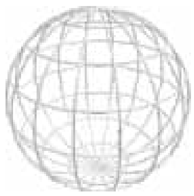
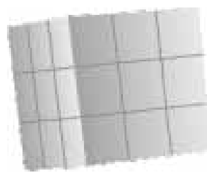
ANNUAL REPORT 2007-08

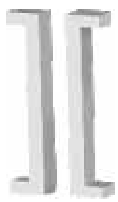
one thought ahead



technology...



possibilities...



solutions...

innovations...

NUCLEUS SOFTWARE

One thought ahead…

No force on earth
is more powerful
than a thought
that turns conventional wisdom
on its head
and opens floodgates to new opportunities . . .

Contents

www.nucleussoftware.com

THE POWER OF 'ALWAYS-ON' INNOVATION

"We appreciate and honour the hard-work and support of all Nucleites, guidance of our Board Members and well-wishers, support of our customers, business associates and shareholders, for making this journey of Nucleus Software a very exciting and thrilling one."

Vishnu R. Dusad, CEO & Managing Director

Dear Shareholder,

With immense pleasure and sense of deep satisfaction, I share with you the performance of your Company for the financial year 2007-08.

Consolidated revenue for the year 2007-08 at Rs. 288.72 crore recorded an increase of 30.53% over revenue of Rs. 221.19 crore in the previous year. Total operating expense for the year was Rs. 215.31 crore against Rs. 157.91 crore in the previous year, representing an increase of 36.34%. Consequently the operating profit for the year was Rs. 73.41 crore, 25.43% of revenue, against Rs. 63.28 crore, 28.61% of revenue in the previous year. Cost of delivery has gone up from 56.56% to 60.45%, primarily due to increased manpower in Product Development.

Consolidated net profit for the year was Rs. 61.74 crore, against Rs. 55.15 crore in the previous year, representing an increase of 11.95%. EPS for the year was Rs. 19.08 against Rs. 17.09 (on post Bonus capital) for the previous year. The Board of Directors have recommended a final dividend of 30%, Rs. 3.00 per share, which is subject to approval of the shareholders in the ensuing Annual General Meeting.

Our focus during FY 08 was on gearing up for the future by investing in Products, Marketing, Infrastructure and Systems & Processes. As a part of our expansion strategy, we have signed an MOU with a leading developer for 17.41 acres of land in a notified SEZ in Jaipur, Rajasthan for setting up our new software development center. Easy accessibility from Delhi, abundance of specific talent related to the Industry, well developed infrastructure and excellent support from the Government, are a few reasons for choosing Jaipur as our next destination. A wholly owned subsidiary, Nucleus Software Limited, has been incorporated in India, in April 2008 to implement this SEZ project.

Revenues from the product business consisting of license, customization, implementation and annual technical support recorded an all time high of 68.37% of total revenue. Almost the entire growth in top line was from the Product Business and we expect it to continue the same way.

Operating cash flow for the year after working capital changes is Rs. 24.40 crore against Rs. 38.73 crore in the previous year. Receivables have increased from Rs. 55.26 crore to Rs. 67.81 crore. Other Current Assets have also increased from Rs. 18.16 crore to Rs. 33.17 crore. The Company continues to enjoy a high level of liquidity. 'Cash and Bank balances' and 'Current Investments' were at Rs. 94.13 crore as on March 31, 2008 against Rs. 81.90 crore as on March 31, 2007. We reiterate our policy of investing conservatively in Liquid Plans and Fixed Maturity plans of Mutual funds.

I take immense pride in sharing with you that your Company has been listed among the "Best 200 under a billion companies in Asia" by Forbes Asia magazine. Our product, FinnOne™ was ranked amongst the top two best selling retail lending software globally by IBS publishing of UK. These recognitions have strengthened our vision of setting new standards and reaching new horizons.

The strengthening of the Indian currency against the US$ has signaled a new paradigm, possibly the end of a comfortable exchange rate regime. With 90% of our revenue from overseas, there is a definite exchange effect on reported volumes. While we do not wish to attribute profitability fluctuations to exchange variations, it is definitely necessary to see volume growth, which looks at comparable throughput. There are short-term adverse effects on revenue and profitability, but the welcome part is the integration with global markets and the need for constant evolution of the Software Products business model. As a policy, we take positions in foreign currency markets to hedge our receivables through a mixture of "Forward Contracts" and "Options", from time to time. We have proactively hedged our currency risk by increasing the coverage while avoiding any high-risk instruments.

