BALANCES		
Cash and cash equivalents		
a. Cash on hand	132,933	13,879
b. Remittance in transit	–	9,219,803
c. Balances with scheduled banks:		
- in current accounts	2,296,066	3,958,371
- in EEFC accounts	24,637,011	32,694,065
d. Balance with non scheduled banks in current accounts:		
- Citibank, United Kingdom	827,432	413,361
- Citibank, United Arab Emirates	824,925	708,222
- Citibank, Spain	–	639,632
e. Balances with scheduled banks in deposit accounts with original maturity of less than 3 months	19,200,000	5,600,000
	47,918,367	**53,247,333**
Other bank balances		
a. Balances with scheduled banks in earmarked accounts:		
- unclaimed dividend accounts	2,269,925	2,052,623
b. Balances with scheduled banks in deposit accounts with original maturity of more than 3 months :	669,685,286	849,371,138
	671,955,211	**851,423,761**
	719,873,578	**904,671,094**
Details of balances as on balance sheet dates with scheduled banks in current accounts:-		
- HDFC Bank	554,279	3,148,910
- Citi Bank	377,060	241,128
- DBS Bank	61,497	61,497
- ICICI Bank	744,151	270,089
- State Bank of India	236,747	236,747
- Citi Bank *	23,237,860	32,051,065
- HDFC Bank *	1,721,483	643,000
- HDFC Bank **	2,269,925	2,052,623
	29,203,002	**38,705,059**

* EEFC account

** Earmarked for unclaimed dividend

Details of balances as on balance sheet dates with scheduled banks in deposit accounts:-		
- HDFC Bank	11,123,832	60,539,294
- Citi Bank	19,200,000	8,100,000
- Bank of India	148,500,000	198,500,000
- State Bank of Travancore	89,400,000	89,400,000
- ICICI Bank	110,000,000	200,000,000
- Corporation Bank	202,204,156	198,331,844
- Punjab national Bank	108,457,298	100,100,000
	688,885,286	**854,971,138**
Detail of fixed deposit under lien		
- HDFC Bank	1,123,832	1,039,294
- Citi Bank	-	2,500,000
Total	**1,123,832**	**3,539,294**

(Amount in ₹)

Particulars	As at 31 Mar 2014	As at 31 Mar 2013
2.16 SHORT-TERM LOANS AND ADVANCES		
(Unsecured, considered good)		
a. Loans to subsidiaries (see note 2.32)	5,988,000	5,428,000
b. Security deposit	2,330,312	501,317
c. Loans and advances to employees		
- Staff loans	1,730,614	3,241,606
- Employee advances	5,060,123	7,756,341
d. Prepaid expenses	46,524,177	35,491,286
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	50,344,989	4,373,739
f. Others		
- Supplier advances	19,027,480	1,198,356
- Mark-to-market gain on forward contracts (see note 2.36)	28,216,253	7,149,157
- Expenses recoverable from customers	5,204,542	6,309,930
	167,158,765	**74,182,007**
2.17 OTHER CURRENT ASSETS		
(Unsecured)		
a. Service income accrued but not due		
- Considered good	247,554,571	227,284,511
- Considered doubtful	38,992,214	22,421,781
	286,546,785	249,706,292
Less : Provision for service income accrued but not due	(38,992,214)	(22,421,781)
	247,554,571	**227,284,511**
b. Interest accrued but not due on		
- Fixed deposits with banks	27,231,858	29,293,091
- Loan to subsidiary	176,167	140,857
- Current, non trade investments	6,787,041	786,849
c. Insurance claim recoverable (see note 2.38)	78,926,211	–
	360,675,848	**257,505,308**

(Amount in ₹)

Particulars	Year ended 31 March, 2014	Year ended 31 March, 2013
2.18 INCOME FROM SOFTWARE PRODUCTS AND SERVICES		
a. Software development services and products (see note below)		
- Domestic	641,187,826	533,324,855
- Overseas	1,712,576,629	1,489,493,026
b. Sale of goods	57,342,726	–
	2,411,107,181	**2,022,817,881**

Note:

Income from software products and services for the year ended 31 March, 2014 includes prior period revenue of ₹ Nil (Year ended 31 March, 2013 : ₹ 3,745,151).

2.19 OTHER INCOME

(Amount in ₹)

Particulars	Year ended 31 March, 2014	Year ended 31 March, 2013
a. Interest income on		
- Deposits with banks	64,473,366	71,655,245
- Loan to subsidiary	549,224	758,308
- Current, non trade investments	10,017,276	924,548
- Income tax refund	4,496,028	-
b. Dividend income from		
- Current, non trade investments	57,339,926	71,681,063
- Non-current, non trade investment	62,500	50,000
- Subsidiary company (see note 2.32)	93,931,921	30,000,000
c. Net gain on sale of investments		
- Current, non trade investments	49,710,907	10,328,341
d. Net Gain / (Loss) on foreign currency		
- Gain / (Loss) on exchange fluctuation	11,657,811	41,145,981
- Gain / (Loss) on ineffective hedges (see note 2.36)	73,217	765,334
e. Other non-operating income		
- Liabilities written back	4,649,158	3,242,396
- Net Profit on sale of fixed assets/discarded assets	1,657,250	2,979,280
- Miscellaneous income	773,404	6,333,482
	299,391,988	**239,863,978**

2.20 EMPLOYEE BENEFITS EXPENSES

a. Salaries and wages	1,137,516,179	1,073,558,528
b. Contribution to provident and other funds	60,358,746	57,691,669
c. Gratuity expense (see note 2.35)	24,256,659	20,542,531
d. Staff welfare expenses	25,900,213	24,051,068
	1,248,031,797	**1,175,843,796**
Employee benefit expenses include Managing Director remuneration as follows :		
a. Salary	6,000,000	6,000,000
b. Contribution to provident fund	360,000	360,000
	6,360,000	**6,360,000**

Notes:

The above remuneration does not include expense towards retirement benefits since the same is calculated for the Company as a whole.

(Amount in ₹)

Particulars	Year ended 31 March, 2014	Year ended 31 March, 2013
2.21 OPERATING AND OTHER EXPENSES		
a. Outsourced technical service expense	34,848,115	39,553,206
b. Cost of software purchased for delivery to clients	85,685,437	41,889,855
c. Power and fuel	38,852,878	34,022,746
d. Rent (see note 2.23)	29,975,165	30,655,263
e. Repair and maintenance		
- Buildings	3,273,121	2,687,382
- Others	20,342,958	20,269,984

(Amount in ₹)

Particulars		Year ended 31 March, 2014	Year ended 31 March, 2013
f.	Insurance	4,510,481	3,281,282
g.	Rates and taxes	3,108,880	2,520,471
h.	Travel expenses		
	- Foreign	149,443,405	142,286,446
	- Domestic	24,341,760	18,479,421
i.	Advertisement and business promotion	10,633,778	8,569,442
j.	Legal and professional (see note 2.27)	42,503,486	38,857,429
k.	Directors remuneration	8,260,000	6,900,000
l.	Conveyance	14,853,791	11,099,886
m.	Communication	14,096,398	14,291,745
n.	Training and recruitment	23,426,715	11,184,030
o.	Loss on Current non trade investments	–	33,066
p.	"Adjustment to the carrying amount of investments (see note 2.39)"	9,350,000	–
q.	Conference, exhibition and seminar	16,770,732	17,476,768
r.	Information technology expenses	23,978,167	16,175,849
s.	Provision for doubtful debts/advances/other current assets	42,353,273	16,018,490
t.	Provision for diminution in value of investment	–	24,242,000
u.	Commission to channel partners	18,674,703	10,401,531
v.	Miscellaneous expenses	45,016,176	26,453,597
		664,299,419	537,349,889
Directors Remuneration includes :			
Non Executive Directors			
a.	Commission	6,400,000	5,000,000
b.	Sitting fees	1,860,000	1,900,000
		8,260,000	**6,900,000**

2.22 FINANCE COST

Bank Charges	**3,499,856**	**2,987,677**

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, 2014 is ₹ 29,975,165 (Year ended 31 March, 2013 : ₹ 30,655,263). The future minimum lease expense in respect of non-cancellable leases as at 31 March, 2014 is ₹ Nil (As at 31 March 2013, ₹ Nil).

2.24 Tax Expense and MAT Credit entitlement

a. 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 center 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 has been received by the Company in the current year ended 31 March, 2014. Accordingly, the Company has during the current year, availed and recognised the tax benefit under Section 35 (2AB) aggregating to ₹ 40,278,150 for the year ended 31 March, 2014. This has resulted in decrease in Income Tax liability of the Company for the current year.

   Further, the Company has also during the current year ended 31 March, 2014, availed the tax benefit for weighted deduction under Section 35(2AB) of the Income Tax Act, 1961 for the period from 1 January, 2013 to 31 March, 2013 aggregating to ₹ 10,253,915 which has been shown as tax credit relating to prior years.

b. During earlier years, the Company has 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. The Company had utilised MAT Credit Entitlement during the year ended 31 March, 2013 amounting to ₹ 20,937,715 to set off its liability for payment of Income Tax.

2.25 Advance Tax (Net of provision)

Advance Tax (Net of provision) aggregating to ₹ 140,338,603 (As at 31 March, 2013 : ₹ 137,535,009) 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.

2.26 Commitments

(Amount in ₹)

Particulars	As at 31 Mar 2014	As at 31 Mar 2013
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).	**22,725,415**	**1,961,645**

b. Other Commitments

The Company is committed to provide financial support to its subsidiary companies, as and when required.

As at 31 March, 2014, 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), in the event that the later party is unable to repay the same, as and when it falls due. (Also see note 2.32)

As on 31 March, 2014, the Company has outstanding bank guarantee and letter of credits of ₹ 13,617,899 (Previous year ₹ 64,134,981). 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 Mar 2014	Year ended 31 Mar 2013
2.27 Auditors Remuneration (excluding service tax)		
a. As auditors - statutory audit, including quarterly audits	2,200,000	1,800,000
b. For taxation matters	400,000	350,000
c. For other services	775,000	550,000
d. Reimbursement of expenses	345,256	270,481
	3,720,256	**2,970,481**
2.28 CIF value of imports		
Capital goods	**38,250,619**	**19,455,630**
2.29 Earnings in foreign currency		
a. Software development services and products	1,712,576,629	1,489,493,026
b. Dividend income from subsidiary company	93,931,921	-
c. Interest income on loan to subsidiary	549,224	758,308
	1,807,057,774	**1,490,251,334**

(Amount in ₹)

Particulars	Year ended 31 Mar 2014	Year ended 31 Mar 2013
2.30 Expenditure in foreign currency		
a. Travel expenses	111,370,498	106,548,551
b. Legal and professional	9,295,783	5,772,285
c. Cost of software purchased for delivery to clients	10,593,955	8,178,975
d. Conference, exhibition and seminar	13,522,737	17,145,119
e. Outsourced technical service expense	12,722,436	10,293,052
f. Salaries and wages	40,108,813	34,745,147
g. Commission to channel partners	18,640,856	9,756,568
h. Rent	9,259,384	8,029,258
i. Others	39,721,677	17,737,043
	265,236,140	**218,205,998**

2.31 Earnings per share

(Amount in ₹)

	Particulars	Year ended 31 Mar 2014	Year ended 31 Mar 2013
a.	Profit after taxation available to equity shareholders (Rupees)	550,877,594	370,879,901
b.	Weighted average number of equity shares used in calculating basic earnings per share	32,383,699	32,383,534
c.	Effect of dilutive issue of shares	-	-
d.	Weighted average number of equity shares used in calculating diluted earnings per share	32,383,699	32,383,534
e.	Basic earnings per share (Rupees)	17.01	11.45
f.	Diluted earnings per share (Rupees)	17.01	11.45

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
- Nucleus Software Australia Pty. Ltd., Australia (incorporated on 3 February, 2014)

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

- VirStra i-Technology (Singapore) Pte Ltd, Singapore (wound up with effect from 19 February, 2014)

c. Other related parties:

Key managerial personnel:

- Vishnu R Dusad (Managing Director)

(Amount in ₹)

	Particulars	Year ended 31 Mar 2014	Year ended 31 Mar 2013
	Transactions with related parties		
a.	**Software development, services and products**		
	- Nucleus Software Japan Kabushiki Kaisha, Japan	131,514,450	137,911,855
	- Nucleus Software Solutions Pte Ltd, Singapore	79,507,996	52,856,299
	- Nucleus Software Inc., USA	19,681,087	11,329,297
	- Nucleus Software Netherlands B.V., Netherlands	13,158,017	7,992,509
		243,861,550	**210,089,960**
b.	**Other income**		
	Dividend income		
	- VirStra *i* -Technology Services Limited, India	–	30,000,000
	- Nucleus Software Solutions Pte Ltd, Singapore	93,931,921	–
		93,931,921	**30,000,000**
	Interest income		
	- Nucleus Software Inc., USA	549,224	758,308
c.	**Managerial remuneration**		
	[including perquisite value of ₹ 89,003 (previous year ₹ 676,800)		
	- Vishnu R Dusad (Managing Director & Chief Executive Officer)	6,449,003	7,036,800

(Amount in ₹)

Particulars	Year ended 31 Mar 2014	Year ended 31 Mar 2013
d. Cost of software purchased for delivery to clients		
- Nucleus Software Solutions Pte Ltd, Singapore	4,061,112	3,666,229
e. Outsourced technical service expense		
- Nucleus Software Solutions Pte Ltd, Singapore	3,856,312	5,950,532
f. Lease rent paid		
- Nucleus Software Limited, India	9,496,296	8,257,656
g. Reimbursement of expenses from		
- Nucleus Software Solutions Pte Ltd, Singapore	9,891,748	5,003,379
- Nucleus Software Japan Kabushiki Kaisha, Japan	478,579	579,883
- Nucleus Software Inc., USA	2,088,437	6,555,572
- Nucleus Software Netherlands B.V., Netherlands	419,477	1,864,256
- VirStra i-Technology Services Limited, India	153,114	217,957
- Nucleus Software Limited, India	8,826	5,539
	13,040,181	**14,226,586**
h. Reimbursement of expenses to		
- Nucleus Software Solutions Pte Ltd, Singapore	535,768	378,182
- Nucleus Software Japan Kabushiki Kaisha, Japan	443,535	6,317,633
- Nucleus Software Limited, India	–	275,663
- VirStra i-Technology Services Limited, India	5,110,415	–
	6,089,718	**6,971,478**
i. Repayment of loans		
- Nucleus Software Inc., USA	6,256,000	5,474,002
- Nucleus Software Limited, India	5,000,000	–
	11,256,000	**5,474,002**
j. Investment in subsidiary		
- Nucleus Software Australia Pty. Ltd., Australia	55	–
k. Insurance claim		
- Nucleus Software Inc., USA (See note 2.38)	78,926,211	–

(Amount in ₹)

Particulars	As at 31 Mar 2014	As at 31 Mar 2013
Outstanding balances as at year end		
a. Trade receivables		
– Nucleus Software Solutions Pte Ltd, Singapore	7,410,290	5,331,026
– Nucleus Software Japan Kabushiki Kaisha, Japan	7,053,967	11,721,037
– Nucleus Software Inc., USA	6,940,955	38,439,793
– Nucleus Software Netherlands B.V., Netherlands	29,720,291	27,195,883
– VirStra i -Technology Services Limited, India	45,630	135,845
– Nucleus Software Limited, India	13,000	–
	51,184,133	**82,823,584**
b. Trade payables		
– Nucleus Software Solutions Pte Ltd, Singapore	–	4,024,181
– Nucleus Software Japan Kabushiki Kaisha, Japan	1,787,392	1,352,053
– VirStra i -Technology Services Limited, India	–	164,400
– Nucleus Software Limited, India	–	801,063
	1,787,392	**6,341,697**

(Amount in ₹)

	Particulars	As at 31 Mar 2014	As at 31 Mar 2013
c.	**Other current liabilities**		
	– Nucleus Software Inc., USA (See note 2.38)	78,926,211	–
d.	**Loans to subsidiaries**		
	– Nucleus Software Inc., USA	11,976,000	16,284,000
	– Nucleus Software Limited, India	85,950,634	90,946,898
		97,926,634	**107,230,898**
e.	**Interest income accrued but not due**		
	– Nucleus Software Inc., USA	176,167	140,857
f.	**Service income accrued but not due**		
	– Nucleus Software Netherlands B.V., Netherlands	–	11,994,819
	– Nucleus Software Inc., USA	732,836	–
	– Nucleus Software Japan Kabushiki Kaisha, Japan	96,005	–
		828,841	**11,994,819**
g.	**Deferred revenue**		
	– Nucleus Software Japan Kabushiki Kaisha, Japan	–	4,763,855
	– Nucleus Software Solutions Pte Ltd, Singapore	1,382,466	634,897
	– Nucleus Software Inc., USA	438,252	–
		1,820,718	**5,398,752**
h.	**Advance billing**		
	– Nucleus Software Inc., USA	–	13,675,086
i.	**Guarantees on behalf of (see note 2.26)**		
	– Nucleus Software Japan Kabushiki Kaisha, Japan	21,594,478	62,443,012
	– Nucleus Software Inc., USA	–	41,059,474
		21,594,478	**103,502,486**
j.	**Investments in subsidiary companies (net of provision) (see note 2.9)**	130,412,267	130,412,212

(Amount in ₹)

Particulars	Year ended 31 Mar 2014	Year ended 31 Mar 2013
2.33 Research and development expenditure		
Expenditure on research and development as per Accounting Standard 26 from 1 April, 2013 to 31 March, 2014 and 1 April, 2012 to 31 March, 2013		
Revenue	164,556,919	135,482,672

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 center 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 has been received by the Company in the current year ended 31 March, 2014. (Also see note 2.24)

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" notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable. The segmentation is based on the Geographies (reportable primary segment) in which the Company operates and internal reporting systems. The secondary segmentation is based on the nature and type of services rendered.

b. Composition of reportable segments

The Company operates in six main geographical segments: India, Far East, South East Asia, Europe, Middle East and Africa 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, 2014

(Amount in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Revenue from operations	698,530,552	309,852,974	358,825,211	215,007,942	497,660,839	203,032,819	128,196,844	2,411,107,181
Expenses	475,130,423	135,203,601	254,363,525	115,445,148	196,226,339	87,238,356	51,533,480	1,315,140,872
Segment result	223,400,129	174,649,373	104,461,686	99,562,794	301,434,500	115,794,463	76,663,364	1,095,966,309
Unallocated corporate expenditure								717,779,618
Operating profit before taxation								378,186,691
Other income								299,391,988
Profit before taxation								677,578,679
Tax Expense								
Net current tax expense								133,846,085
Deferred tax credit								(7,145,000)
								126,701,085
Profit for the period								**550,877,594**

b. For the year ended 31 March, 2013

Revenue from operations	533,324,855	370,337,810	343,039,441	188,561,662	422,432,061	99,625,223	65,496,829	2,022,817,881
Expenses	401,794,237	140,417,519	220,032,108	115,340,205	180,071,908	39,402,771	51,252,338	1,148,311,086
Segment result	131,530,618	229,920,291	123,007,333	73,221,457	242,360,153	60,222,452	14,244,491	874,506,795
Unallocated corporate expenditure								617,571,814
Operating profit before taxation								256,934,981
Other income								239,863,978
Profit before taxation								496,798,959
Tax Expense								
Net current tax expense								128,109,394
Deferred tax credit								(2,190,336)
								125,919,058
								370,879,901

Assets and liabilities of reportable primary segment are as follows:

a. As at 31 March, 2014

(Amount in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Segment assets	337,628,912	23,812,606	96,279,432	64,344,903	148,323,638	29,099,194	33,659,962	733,148,647
Unallocated corporate assets								3,868,005,232
Total assets								**4,601,153,879**
Segment liabilities	192,304,172	26,353,290	145,675,349	49,226,432	141,624,377	67,473,423	125,486,268	748,143,311
Unallocated corporate liabilities								296,928,981
Total liabilities								**1,045,072,292**
Capital employed								**3,556,081,587**

b. As at 31 March, 2013

(Amount in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Segment assets	451,521,994	39,328,110	156,956,494	62,701,433	217,390,629	24,356,994	59,369,435	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	47,400,467	37,681,877	793,307,816
Unallocated corporate liabilities								159,548,679
Total liabilities								**952,856,495**
Capital employed								**3,194,779,268**

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, 2014

(Amount in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Capital expenditure (unallocated)								188,978,295
Total capital expenditure								**188,978,295**
Depreciation expenditure (unallocated)								67,602,999
Total depreciation								**67,602,999**
Segment non-cash expense other than depreciation	11,844,405	-	15,336,644	21,991,600	2,867,303	(94,065)	(242,614)	51,703,273
Total non cash expenditure other than depreciation	**11,844,405**	**-**	**15,336,644**	**21,991,600**	**2,867,303**	**(94,065)**	**(242,614)**	**51,703,273**

b. For the year ended 31 March, 2013

(Amount in ₹)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	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**

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, 2014**			
	Revenue	2,270,752,059	140,355,122	2,411,107,181
	Carrying amount of segment assets	690,470,674	42,677,973	733,148,647
b.	**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

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 ₹ 60,358,746 for the year ended 31 March, 2014 (Year ended 31 March, 2013 : ₹ 57,691,669), 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.