We won 24 new product orders for 64 product modules of FinnOne™, our retail loan Suite and Cash@Will™, the cash management product. Last year has been exciting and fulfilling in terms of our endeavor to make our customers realize early return on investments. 70 product modules went live in the year, with FinnOne™ suite contributing 62 and Cash@Will™ contributing 8. The implementations were done across 27 customers globally, and strengthening our footprint in the Middle East by 7 and in the Indian subcontinent by 11. The Cash@Will™ suite is picking up steam with the second country of a global rollout and the largest deployment going live in the year.

The ACOM project, our largest single product order is progressing well. It is now in a full-fledged build mode and we look forward to the year-end delivery. The BeNeLux site implementation for GMAC also went live this year.

As committed in my letter last year, we have ramped up our sales force this year by doubling it. In some countries, we have hired local people to tap the local markets. We have also made substantial investments in sales and marketing in the growing markets of Middle East and Africa; opened our sales prospecting activities in CIS and Eastern Europe, and are now working very hard in Latin America and Mainland Europe, foreseeing a very strong demand for retail banking products. Last year was encouraging in terms of number of RFPs or request for proposals and we received 125 of them. During the year, the Company participated in many events, one of them in the CIS region, another in Boston, at SIBOS which is the Premier World Banking Conference. The responses gathered in these events have fuelled our growth strategy.

As a result of our Product Development initiatives, FinnOne™ suite today covers multiple business areas like auto loans, mortgages, personal loans and SME loans, while Cash@Will™ applications provide end-to-end support in the areas of collections, payments and liquidity management for corporate customers of the financial institutions.

To maintain our competitive edge in the market place, we are following a double benefit approach of technology upgradation and enriching our products to cater to the growing needs of financial institutions.

A new release of all our key modules of FinnOne™, Customer Acquisition System, Loan Management System, and Collections is being scheduled. This new release will enrich our products in the areas of captive auto financing, dealer financing, insurance management, sales lead management, business partner incentive, and payment management. In addition, to meet the growing needs of Islamic banking, FinnOne™ product is being further enhanced and customized to meet the specific business requirements of Islamic banking customers, mainly located in the Middle East.

Our strategy for the future growth includes, to continue focus on banking products, introduce new features, move to new technology, open new markets, achieve even higher level of customer satisfaction and tap opportunities in developed countries arising from the current turmoil in consumer finance and also through replacement of legacy systems.

To meet our strategic goals, we are continuing to recruit aggressively, creating additional infrastructure for future requirements. Besides leasing of land in SEZ, where the development centre will become operational in FY 2010, our new Marketing and support centre is ready for operations at Dubai. We have also opened a branch of our Singapore subsidiary in Korea. This year also saw the commencement of operations of our new marketing and support centre in Mumbai, from new premises.

We have added 404 associates in FY 2008, taking our total strength to 1,936 in March 2008 against 1,532 in March 2007. We have taken several initiatives in the year to strengthen our HR function, which include institutionalizing instructional-based skill development training for our employees, tie-up with a renowned Management Institute for imparting MBA programs for our employees and Annual Incentive Plan for all our employees. They have delivered immense results in terms of meeting objectives and while attrition is still a major concern, it is already on a downward trend in the industry and we expect to address it suitably.

With a strong value-driven culture, your Company has always laid stress on the importance of Corporate Governance and adopted best practices in Corporate Governance. For the second consecutive year, the Company has been selected amongst the **top 25 companies adopting "Good Corporate Governance Practices"** by the Institute of Company Secretaries of India. This stands as a testimony to our commitment for pursuing good Corporate Governance. NASSCOM, the premier organisation that represents and sets the tone for public policy for the Indian software industry, ranked your Company amongst the **top 15 'most exciting emerging IT/BPO companies to work for'.** The Company was also adjudged as one of the **fastest growing companies in Asia Pacific under Deloitte Technology Fast 500** - 2007. We were also conferred with **Oracle Partner of the Year Award in** Fusion Middleware category at an APAC level and also awarded for being the **Fastest Growing ISV in 2007 by Oracle Corporation.**

These accolades have instilled more faith in our values and have motivated us to work with more enthusiasm and commitment to reach the highest standards. We appreciate and honour the hard-work and support of all Nucleites, guidance of our Board Members and well-wishers, support of our customers, business associates and shareholders, for making this journey of Nucleus Software a very exciting and thrilling one.

Vishnu R Dusad
CEO & Managing Director
Date: April 27, 2008


TOMORROW IS IN SIGHT

In the information age, the gap between organisations isn't measured in time or distance. It is measured in ideas.