Provision in respect of gratuity and leave encashment has been determined using the Projected Unit Credit method, with actuarial valuations being carried out at the balance sheet date.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation as on 31 March, 2014 :

(Amount in ₹)

a.	Particulars	As at 31 Mar 2014	As at 31 Mar 2013
	Obligation at beginning of the year	91,032,223	83,557,616
	Current service cost	14,436,138	14,043,237
	Interest cost	7,404,558	7,280,939
	Actuarial losses/(gains)	2,415,963	(781,645)
	Benefits paid	(13,957,738)	(13,067,924)
	Obligation at year end	**101,331,144**	**91,032,223**
b.	**Change in plan assets**		
	Plan Assets at year beginning, at fair value	–	–
	Contributions by employer	13,957,738	13,067,924
	Benefits paid	(13,957,738)	(13,067,924)
	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	25,042,372	22,285,555

c. Gratuity cost for the year:

(Amount in ₹)

Particulars	Year end 31 Mar 2014	Year end 31 Mar 2013
Current service cost	14,436,138	14,043,237
Interest cost	7,404,558	7,280,939
Actuarial losses/(gains)	2,415,963	(781,645)
Net gratuity cost	24,256,659	20,542,531

d. Experience adjustment

(Amount in ₹)

Particulars	Year end 31 Mar 2010	Year end 31 Mar 2011	Year end 31 Mar 2012	Year end 31 Mar 2013	Year end 31 Mar 2014
Defined benefit obligation	58,763,800	75,668,784	83,557,616	91,032,223	101,331,144
Plan assets	–	–	–	–	–
Surplus/(Deficit)	(58,763,800)	(75,668,784)	(83,557,616)	(91,032,223)	(101,331,144)
Experience adjustment on plan liabilities	(3,409,464)	(609,066)	(1,340,985)	(2,781,491)	3,407,556
Experience adjustment on plan assets	–	–	–	–	–

e.	Economic assumptions :	Acturial assumptions for gratuity and long-term compensated absences	
		As at 31 Mar 2014	As at 31 Mar 2013
	Discount rate	7.85%	8.90%
	Salary escalation rate	7.00%	8.00%
	Expected return on plan assets	–	–

Discount rate:

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

Salary escalation rate:

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

f. Demographic assumptions

Retirement age	58 years	58 years
Mortality table	LIC (1994-96) IALM Mortality	

g. 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

a. Forward contract outstanding	Buy/Sell	As at 31 Mar 2014	As at 31 Mar 2013
In USD	Sell	9,000,000	9,000,000
Equivalent amount in Rupees	Sell	538,920,000	488,520,000

b. Short term loans and advances include net marked to market gain of ₹ 28,216,253 (Previous year ended 31 March, 2013 : ₹ 7,149,157) relating to forward contracts which are outstanding as at year end. The gain on such forward contact which are designated as effective, aggregating to ₹ 28,143,036 (Previous year ended 31 March 2013 : gain of ₹ 6,370,074) have been credited to Hedging Reserve. The loss on ineffective contracts aggregating to ₹ 73,217 (Previous year ended 31 March 2013 : Gain of ₹ 765,334) has been debited to Statement of Profit and Loss.

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 Mar 2014		As at 31 Mar 2013	
	Amount in foreign currency	Amount in rupees	Amount in foreign currency	Amount in rupees
Receivable				
USD	5,899,855	353,283,294	9,311,009	505,401,569
EURO	93,954	7,728,691	1,480,193	102,917,819
MYR	826,320	15,171,226	3,446,139	60,410,817
SGD	156,039	7,410,290	177,131	7,731,768
JPY	12,058,063	7,053,967	20,370,242	11,721,037
ZAR	1,142,946	6,446,215	–	–
AED	460,024	7,498,393	–	–
Payable				
USD	6,414,220	384,083,518	5,060,295	274,672,813
EURO	202,708	16,674,735	351,212	24,419,770
MYR	801,439	14,714,424	55,495	972,827
GBP	51,909	5,168,601	68,049	5,592,947
SGD	6,977	331,354	92,455	4,035,661
CHF	16,145	1,090,110	12,690	723,838
SEK	28,778	265,329	57,801	482,638
AED	64,356	1,048,995	49,252	727,945
ZAR	534,115	2,996,384	–	–
JPY	4,071,988	2,382,113	3,119,773	1,795,117
AUD	12,553	695,562	–	–

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

(Amount in ₹)

Particulars	Year end 31 Mar 2014	Year end 31 Mar 2013
Income from software services and products	2,411,107,181	2,022,817,881
Software development expenses	1,382,025,116	1,245,075,663
Gross Profit	**1,029,082,065**	**777,742,218**
Changes in inventories of stock of trade	49,486,419	-
Selling and marketing expenses	266,970,466	239,135,624
General and administration expenses	266,835,490	231,970,075
Operating profit before depreciation	**445,789,690**	**306,636,519**
Depreciation and amortisation expense	67,602,999	49,701,538
Operating profit after depreciation	**378,186,691**	**256,934,981**
Other income	299,391,988	239,863,978
Profit before tax	**677,578,679**	**496,798,959**
Tax expense:		
Net current tax expense	133,846,085	128,109,394
Deferred tax credit	(7,145,000)	(2,190,336)
	126,701,085	**125,919,058**
Profit for the year	**550,877,594**	**370,879,901**

2.38 Insurance claim recoverable relates to insurance claim filed by the Company on behalf of one of its overseas subsidiary towards claim settlement with its customer and expenses incurred in this regard by the subsidiary Company. The management is of view that there is no uncertainty with regard to recoverability of insurance claim and the above insurance claim will be received by the Company and reimbursed to the subsidiary company.

2.39 The Company has during the year reclassified investment in bonds of Indian Railway Finance Corporation Limited- Trache 1 Series I as non-current investments which was originally held as current investment. Due to this change in classification and in accordance with Accounting Standard (AS) 13, the difference in the fair value of the investment as on the date of transfer and the cost at which these were recorded earlier aggregating to Rs 9,350,000 has been recognised as an adjustment to the carrying value of the investment.

2.40 TRANSFER PRICING

The Company has established a comprehensive system of maintenance of information and documents as required by transfer pricing legislation under section 92D for its international transactions and specified domestic transactions. The Company will further update above information and records and expects these to be in existence latest by due date of the filing of return, as required under law. The management is of the opinion that all above transactions are at arm's length so that aforesaid legislation will not have any impact on the financial statement, particularly on the amount of tax expense and that of provision for taxation.

2.41 During the year ended 31 March, 2014, as per provision of Income-tax Act, 1961, the Company has taken credit of corporate dividend tax aggregating ₹ 15,963,730 (Year ended 31 March, 2013 : ₹ 4,864,702) on account of tax paid on dividend received from one of its subsidiaries.

2.42 Revenue recognised up to the reporting date in respect of contracts in progress at the reporting date aggregates to ₹ 739,878,429 (As at 31 March, 2013 : ₹ 764,470,880).

2.43 Previous year figures have been regrouped/ reclassified wherever necessary to correspond with the current year classification/ disclosure.

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

Sd/-	**Sd/-**
JANKI BALLABH	**VISHNU R DUSAD**
Chairman	*Managing Director & Chief Executive Officer*
Sd/-	**Sd/-**
P K SANGHI	**POONAM BHASIN**
President Finance & Chief Financial Officer	*AVP (Secretarial) & Company Secretary*

Place : Noida
Date : 03 May, 2014

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	Nucleus Software Australia Pty. Ltd.
Financial Year of the Subsidiary Company ended on	**March 31, 2014**	**March 31, 2014**	**March 31, 2014**	**March 31, 2014**	**March 31, 2014**	**March 31, 2014**	**March 31, 2014***
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	1 share of AUD 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 31.03.14	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Not dealt with in the Accounts for the period ended 31.03.14	SG$ 966,832 [Equivalent to ₹ 45,914,852]	US$ 1,360,428 [Equivalent to ₹ 81,462,429]	Yen 1,687,769 [Equivalent to ₹ 987,345]	Euro (93,982) [Equivalent to ₹ (7,730,959)]	₹ 41,585,510	₹ 6,445,668	AUD (4,807) [Equivalent to ₹ (266,837)]
The net aggregate of profit/losses of the Subsidiary Company for its previous financials 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 31.03.14	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Not dealt with in the Accounts for the period ended 31.03.14	SG$ 31,45,566 [Equivalent to to ₹ 1,49,382,929]	US$ (401,798) [Equivalent to ₹ (24,059,683)]	Yen 43,848,683 [Equivalent to ₹ 25,651,479]	Euro (168,709) [Equivalent to ₹ (13,877,993)]	₹ 90,493,250	₹ (18,783,976)	Nil

* Nucleus Software Australia Pty. Ltd. was incorporated in February 2014.

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, 2014

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

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

The consolidated financial statements are prepared under the historical cost convention on the accrual basis, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") and mandatory accounting standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable and guidelines issued by the Securities and Exchange Board of India ("SEBI").

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 Software 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 and Internet Banking. 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.

During the year, your Company successfully expanded product offerings with launch of two new product suites during the year; FinnAxia™ transaction banking offering and FinnOne™ Mobility product suite. FinnAxia™; a product in the global transactional banking space, consisting of corporate solutions for receivables and collection management , payments , Liquidity management and financial supply chain are the products of the future with our customers demanding and receiving solutions which increase capital and transaction efficiency. The Mobility suite consisting of FinnOne™ mCAS, mServe and mCollect have been tailored to cater to specific market needs in Origination, Lending & Collections operations management to help our customers achieve operational efficiency through turnaround speed, control and transparency.

Over the years, our committed professionals have provided solutions par excellence and with the experience and skills, we have been able to create a global footprint of Customers and Partners across multiple continents with multi-product, multi-service, multi-currency and multi-lingual implementations, leading to worldwide acceptability and customer satisfaction. Nucleus operates through integrated and well-networked subsidiaries in India, Japan, Netherlands, Singapore, USA and a recently set up wholly owned subsidiary in Australia. 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, with products that have advanced feature & functionalities to support growing need of business. At Nucleus software 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:

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 a 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 partners. It provides facility of handling disputes raised by any business partner. It also facilitates claw back of payouts already given.

- **Lead Management System** is an effective tool for sales and marketing management. The Lead Management System is an independent module providing tools for effective and systematic customer acquisition process by handling the lead throughout its lifecycle. The system will automate the process of lead capture, tracking, follow up, and closure. The system supports dedupe functionality, prospect/lead curing, and reference management. The system provides a flexible rule based lead classification and allocation process.
- **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.

FinnAxia™ is an integrated global transaction banking solution built on latest Java J2EE technology over **S**ervice **O**riented **A**rchitecture (SOA) platform. With this product suite, banks can breakdown traditional product silos, launch personalized products/services over multiple channels and create winning corporate customer propositions.

The key product components of FinnAxia™:

- **Global Receivables 1.0** enables banks to provide comprehensive accounts receivable solutions to corporate customers, across currencies, transaction types and jurisdictions. FinnAxia™ supports both paper and electronic modes of receipt through utility bill collections, virtual (electronic) accounts, cheque receipts and direct debits among others. User friendly and accurate A/R reports, alerts and cash flow forecasting mechanisms ensure a high level of accuracy in Straight Through Reconciliation (STR) on their ERP.
- **Global Payments 1.0** arms banks with a comprehensive set of features to manage payment initiation, payment processing, authorisation matrices, A/P reporting, advising & alerts along with payments reconciliation for your corporate customers. Bulk payments, payroll, cheque printing, supplier vendor payments, standing orders and managing correspondent bank relationships for multi currency payments in multi country and multi time-zone environment etc. all add to the feature repository of Global Payments.
- **Global Liquidity Management 4.2** helps banks enable a 360 degree visibility into cash positions for their corporate customers resulting in better utilisation of available funds and reduced interest costs through short-term bank borrowings. It help the banks setup and manage complex cash concentration and pooling structures for automated fund movements and consolidation within the group. Global Liquidity Management automates all transactions, interest & tax calculations and manages a registry of intercompany lending/borrowing history and limits for the corporate entity.
- **Financial Supply Chain Management 1.5** offers an integrated way of managing invoice presentment and transaction processing across a corporate's supply chain, covering its suppliers and dealers. e-FSCM aims to optimize working capital, automate operations, eliminate paper and manual processing and bring about operational efficiency in the supply chain management workflows.

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.

FinnOne™ Mobility suite - This is a portfolio of mobile solutions tailored to serve specific market needs in retail loan Origination, Lending & Collections operations management to help our customers achieve operational efficiency through turnaround speed, control and transparency. The suite offers the following line of products for banks and financial institutions to streamline their processes:

- **FinnOne™ mCAS 1.6** - Suitable for use by Direct Sales Agents, Underwriters, Relationship managers and other related users, FinnOne™ mCAS reduces significant turnaround time in customer acquisition process enhancing reliability and credibility. Quick sourcing ensures application initiation in a paperless manner enabling users to issue real time updates on application statuses thereby improving the quality of services being offered. The application is powered to perform Sourcing, Status Enquiry, Underwriting, Field Investigation, IMD Collection and EMI Simulation – even available in offline mode in remote areas.
- **FinnOne™ mCollect 1.7** - Ideal for Field Debt Collectors, this product eliminates the use of paper based receipt and status card for recoveries function adding reliability and credibility to the equation. A significant advantage is the risk reduction by more control on Float money. Real time electronic confirmations sent to end customers significantly increase customer satisfaction, apart from operational efficiencies through cost savings on material and turnaround time.
- **FinnOne™ mServe 1.5** - Developed for a bank's /lending organization's end customers, this unique product from reduces dependency on a customer services function as the customer is empowered to drive the request. Self – service product enables the users to draw all frequented downloaded reports and documents and also view vital information. It supports a flexible log in and presents a host of options for the users to get easy access.

Group Structure

Nucleus Software operations are managed through Parent Company based in India and well-networked subsidiaries in India, Japan, Netherlands, Singapore, USA and Australia. All major software development takes place in development centers 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.

Total manpower numbers stood at 1,520 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.

Management's Discussion and Analysis

FINANCIAL PERFORMANCE

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable and guidelines issued by the Securities and Exchange Board of India ("SEBI"). Accounting policies have been consistently applied except where a newly issued accounting standard, if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis. The Company has seven 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 (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.

The consolidated financial results :

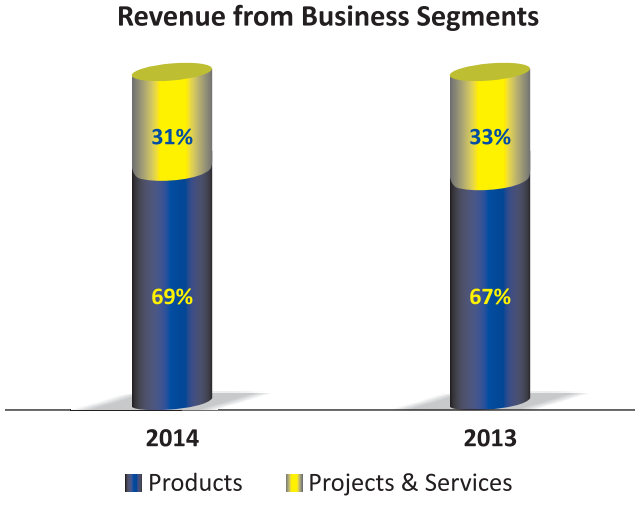
(₹ in crore)

For the Year Ended March 31,	2014	% of Revenue	2013	% of Revenue	Growth (%)
Revenue From Operations	**346.22**	**100.00**	**293.76**	**100.00**	17.86
Expenses					
a) Changes in inventories of stock-in-trade	4.95	1.43	–	–	–
b) Employee benefit expense	180.77	52.21	163.41	55.63	10.62
c) Travel expense	19.90	5.75	20.20	6.88	(1.49)
d) Finance costs (Bank charges)	0.51	0.15	0.44	0.15	15.91
e) Other expenses	73.51	21.23	63.81	21.72	15.20
Total Expenses	**279.64**	**80.77**	**247.86**	**84.38**	12.82
Operating Profit (EBITDA)	**66.58**	**19.23**	**45.90**	**15.63**	45.05
Depreciation	7.93	2.29	6.09	2.07	30.21
Operating Profit after Interest and Depreciation	**58.65**	**16.94**	**39.81**	**13.55**	47.32
Other Income	23.81	6.88	17.45	5.94	36.45
Foreign Exchange Gain/ (Loss)	0.74	0.21	2.80	0.95	11.33
Profit Before Tax	**83.20**	**24.03**	**60.06**	**20.45**	38.53
Taxation					
– Withholding Taxes	0.65	0.19	0.63	0.21	3.17
– Net Current tax	18.87	5.45	14.66	4.99	28.72
– Other taxes	(0.66)	(0.19)	(0.40)	(0.14)	65.00
Profit After Tax	**64.34**	**18.58**	**45.17**	**15.38**	**42.44**

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. 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. Revenue from sale of licenses, where no customisation is required, are recognised upon delivery of these licenses which constitute transfer of all risks and rewards. Revenue from annual technical service contracts is recognized on a pro rata basis over the period in which such services are rendered.

During the year, revenue from operations is ₹ 346.22 crore, registering a growth of 18% over ₹ 293.76 crore, revenue for the previous year.



Revenue from Products

We are a Product Company and derive most of our revenues from Products and related services. Product 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. Product revenue for the year is ₹ 237.96 crore, 68.73% of the total revenue, against Product revenue of ₹ 197.69 crore, 67.30% of total revenue, in the previous year.

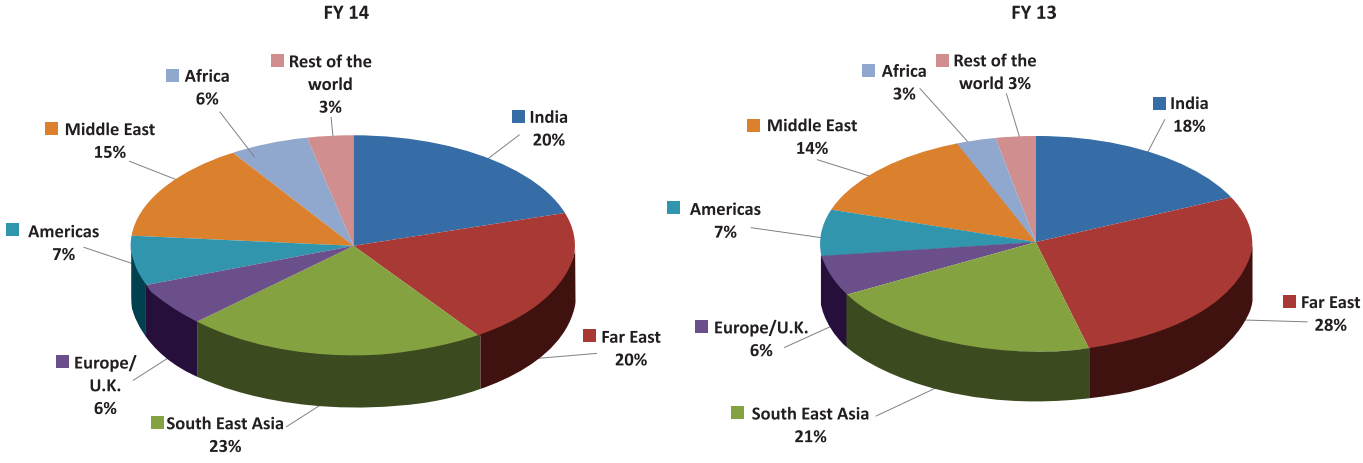
Revenue from Projects and Services

Software projects and services includes other time and material contracts and fixed price contracts, whereby no license sale is made by the Company. 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 ₹ 108.26 crore, 31.27% of the total revenue for fiscal 2014 against ₹ 96.07 crore, 32.70% of the total revenue for fiscal 2013.