Since inception, Nucleus has been a frontrunner of change in its chosen mission of creating cutting-edge software products for the banking and financial services sector. A wellspring of innovation, propelled by the power of thinking, Nucleus has always stayed one thought ahead of competition.

With the flagship product Finnone™ continuing its run as an international frontrunner, your company has path-breaking new products in the pipeline. Products that are sharp focused on niche growth segments.

The wealth of specialized expertise amassed over 2 decades enables your company to steadily rise up the value chain and to incrementally strengthen its business model.

THE BIG IDEA GETS BIGGER…

It all began with Finnone™, the cutting-edge retail banking software that expanded the realms of possibility, for global banking and financial services majors. A product of path-breaking R&D based on a deep insight into the emerging scope of global lending business, this flagship product continues to spearhead global growth and has, in fact, paved the way for other outstanding offerings.

Nucleus, a frontrunner in providing software products to the banking and financial services industry witnessed order wins for 64 product modules for FinnOne™ and Cash@Will™ Suite and 24 new product wins from across the globe in the year 2007-08 alone. FinnOne™ Suite has been ranked among the top selling lending software globally for the last three consecutive years by IBS Publishing, UK. These cutting-edge products provide banks and financial institutions worldwide a competitive edge by ensuring better transparency and cost effectiveness.

Experiencing an exponential growth in product business, Nucleus Software has orders spread across USA, Europe, Africa, Middle East, South East Asia and Japan. Aligning the intellectual capital with the company's growth, Nucleus is all set to have its presence felt in over 100 countries in just next two years.

EXPANDING THE THOUGHT SPECTRUM

Spurred on by growing global demand, your company has lined up niche extensions of Finnone™ for Islamic banking and SME segment.

In the face of global challenges like the sub prime crisis, many financial institutions are realizing the strengths and value of products and solutions offered by Indian IT companies operating in the BFSI domain. Banks and financial institutions across the globe are now looking at increased operational efficiency in their lending business, to reduce the cost of lending.

Building Intellectual Property with a foucs on BFSI segment, Nucleus has invested heavily in R&D to create innovative products to address global financial markets. With over 2 decades of specialized experience, Nucleus is ideally poised to help global majors upgrade from existing legacy systems to technologically advanced and cost effective lending solutions across South East Asia, India, Middle East, Africa, Europe, Australia, Japan, Latin America and CIS.

In the coming fiscal, your company will continue to invest in enhancement and development of path beating niche products for delivering enhanced customer value.

NOT JUST THINKING. OUTTHINKING!

In pursuance of the defined objective of thought leadership, your company continues to seek, nurture and reward the industry's finest talent. As on March 31st, the global strength of Nucleus worldwide stands at 1936 highly motivated professionals.

Recognizing mindware as an IT company's biggest asset, a long-term brand equity and relationship building strategy focusing the brightest students of leading engineering institutions is on. Nucleus added new dimensions to its HR policies with innovative practices spanning training, recruitment, compensation and employee development.

Nucleus' employee oriented work culture ensures that the employees' skill set is - Recognised, Utilized and Enhanced.

To encourage young talent, your company recently sponsored and promoted India's first student Formula One car, exclusively designed by IIT Delhi students, for the coveted international Society of Automobile Engineers (SAE) annual competition. It is a matter of special pride for us, and the nation, that Team Axlr8r from IIT Delhi, the first and only Indian team to participate in FSAE WEST 2007 has secured a rank ahead of various teams from USA, UK, Canada, China and Japan.

THINKING IS ON A PREMIUM

Your company's obsessive commitment to innovation has borne rich rewards. Besides growing business and markets, Nucleus Software continues to earn rich accolades and prestigious awards both at the national and international level.

Some of these include:-

- Awarded the "D&B - ECGC Indian Exporters' Excellence Award" by Dun & Bradstreet India (D&B India) and Export Credit Guarantee Corporation of India Ltd (ECGC).
- Listed among the 'Best 200 Under a Billion Companies in Asia' (2007) by Forbes Asia magazine.
- FinnOne™ Suite ranked among the top selling lending software globally for three consecutive years by IBS publishing, UK.
- Amongst the top 15 'Most Exciting Emerging IT/BPO Companies to Work For' according to NASSCOM.
- Selected as one of the top 25 companies adopting "Good Corporate Governance Practices" by the Institute of Company Secretaries of India for second consecutive year in 2007.
- Adjudged as one of the fastest growing companies in Asia Pacific under Deloitte Technology Fast 500 - 2007.
- Oracle Partner of the Year Award in Fusion Middleware category at an APAC level.
- Awarded for being the Fastest Growing ISV in 2007 by Oracle Corporation.

Board of Directors

Lt. Gen. T.P. Singh (Retd.)
Chairman

Vishnu R Dusad
CEO & Managing Director

Arun Shekhar Aran
Director

Prithvi Haldea
Director

Suresh Joshi
Director

Sanjiv Sarin
Director

Offices

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

Corporate Office
Nucleus Software Exports Ltd.
A-39, Sector 62, NOIDA - 201307, India
Ph: + 91-120-4031400 Fax: + 91-120-24620872

Company Secretary

Poonam Bhasin

Auditors

BSR & Co.
Chartered Accountants

Bankers

Citibank
HDFC Bank

Year at a Glance

Rs. in crore, except per share data

	CONSOLIDATED PERFORMANCE	
For the Year Ended March 31	**2008**	**2007**
Revenue from Operations	288.72	221.19
Operating Profit (EBITDA)	73.41	63.28
Profit after Tax (PAT)	61.74	55.15
EBITDA as a % of Revenue from Operations	25.43%	28.61%
PAT as a % of Revenue from Operations	21.38%	24.93%
EPS	19.08	17.09*
Dividend Per Share	3.00	3.50
Dividend Payout	9.71	5.64
At the End of the Year		
Share Capital	32.37	16.16
Reserves and Surplus	182.95	149.03
Net Worth	215.32	165.19
Total Assets	216.25	166.19
Net Fixed Assets	59.16	55.07
Investments	90.57	69.01
Current Assets	135.14	109.93
Cash and Cash Equivalents	94.13	81.90
Working Capital	66.26	42.11
Market Capitalisation	615.14	1,546.38
No. of Shareholders	12,379	7,954
No. of Shares (Face Value of Rs.10.00)	32,367,024	16,160,312

* Adjusted for the issue of Bonus Shares in ratio 1:1 in August 2007.

Notes:

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

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

Year at a Glance

All figures in US$'000 except per share data

	CONSOLIDATED PERFORMANCE	
For the Year Ended March 31	**2008**	**2007**
Revenue from Operations	72,361	50,557
Operating Profit (EBITDA)	18,398	14,464
Profit after Tax	15,474	12,605
EBITDA as a % of Revenue from Operations	25.43%	28.61%
PAT as a % of Revenue from Operations	21.38%	24.93%
EPS	0.48	0.39*
Dividend Per Share	0.08	0.08
Dividend Payout	2,434	1,289
At the End of the Year		
Share Capital	8,113	3,694
Reserves and Surplus	45,852	34,064
Net Worth	53,965	37,758
Total Assets	54,198	37,986
Net Fixed Assets	14,827	12,587
Investments	22,699	15,774
Current Assets	33,870	25,074
Cash and Cash Equivalents	23,591	18,720
Working Capital	16,607	9,625
Market Capitalisation	154,169	353,458
US$ Exchange Rate (In Rs.)	39.90	43.75

* Adjusted for the issue of Bonus Shares in ratio 1:1 in August 2007.

Notes:

1) Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the year.
2) While calculating the figures of group, intergroup transactions have been ignored.

DIRECTORS' REPORT

Directors' Report

To the Members,

We have pleasure in presenting the nineteenth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2008.

1. FINANCIAL RESULTS – Nucleus Software Exports Ltd.

(Rs in crore)

For the Year Ended March 31,	2008	% Of Revenue	2007	% of Revenue
Revenue from Operations	**196.95**	**100.00**	**146.53**	100.00
Software Development Expenses	109.93	55.81	73.54	50.19
Gross Profit	**87.02**	**44.19**	**72.99**	**49.81**
Selling and Marketing Expenses	14.12	7.17	12.07	8.24
General and Administration Expenses	15.61	7.93	11.59	7.91
Operating Profit (EBITDA)	**57.29**	**29.09**	**49.33**	**33.67**
Depreciation	8.10	4.11	5.20	3.55
Withholding Taxes Charged off	4.15	2.11	4.67	3.19
Operating Profit after Interest, Depreciation and Withholding Taxes	45.04	22.87	39.46	26.93
Other Income	17.02	8.64	4.66	3.18
Profit Before Tax	**62.06**	**31.51**	**44.12**	**30.11**
Provision for Taxation				
- Current	6.20	3.15	0.31	0.21
- MAT Credit Entitlement	(5.41)	(2.75)	-	0.00
- Fringe Benefit	0.72	0.36	0.61	0.42
- Deferred	(0.22)	(0.11)	0.29	0.20
- Earlier Year Tax	-	0.00	0.01	0.01
Profit After Tax	**60.77**	**30.85**	**42.90**	**29.28**
Dividend	9.71		5.64	
Tax on Dividend	1.65		0.79	
Transferred to General Reserve	6.08		10.00	
Profit Retained in Profit and Loss Account	43.33		26.47	
EPS (In Rs. for Equity Share of par value Rs.10/- each)				
Basic	**18.78**		**13.29***	
Diluted	**18.63**		**13.22***	