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 Various Geographies



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 10.62% to ₹ 180.77 crore, 52.21% of revenue against ₹ 163.41 crore, 55.63% of revenue in the previous year.

(₹ in crore)

For the Year Ended March 31,	2014	% of Revenue	2013	% of Revenue	Growth (%)
Salaries	166.58	48.11	150.52	51.24	10.67
Contribution to provident and other funds	8.50	2.46	7.71	2.62	10.25
Gratuity expense	2.62	0.76	2.28	0.78	14.91
Staff welfare	3.07	0.89	2.90	0.99	5.86
Total Employee Benefit Expenses	**180.77**	**52.21**	**163.41**	**55.63**	**10.62**
Revenue	***346.22***	***100.00***	***293.76***	***100.00***	***17.86***

Operating and Other Expenses

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

Operating and other expenses are at ₹ 93.92 crore, 27.13% of revenue for the year, an increase of 11.21% against ₹ 84.45 crore, 28.75% of revenue in the previous financial year.

(₹ in crore)

For the Year Ended March 31,	2014	% of Revenue	2013	% of Revenue	Growth (%)
Software and other development charges	13.01	3.76	10.71	3.65	21.48
Travelling	19.90	5.75	20.20	6.88	(1.49)
Cost of software purchased for delivery to clients	9.50	2.74	5.59	1.90	69.95
Power and fuel	4.49	1.30	4.03	1.37	11.41
Rent	9.50	2.74	10.96	3.73	(13.32)
Rates & Taxes	0.42	0.12	0.33	0.11	27.27
Repair and maintenance	3.04	0.88	2.94	1.00	3.40
Legal and professional	8.24	2.38	8.86	3.02	(6.98)
Conveyance	2.06	0.59	1.58	0.54	30.82
Communication	2.51	0.72	2.72	0.93	(7.83)
Information technology expenses	2.63	0.76	1.83	0.62	43.57
Provision for doubtful debts/advances/other current assets	2.09	0.60	4.37	1.49	(52.25)
Commission to channel partners	1.87	0.54	1.04	0.35	79.56
Training and recruitment	3.41	0.98	1.38	0.47	146.85
Conference, exhibition and seminar	1.78	0.51	1.82	0.62	(2.19)
Advertisement and business promotion	1.15	0.33	1.06	0.36	8.29
Insurance	0.86	0.25	0.57	0.19	50.84
Finance Cost	0.51	0.15	0.44	0.15	15.91
Miscellaneous expenses	6.95	2.01	4.02	1.37	72.88
Total Operating and Other Expenses	**93.92**	**27.13**	**84.45**	**28.75**	**11.22**
Revenue	***346.22***	***100.00***	***293.76***	***100.00***	***17.86***

Cost of software purchased for delivery to clients is ₹ 9.50 crore against ₹ 5.59 crore in the previous financial year commensurate with related revenue.

Provision for bad debts is at ₹ 2.09 crore for the year (previous year ₹ 4.37 crore).

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 SIBOS (Dubai), FIBAC (Mumbai), Automotive Summit (Vienna) etc. The expenditure is ₹ 1.78 crore against ₹ 1.82 crore in the previous financial year.

Finance cost includes bank charges and fee for issuance of bank guarantees. It is ₹ 0.51 crore against ₹ 0.44 crore in the previous financial year.

Operating Profit (EBITDA)

Operating Profit improved to ₹ 66.58 crore, 19.23% against ₹ 45.90 crore, 15.63% of revenue in the previous year. A growth of 361 basis points was registered in EBITDA margins.

Depreciation

Depreciation on fixed assets was ₹ 7.93 crore, 2.29% of revenue for the year against ₹ 6.09 crore, 2.07% of revenue in the previous year. It has increased due to depreciation, on hardware/software additions of ₹ 15.98 crore during the year.

Other Income

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

(₹ in crore)

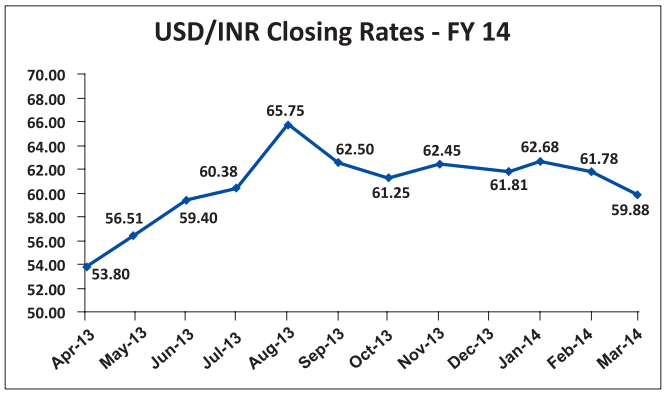
For the Year Ended March 31,	2014	2013
On Investments		
Capital Gain- Mutual Funds	4.97	1.03
Dividend on investment in Mutual fund units	6.19	7.33
Interest on fixed deposits	6.51	7.20
Interest on tax free bonds	1.00	0.09
Provisions written back	3.70	0.67
Others	1.44	1.13
Total	**23.81**	**17.45**

Other income for the year is ₹ 23.81 crore, against ₹ 17.45 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. During the year, the Company had a foreign exchange gain of ₹ 0.74 crore against ₹ 2.80 crore for the previous year.

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



The Indian Rupee varied from a high of 53.66 to the Dollar in May 2013 to a low of ₹ 68.80 in August 2013 and overall lost 9.95 % against the US Dollar on a March end to March end comparison. Japanese Yen in which 8% of your Company's revenue arises, weakened by circa 10 percent during the year against the US Dollar.

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, 2014, 9.25 million US dollars of forward contracts at an average rate of 64.55, designated as highly probable forecast transactions. There is a mark-to-market gain of ₹ 2.82 crore reflected in the hedging reserve in balance sheet. Currency-wise revenues for the year along with a comparison for the previous years are as follows:

(in %)

For the Year Ended March 31,	2014	2013
INR	20.18	18.16
JPY	8.24	11.29
SGD	11.64	10.18
USD	49.94	55.30
MYR	1.55	2.15
KRW	0.70	0.93
EUR	2.64	1.48
GBP	0.35	0.41
CHF	0.04	0.06
SEK	–	0.04
AUD	1.44	–
AED	0.70	–
ZAR	2.58	–
TOTAL	**100.00**	**100.00**

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,	2014	2013
– Withholding taxes charged off	0.65	0.63
– Current Tax (Net of MAT credit entitlement)	19.86	14.66
– Deferred Tax Credit (net)	(0.66)	(0.42)
– Earlier Year Tax	(0.99)	0.02
Total	**18.86**	**14.89**

Total effective tax for the year is 22.67% of Profit Before Tax, in comparison to 24.79% 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. Capital and revenue expenditure of the Company's R & D centre in Noida, duly recognized by the by the Department of Scientific and Industrial Research (DSIR), is entitled to weighted deduction for tax purposes in accordance with section 35(2 AB) of the Income Tax Act , 1961.

Profit After Tax

Our profit after tax for the year is ₹ 64.34 crore, 18.58% of revenue, recording a growth of 42.44% over ₹ 45.17 crore, 15.38% 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 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, 2014 is 32,383,724 equity shares of ₹ 10 each as against 32,383,634 equity shares of ₹ 10 each as on March 31, 2013. The increase in the paid-up share capital of the Company during the year has been due to allotment of 90 shares on exercise under Employee Stock Option Plan 2005.

Subsidiaries

The Company has seven subsidiary companies, all over the world, all of which are wholly-owned. The latest addition to this subsidiary list, being Nucleus Software Australia Pty. Ltd., incorporated in Australia, during the year. 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 consolidated accounts of the Parent Company. Paid-up Share Capital of the Subsidiaries as on March 31, 2014 is as per the below table.

Name of Subsidiary Company	Currency	As at March 31, 2014		As at March 31, 2013	
		In foreign Currency	Eqv. Rupees (in crore)	In foreign Currency	Eqv. Rupees (in crore)
Nucleus Software Solutions Pte. Ltd. Singapore. 625,000 equity shares of S$ 1 each.	**SGD**	625,000	1.63	625,000	1.63
Nucleus Software Inc., USA. 1,000,000 shares of US$ 0.35 cents each	**USD**	350,000	1.63	350,000	1.63
Nucleus Software Japan Kabushiki 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. 4000 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
Nucleus Software Australia Pty. Limited, Australia. 1 Equity share of 1 AUD	**AUD**	1	–	–	–

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.

Reserves and Surplus

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

(₹ in crore)

	Opening Balance as on April 1, 2013	Additions/ (Deletions) during the year	Closing Balance as on March 31, 2014
General Reserve	83.37	5.51	88.88
Securities Premium	2.19	–	2.19
Capital Reserve	0.89	–	0.89
Foreign Currency Translation Reserve	8.96	1.74	10.70
Hedging Reserve	0.74	2.07	2.81
Profit and Loss Account Balance	221.45	37.70	259.15
Total	**317.60**	**47.02**	**364.62**

Fixed Assets

As at March 31, 2014, gross block of fixed assets including investment in technology assets is ₹ 136.97 crore (₹ 123.52 crore as on March 31, 2013)

(₹ in crore)

As at March 31,	2014	2013	Inc/Dec (%)
Gross Block			
Freehold land	0.34	0.34	–
Leasehold land	18.78	18.78	–
Leasehold improvement	0.71	0.76	(6.58)
Building	28.09	28.17	(0.28)
Office and other equipment	19.64	19.18	2.40
Computers	32.99	31.11	6.04
Vehicles	1.94	1.44	34.72
Furniture and fixtures	5.20	5.16	0.78
Software	29.28	18.58	57.59
Total	**136.97**	**123.52**	**10.89**
Less; accumulated depreciation	76.33	72.83	4.81
Net Block	**60.64**	**50.69**	**19.63**
Add: Capital Work In Progress	1.26	–	–
Net Fixed Assets	**61.90**	**50.69**	**22.11**

There are fresh additions of ₹ 17.91 crore during the year, including ₹ 4.35 crore of computer hardware and ₹ 11.63 crore of software purchases. The net fixed assets after depreciation and including capital work in progress are ₹ 60.64 crore as on March 31, 2014 against ₹ 50.69 crore as on March 31, 2013.

Investments

a. **Non-current investments totaling ₹ 24.32 crore as on March 31, 2014 against ₹ 0.25 crore as on March 31, 2013.**

   i) Investments in equity shares of an un listed Company are ₹ 0.25 crore.

   ii) Investments in tax free bonds (issued by public sector enterprises) held on a hold to maturity basis are ₹ 24.07 crore.

b. 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, 2014 the cash and bank balances (including fixed deposits) stood at ₹ 98.75 crore (₹ 111.98 crore on March 31, 2013), current investments in Fixed Maturity plans and liquid plans of mutual funds are ₹ 199.27 crore (₹ 144.74 crore on March 31, 2013).

Total cash and current investments are thus at ₹ 298.02 crore on March 31, 2014 against ₹ 266.72 crore as on March 31, 2013.

(₹ in crore)

As at March 31,	2014	2013
Balances with Bank		
In Current Accounts	19.04	19.95
In Fixed Deposit Account	79.71	92.03
Investments in Mutual Funds	199.27	144.74
Investments in Tax Free Bonds *	–	10.00
Total	**298.02**	**266.72**

*Investments in Tax Free Bonds provided under Non-current Investments in FY 14

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,	2014	2013
Balances with Banks		
In Current Accounts in India		
Citi Bank	0.11	0.04
Citi Bank – EEFC accounts in US dollar	2.53	3.44
DBS Bank	0.01	0.01
HDFC Bank – EEFC accounts in US dollar	0.17	0.06
HDFC Bank	0.46	0.34
HDFC Bank – Unclaimed dividend accounts	0.23	0.21
ICICI Bank	0.07	0.03
State Bank of India	0.02	0.02
In Current Accounts in Overseas locations		
Citibank, UK	0.08	0.04
Citibank, UAE	0.08	0.07
Citibank, Spain	–	0.06
Citibank, Singapore	5.67	5.38
Citibank, Korea	0.78	0.64
Citibank, Philippines	0.01	0.05
PNC Bank, USA	5.07	0.79
Bank of Tokyo Mitshubishi, Japan	0.32	0.69
Shinsei Bank, Japan	0.00	2.11
Citibank, Japan	3.14	4.51
Citibank Netherlands.	0.27	0.54
Remittance in transit	–	0.92
Total Balances in Current Accounts	**19.04**	**19.95**
In Fixed Deposit Accounts		
HDFC Bank	1.11	6.05
Citi Bank	1.96	0.83
Bank of India	14.85	19.85
State Bank of Travancore	8.94	8.94
ICICI Bank	11.00	20.00
Corporation Bank	20.22	19.83
State Bank of India	10.78	6.52
Punjab National Bank	10.85	10.01
Total Balances in Fixed Deposit Accounts	**79.71**	**92.03**
Total Bank Balance & Fixed Deposits	**98.75**	**111.98**

Our net cash flow from operating activities before working capital changes is ₹ 70.22 crore for the financial year against is ₹ 49.82 crore in the previous year. After considering working capital changes, operating cash flow is ₹ 65.73 crore against ₹ 74.77 crore.

Operating cash flow is today considered a better measure of operations of the Company than the net profits as it measures the cash generated by the operations and there is a decline this year with lower operating profitability.

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

As at March 31,	2014	2013
Operating cash flow as % of revenue	20.28%	16.96%
Days of sale receivable	44	87
Cash and Equivalents as % of shareholders' funds	75.07%	76.21%
Cash and Equivalents as % of revenue	86.08%	90.80%
Current investments as % of shareholders' funds	50.19%	44.21%
Current investments as % of revenue	57.56%	52.68%

Trade Receivables

Our trade receivables (net of provision) as on March 31, 2014 are ₹ 41.71 crore, against ₹ 69.80 crore as on March 31, 2013.

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

(₹ in crore)

As at March 31,	2014	2013
Less than three months	86.46%	86.91%
Between 3 and 6 months	11.04%	9.81%
More than 6 months	2.50%	3.28%

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 Ministry of Corporate Affairs (MCA), Government of India, Loans and Advances have been classified into long-term and short-term based on their period of realization.

(₹ in crore)

As at March 31,	2014	2013
Long term Loans and advances		
Security deposits	3.06	2.84
Advance income tax	14.34	14.23
Prepaid expenses	0.77	0.75
MAT credit entitlement	3.21	3.90
Loans & advances to employees	0.06	0.23
Total	**21.44**	**21.95**
Short term Loans and advances		
Security deposits	0.23	0.05
Advance fringe benefit tax	0.27	0.27
Prepaid expenses	6.21	4.40
MAT credit entitlement	0.70	0.66
Loans & advances to employees	0.84	1.38
Supplier advances	2.17	0.57
Mark-to-market gain on forward contracts	2.82	0.83
Service tax credit receivable	5.12	0.51
Others	0.54	0.64
Total	**18.90**	**9.31**
Total Loans and Advances	**40.34**	**31.26**

Security Deposits, utilized primarily for hiring of office premises and staff accommodation, amounts to ₹ 3.28 crore as on March 31, 2014 (₹ 2.89 crore as on March 31, 2013)

MAT credits are ₹ 3.91 crore as on March 31, 2014 against ₹ 4.56 crore as on March 31, 2013.

Current Liabilities

Current liabilities represent trade payables, short-term provisions and other current liabilities. As on March 31, 2014 the Current liabilities are ₹ 104.73 crore (₹ 97.74 crore as on March 31, 2013)

(₹ in crore)

As at March 31,	2014	2013
Trade Payables	24.13	25.34
Other current liabilities		
Advances from customers/Advance Billing	22.08	27.60
Deferred Revenue	19.72	22.48
Unclaimed dividend	0.23	0.20
Book Overdraft	1.20	1.71
Advance rent	0.05	–
Security deposits received	0.32	–
Payable for purchase of fixed assets	–	0.25
Statutory dues	5.13	3.71
Others	0.52	–
Short term provisions		
Leave encashment	2.52	2.57
Gratuity	2.68	2.38
Proposed dividend	19.43	9.72
Tax on dividend	3.30	1.65
Income tax	3.42	0.13
Total	**104.73**	**97.74**

Trade payables represent the amount payable for providing goods and services and are ₹ 24.13 crore as on March 31, 2014 (₹ 25.34 crore as on March 31, 2013)

Advances from customers/advance billing as on March 31, 2014 is ₹ 22.08 crore (₹ 27.60 crore as on March 31, 2013). 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, 2014 it is ₹ 19.72 crore (₹ 22.48 crore as on March 31, 2013)

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, 2014 it is ₹ 5.13 crore (₹ 3.71 crore as on March 31, 2013).

Short term provisions for leave encashment and gratuity are those for which liability is expected to arise in near future. A sum total of these short-term provisions including provision for tax on dividend and income tax are ₹ 31.35 crore as on March 31, 2014 (₹ 16.45 crore as on March 31, 2013).

Long-term Provisions

Long term provisions as on March 31, 2014 were ₹ 11.60 crore (₹ 11.36 crore as on March 31, 2013). The break-up of provision at the year-end is given below:

(₹ in crore)

As at March 31,	2014	2013
Gratuity	8.28	7.48
Leave encashment	3.32	3.88
Total	**11.60**	**11.36**

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 enhance value of business and assets of the Company, by identifying, analyzing, evaluating and mitigating all known forms of risks. In order to achieve this objective, policies and relevant internal controls are developed as an on-going process to ensure proper management of the Company's and appropriate mitigation of risks .This holistic approach enables organizations to reduce duplication of efforts, increase efficiency and enable smarter business decision making process.

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 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.

For a sound risk management and internal control framework, the organisation has a whole is required to play a key role. Risk Management is a framework; fundamental to good corporate governance.

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 management 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.
- It is not about eliminating all risks; it is about identifying, assessing and responding to risks to achieve the organisation's objectives.

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 geo-political and market conditions may harm our business. Our business is influenced by a range of factors that are beyond our control. These include:

- General economic and business conditions;
- The overall demand for enterprise software;
- Customer budgetary constraints or shifts in spending priorities; and
- General political developments

Economic slowdown translates into reduction and/or delays in technology spending decisions by banking & financial services firms from whom we essentially derive our revenues.

Adverse geo-political and economic conditions leading to negative/ low GDP growth may affect demand for our products. Customers may curtail and/or postpone their budgets for investments in technology. We seek to mitigate this risk by working in both Developed and Emerging economies and focusing on value based solutions which 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 and people are critical to our business .While all software companies need to attract talent, our product centric model especially demands retention of key talent; people with domain knowledge and technical skills. High Attrition which can happen due to many factors including compensation expectations, Company branding, work and empowerment processes, leadership etc., can adversely impact product development cycles and ultimately, revenue and profitability. Our success is dependent on appropriate alignment of our manpower planning process and location strategy with our general strategy.

Succession planning is also equally important. Failure to ensure effective transfer of knowledge and smooth transition involving key employees could hinder our strategic planning and execution.

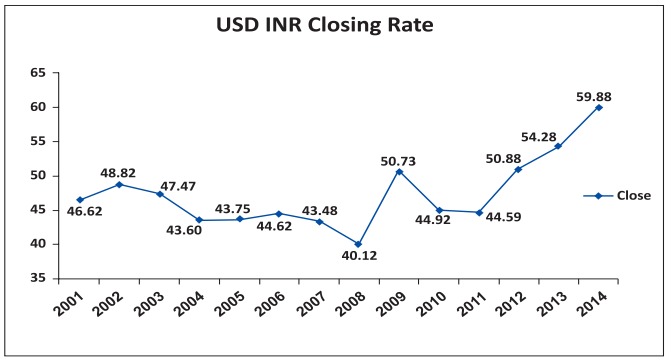
Over time, we have developed a recruitment system and database specific to our domain that facilitates rapid identification of skilled candidates. We are strengthening our relations with the academic world in terms of reaching out to both business schools and engineering institutes in the country. We 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.

Our organization structure, processes and business models may not be scalable Our structures and processes may not have the potential to grow our revenue base significantly faster than the cost base; and hence may not be adequate for growth. People in key positions may not be suitable for large scale operations. Business models ; how we sell, how we license, how we support, product development and life cycle management, go to market strategy, may not be suitable for significant year on year growth. We are working towards mitigating this risk by instilling measures to:

- Develop and refresh leadership skills in our senior management team;
- Develop skills and competencies;
- Retain talent;

- Automate processes including installing enterprise software systems and
- Innovate in business models.

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. Eighty percent of our revenue is denominated in foreign currency, predominantly the US Dollar. 70% 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, Singapore Dollars and Japanese Yen can cause significant variation in our revenue and profitability. Exchange rate of the Rupee has been extremely volatile in the last few years as evidenced by the succeeding graph.



Financial results of the group's operations are affected as the Indian Rupee appreciates / depreciates against major currencies. Currency movements remain a difficult call. 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. We continue to hedge close to receivables through Forward Contracts as. At the year end, the Company had US$ 9.25 million of hedges compared to US$ 10.50 million at the beginning of the year.

The following table gives details in respect of the outstanding foreign exchange forward and option contracts:

	As of March 31,	
	2014	**2013**
Aggregate amount of outstanding forward and options contracts	$ 9.25 million	$ 10.50 million
Gain/(loss) on outstanding forward and options contracts reflected in the Hedging Reserve in the Balance Sheet	₹ 2.82 crore	₹ 0.74 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 500 companies to small, specialized single-product businesses. In addition, we also compete with numerous small indigenous companies in various geographic markets. Although we believe our product robustness is our competitive advantage, our competitors may be more effective in devoting technical, marketing, and financial resources to compete with us. In addition, competitors offer a full suite of services and tend to focus on providing end to end solutions. 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 the year gone by, we released two new product suites and have been continuously investing in process improvement. We rely on the following to compete effectively:

- **Innovation** led differentiation
- **Continuous value** creation
- **Seamless transition** experience
- **Trusted** partnerships with customers

A broad referral base created through years, also helps us derive an edge over competition.

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 continue to make 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, significant downsizing of projects or moving work-in-house by them. Our top five and top ten customers generated approximately 39% and 51%, respectively, of our revenues for FY 14. The loss of any of our large customers could have a material adverse effect on our business and profitability.

At the same time, large customers help us scale up revenues quickly and repeat-business contributes to higher margins through lower marketing costs. We being in the product space, enjoy enduring long-term relationships with large customers. These advantages and risks have to be balanced and we believe the solution is to increase the number of large customers, as business with existing customers is the backbone of our platform for providing complete product and services solutions.

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, our business may 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, Business Unit (BU) Heads further strengthen the Internal Control function. Companies Act 2013 and clause 49 of the amended Listing Agreement place additional responsibility on the Audit Committee for internal financial controls and risk management systems. Such measures not only aid in assigning responsibility at various levels but also ensure a sense of accountability in people.

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 pose a threat to successfully running our operations. Our inability to put in place a Business Continuity Plan (BCP) to ensure the maintenance or recovery of operations, including service delivery to the consumers, when confronted with adverse events such as a disruption or failure of our systems or operations in the event of a major earthquake, weather event, cyber-attack, terrorist attack, or other catastrophic event could cause delays in completing sales, providing services, or performing other mission-critical functions. Our corporate headquarters, a significant portion of our research and development activities, and certain other critical business operations are located in Noida, India which is adjacent to the national capital of India, Delhi. Here it may be worthwhile to mention that according to 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. We are also in the process of setting up Disaster Recovery Sites and improving our Business Continuity Model. The Company is continuously investing in security of its operations & processes and evaluating the risks on periodic bases. We are an ISO 27001: 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 Research and Development may not generate significant revenues or 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 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. During the year, your Company launched two new product suites; FinnOne ™ Mobility suite of applications and FinnAxia™, the transaction banking product.

Risk Management Report

We operate a global business that exposes us to additional risks. Your Company is incorporated in India, has overseas subsidiaries in Japan, Netherlands, Singapore , Australia and USA and caters to customers operating in various countries and a significant part of the revenue is derived from international sales. During the year FY 2014, 23% revenues were attributable to South East Asia, 20% each to both India and Far East region, 14% to the middle eastern region and 23% was attributable to rest of the world. Nucleus operations world-wide may be affected by changes in political scenario, trade protection laws, policies and measures, and other regulatory requirements affecting trade and investment. 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.

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.

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 processed governing any trading in the Company's shares by various stakeholders.

Delays in project executions may adversely affect our implementations and revenues. Project execution run the risk of schedule overruns. They may take longer than anticipated time to complete project activities and deliverables there by missing the project deadlines. If this happens, it can delay project phase completion and also result in cost overruns.

From a project governance perspective, this risk can be accurately monitored by having a good project plan with well-defined work breakdown structure that will provide visibility into key activities associated with essential project deliverables. To mitigate this risk, we work on the basis of a well thought plan :

- continuous monitoring of Projects;
- quality control;
- effective requirement mapping and sign off by customers;
- Induction of capable talent and their continuous knowledge upgrade through trainings etc.

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. Also, if we fail to develop new relationships and enhance existing relationships with channel partners, software suppliers, system integrators, and independent software vendors (ISVs) that contribute to the success of our products and services, our business, financial position, profit, and cash flows may be adversely impacted.

To counter this risk we partner with only reputed firms and ensure proper contractual formalities before aligning with any such partner to reduce or limit the risk of their non/low performance. We may not successfully execute our growth strategy if we fail to manage effectively the change involved in implementing our strategic initiatives.

Corporate Social Responsibility

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

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

The newly enacted Companies Act 2013 prescribed provisions with regard to Corporate Social Responsibility. We, at Nucleus Software, have mapped our status with the requirements of the Act and are working towards full-fledged compliance with the law. A Corporate Social Responsibility Committee comprising of a majority of Independent Directors and chaired by an Independent Director was constituted in October 2013. The Committee framed and recommended a CSR Policy to the Board for adoption and instituted a transparent monitoring mechanism for ensuring implementation of the projects / activities proposed to be undertaken by the Company. The CSR Policy is also uploaded on website of the Company www.nucleussoftware.com

The objective of CSR Policy of your Company is to support the guiding principle of "Together We Grow". Through the CSR initiatives, your Company strives to provide equitable opportunities for sustainable growth, thereby aligning with the corporate goal to build Nucleus into an organization which maximizes Stakeholder Value. Your Company would engage in activities whereby business further contributes to make a positive and distinguishing impact on the environment, customers, employees, other stakeholders and the environment. 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.

With the idea of shared growth, we have taken the following initiatives this year as part of CSR initiative:

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 building has 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.
- Various measures were taken during the year for making the organisation more energy efficient and reduce electricity consumption; 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

Society :- Society is an integral part of our existence; we recognize this and try to contribute for welfare of the society.

- We hire a talent pool which also includes people who are differently abled. Keeping in view the nature of our operations, individuals with the following disabilities are eligible for employment with Nucleus – Blindness & Low Vision, Leprosy cured, Hearing Impairment and Locomoters disability. A minimum 1% of Annual recruitment is planned for hiring differently abled employees. Individual Training and development programs as well as a separate induction program are designed for them to ensure a smooth assimilation in the work culture. To ensure sensitivity and empathy towards them, all possible welfare measures are undertaken like customized workstations/ computers, training material and customized study material and infrastructure accessibility.
- We collect monetary donations from employees to create a death fund on the demise of an employee and hand it over to the family to help them tackle financial difficulties, if any.
- This year during Diwali, special kids were invited to celebrate the festival of lights with the Nucleus family.

Customers :- Nucleus believes in providing best quality solutions to its customers and help them get to the market faster. We have extremely strong relationships with our customers and our success stories are spread across the globe.

- 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.

Employees :- 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 excellence 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.
- Employees are regularly provided health care tips through internal communication channels to safeguard against contagious diseases and to encourage a healthy lifestyle.
- Awareness sessions are organized for employees on various topics which are conducted by people active in development space. Few examples are sessions organized on Mental Awareness, Awareness on Cancer etc.

Corporate Social Responsibility

- Support and free counselling services (through an agency) are provided to our employees to help them in dealing with various work life balance issues, ranging from work related concerns to relationship & family, alcoholism, depression or stress management.
- Office boys are pillars of our office Management activities. As a gesture of appreciation for their services, Nucleus has been sponsoring the school fees of their children. The sponsored amount is as per the actual fee statements/notifications submitted by the office boys and post verification from the school. The amount also includes the cost incurred for the books, school uniforms and school bags. Child development is a key issue plaguing our community today. In order to make a meaningful contribution we have pledged to donate the interest earned on annual fixed deposits of the firm to NGO's focussing on child development.
- 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.

Business Ethics :- Nucleus believes in conducting its business based on strong ethical practices.

- Nucleus won the **Best Corporate Governance – India 2014 Award** for strong Corporate Governance practices as we strongly believe in the philosophy of fulfilling the role of a responsible corporate committed to best practices.
  - **Nucleus was also awarded The Asset Corporate Award (**Titanium Award) for Investor Relations, Corporate Governance, Social Responsibility, Environment Responsibility and Investor Relations in the Asset Triple A Corporate Awards 2013.

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 our future generations.

Nucleus perceives **Corporate Social Responsibility** as a means to 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, 2014

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, 2014, 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, 2014;

(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 ₹ 336,652,488 as at 31 March, 2014, total revenues of ₹ 842,630,657 and net cash flows amounting to ₹ 35,687,888 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)

Place : Noida
Date : 03 May, 2014

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2014

(Amount in ₹)

	Notes Ref.	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
1. SHAREHOLDERS' FUNDS			
a. Share capital	2.1	323,852,240	323,851,340
b. Advance pursuant to stock option plan	2.2	–	13,200
c. Reserves and surplus	2.3	3,646,217,622	3,176,035,120
		3,970,069,862	**3,499,899,660**
2. NON-CURRENT LIABILITIES			
a. Long-term provisions	2.4	**115,990,177**	**113,617,708**
3. CURRENT LIABILITIES			
a. Trade payables	2.5	241,321,372	253,360,204
b. Other current liabilities	2.6	492,436,343	559,494,626
c. Short-term provisions	2.7	313,569,175	164,558,863
		1,047,326,890	**977,413,693**
		5,133,386,929	**4,590,931,061**
ASSETS			
1. NON-CURRENT ASSETS			
a. Fixed assets			
- Tangible assets	2.8	479,736,934	461,482,267
- Intangible assets	2.8	126,713,081	45,427,669
- Capital work in progress		12,560,000	–
		619,010,015	506,909,936
b. Non-current investments	2.9	243,173,000	2,523,000
c. Deferred tax assets (net)	2.10	67,480,087	60,779,256
d. Long-term loans and advances	2.11	214,408,882	219,477,550
e. Other non-current assets	2.12	4,688,330	2,023,135
		1,148,760,314	**791,712,877**
2. CURRENT ASSETS			
a. Current investments	2.13	1,992,659,193	1,547,406,783
b. Inventories		–	49,486,419
c. Trade receivables	2.14	417,165,994	698,017,163
d. Cash and bank balances	2.15	987,526,757	1,119,864,480
e. Short-term loans and advances	2.16	188,988,355	93,101,702
f. Other current assets	2.17	398,286,316	291,341,637
		3,984,626,615	**3,799,218,184**
		5,133,386,929	**4,590,931,061**
See accompanying notes forming part of the consolidated financial statements	1 & 2		

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
Sd/-
RASHIM TANDON
Partner

Place : Noida
Date : 03 May, 2014

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

Sd/-
JANKI BALLABH
Chairman

Sd/-
VISHNU R DUSAD
Managing Director & Chief Executive Officer

Sd/-
P K SANGHI
President Finance & Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) & Company Secretary

Place : Noida
Date : 03 May, 2014

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2014

(Amount in ₹)

	Notes Ref.	Year ended 31 March 2014	Year ended 31 March 2013
1. REVENUE FROM OPERATIONS			
Income from software products and services	2.18	3,462,220,869	2,937,585,189
2. OTHER INCOME	2.19	245,534,274	202,510,490
3. TOTAL REVENUE (1+2)		**3,707,755,143**	**3,140,095,679**
4. EXPENSES			
a. Changes in inventories of stock of trade		49,486,419	–
b. Employee benefits expense	2.20	1,807,749,867	1,634,056,622
c. Operating and other expenses	2.21	933,992,286	840,158,741
d. Finance cost	2.22	5,148,012	4,419,833
e. Depreciation and amortisation expense	2.8	79,356,200	60,916,415
TOTAL EXPENSES		**2,875,732,784**	**2,539,551,611**
5. PROFIT BEFORE TAX (3-4)		**832,022,359**	**600,544,068**
6. TAX EXPENSE			
a. Current tax expense for current year		199,111,241	146,583,956
b. MAT Credit Entitlement		(496,214)	–
c. Net tax credit relating to prior year		(9,854,710)	168,292
d. Withholding taxes charged off		6,463,472	6,273,943
e. Net current tax expense		195,223,789	153,026,191
f. Net deferred tax credit		(6,589,114)	(4,172,645)
NET TAX EXPENSE		**188,634,675**	**148,853,546**
7. PROFIT FOR THE YEAR (5-6)		**643,387,684**	**451,690,522**
8. EARNINGS PER EQUITY SHARE	2.26		
Equity shares of ₹ 10 each			
a. Basic		19.87	13.95
b. Diluted		19.87	13.95
Number of shares used in computing earnings per share			
a. Basic		32,383,699	32,383,534
b. Diluted		32,383,699	32,383,534
See accompanying notes forming part of the consolidated financial statements	1 & 2		

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
Sd/-
RASHIM TANDON
Partner

Place : Noida
Date : 03 May, 2014

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

Sd/-
JANKI BALLABH
Chairman

Sd/-
VISHNU R DUSAD
Managing Director & Chief Executive Officer

Sd/-
P K SANGHI
President Finance & Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) & Company Secretary

Place : Noida
Date : 03 May, 2014

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2014

(Amount in ₹)

		Notes Ref.	Year ended 31 March 2014	Year ended 31 March 2013
A.	**Cash flow from operating activities**			
	Net profit before tax		832,022,359	600,544,068
	Adjustment for:			
	Depreciation and amortisation expense		79,356,200	60,916,415
	Exchange loss/(gain) on translation of foreign currency accounts		(13,942,869)	(40,716,923)
	Dividend received from non trade investments		(61,881,880)	(73,283,265)
	Dividend on long term trade investment		(62,500)	(50,000)
	Interest on fixed deposits		(75,134,711)	(72,894,566)
	Net (Profit)/Loss on sale of investments		(49,710,907)	(10,328,341)
	Adjustment to the carrying amount of investments		9,350,000	–
	Profit on sale of fixed assets (net)		(1,657,250)	(2,979,280)
	Provisions written back		(37,016,212)	(6,703,108)
	Advances and other current assets written off		–	–
	Provision for doubtful debts / advances		20,866,580	43,661,751
	Operating profit before working capital changes		**702,188,810**	**498,166,751**
	Adjustment for (increase) / decrease in operating assets			
	Trade receivable		272,779,626	177,567,139
	Short-term loans and advances		(71,538,787)	17,338,603
	Inventories		49,486,419	(49,486,419)
	Long-term loans and advances		(666,548)	3,423,101
	Other current assets		(98,933,230)	93,312,620
	Other non-current assets		(2,665,195)	11,925,862
	Adjustment for increase / (decrease) in operating liabilities			
	Trade payables and other current liabilities		(47,486,803)	112,077,402
	Short-term provisions		2,423,647	1,697,654
	Long-term provisions		2,372,469	11,819,452
			807,960,408	877,842,165
	Direct taxes paid		(150,635,155)	(130,172,843)
	Net cash from / (used in) operating activities (A)		**657,325,253**	**747,669,322**
B.	**Cash flow from investing activities**			
	Purchase of fixed assets/capital work in progress		(189,135,261)	(76,108,718)
	Sale of fixed assets		1,830,509	2,877,853
	Purchase of current investments		(4,627,614,462)	(4,217,984,920)
	Sale of current investments		3,941,712,052	3,711,858,504
	Adjustment to the carrying amount of non trade investments		(9,350,000)	–
	Bank balance not considered as cash and cash equivalents - placed		(780,122,072)	(916,736,052)
	Bank balance not considered as cash and cash equivalents - matured		916,736,052	707,293,108
	Interest on fixed deposits		70,254,976	73,410,671
	Income tax paid		(6,793,202)	(26,968,168)
	Dividend received from non trade investments		61,881,880	73,283,265
	Dividend on long term trade investment		62,500	50,000
	Profit on sale of long term non trade investment		49,710,907	10,328,341
	Net cash from / (used in) investing activities (B)		**(570,826,121)**	**(658,696,116)**
C.	**Cash flow from financing activities**			
	Dividend paid (including corporate dividend tax)		(97,697,968)	(94,095,935)
	Advance pursuant to employee stock option scheme / proceeds from employee stock option excercised		12,060	24,120
	Net cash from / (used in) in financing activities (C)		**(97,685,908)**	**(94,071,815)**
	Net increase / (decrease) in cash and cash equivalents (A+B+C)		**(11,186,776)**	**(5,098,609)**
	Opening cash and cash equivalents	2.15	203,128,428	212,967,879
	Exchange difference on translation of foreign currency bank accounts		15,463,033	(4,740,842)
	Closing cash and cash equivalents	2.15	**207,404,685**	**203,128,428**
See accompanying notes forming part of the consolidated financial statements		1 & 2		

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
Sd/-
RASHIM TANDON
Partner

Place : Noida
Date : 03 May, 2014

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

Sd/-
JANKI BALLABH
Chairman

Sd/-
VISHNU R DUSAD
Managing Director & Chief Executive Officer

Sd/-
P K SANGHI
President Finance & Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) & Company Secretary

Place : Noida
Date : 03 May, 2014

Notes forming part of the consolidated financial statements

Note 1:

(i) Company Overview

Nucleus Software Exports Limited ('Nucleus' or 'the Company') was incorporated on 9 January 1989 in India as a private limited company. It was subsequently converted into a public limited company on 10 October, 1994. The Company made an initial public offer in August 1995. As at 31 March, 2014, the Company is listed on two stock exchanges in India namely National Stock Exchange and Bombay Stock Exchange.

The Company has wholly owned subsidiaries in Singapore, USA, Japan, Netherlands, Australia and 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 notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable and guidelines issued by the Securities and Exchange Board of India ("SEBI"). Accounting policies have been consistently applied except where a newly issued accounting standard, if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

(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) (wound up with effect from 19 February, 2014)	100	Singapore
Nucleus Software Netherlands B.V.	100	Netherlands
Nucleus Software Limited	100	India
Nucleus Software Australia Pty. Ltd. (incorporated on 3 February, 2014)	100	Australia

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" notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable.

The financial statements of all the subsidiary companies used in the consolidation are drawn upto the same reporting date as that of the Company i.e., 31 March, 2014.

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

The 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) Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

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

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

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

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

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

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

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

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

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

e) Contingent liabilities are translated at the closing rate.

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

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

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

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

d) Contingent liabilities are translated at the closing rate.

(ix) Revenue recognition

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

Revenue from time and material contracts is recognised as the services are rendered.

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

Revenue from sale of licenses, where no customisation is required, are recognised upon delivery of these licenses which constitute transfer of all risks and rewards.

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

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

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

(x) 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 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.

Rental income comprising of rent and other related services from operating lease is recognised in the Consolidated Statement of Profit and Loss on a straight line basis over the lease term.

(xi) Expenditure

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

(xii) Depreciation and amortisation

Depreciation on fixed assets, except leasehold land and leasehold improvements, is provided on the straight-line method based on useful lives of respective assets as estimated by the management. 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

Asset category	Useful life (in years)
Intangible asset	
Software	3-5

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

(xiii) Tangible assets and capital work in progress

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation. Fixed assets under construction and cost of assets not ready to use before the year end, are disclosed as capital work-in-progress.

(xiv) Intangible assets

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

(xv) Research and development

Revenue expenditure pertaining to research is charged to the Consolidated Statement of Profit and Loss. Development costs of products are also charged to the Consolidated Statement of Profit and Loss unless a product's technical feasibility has been established, in which case such expenditure is capitalised. The amount capitalised comprises expenditure that can be directly attributed or allocated on a reasonable and consistent basis to creating, producing and making the asset ready for its intended use. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the policies stated for Fixed Assets.

(xvi) Investments

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

(xvii) Employee stock option based compensation

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

(xviii) Employee benefits

a. India

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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Statement of Profit and Loss.

b. Singapore

The Company's contribution to central provident fund is deposited with the appropriate authorities and charged to the Consolidated Statement of Profit and Loss. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

c. United States of America/ Netherlands/Japan

The Company's social security contributions are charged to the Consolidated Statement of Profit and Loss.

(xix) Post Sales client support and warranties

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

(xx) Operating leases

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

(xxi) Earnings per share

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

(xxii) Taxation

Current tax is determined on the basis of taxable income and tax credits computed for each of the entities in the Group in accordance with the provisions of applicable tax laws of the respective jurisdictions where the entities are located.

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

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

The Group offsets deferred tax assets and deferred tax liabilities, and advance income tax and provision for tax, if it has a legally enforceable right and these relate to taxes in income levies by the same governing taxation laws.

Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Consolidated Statement of Profit and Loss.

(xxiii) Impairment

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value

exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized.

(xxiv) Provision and Contingencies

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

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

Contingent assets are not recognised in the financial statements.

(xxv) Hedge Accounting

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

(xxvi) Derivative Contracts

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

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

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

(xxvii) Insurance claims

Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that the amount recoverable can be measured reliably and it is reasonable to expect ultimate collection.

(xxviii) Service tax /VAT input credit

Service tax/VAT input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is reasonable certainty in availing / utilising the credits.

(xxix) Operating cycle

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

2. NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2014

2.1 SHARE CAPITAL

(Amount in ₹)

Particulars	As at 31 March 2014	As at 31 March 2013
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		
32,386,524 (32,386,434) equity shares of ₹ 10 each	**323,865,240**	**323,864,340**
Subscribed and Paid-Up		
32,383,724 (32,383,634) equity shares of ₹ 10 each, fully paid up	323,837,240	323,836,340
Add: 2,800 (2,800) forfeited equity shares pending reissue	15,000	15,000
	323,852,240	**323,851,340**

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

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

	Particulars	Opening Balance	Allotted under Employee Stock Option Plans	Closing Balance
a.	For the year ended 31 March, 2014			
	– Number of shares	32,383,634	90	32,383,724
	– Amount	323,836,340	900	323,837,240
b.	For the year ended 31 March, 2013			
	– Number of shares	32,383,454	180	32,383,634
	– Amount	323,834,540	1,800	323,836,340

(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, 2014		As at 31 March, 2013	
	(Number)	(Percentage)	(Number)	(Percentage)
Karmayogi Holdings Private Limited	9,000,000	27.79%	9,000,000	27.79%
Nucleus Software Engineers Private Limited	2,385,882	7.37%	2,385,882	7.37%
Madhu Dusad	2,045,048	6.32%	2,036,248	6.29%
Vishnu R Dusad	1,603,492	4.95%	3,603,492	11.13%
Fidelity Puritan Trust- Fidelity Low-Priced Stock Fund*	2,100,000	6.48%	1,350,000	4.17%
ICICI Prudential Mutual Fund*	1,634,856	5.05%	1,991,188	6.15%

* Shares of the Company are held by various Mutual Fund Schemes of Asset Management Companies ("AMC"). The Company has during the year consolidated the shares held under Mutual Fund Schemes under their legal entities structure and disclosed them together.

(iv) As at 31 March, 2014 Nil Shares (As at 31 March, 2013, 1,320 shares) of ₹ 10 each were reserved for issuance towards employee stock options granted. (Also see note 2.2)

(vi) Details of forfeited shares

Particulars	As at 31 March, 2014		As at 31 March, 2013	
	(Number)	(₹)	(Number)	(₹)
Equity shares with voting rights	2,800	15,000	2,800	15,000

2.2 EMPLOYEES STOCK OPTION PLAN ("ESOP")

a. 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.

b. The Company currently has two ESOP schemes, 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 2005 scheme provides for 600,000 options and 2006 scheme provides 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.

c. **Details of options granted, forfeited and exercised during the year in the above mentioned scheme are as follows:**

Particulars	As at 31 March, 2014	Weighted Average	As at 31 March, 2013	Weighted Average
	(Number)	(₹)	(Number)	(₹)
2005 Stock Option Scheme				
Options outstanding at the beginning of the year	1,320	144	1,700	144
Options granted	–	–	–	–
Options forfeited	(1,230)	144	(200)	144
Options exercised	(90)	144	(180)	144
Balance carried forward	**–**	**–**	**1,320**	**144**
2006 Stock Option Scheme				
Options outstanding at the beginning of the year	–	–	15,064	509
Options granted	–	–	–	–
Options forfeited	–	–	(15,064)	509
Options exercised	–	–	–	–
Balance carried forward	**–**	**–**	**–**	**–**
Total stock options outstanding at end of the period (in Nos)	–		1,320	
Advance pursuant to stock option plan (in ₹)	**–**		**13,200**	

d. During the year ended 31 March, 2014, 1,230 shares (Year ended 31 March, 2013 : 15,264 shares) were forfeited and the amount paid up as application money aggregating to ₹ 12,300 (Year ended 31 March, 2013 : ₹ 152,640) has been transferred to the Capital reserve. (Also see note 2.3(a))

(Amount in ₹)

Particulars	As at 31 March, 2014	As at 31 March, 2013
2.3 RESERVES AND SURPLUS		
a. Capital reserve		
Opening balance	8,887,930	8,735,290
Add: Amount forfeited against employees stock option plan	12,300	152,640
Closing balance	**8,900,230**	**8,887,930**
b. Securities premium account		
Opening balance	21,889,429	21,865,309
Add : Premium on conversion of stock options issued to employees	12,060	24,120
Closing balance	**21,901,489**	**21,889,429**
c. Hedging reserve [see note 2.31]		
Opening balance	7,396,723	(864,230)
Add / (Less) : Effect of foreign exchange rate variations on hedging instruments outstanding at the end of the year	20,762,376	8,260,953
Closing balance	**28,159,099**	**7,396,723**
d. Foreign currency translation reserve		
Opening balance	89,645,236	77,496,433
Add: Addition during the year	17,368,379	12,148,803
Closing balance	**107,013,615**	**89,645,236**
e. General reserve		
Opening balance	833,688,140	793,308,264
Add: Transferred from surplus in statement of Profit and Loss	55,087,759	40,379,876
Closing balance	**888,775,899**	**833,688,140**
f. Surplus in Statement of Profit and Loss		
Opening balance	2,214,527,662	1,916,880,762
Add: Profit for the year	643,387,684	451,690,522
Less : Appropriations		
- Proposed final dividend on equity shares [see note (i) & (ii) below]	(97,151,172)	(97,150,902)
- Proposed special dividend on equity shares [see note (i) below]	(97,151,172)	-
- Tax on dividend	(17,057,953)	(16,512,844)
- Transferred to general reserve	(55,087,759)	(40,379,876)
Closing balance	**2,591,467,290**	**2,214,527,662**
	3,646,217,622	**3,176,035,120**

Note :

(i) The Board of Directors recommended a Final Dividend of ₹ 3 per share (on equity share of par value of ₹ 10 each) and a special dividend of ₹ 3 per share (on equity share of par value of ₹ 10 each) on account of completion of 25 years of the company, at their Board meeting held on May 3, 2014. The payment is subject to the approval of the shareholders at the ensuing Annual General Meeting.

(ii) The Board of Directors, at their meeting held on 27 April, 2013 had declared a final dividend of ₹ 3 per equity share for the year ended 31 March, 2013, which was approved by shareholders through poll in Annual General Meeting held on 10 July, 2013.

(Amount in ₹)

Particulars	As at 31 March, 2014	As at 31 March, 2013
2.4 LONG-TERM PROVISIONS		
Provision for employee benefits		
– Provision for compensated absences	33,203,591	38,774,552
– Provision for gratuity (see note 2.30)	82,786,586	74,843,156
	115,990,177	**113,617,708**
2.5 TRADE PAYABLES		
Trade Payables		
– Micro and small enterprises (see note (i) below)	–	–
– Others	241,321,372	253,360,204
	241,321,372	**253,360,204**

Note i :

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

(Amount in ₹)

Particulars	As at 31 March, 2014	As at 31 March, 2013
a. Advance from customers	185,105,785	165,930,459
b. Advance billing	35,689,438	110,065,714
c. Deferred revenue	197,237,246	224,800,364
d. Advance rent	546,198	–
e. Security deposits received	3,220,346	–
f. Unclaimed dividends	2,264,961	2,047,659
g. Book overdraft	12,049,179	17,138,470
h. Payable for purchase of fixed assets	–	2,494,274
i. Other employee payables	5,000,000	–
j. Other payables - statutory liabilities	51,323,190	37,017,686
	492,436,343	**559,494,626**
2.7 SHORT-TERM PROVISIONS		
a. Provision for employee benefits		
– Provision for compensated absences	25,167,311	25,739,013
– Provision for gratuity (see note 2.30)	26,842,742	23,847,393
b. Provision for proposed equity dividend	194,302,344	97,150,902
c. Provision for tax on proposed dividend	33,021,683	16,510,796
d. Provision for tax	34,235,095	1,310,759
	313,569,175	**164,558,863**

Note 2.8

Fixed Assets (At Cost)

(Amount in ₹)

Particulars	Gross block				Accumulated depreciation				Net block	
	As at 1 April, 2013	Additions	Deductions / adjustments (Note (i) & (ii))	As at 31 March, 2014	As at 1 April, 2013	Depreciation for the year	Deductions / adjustments (Note (i) & (ii))	As at 31 March, 2014	As at 31 March, 2014	As at 31 March, 2013
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	14,072,319	2,001,439	–	16,073,758	171,768,603	173,269,683
	(187,842,361)	–	–	(187,842,361)	(12,070,877)	(2,001,442)	–	(14,072,318)	(173,770,043)	(175,771,484)
Leasehold improvement	7,583,420	–	434,731	7,148,689	7,583,420	–	434,731	7,148,689	–	–
	(12,758,283)	–	(5,174,863)	(7,583,420)	(12,758,283)	–	(5,174,863)	(7,583,420)	–	–
Buildings	281,676,738	41,250	804,498	280,913,490	61,621,329	9,254,221	–	70,875,550	210,037,940	220,055,409
	(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)
Plant and equipment	191,794,550	5,338,440	750,169	196,382,821	170,960,573	9,763,612	1,606,578	179,117,607	17,265,214	20,833,976
	(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)
Computer equipment	311,107,040	43,527,116	24,797,816	329,836,340	274,508,690	19,876,647	24,768,990	269,616,347	60,219,993	36,598,350
	(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)
Vehicles	14,427,706	13,721,527	8,721,168	19,428,065	11,548,094	1,852,422	8,295,754	5,104,762	14,323,303	2,879,612
	(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)
Furniture and fixtures	51,629,545	164,485	(177,286)	51,971,316	47,645,387	1,432,839	(131,929)	49,210,155	2,761,161	4,484,517
	(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)
	1,049,422,080	**62,792,818**	**35,331,096**	**1,076,883,802**	**587,939,812**	**44,181,180**	**34,974,124**	**597,146,868**	**479,736,934**	**461,482,267**
	(1,051,894,022)	**(33,199,206)**	**(35,671,148)**	**(1,049,422,080)**	**(578,851,649)**	**(44,679,443)**	**(35,591,278)**	**(587,939,813)**	**(461,482,267)**	**(473,042,373)**
Intangible assets										
Software (See note iv)	**185,834,620**	**116,276,719**	**9,263,497**	**292,847,842**	**140,406,951**	**35,175,020**	**9,447,210**	**166,134,761**	**126,713,081**	**45,427,669**
	(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)**
Total	**1,235,256,700**	**179,069,537**	**44,594,593**	**1,369,731,644**	**728,346,762**	**79,356,200**	**44,421,334**	**763,281,629**	**606,450,015**	**506,909,936**
Previous year	(1,192,219,818)	(78,805,847)	(35,768,965)	(1,235,256,700)	(703,097,887)	(60,916,416)	(35,667,538)	(728,346,764)	(506,909,936)	(489,121,932)

Notes :

(i) 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.

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

(iii) Figures in bracket pertains to previous year ended 31 March, 2013/2012.

(iv) During the year, one of the subsidiary has written off software with a gross block of ₹ 9,451,046 and accumulated depreciation of ₹ 9,451,046 since the same are not in use.

(Amount in ₹)

Particulars	As at 31 March, 2014	As at 31 March, 2013
2.9 NON-CURRENT INVESTMENTS (at cost)		
– **Non trade**		
Investment in equity instruments (unquoted)		
250,000 (250,000) equity shares of ₹ 10 (₹ 10) each, fully paid up, in Ujjivan Financial Services Private Limited	2,500,000	2,500,000
Investments in Government securities (Unquoted)		
National savings certificates	23,000	23,000
Investment in tax free bonds (Quoted)		
a. Indian Railway Finance Corporation Limited - Tranche 1 Series IA (see note 2.33) (Net of adjustment to the carrying amount of investments amounting to ₹ 9,350,000)	90,650,000	–
b. Indian Infrastructure Finance Company Limited - Tranche 1 Series 1A	100,000,000	–
c. Indian Railway Finance Corporation Limited - Tranche 1 Series IB	50,000,000	–
	240,650,000	**–**
Aggregate amount of non current-investments	**243,173,000**	**2,523,000**
Aggregate amount of quoted investments	240,650,000	–
Aggregate market value of quoted investments	261,365,000	–
Aggregate amount of unquoted investments	2,523,000	2,523,000

2.10 DEFERRED TAX ASSET (net)

(Amount in ₹)

Particulars	As at 31 March, 2013	(Credited)/ charge during the year	As at 31 March, 2014
a. **Deferred tax assets**			
Provision for compensated absences, gratuity and other employee benefits	51,565,057	(3,048,908)	54,613,965
Provision for doubtful debts / service income accrued but not due	15,682,378	(9,017,466)	24,699,844
	67,247,435	**(12,066,374)**	**79,313,809**
b. **Deferred tax liabilities**			
On difference between book balance and tax balance of fixed assets	**6,468,179**	**5,365,543**	**11,833,722**
c. Effect of foreign currency translation on items constituting deferred tax asset for foreign subsidiary	–	111,717	–
d. **Net deferred tax (liability) / asset**	**60,779,256**	**(6,589,114)**	**67,480,087**

(Amount in ₹)

Particulars	As at 31 March, 2014	As at 31 March, 2013
2.11 LONG-TERM LOANS AND ADVANCES (Unsecured, considered good)		
a. Security Deposits	30,561,665	28,385,386
b. Loans and advances to employees		
– Staff Loans	595,890	2,300,076
c. Prepaid expenses	7,707,034	7,512,579
d. Balances with government authorities		
– Advance tax	143,388,299	142,301,646
– Mat Credit Entitlement	32,155,994	38,977,863
	214,408,882	**219,477,550**

Notes forming part of the consolidated financial statements

2.12 OTHER NON CURRENT ASSETS

(Unsecured, considered good)

a	Long-term bank deposits (see note below)	4,175,000	1,811,956
b	Interest accrued but not due on bank deposits	513,330	211,179
		4,688,330	**2,023,135**

Note :- Long-term bank deposits represent deposits under lien with bank and are restricted from being settled for more than 12 months from the Balance Sheet Date.

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

Investments in mutual funds

	Name of the Mutual Fund Scheme	Units as at 31 March, 2014 (Number)	Value of units as at 31 March, 2014 (₹)	Units as at 31 March, 2013 (Number)	Value of units as at 31 March, 2013 (₹)
–	**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	2,369	237,319.00	735,277	73,671,097
c.	Birla Sun Life Cash Plus - Daily Dividend-Direct Plan	740,078	74,152,137.00	–	–
d.	JP Morgan India Liquid Fund- Daily Dividend-Direct Plan	3,585,782	35,894,039.00	–	–
e.	JPMORGAN India Liquid Fund-Super Inst.-Daily Dividend	–	–	14,676,604	146,881,985
f.	JPMORGAN India Treasury Fund-Super Inst. - Daily Dividend	–	–	5,148,608	51,531,900
g.	ICICI Prudential Liquid Fund- Daily Dividend-Direct Plan	633,625	63,395,982	–	–
h.	ICICI Prudential Liquid - Regular Plan - Daily Dividend	–	–	1,222,150	122,242,629
i.	Kotak Floater Short Term Fund- Daily Dividend-Direct Plan	75,724	76,604,051	–	–
j.	Kotak Floater Short Term Fund - Regular Plan- Daily Dividend	17,150	17,349,318	128,641	130,136,216
k.	HDFC Liquid Fund- Daily Dividend-Direct Plan	9,320,303	95,050,316	–	–
l.	Reliance Liquid Fund-Treasury Plan- Regular Plan- Daily Dividend	–	–	31,013	47,410,382
m.	Reliance Liquid Fund-Treasury Plan- Daily Dividend-Direct Plan	137,968	210,916,791	–	–
n.	UTI Money market Fund-Institutional Plan- Direct Plan-Daily Dividend	42,399	42,542,194	–	–
o.	Templeton India Treasury Management Account Super Institutional Plan - Direct	11,317	11,328,734	–	–
p.	Templeton India Treasury Management Account Super Institutional Plan	–	–	46,901	46,932,204
q.	SBI Liquid Fund- Direct Plan- Daily Dividend	8,033	8,059,292	–	–
r.	Axis Liquid Fund- Direct Plan- Daily Dividend	193,497	193,519,815	–	–
s.	IDFC Banking Debt Fund Regular Plan- Dividend	2,163,842	22,000,000	–	–
t.	ICICI Prudential Liquid Fund-Super Institutional Plan-Daily Dividend	7,711	771,498	366,244	36,632,675
u.	ICICI Prudential Institutional Liquid Plan-Direct Plan- Daily Dividend	898,532	89,901,914	–	–
v.	Kotak Floater Short Term Fund-Daily Dividend-Reinvestment Option	1,221	1,235,433	2,507	2,535,927
w.	Kotak Floater Short Term Fund-Direct Plan- Daily Dividend-Reinvestment Option	10,381	10,501,711	–	–
–	**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	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	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 90-12M-Dividend Payout	–	–	3,000,000	30,000,000
l.	DSP BlackRock FMP-Series 93-12M-Dividend-Payout	3,041,587	30,415,869	3,041,587	30,415,869
m.	ICICI Prudential Interval Fund-Annual Interval Plan IV - Regular Plan - Growth	1,442,814	20,000,000	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

Name of the Mutual Fund Scheme	Units as at 31 March, 2014 (Number)	Value of units as at 31 March, 2014 (₹)	Units as at 31 March, 2013 (Number)	Value of units as at 31 March, 2013 (₹)
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. ICICI Prudential FMP Series 69 -366 Days Plan G Growth	5,000,000	50,000,000	–	–
w. ICICI Prudential FMP Series 68 -369 Days Plan I Growth	1,000,000	10,000,000	–	–
x. Kotak FMP Series 105 Direct - Growth	3,100,000	31,000,000	–	–
y. HDFC FMP 371D July 2013 (1) Series 26 – Growth Option	4,772,153	47,721,530	–	–
z. DSP BlackRock FMP-Series 129-12M-Growth Option	5,000,000	50,000,000	–	–
aa. DSP BlackRock FMP-Series 130-12M-Growth Option	5,000,000	50,000,000	–	–
ab. DSP BlackRock FMP-Series 126-12M-Growth Option	950,000	9,500,000	–	–
ac. Birla SunLife Fixed Term Plan-Series IV-Growth-368 Days	5,000,000	50,000,000	–	–
ad. Birla SunLife Fixed Term Plan-Series JL-Growth-368 Days	3,000,000	30,000,000	–	–
ae. Birla SunLife Fixed Term Plan-Series IH-Growth-368 Days	2,000,000	20,000,000	–	–
af. Birla SunLife Fixed Term Plan-Series JI-Growth-368 Days	2,000,000	20,000,000	–	–
ag. Kotak FMP Series 129 - Growth	5,000,000	50,000,000	–	–
ah. HDFC FMP 370D October 2013(1)-Series 28- Growth Option	2,000,000	20,000,000	–	–
ai. HDFC FMP 371D December 2013(2)- Series 29 - Growth Option	2,500,000	25,000,000	–	–
aj. HDFC FMP 371D November 2013(2)- Series 28 – Growth Option	1,089,800	10,898,000	–	–
ak. HDFC FMP 372D October 2013(1) Series 28- Growth Option	3,797,996	37,979,960	–	–
al. SBI Debt Fund Series-366 Days-45-Growth Option	2,168,329	21,683,290	–	–
am. SBI Debt Fund Series-366 Days-46-Growth Option	5,500,000	55,000,000	–	–
an. SBI Debt Fund Series-366 Days-48-Growth Option	5,000,000	50,000,000	–	–
ao. DSP BlackRock FMP-Series 144-12M-Growth Option	5,000,000	50,000,000	–	–
ap. Birla SunLife Fixed Term Plan-Series JO-Growth-368 Days	5,000,000	50,000,000	–	–
aq. ICICI Prudential FMP Series 72 -368 Days Plan A Growth	5,000,000	50,000,000	–	–
ar. ICICI Prudential FMP Series 72 -368 Days Plan K Growth	5,000,000	50,000,000	–	–
	121,212,611	**1,992,659,193**	**97,255,917**	**1,447,406,783**
b. Investment in bonds (Quoted)				
- Indian Railway Finance Corporation Limited - Trache 1 Series I (See note 2.33)	–	–	**100,000**	**100,000,000**
Aggregate amount of current investment		**1,992,659,193**		**1,547,406,783**
Aggregate market value of quoted investment		**2,039,885,760**		**1,564,862,849**

(Amount in ₹)

Particulars	As at 31 March, 2014	As at 31 March, 2013
2.14 TRADE RECEIVABLES		
(Unsecured)		
a. Debts outstanding for a period exceeding six months from the date they were due for payment		
– Considered good	10,445,533	22,895,265
– Considered doubtful	12,708,871	56,424,192
	23,154,404	79,319,457
Less: Provision for doubtful trade receivables	(12,708,871)	(56,424,192)
	10,445,533	22,895,265
b. Other debts		
– Considered good	406,720,461	675,121,898
– Considered doubtful	–	3,955,166
	406,720,461	679,077,064
Less: Provision for doubtful trade receivables	–	(3,955,166)
	406,720,461	675,121,898
	417,165,994	**698,017,163**

2.15 CASH AND BANK BALANCES

(Amount in ₹)

	As at 31 March, 2014	As at 31 March, 2013
Cash and cash equivalents		
a. Cash on hand	167,110	34,887
b. Remittance in transit	–	9,219,803
c. Balances with scheduled banks:		
– in current accounts	6,767,404	4,419,858
– in EEFC accounts	27,026,537	35,073,125
d. Balance with non scheduled banks in current accounts:		
– Citibank, United Kingdom	827,432	413,361
– Citibank, U.A.E	824,925	708,222
– Citibank, Spain	–	639,632
– Citibank, Singapore	56,691,432	53,605,425
– Citibank, Korea	7,762,500	6,351,622
– Citibank, Philippines	96,421	510,820
– PNC Bank, USA	50,729,895	7,872,980
– Bank of Tokyo Mitsubishi, Japan	3,179,200	6,896,748
– Shinsei Bank, Japan	26,535	21,092,582
– Citibank, Japan	31,378,967	45,089,368
– Citibank, Singapore	–	212,706
– Citibank, Netherlands	2,726,327	5,387,289
e. Balances with scheduled banks in deposit accounts with original maturity of less than 3 months	19,200,000	5,600,000
	207,404,685	**203,128,428**
Other bank balances		
a. Balances with scheduled banks in earmarked accounts:		
– unclaimed dividend accounts	2,269,925	2,052,623
b. Balances with scheduled banks in deposit accounts with original maturity of more than 3 months :		
– Original maturity of more than 12 months	670,045,547	791,365,904
– Original maturity of less than 12 months	107,806,600	123,317,525
	780,122,072	**916,736,052**
	987,526,757	**1,119,864,480**

(Amount in ₹)

Particulars	As at 31 March, 2014	As at 31 March, 2013
Details of balances as on balance sheet dates with scheduled banks in current accounts:-		
– HDFC Bank	4,594,204	3,437,683
– Citi Bank	1,130,808	413,842
– DBS Bank	61,497	61,497
– ICICI Bank	744,150	270,089
– State Bank of India	236,747	236,747
– Citi Bank *	25,305,052	34,430,125
– HDFC Bank *	1,721,483	643,000
– HDFC Bank **	2,269,925	2,052,623
	36,063,866	**41,545,606**

* EEFC account

** Earmarked for unclaimed dividend

(Amount in ₹)

Particulars	As at 31 March, 2014	As at 31 March, 2013
Details of fixed deposit as on balance sheet dates with scheduled banks :–		
– HDFC Bank	11,123,832	60,539,294
– Citi Bank	19,560,261	8,250,000
– Bank of India	148,500,000	198,500,000
– State Bank of Travancore	89,400,000	89,400,000
– ICICI Bank	110,000,000	200,000,000
– Corporation Bank	202,204,156	198,331,844
– Punjab national Bank	108,457,298	100,100,000
– State Bank of India	107,806,600	65,162,291
	797,052,147	**920,283,429**
Detail of fixed deposit under lien:–		
– HDFC Bank	1,123,832	1,039,294
– Citi Bank	360,261	2,836,956
	1,484,093	**3,876,250**
2.16 SHORT-TERM LOANS AND ADVANCES (Unsecured)		
a. Security deposit (considered good)	2,330,312	501,317
b. Loans and advances to employees (considered good)		
– Staff loans	1,730,614	3,241,606
– Employee advances	6,670,464	10,584,740
c. Prepaid expenses (considered good)	62,093,759	44,005,542
d. Balances with government authorities (considered good)		
– Advance fringe benefit tax [net of provision ₹ 24,915,859 (₹ 24,915,859)]	2,732,275	2,732,275
– Service tax / VAT credit receivable	51,244,278	5,111,326
– MAT credit entitlement	7,000,000	6,632,094
e. Others		
– Supplier advances		
– Considered good	21,733,733	5,683,830
– Considered doubtful	244,734	–
	21,978,467	5,683,830
Less : Provision for doubtful advances	(244,734)	–
	21,733,733	5,683,830
– Mark-to-market gain on forward contracts (see note 2.31) (considered good)	28,248,379	8,299,043
– Expenses recoverable from customers (considered good)	5,204,541	6,309,929
	188,988,355	**93,101,702**

(Amount in ₹)

Particulars	As at 31 March, 2014	As at 31 March, 2013
2.17 OTHER CURRENT ASSETS		
(Unsecured)		
a. Service Income accrued but not due		
– Considered good	285,112,134	261,186,552
– Considered doubtful	38,992,214	22,421,781
	324,104,348	283,608,333
Less : Provision for service income accrued but not due	(38,992,214)	(22,421,781)
	285,112,134	**261,186,552**
b. Interest accrued but not due on		
– Deposits with banks	27,460,930	29,368,236
Current, non trade investments	6,787,041	786,849
c. Insurance claim recoverable (See note 2.32)	78,926,211	–
	398,286,316	**291,341,637**

(Amount in ₹)

Particulars	Year ended 31 March, 2014	Year ended 31 March, 2013
2.18 INCOME FROM SOFTWARE PRODUCTS AND SERVICES		
a. Software development services and products (see note below)	3,404,878,143	2,937,585,189
b. Sale of goods	57,342,726	–
Total	**3,462,220,869**	**2,937,585,189**

Note:

Income from software development services and products for the year ended 31 March, 2014 includes prior period revenue of ₹ Nil (Year ended 31 March, 2013 : ₹ 4,199,051).

2.19 OTHER INCOME		
a. Interest income on		
– Deposits with banks	65,117,435	71,970,018
– Current, non trade investments	10,017,276	924,548
– Income tax refund	4,496,028	–
b. Dividend income from		
– Current, non trade investments	61,881,880	73,283,265
– Non-current, non trade investment	62,500	50,000
c. Net gain on sale of investments		
– Current, non trade investments	49,710,907	10,328,341
d. Net Gain / (Loss) on foreign currency		
– Gain / (Loss) on exchange fluctuation	13,392,553	28,787,958
– Gain / (Loss) on ineffective hedges (see note 2.31)	89,280	902,320
– Gain / (Loss) on consolidation	(6,073,922)	(1,666,854)
e. Other non–operating income		
– Liabilities and provisions written back	37,016,212	6,703,108
– Net profit on sale of fixed assets/discarded assets	1,657,250	2,979,280
– Rental income	7,263,426	–
– Miscellaneous income	903,449	8,248,506
	245,534,274	**202,510,490**

(Amount in ₹)

Particulars	Year ended 31 March, 2014	Year ended 31 March, 2013
2.20 EMPLOYEE BENEFIT EXPENSES		
a. Salaries and wages	1,665,957,451	1,505,211,415
b. Contribution to provident and other funds	85,058,648	77,114,149
c. Gratuity expense (see note 2.30)	26,053,910	22,790,399
d. Staff welfare expenses	30,679,858	28,940,659
	1,807,749,867	**1,634,056,622**
Employee benefit expenses include remuneration to Key Managerial Personnal :-		
a. Salary	8,786,881	8,369,520
b. Contribution to provident and other funds	360,000	360,000
	9,146,881	**8,729,520**

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	130,105,386	107,094,085
b. Cost of software purchased for delivery to clients	94,983,814	55,877,710
c. Power and fuel	44,899,650	40,270,063
d. Rent (see note 2.23)	95,030,969	109,581,502
e. Repair and maintenance		
– Buildings	8,608,316	3,666,897
– Others	21,853,056	25,714,896
f. Insurance	8,597,995	5,692,983
g. Rates and taxes	4,274,846	3,299,162
h. Travel expenses	199,008,058	202,018,439
i. Advertisement and business promotion	11,479,124	10,573,148
j. Legal and professional (see note 2.25)	82,415,244	88,647,633
k. Directors remuneration (see note below)	8,380,000	7,496,000
l. Conveyance	20,669,010	15,815,948
m. Communication	25,069,178	27,187,866
n. Training and recruitment	34,064,891	13,792,443
o. Loss on Current non trade investments	–	33,066
p. Adjustment to the carrying amount of investments (see note 2.33)	9,350,000	–
q. Conference, exhibition and seminar	17,800,511	18,242,499
r. Information technology expenses	26,274,071	18,262,462
s. Provision for doubtful debts/advances/other current assets	20,866,580	43,661,751
t. Commission to channel partners	18,674,703	10,401,531
u. Customer claim	1,523,375	–
v. Miscellaneous expenses	50,063,509	32,828,657
	933,992,286	**840,158,741**
Note :		
Directors Remuneration includes :		
Non Executive Directors		
a Commission	6,400,000	5,476,000
b. Sitting fees	1,980,000	2,020,000
	8,380,000	**7,496,000**

(Amount in ₹)

Particulars	Year ended 31 March, 2014	Year ended 31 March, 2013
2.22 FINANCE COST		
Bank charges	**5,148,012**	**4,419,833**

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, 2014 is ₹ 95,030,969 (Year ended 31 March, 2013 : ₹ 109,581,502). The future minimum lease expense in respect of non-cancellable leases is as follows:

(Amount in ₹)

Particulars	As at 31 March, 2014	As at 31 March, 2013
Lease obligations payable		
a. Not later than 1 year	30,881,503	14,581,723
b. Later than 1 year but not later than 5 years	10,744,373	–
	41,625,876	**14,581,723**

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).	**22,725,415**	**1,961,645**

b. Other Commitments

As on 31 March, 2014, the Company has outstanding bank guarantee and letter of credits of ₹ 13,617,899 (Previous year ₹ 64,134,981). 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, 2014	Year ended 31 March, 2013
2.25 Auditors Remuneration (excluding service tax) (Refer note below)		
a. As auditors	7,353,076	6,488,812
b. For taxation matters	400,000	350,000
c. For other services	1,055,000	1,130,000
d. Reimbursement of expenses	345,256	279,944
	9,153,332	**8,248,756**

Note : Includes payment to other auditors ₹ 2,229,640 (Year ended 31 March, 2013 : ₹ 2,307,143).

2.26 Earnings per share

a. Profit after taxation available to equity shareholders (Rupees)	643,387,684	451,690,522
b. Weighted average number of equity shares used in calculating basic earnings per share	32,383,699	32,383,534
c. Effect of dilutive issue of shares	–	–
d. Weighted average number of equity shares used in calculating diluted earnings per share	32,383,699	32,383,534
e. Basic earnings per share (Rupees)	19.87	13.95
f. Diluted earnings per share (Rupees)	19.87	13.95

2.27 RELATED PARTY TRANSACTIONS

Key managerial personnel:

- Vishnu R Dusad (Managing Director)
- Kapil Gupta (Director, Subsidiary Company)
- Mark McCoy (Director, Subsidiary Company)

(Amount in ₹)

Particulars	Year ended 31 March, 2014	Year ended 31 March, 2013
Transactions with related parties		
Managerial remuneration [including perquisite value of ₹ 89,003 (previous year ₹ 676,800)]		
– Vishnu R Dusad (Managing Director)	6,449,003	7,036,800
– Kapil Gupta (Director, Subsidiary Company)	2,607,660	2,369,520
– Mark McCoy (Director, Subsidiary Company)	179,221	–
	9,235,884	**9,406,320**

2.28 Research and development expenditure

Expenditure on research and development as per Accounting Standard 26		
Revenue	164,556,919	135,482,672

The Holding 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 center at Noida effective 31 December, 2012 which is valid till 31 March, 2015. The Holding Company has thereafter applied to DSIR for the approval of weighted deduction under section 35(2AB) of the Income Tax Act, 1961, which has been received by the Holding Company in the current year ended 31 March, 2014.

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" notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable. The segmentation is based on the Geographies (reportable primary segment) in which the Group operates and internal reporting systems. The secondary segmentation is based on the nature and type of services rendered.

b. Composition of reportable segments

The Group operates in six main geographical segments: India, Far East, South East Asia, Europe, Middle East and Africa 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. 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, 2014 *(Amount in ₹)*

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Revenue from operations	698,530,552	692,999,788	779,945,962	217,961,256	497,871,702	202,821,956	372,089,653	3,462,220,869
Expenses	451,914,340	290,340,452	671,512,922	119,483,909	196,226,338	87,238,356	148,339,098	1,965,055,415
Segment result	246,616,212	402,659,336	108,433,040	98,477,347	301,645,364	115,583,600	223,750,555	1,497,165,454
Unallocated corporate expenditure								910,677,369
Operating profit before tax								586,488,085
Other income								245,534,274
Profit before tax								832,022,359
Tax Expense								
Net current tax expense								195,223,789
Deferred tax charge/(credit)								(6,589,114)
								188,634,675
Profit for the year								**643,387,684**

b. For the year ended 31 March, 2013 *(Amount in ₹)*

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Revenue from operations	533,324,855	820,439,045	627,323,093	190,033,315	422,431,871	99,625,687	244,407,323	2,937,585,189
Expenses	396,461,739	343,245,785	491,845,791	119,289,719	180,071,895	39,402,771	126,281,916	1,696,599,616
Segment result	136,863,116	477,193,260	135,477,302	70,743,596	242,359,976	60,222,916	118,125,407	1,240,985,573
Unallocated corporate expenditure								842,951,995
Operating profit before tax								398,033,578
Other income								202,510,490
Profit before tax								600,544,068
Tax Expense								
Net current tax expense								153,026,191
Deferred tax charge/(credit)								(4,172,645)
								148,853,546
Profit for the year								**451,690,522**

Assets and liabilities of reportable primary segment are as follows:

a. As at 31 March, 2014 *(Amount in ₹)*

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Segment assets	176,865,380	100,171,939	373,697,399	44,418,533	148,323,638	29,099,194	180,601,711	1,053,177,794
Unallocated corporate assets								4,080,209,135
Total assets								**5,133,386,929**
Segment liabilities	118,917,266	36,741,890	184,879,802	51,032,697	141,624,377	67,473,423	165,636,409	766,305,864
Unallocated corporate liabilities								397,011,203
Total liabilities								**1,163,317,067**
Capital employed								**3,970,069,862**

b. As at 31 March, 2013 *(Amount in ₹)*

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Segment assets	355,468,287	169,011,856	338,878,740	55,399,515	217,390,629	24,356,994	152,368,181	1,312,874,202
Unallocated corporate assets								3,278,056,859
Total assets								**4,590,931,061**
Segment liabilities	375,185,984	30,986,859	135,356,767	60,073,317	141,255,865	47,400,467	139,839,881	930,099,140
Unallocated corporate liabilities								160,932,261
Total liabilities								**1,091,031,401**
Capital employed								**3,499,899,660**

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, 2014 *(Amount in ₹)*

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Capital expenditure	190,010,157	–	1,526,447	–	–	–	92,933	191,629,537
Total capital expenditure								**191,629,537**
Depreciation expenditure	76,513,717	264,132	1,796,757	97,181	–	–	684,413	79,356,200
Total depreciation								**79,356,200**
Segment non-cash expense other than depreciation	12,089,139	32,480	15,564,337	–	2,867,303	(94,065)	(242,614)	30,216,580
Total non cash expenditure other than depreciation	**12,089,139**	**32,480**	**15,564,337**	**–**	**2,867,303**		**(242,614)**	**30,216,580**

b. For the year ended 31 March, 2013

Description	India	Far East	South East Asia	Europe	Middle East	Africa	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**

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, 2014**			
	Revenue	2,379,597,972	1,082,622,897	3,462,220,869
	Carrying amount of segment assets	723,853,225	329,324,569	1,053,177,794
b.	**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

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 ₹ 85,058,648 for the year ended 31 March, 2014 (Year ended 31 March, 2013 : ₹ 77,114,149), have been recognized as an expense in respect of Group's contribution for Provident Fund and other funds 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, 2014

(Amount in ₹)

	Particulars	As at 31 March, 2014	As at 31 March, 2013
a.	Obligation at beginning of the year	98,409,206	89,191,105
	Current service cost	15,844,166	15,213,875
	Interest cost	8,032,879	7,794,919
	Actuarial losses/(gains)	2,183,677	(253,592)
	Benefits paid	(15,037,806)	(13,537,101)
	Obligation at year end	**109,432,122**	**98,409,206**
b.	The Scheme does not have any assets as at the valuation date to meet the gratuity liability.		
c.	Expected employer's contribution next year	26,842,742	23,582,899
d.	**Gratuity cost for the year:**		

(Amount in ₹)

Particulars	Year ended 31 March, 2014	Year ended 31 March, 2013
Current service cost	15,844,166	15,213,875
Interest cost	8,032,879	7,794,919
Actuarial losses/(gains)	2,183,677	(253,592)
Net gratuity cost	**26,060,722**	**22,755,202**

d. **Experience adjustment**

(Amount in ₹)

Particulars	Year ended 31 March, 2010	Year ended 31 March, 2011	Year ended 31 March, 2012	Year ended 31 March, 2013	Year ended 31 March, 2014
Defined benefit obligation	62,565,402	80,156,025	89,191,105	98,409,206	109,432,122
Plan assets	–	–	–	–	–
Surplus/(Deficit)	(62,565,402)	(80,156,025)	(89,191,105)	(98,409,206)	(109,432,122)
Experience adjustment on plan liabilities	(3,924,021)	(1,206,489)	(1,145,180)	(2,428,767)	3,223,503
Experience adjustment on plan assets	–	–	–	–	–

e. Economic assumptions :

	Acturial assumptions for gratuity and long-term compensated absences	
	As at 31 March, 2014	**As at 31 March, 2013**
Discount rate	8.90%	7.85%
Salary escalation rate	7% to 8%	7%
Expected return on plan assets	–	–

Discount rate:

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

Salary escalation rate:

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

f. Demographic assumptions

Retirement age	58 years	58 years
Mortality table	IALM Mortality	LIC (1994-96)

g. 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, 2014	As at 31 March, 2013
In USD	Sell	9,250,000	10,500,000
Equivalent amount in Rupees	Sell	553,890,000	569,940,000

b. Short term loans and advances include net marked to market gain of ₹ 28,248,379 (Previous year ended 31 March, 2013 : ₹ 8,299,043) relating to forward contracts which are outstanding as at year end. The gain on such forward contact which are designated as effective, aggregating to ₹ 28,159,099 (Previous year ended 31 March 2013 : gain of ₹ 7,396,723) have been credited to Hedging Reserve. The gain on ineffective contracts aggregating to ₹ 89,280 (Previous year ended 31 March 2013 : Gain of ₹ 902,320) has been credited to Statement of Profit and Loss.

2.32 Insurance claim recoverable relates to insurance claim filed by the Group towards claim settlement with its customer and expenses incurred in this regard. The management is of view that there is no uncertainty with regard to recoverability of insurance claim and the above insurance claim will be received by the Group.

2.33 The Group has during the year reclassified investment in bonds of Indian Railway Finance Corporation Limited - Trache 1 Series I as non-current investments which was originally held as current investment. Due to this change in classification and in accordance with Accounting Standard (AS) 13, the difference in the fair value of the investment as on the date of transfer and the cost at which these were recorded earlier aggregating to Rs 9,350,000 has been recognised as an adjustment to the carrying value of the investment.

2.34 EXPENSES REIMBURSED BY THE CUSTOMERS :

(Amount in ₹)

Particulars	Year ended 31 Mar 2014	Year ended 31 Mar 2013
Salaries and wages	–	9,537,441

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

(Amount in ₹)

Particulars	Year ended 31 March, 2014	Year ended 31 March, 2013
Software development services and products	3,462,220,869	2,937,585,189
Software development expenses	2,067,702,127	1,855,274,143
Gross Profit	**1,394,518,742**	**1,082,311,046**
Changes in inventories of stock of trade	49,486,419	-
Selling and marketing expenses	361,716,763	333,370,389
General and administration expenses	317,471,275	289,990,664
Operating profit before depreciation	**665,844,285**	**458,949,993**
Depreciation and amortisation expense	79,356,200	60,916,415
Operating profit after depreciation	**586,488,085**	**398,033,578**
Other income	245,534,274	202,510,490
Profit before tax	**832,022,359**	**600,544,068**
Tax expense:		
Net current tax expense	195,223,789	153,026,191
Net deferred tax credit	(6,589,114)	(4,172,645)
Profit for the year	**643,387,684**	**451,690,522**

2.36 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 (f), (g) and (h) below have been audited by other auditors.

a. Name of Subsidiary : VirStra *i*-Technology Services Limited

(Amount in ₹)

Particulars	31 March, 2014	31 March, 2013
At the End of the Year		
Share Capital	10,000,000	10,000,000
Reserves	132,078,758	91,503,834
Total Assets	165,918,913	122,705,288
Total Liabilities	23,840,155	21,201,454
Investments	90,673,412	36,632,675
For the Year Ended		
Turnover	195,551,747	204,865,714
Profit Before Taxation	60,555,168	48,062,584
Provision for Taxation	18,969,658	15,143,728
Profit After Taxation	41,585,510	32,918,855
Dividend*	–	30,000,000

*The Company paid interim dividend of ₹ 300 Lacs during the financial year 2012-13.

b. Name of Subsidiary : Nucleus Software Limited *(Amount in ₹)*

Particulars	31 March, 2014	31 March, 2013
At the End of the Year		
Share Capital	100,000,000	100,000,000
Reserves	(12,338,310)	(18,783,978)
Total Assets	179,234,535	172,982,231
Total Liabilities	91,572,845	91,766,209
Investments	–	–
For the Year Ended		
Turnover	16,759,722	8,257,656
Profit Before Taxation	6,445,668	(3,900,029)
Provision for Taxation	–	–
Profit After Taxation	6,445,668	(3,900,029)
Dividend	–	–

c. Name of Subsidiary : Nucleus Software Netherlands B.V.

Particulars	31 March, 2014		31 March, 2013	
	(Euro)	(₹)	(Euro)	(₹)
At the End of the Year				
Share Capital	400,000	32,904,000	400,000	27,812,000
Reserves	(662,692)	(54,513,044)	(568,710)	(39,542,390)
Total Assets	120,560	9,917,266	489,254	34,017,758
Total Liabilities	383,252	31,526,310	657,964	45,748,148
Investments	–	–	–	–
For the Year Ended				
Turnover	196,626	16,174,455	134,894	9,379,180
Profit Before Taxation	(65,182)	(5,361,871)	(133,170)	(9,259,315)
Provision for Taxation	28,800	2,369,088	–	–
Profit After Taxation	(93,982)	(7,730,959)	(133,170)	(9,259,315)
Proposed Dividend	–	–	–	–

Note: Above figures in INR have been calculated at 1 Euro = ₹ 82.26 and 1 Euro = ₹ 69.53 for the years ended 31 March, 2014 and 31 March, 2013 respectively.

d. Name of Subsidiary : Nucleus Software Japan Kabushiki Kaisha

Particulars	31 March, 2014		31 March, 2013	
	(Japanese Yen)	(₹)	(Japanese Yen)	(₹)
At the End of the Year				
Share Capital	10,000,000	5,850,000	10,000,000	5,754,000
Reserves	45,536,455	26,638,826	43,848,685	25,230,533
Total Assets	125,329,716	73,317,884	203,615,775	117,160,517
Total Liabilities	69,793,261	40,829,058	149,767,090	86,175,984
Investments	–	–	–	–
For the Year Ended				
Turnover	491,847,038	287,730,517	557,226,551	320,628,157
Profit Before Taxation	6,068,473	3,550,057	48,709,710	28,027,567
Provision for Taxation	4,380,704	2,562,712	4,054,183	2,332,777
Profit After Taxation	1,687,769	987,345	44,655,527	25,694,790
Proposed Dividend	–	–	–	–

Note: Above figures in INR have been calculated at 1 Japanese Yen = ₹ 0.5850 and 1 Japanese Yen = ₹ 0.5754 for the years ended 31 March, 2014 and 31 March, 2013 respectively.

e. **Name of Subsidiary :** **Nucleus Software Inc.**

Particulars	31 March, 2014		31 March, 2013	
	(USD)	(₹)	(USD)	(₹)
At the End of the Year				
Share Capital	350,000	20,958,000	350,000	18,998,000
Reserves	608,628	36,444,645	(751,800)	(40,807,704)
Total Assets	2,585,320	154,808,962	2,531,348	137,401,569
Total Liabilities	1,626,692	97,406,317	2,933,148	159,211,273
Investments	–	–	–	–
For the Year Ended				
Turnover	3,837,336	229,779,680	3,011,875	163,484,575
Profit Before Taxation	1,829,853	109,571,598	165,318	8,973,461
Provision for Taxation	469,425	28,109,169	2,507	136,080
Profit After Taxation	1,360,428	81,462,429	162,811	8,837,381
Proposed Dividend	–	–	–	–

Note: Above figures in INR have been calculated at 1 USD = ₹ 59.88 and 1 USD = ₹ 54.28 for the years ended 31 March, 2014 and 31 March, 2013 respectively. Figures for the year ended 31 March, 2013 have been audited by another firm of Chartered Accountants.

f. **Name of Subsidiary :** **Nucleus Software Solutions Pte. Ltd.**

Particulars	31 March, 2014		31 March, 2013	
	(Singapore Dollar)	(₹)	(Singapore Dollar)	(₹)
At the End of the Year				
Share Capital	625,000	29,681,250	625,000	27,281,250
Reserves	4,112,398	195,297,781	5,224,566	228,052,306
Total Assets	7,088,422	336,629,161	7,905,365	345,069,182
Total Liabilities	2,351,024	111,650,130	2,055,799	89,735,626
	–	–	–	–
For the Year Ended				
Turnover	17,449,382	828,671,151	16,087,310	702,211,082
Profit Before Taxation	1,158,110	54,998,644	813,051	35,489,676
Provision for Taxation(Credit/(Expense)	(191,278)	(9,083,792)	(113,603)	(4,958,771)
Profit After Taxation	966,832	45,914,852	699,448	30,530,905
Dividend*	2,079,000	98,731,710	–	–

* The Company paid dividend of SGD 2,079,000 during the financial year 2013-14.

Note: Above figures in INR have been calculated at 1 Singapore Dollar = ₹ 47.49 and 1 Singapore Dollar = ₹ 43.65 for the years ended 31 March, 2014 and 31 March, 2013 respectively.

g. Name of Subsidiary : Nucleus Software Australia Pty. Ltd., Australia
(incorporated on 3 February, 2014)

Particulars	31 March, 2014		31 March, 2013	
	(Australian Dollar)	(₹)	(Australian Dollar)	(₹)
At the End of the Year				
Share Capital	1	56	–	–
Reserves	4,807	266,837	–	–
Total Assets	2,561	142,161	–	–
Total Liabilities	(7,367)	(408,942)	–	–
Investments	–	–	–	–
For the Year Ended				
Turnover	–	–	–	–
Profit Before Taxation	(4,807)	(266,837)	–	–
Provision for Taxation	–	–	–	–
Profit After Taxation	(4,807)	(266,837)	–	–
Proposed Dividend	–	–	–	–

Note: Above figures in INR have been calculated at 1 Australian Dollar = Rs. 55.41 for the year ended 31 March, 2014.

h. Name of Subsidiary : VirStra I-Technology (Singapore) Pte Limited
(wound up with effect from 19 February, 2014)

Particulars	31 March, 2014		31 March, 2013	
	(Singapore Dollar)	(₹)	(Singapore Dollar)	(₹)
At the End of the Year				
Share Capital	–	–	200,000	8,730,000
Reserves	–	–	(200,807)	(8,765,226)
Total Assets	–	–	4,873	212,706
Total Liabilities	–	–	5,680	247,932
Investments	–	–	–	–
For the Year Ended				
Turnover	–	–	597,214	26,068,391
Profit Before Taxation	–	–	587,990	25,665,764
Provision for Taxation	–	–	–	–
Profit After Taxation	–	–	587,990	25,665,764
Proposed Dividend	–	–	–	–

Note: Above figures in INR have been calculated at 1 Singapore Dollar = ₹ 43.65 for the year ended 31 March, 2013.

2.37 Revenue recognised upto the reporting date in respect of contracts in progress at the reporting date aggregates ₹ 815,432,749 (As at 31 March, 2013 : ₹ 840,841,702).

2.38 Previous year figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification/ disclosure.

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

Sd/-
JANKI BALLABH
Chairman

Sd/-
VISHNU R DUSAD
Managing Director & Chief Executive Officer

Sd/-
P K SANGHI
President Finance & Chief Financial Officer

Sd/-
POONAM BHASIN
AVP (Secretarial) & Company Secretary

Place : Noida
Date : 03 May, 2014

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.
- 98.87% of the Company's equity shares are in demat form.
- The Company had 15,008 shareholders as on March 31, 2014.
- 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. There are no options pending for exercise as on March 31, 2014.

D. Dividend Related Data

i. Dividend Policy

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

a) Provisions of The Companies Act, 1956 and other applicable laws, and

b) Cash flows of the Company

The Board of Directors reviews the Dividend Policy periodically.

ii. Dividend Recommended for FY 14

In accordance with the above Policy, the Board of Directors for the 14th consecutive year, have recommended a dividend this year of 30% (₹ 3.00 per equity share of ₹10 each), previous year 30% (₹ 3.00 per equity share of ₹ 10 each) .In addition , on account of completion of 25 years of the Company, the Board has also recommended a onetime special dividend of 30% (₹ 3.00 per equity share of ₹ 10 each), making in all ₹ 6.00 per share as dividend for the year. Dividend is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

iii. Dividend History

The Dividend declared and paid in the previous financial years is given below:

Financial Year	Dividend		
	Percentage (%)	Per Share (in Rs.₹)	Pay Out (In ₹ crore)
2012-13	30%	3.00	9.72
2011-12	25%	2.50	8.10
2010-11	25%	2.50	8.10
2009-10	25%	2.50	8.10
2008-09	25%	2.50	8.09
2007-08*	30%	3.00	9.71
2006-07	35%	3.50	5.64
2005-06	35%	3.50	5.64
2004-05*	25%	2.50	4.02
2003-04	25%	2.50	2.01
2002-03	20%	2.00	1.58
2001-02	20%	2.00	1.58
2000-01	20%	2.00	0.68

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

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

iv. Unclaimed Dividend

Section 124 of the Companies Act 2013 mandates that Companies transfer dividend that has been unclaimed for a period of 7 years from the "Unpaid Dividend Account "to the Investor Education and Protection Fund (IEPF)

Shareholders are cautioned that once unclaimed dividend is transferred to IEPF, no claim shall lie in respect thereof with the Company.

Unclaimed dividends for the financial years 2000-2001, 2001-2002, 2002-03 , 2003-04 , 2004-05 and 2005-06 have been transferred to the IEPF.

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
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 6, 2018
2011-2012 (Final)	July 11, 2012	July 10, 2019	August 9, 2019
2012-2013 (Final)	July 10, 2013	July 9, 2020	August 8, 2020

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 2013-2014:

Date	Open	High	Low	Close	Traded Qty.
	(Share Price in ₹)				
Apr'13	74.80	82.00	72.20	74.60	75,274
May'13	73.40	77.40	70.40	70.80	59,536
June'13	70.10	72.80	68.00	68.75	59,492
July'13	69.80	75.45	66.35	67.55	142,147
Aug'13	65.25	87.90	65.25	83.90	309,862
Sep'13	85.00	96.50	81.80	92.50	204,010
Oct'13	93.65	109.40	82.80	89.30	428,174
Nov'13	90.00	122.80	89.45	111.45	413,596
Dec'13	113.75	143.50	104.70	139.50	688,458
Jan'14	139.45	200.90	133.10	183.00	2,511,774
Feb'14	183.40	216.65	169.95	208.15	1,327,840
Mar'14	209.40	248.00	195.55	217.00	1,809,482
Total Shares Traded					**8,029,645**

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 2013-2014

Date	Open	High	Low	Close	Traded Qty.
	(Share Price in ₹)				
Apr'13	73.00	82.40	72.50	74.30	179,490
May'13	75.30	77.60	70.50	70.80	245,896
June'13	70.65	73.00	68.00	68.25	200,173
July'13	69.50	75.45	66.00	67.65	762,919
Aug'13	67.80	87.90	65.75	84.10	623,652
Sep'13	84.00	96.25	82.10	92.75	617,764
Oct'13	93.95	109.90	85.30	89.40	1,183,798
Nov'13	91.35	122.90	89.20	110.65	1,122,469
Dec'13	110.40	143.05	103.80	139.80	1,720,882
Jan'14	140.15	201.10	133.15	183.15	8,268,865
Feb'14	181.75	216.50	169.00	208.60	4,168,259
Mar'14	208.20	247.90	196.60	217.90	5,178,777
Total Shares Traded					**24,272,944**

Note:

1. *The highest share price of the Nucleus scrip at BSE was ₹ 248.00 in March 2014 and the lowest share price was ₹ 65.25 in August 2013.*
2. *The highest share price of the Nucleus scrip at National Stock Exchange was ₹ 247.90 in March 2014 and the lowest share price was ₹ 65.75 in August 2013.*

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, 2013	82.00	68.00	82.40	68.00
September 30, 2013	96.50	65.25	96.25	65.75
December 31, 2013	143.50	82.80	143.05	85.30
March 31, 2014	248.00	133.10	249.90	133.15

F. Financial Reporting to the Shareholders

i. 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".

ii. The Company sends Quarterly and Annual Results alongwith the Press Release via e-mail, to all its shareholders who have valid e-mails ids registered with their Depository Participants (DP).

iii. 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.

iv. 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.

v. 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

vi. 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.

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.

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

G. Investors' Services

i. Details of request/complaints received during the year 2013-14:

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	12	12	Nil
Revalidation of Dividend warrants	43	43	Nil
Issue of duplicate share certificates	Nil	Nil	Nil
Non receipt of share certificate	1	1	Nil
Non-Receipt of Annual Report	Nil	Nil	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 2013-14.

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 Stakeholder Relationship Committee is authorised to approve transfer of shares, which are received in physical form, and the said Committee approves transfer of shares. The Company obtains from a Company Secretary in practice half-yearly certificate of compliance with the share transfer formalities as required under Clause 47 (c) of the Listing Agreement and files a copy of the certificate with the Stock Exchanges

iv. Dematerialization of Shares and Liquidity

The Company shares are tradebale compulsorily in the Electronic form. Through Karvy Computershare Pvt. Ltd., Registrar and Share Transfer agents, we have established a connectivity with both the depositiories i. e National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL)

All requests for dematerialisation of shares are processed and confirmation is given to the respective Depositories within 15 days.

The Company has De-materialised 32,018,248 shares (98.87% of the paid up share capital) as at March 31, 2014.

To enable us to serve our investors better , we request our shareholders whose shares are in physical mode to dematerliaze their shares and update their bank accounts with the respective depository participants.

v. Investor Service and Grievance Handling Mechanism

The largest Registrar in the country, Karvy Computershare Private Ltd., handles all share related transactions viz. transfer, transmission, transposition, nomination, dividend, change of name/address /signature, registration of mandate/Power of attorney, replacement/split/ consolidation of share certificates/demat/remat of share/ issue of duplicate certificates etc.

Report on shareholders' requests / grievances received and resolved is placed before the Stakeholder Relationship Committee.

Investors are requested to correspond directly with Karvy, on all share related matters. The Company has an established mechanism for investor service and grievance handling with Karvy and the Compliance Office of the Company. 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

vi. 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.

vii. Reconciliation of Share Capital

A qualified practising Company Secretary carries out Secretarial Audit every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. and the total issued and listed capital. The audit confirms that the total issued / paid up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

viii. Legal Proceedings

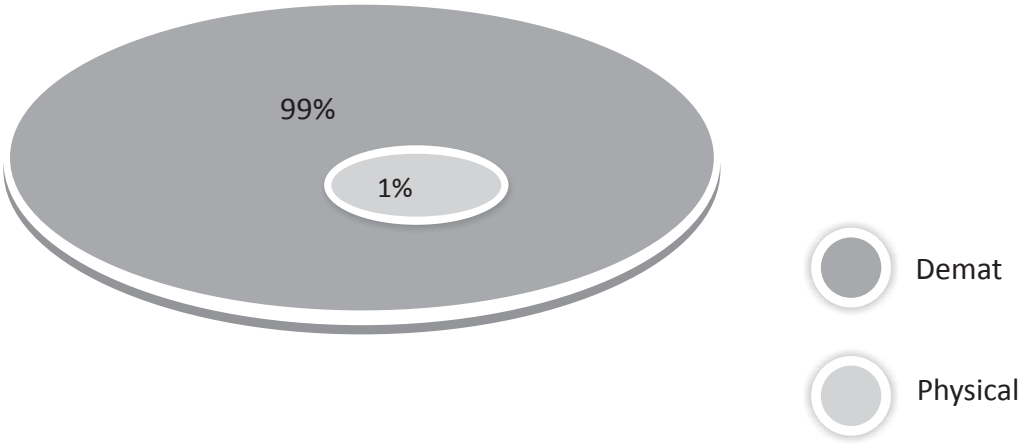
There is one legal proceeding pending against the Company in Court.

H. Shareholding Data

i. Distribution of Shareholding

No of Equity Shares Held		As on March 31, 2014				As on March 31, 2013			
		Share Holders		Shares		Share Holders		Shares	
From	To	(Nos.)	%	(Nos.)	%	(Nos.)	%	(Nos.)	%
1 -	100	9,634	64.19	404,676	1.25	9,485	58.06	423,033	1.31
101	200	1,842	12.28	321,019	0.99	2,193	13.42	378,741	1.17
201	500	1,688	11.25	609,799	1.88	2,317	14.18	804,380	2.48
501	1,000	970	6.46	731,073	2.26	1,325	8.11	1,005,845	3.10
1,001	5,000	677	4.51	1,478,031	4.56	818	5.01	1,747,106	5.40
5,001	10,000	94	0.63	660,368	2.04	104	0.64	755,073	2.33
10,001	and above	103	0.68	28,178,758	87.02	94	0.58	27,269,456	84.21
Total		**15,008**	**100.00**	**32,383,724**	**100.00**	**16,336**	**100.00**	**32,383,634**	**100.00**

Shares held in Physical and Dematerialised form as on March 31, 2014



ii. Categories of Shareholders

Category	As on March 31, 2014			As on March 31, 2013		
	Share Holders (Nos.)	Voting Strength (%)	Shares Held (Nos.)	Share Holders (Nos.)	Voting Strength (%)	Shares Held (Nos.)
Promoter and Promoter Group	11	57.47	18,610,666	9	57.44	18,601,866
Individuals	14,184	21.32	6,904,531	15,486	22.86	7,401,724
Bodies Corporate	458	2.56	830,028	439	2.03	657,531
NRIs	334	1.73	560,994	387	2.07	670,716
FII's	12	7.66	2,481,465	2	5.04	1,632,536
Mutual Funds	7	9.15	2,961,110	11	10.53	3,408,377
Banks and Financial Institutions	2	0.11	34,930	2	0.03	10,884
Total	**15,008**	**100.00**	**32,383,724**	**16,336**	**100.00**	**32,383,634**

iii. Shares under Lock-in

There are no shares under Lock in as on March 31, 2014.

iv. Share Transfers, Demat and Remat

The details of shares transferred in physical form, dematerialised and rematerialised during the year ended March 31, 2014 are given below:

No. of Shares	
– Transferred in physical form	3,850
– Dematerialised	10,150
– Rematerialised	600

I. Directors, Senior Management and Employees of the Company

The Directors of the Company and executive officers including of Subsidiaries, their respective ages and their respective positions with the Company are as follows:

i. Management Structure

Name	Position	Age (In Yrs.)
Janki Ballabh	Chairman	71
Vishnu R Dusad	Managing Director & Chief Executive Officer	57
Prithvi Haldea	Non-Executive Director	63
Sanjiv Sarin	Non-Executive Director	55
Prof. Trilochan Sastry	Non-Executive Director	54
N. Subramaniam	Non-Executive Director	52
Pramod K Sanghi	President - Finance & Chief Financial Officer	59
R. P. Singh	President & Head Global Product Management	53
V. Muralikrishna	Executive Vice President	45
Pankaj Bhatt	Executive Vice President	51
Ahutosh Pandey	Executive Vice President	48
Avnish Datt	Executive Vice President	45
Anurag Bhatia	Senior Vice President	48
Anurag Pandey	Vice President	40
Alok Agrawal	Vice President	42
Anil Aggarwal	Vice President	48
Anthony Edward James Campbell Brown	Vice President	46
Anurag Mantri	Vice President	44
Arup Das	Vice President	43
Ashish Nanda	Vice President	40
Ashutosh Arvind Kapuskar	Vice President	57
Ashwani Arora	Vice President	41
Brajesh Khandelwal	Vice President	44
Gaurav Mehta	Vice President	37
Haruka Homma	Vice President	44
Mark Spencer Looi	Vice President	49
Naresh Kumar Gupta	Vice President	41
Parag Bhise	Vice President	49
R. Venkatraman	Vice President	43
Ramesh Gopal	Vice President	46
Sanjeev Kulshreshtha	Vice President	50
Shobha Ramani Chadha	Vice President	42
Vijay Kumar Sharma	Vice President	49

ii. Employee Structure

a) Employee strength globally including employees of subsidiaries.

As at March 31,	2014		2013	
	No.	%	No.	%
– Technical Staff	1,247	82	1,225	82
– Non-Technical Staff including Business Development Group	273	18	278	18
Total	**1,520**	**100**	**1,503**	**100**
Gender classification of employees is:				
– Male	1,130	74	1,173	78
– Female	390	26	330	22
Total	**1,520**	**100**	**1,503**	**100**

b) The age profile of employees

As at March 31,	2014		2013	
	No.	%	No.	%
Between 20 and 25 years	414	27	318	21
Between 26 and 30 years	354	23	441	29
Between 31 and 40 years	632	42	642	43
Between 41 and 50 years	109	7	85	6
Between 51 years & above	11	1	17	1
Total	**1,520**	**100**	**1,503**	**100**

J. Financial Calendar for the year 2014-15

(Tentative and subject to change)

i. Financial Reporting	
First quarter ending June 30, 2014	between 20th to 31st of July 2014
Second quarter ending September 30, 2014	between 20th to 31st of October 2014
Third quarter ending December 31, 2014	between 20th to 31st of January 2015
Year ending March 31, 2015	between 21st to 30th of April 2015
ii. Annual General Meeting	
Year ending March 31, 2014	July 8, 2014
Year ending March 31, 2015	July, 2015
iii. Dividend	
Date of Book Closure for AGM and payment of Dividend	July 1, 2014 to July 8, 2014 (both days inclusive)
Dividend Payment Date	Within 30 days from the date of declaration in Annual General Meeting
iv. The fiscal year of Nucleus is from April 1 to March 31.	

K. Shareholder Satisfaction Survey

Your Company is in constant endeavor to offer better and prompt services to its shareholders and in an effort to achieve this objective, a Shareholder Satisfaction Survey is conducted, 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 :

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

L. Frequently Asked Questions

i. Dividend

What is the ECS facility and how does it work?

Reserve Bank of India's Electronic Clearance Service (ECS) Facility provides investors an option to collect dividend / interest directly through their bank accounts rather than receiving the same through post. Under this option, investor's bank account is directly credited and an advice thereof is issued by the Company after the transaction is effected. The concerned bank branch credits investor's account and indicate the credit entry as "ECS" in his/ her passbook / statement of account. If any investor maintains more than one bank account, payment can be received at any one of his / her accounts as per the preference of the investor. The investor does not have to open a new bank account for the purpose.

What are the benefits of ECS facility?

Some of the major benefits of ECS Facility are:

a. Shareholder need not make frequent visits to his bank for depositing the physical paper instruments.

b. Prompt credit to the bank account of the investor through electronic clearing at no extra cost.

c. Exposure to delays / loss in postal service avoided.

d. As there can be no loss in transit of warrants, issue of duplicate warrants is avoided.

e. Fraudulent encashment of warrants is avoided.

How to avail ECS facility?

Investors holding shares in physical form may send their ECS Mandate Form, duly filled in, to the Company's R&T Agent. ECS Mandate Form is enclosed for immediate use of investors. The Form may also be downloaded from the Company's website under the section "Investors". However, if shares are held in dematerialised form, ECS mandate has to be sent to the concerned Depository Participant (DP) directly, in the format prescribed by the DP.

Can ECS Facility be opted out by the investors?

ECS would be an additional mode of payment. Investors have the right to opt out from this mode of payment by giving an advance notice of four weeks either to the Company's R&T Agent or to the concerned DP, as the case may be.

What is payment of dividend through NEFT Facility and how does it operate?

NEFT denotes payment of dividend electronically through RBI clearing to selected bank branches, which have implemented Core Banking solutions (CBS). This extends to all over the country, and is not necessarily restricted to the 68 designated centres where payment can be handled through ECS. To facilitate payment through NEFT, the shareholder is required to ensure that the bank branch where his/her account is operated, is under CBS and also records the particulars of the new bank account with the DP with whom the demat account is maintained.

What should one do in case he does not receive dividend?

Shareholders may write to the Company's R&T Agent furnishing the particulars of the dividend not received and quoting the folio number/client ID particulars (in case of dematerialized shares). The R&T Agent shall check the records and issue duplicate dividend warrant if the dividend remains unpaid in the records of the Company after expiry of the validity period of the warrant. The Company would request the concerned shareholders to execute an indemnity before issuing the duplicate warrant. If the validity period of the lost dividend warrant has not expired, shareholders will have to wait till the expiry date since duplicate warrant cannot be issued during the validity of the original warrant. On expiry of the validity period, if the dividend warrant is still shown as unpaid in records of the Company, duplicate warrant will be issued. However, duplicate warrants will not be issued against those shares wherein a 'stop transfer indicator' has been instituted either by virtue of a complaint or by law, unless the procedure for releasing the same has been completed. No duplicate warrant will be issued in respect of dividends, which have remained unpaid / unclaimed for a period of seven years in the unpaid dividend account of the Company as they are required to be transferred to the Investor Education and Protection Fund (IEPF) constituted by the Central Government.

Why should one wait till the expiry of the validity period of the original warrant?

Since the dividend warrants are payable at par at several centers across the country, banks do not accept stop payment' instructions. Hence, shareholders have to wait till the expiry of the validity of the original warrant.

How to get dividend by direct electronic deposit to bank account?

While opening accounts with Depository Participants (DPs), shareholders are required to give details of their Bank Accounts, which will be used by the Company for direct credit of the dividend to the respective accounts. However, members who wish to receive dividend in an Account other than the one specified while opening the Depository Account may notify their DPs about any change in Bank account details. Members are requested to furnish 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.

M. Additional Recommendations to the Shareholders /Investors

In order to minimize /avoid unnecessary risk while dealing with Securities and related matters, the following are Company's recommendations to share holders /investors:

- **Open Demat Account and Dematerialise Your share**

  Investors should convert their physical holding of securities into demat holdings. Holding securities in demat form help investors to get immediate transfer of securities. No stamp duty is payable on transfer of shares held in demat form and risk associated with physical certificates such as forged transfers, fake certificates and bad deliveries are avoided.

- **Consolidate Multiple Folios**

  Investors should consolidate their shareholding held in multiple folios. This would facilitate one-stop tracking of all corporate benefits on the shares and would reduce time and efforts required to monitor multiple folios.

- **Register ECS Mandate and furnish correct bank account particulars with Company/ Depository Participant**

  Investor should provide an ECS mandate to the Company in case of shares held in physical form and ensure that the correct and updated particulars of their bank account are available with the Depository Participant (DP) in case of shares held in demat form. This would facilitate in their receiving direct credits of dividends, refunds etc from companies and avoiding postal delays and loss in transit.

- **Keep holding details confidential**

  Folio number (Client ID and DP ID number in respect of dematerialised securities) should not be disclosed to unknown persons. Signed blank transfer deeds (delivery instruction slips in respect of dematerialised shares) should nor be given to unknown persons.

- **Deal with Registered Intermediaries**

  Investors should transact through a registered intermediary who is subject to regulatory discipline of SEBI, as it will be responsible for its activities, and in case intermediary does not act professionally, investors can take up the matters with SEBI.

- **Mode of Postage**

  Share certificates and high value dividend warrants /cheques/ demand drafts should not be sent by ordinary post. It is recommended that investors should send such instruments by registered post or courier.

- **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.

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

Pramod K Sanghi
President - Finance & Chief Financial Officer
+91 (120) 4031800, *pksanghi@nucleussoftware.com*

Poonam Bhasin
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 14	FY 13	FY 12
Cost of Capital			
Risk Free Debt Cost (%)	8.89	7.21	8.28
Market Premium*	7.00	7.00	7.00
Beta Variant	0.46	0.31	0.30
Cost of Equity	12.14	9.38	10.38
Average Debt/Total Capital (%)	–	–	–
Cost of Debt-Net of Tax(%)	–	–	–
WACC(%)	12.14	9.38	10.38
Average Capital Employed	373.50	332.07	301.05
PAT as a percentage of Average Capital Employed(%)	17.23	13.60	11.74
Economic Value Added (EVA)			
Operating Profit including other income (excluding extraordinary income)	83.20	60.05	48.30
Less: Tax**	18.86	14.89	12.96
NOPAT (Net Operating Profit after Tax)	64.34	45.16	35.34
Cost of Capital (WACC * Invested Capital)	45.33	31.16	31.26
Economic Value Added	**19.01**	**14.00**	**4.08**
Enterprise Value			
Market Value of Equity	705.64	234.78	200.30
Add: Debt	–	–	–
Less: Cash and Cash Equivalents	298.02	266.72	196.16
Enterprise Value	**407.62**	**(31.94)**	**4.14**
Ratios			
EVA as a percentage of average capital employed	5.09	4.22	1.35
Enterprise Value/Average Capital Employed	1.09	(0.10)	0.01

* Market Premium is assumed to be constant always for IT Companies.
** Taxes include withholding taxes.

Notes:

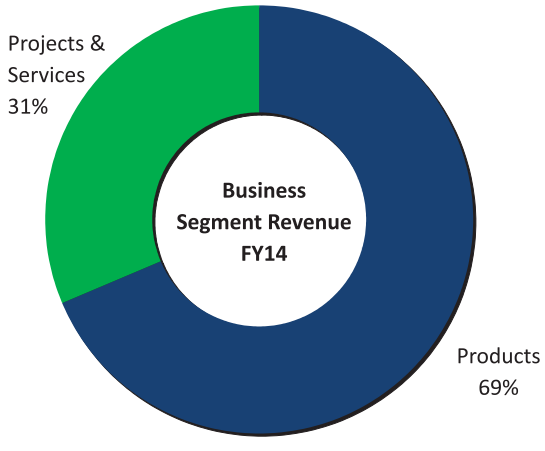
1. Cost of equity = return on risk-free investment + expected risk premium on equity investment adjusted for our beta variant in India.
2. Above figures are based on consolidated financial statements.
3. Cash and cash equivalents includes investments in liquid mutual funds.

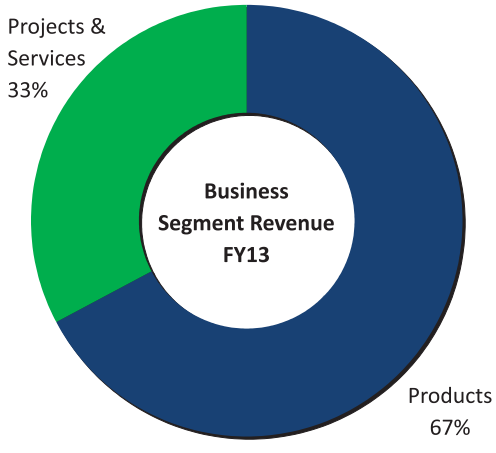
SEGMENT INFORMATION AND RATIO ANALYSIS

Consolidated Segment Information of Nucleus Software Group

(₹ in crore)

REVENUE BY	For the Year Ended March 31,			
	2014	% of Revenue	2013	% of Revenue
GEOGRAPHICAL SEGMENTS				
India	69.85	20.18	53.33	18.15
Far East	69.30	20.02	82.04	27.93
South East Asia	77.99	22.53	62.73	21.35
Europe/ U.K.	21.80	6.30	19.00	6.47
Americas	25.51	7.37	19.73	6.72
Middle East	49.79	14.38	42.24	14.38
Africa	20.28	5.85	9.96	3.39
Rest of the World	11.70	3.37	4.73	1.61
TOTAL	**346.22**	**100.00**	**293.76**	**100.00**
CURRENCY SEGMENT				
Indian Rupee	69.85	20.18	53.33	18.16
US $	172.89	49.94	162.46	55.30
Japanese Yen	28.54	8.24	33.18	11.29
Singapore $	40.31	11.64	29.91	10.18
Malaysian Ringgit	5.36	1.55	6.31	2.15
Euro	9.15	2.64	4.36	1.48
South Korean Won	2.43	0.70	2.74	0.93
British Pound	1.20	0.35	1.21	0.42
Swiss Franc	0.15	0.04	0.17	0.06
Swedish Krona	-	-	0.09	0.03
Australian $	5.00	1.44	-	-
AED	2.42	0.70	-	-
ZAR	8.92	2.58	-	-
TOTAL	**346.22**	**100.00**	**293.76**	**100.00**
BUSINESS SEGMENT				
Products	**237.96**	**68.73**	**197.69**	**67.30**
Own	221.39	63.94	191.89	65.32
Traded	16.57	4.79	5.80	1.97
Projects & Services	**108.26**	**31.27**	**96.07**	**32.70**
TOTAL	**346.22**	**100.00**	**293.76**	**100.00**





Ratio Analysis

Consolidated Performance

For the Year ended March 31,	2014	2013	2012	2011	2010
Ratios- Financial Performance					
Export Revenue/ Revenue (%)	79.82	81.85	81.88	84.89	87.39
Domestic Revenue/ Revenue (%)	20.18	18.15	18.12	15.11	12.61
Total Operating Expenses/ Revenue (%)	80.77	84.38	87.40	88.73	81.47
Operating Profit/ Revenue (%)	19.23	15.63	12.60	11.27	18.53
Depreciation/ Revenue (%)	2.29	2.07	2.64	3.43	3.88
Other Income/ Revenue (%)	6.88	5.84	5.98	3.48	3.30
Tax/ Revenue (%)	5.45	5.07	4.59	1.30	2.04
Effective Tax Rate - Tax/ PBT (%)	22.67	24.79	26.83	11.79	13.40
PAT from Ordinary Activities/ Revenue(%)	11.71	9.44	6.51	6.26	9.86
PAT from Ordinary Activities/Net Worth(%)	10.36	7.97	5.88	5.88	10.62
Ratios- Return					
ROCE (PBIT/ Average Capital Employed) (%)	22.28	18.09	16.05	10.68	17.34
ROANW (PAT/Average Net Worth) (%)	17.23	13.60	11.74	9.42	15.02
Ratios - Balance Sheet					
Debt-Equity Ratio	–	–	–	–	–
Debtors Turnover (Days)	44	87	114	63	72
Asset Turnover Ratio	0.87	0.84	0.90	0.94	1.07
Current Ratio	3.80	3.89	3.91	4.27	2.76
Cash and Equivalents/Shareholders' funds (%)	75.07	76.21	62.44	65.07	59.81
Cash and Equivalents/ Revenue (%)	86.08	90.80	69.50	69.32	55.66
Depreciation/Average Gross Block (%)	6.09	5.02	6.49	8.32	10.09
Technology Investment/ Revenue (%)	4.62	2.36	1.19	0.58	0.18
Ratios - Growth (YoY)					
Growth in Total Revenue (%)	17.86	4.08	4.35	(7.30)	(11.15)
Growth in Export Revenue (%)	14.95	4.03	0.65	(9.95)	(12.58)
Operating Expenses Growth (%)	12.82	0.47	2.79	0.96	(14.74)
Operating Profit Growth (%)	45.05	29.11	16.63	(43.64)	9.01
PAT Growth (%)	42.44	27.82	34.17	(31.41)	19.03
EPS Growth (%)	42.45	27.86	34.19	(31.45)	18.96
Per- Share Data (Period End)					
Earning Per Share from Ordinary Activities (₹)	12.52	8.56	5.71	5.23	8.89
Earning Per Share (Including Other Income) (₹)	19.87	13.95	10.91	8.13	11.86
Cash Earning Per Share from Ordinary Activities (₹)	14.96	10.44	8.00	8.10	12.39
Cash Earning Per Share (Including Other Income)(₹)	22.32	15.83	13.21	11.00	15.36
Book Value Per Share (₹)	122.60	108.08	97.00	88.92	83.74
Price/Earning (Annualized)	10.97	5.20	5.67	10.52	11.62
Price/ Cash Earning (Annualized)	9.76	4.58	4.68	7.78	8.98
Price/Book Value	1.78	0.67	0.64	0.96	1.65
Dividend Per Share (DPS) (₹)	6.00	3.00	2.50	2.50	2.50
Dividend (%)	60	30	25	25	25
Dividend Payout (In ₹ crore)	19.43	9.72	8.10	8.10	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

NUCLEUS SOFTWARE

Nucleus Software Exports Ltd.
CIN : L74899DL1989PLC034594
Corp. Off.: A-39, Sector-62, Noida, U.P.-201307, India
P.: +91-120-4031400 F.: +91-120-4031672
Regd. Off.: 33-35 Thyagraj Nagar Mkt, New Delhi - 110003, India
E.: investorrelations@nucleussoftware.com
W.: www.**nucleussoftware**.com

Nucleus Software, Nucleus Software logo, FinnOne™, FinnOne™ logo and FinnAxia™, FinnAxia™ logo are registered trademarks of Nucleus Software Exports Ltd. All other brand or product names are trademarks or registered marks of their respective owners. Any part of this information from the document may not be copied, modified, reproduced, republished, uploaded, transmitted, posted or distributed in any form without prior written permission from Nucleus Software Exports Ltd. Unauthorized use of the content / information appearing here may violate copyright, trademark and other applicable laws, and could result in criminal or civil penalties.

Copyright © 2008-14 Nucleus Software Exports Ltd., All rights reserved.

Global Offices: New Delhi | Noida | Chennai | Mumbai | Jaipur | Singapore | Tokyo | Seoul | Manila | Sydney | Amsterdam | London | New Jersey | Dubai