* Adjusted for the issue of Bonus Shares in ratio 1:1 in August 2007.

FINANCIAL RESULTS – Consolidated

(Rs in Crore)

For the Year Ended March 31,	2008	% Of Revenue	2007	% of Revenue
Revenue from Operations	**288.72**	**100.00**	**221.19**	**100.00**
Software Development Expenses	174.52	60.45	125.11	56.56
Gross Profit	**114.20**	**39.55**	**96.08**	**43.44**
Selling and Marketing Expenses	20.63	7.15	17.93	8.11
General and Administration Expenses	20.16	6.98	14.87	6.72
Operating Profit (EBITDA)	**73.41**	**25.43**	**63.28**	**28.61**
Depreciation	11.85	4.10	6.88	3.11
Withholding Tax Charged off	4.15	1.44	4.68	2.12
Operating Profit After Interest, Depreciation and Withholding Taxes	57.41	19.88	51.72	23.38
Other Income	7.05	2.44	5.62	2.54
Profit Before Tax	**64.46**	**22.33**	**57.34**	**25.92**
Provision for Tax				
- Current	8.30	2.87	0.96	0.43
- MAT credit entitlement	(5.96)	(2.06)	-	-
- Fringe benefit	0.71	0.25	0.61	0.28
- Deferred	(0.28)	(0.10)	0.39	0.18
- Earlier year tax	(0.05)	(0.02)	0.23	0.10
Profit After Tax	**61.74**	**21.38**	**55.15**	**24.93**
EPS (In Rs. for Equity Share of par value Rs.10/- each)				
Basic	**19.08**		**17.09***	
Diluted	**18.93**		**16.99***	

* Adjusted for the issue of Bonus Shares in ratio 1:1 in August 2007.

2. RESULTS OF OPERATIONS

a) Nucleus Software Exports Ltd.

The total revenue from operations of your Company for the year increased by 34% to Rs.196.95 crore from Rs.146.53 crore in the previous year. Total operating expenses for the year were Rs.139.66 crore against Rs.97.20 crore in the previous year, an increase of 44%. Operating profit (EBITDA) increased to Rs.57.29 crore, 29% of revenue, from Rs.49.33 crore, 34% of revenue in the previous year. In absolute terms, the operating profit grew by 16.15% over the previous year.

With other income increasing to Rs.17.01 crore from Rs.4.66 crore in the previous year, Profit after Tax for the year increased by 42% to Rs.60.77 crore from Rs.42.90 crore in the previous year.

b) Consolidated Operations

Your Company's revenue from operations, on a consolidated basis, increased by 31% to Rs.288.72 crore for the year against Rs.221.19 crore in the previous year. Total operational expenses for the year at Rs.215.31 crore were 36 % higher than Rs.157.91 crore in the previous year. Operating profit (EBITDA) increased to Rs.73.41crore, 25% of revenue, from Rs.63.28 crore, 29% of revenue in the previous year. In absolute terms, the operating profit grew by 16 % over the previous year.

Profit after Tax for the year increased by 12% to Rs.61.74 crore from Rs.55.15 crore in the previous year.

3. DIVIDEND

Your Directors are pleased to recommend a dividend of 30% (Rs.3.00 per Equity Share of Rs.10.00 each) on post-bonus capital, subject to the approval by the Shareholders at the forthcoming Annual General Meeting.

The total amount of dividend payout will be Rs.9.71 crore (on post-bonus capital consequent to a 1:1 bonus issue in August 2007), 16 % of consolidated profits for the year against a payout of Rs.5.64 crore, 10% of consolidated profits in the previous year.

The Register of Members and Share Transfer Books shall remain closed during the period 1 July to 8 July 2008 (both days inclusive) for the purpose of Annual General Meeting and for payment of dividend. The dividend, if approved at the Annual General Meeting, will be payable to Members whose names appear on the Register of Members of the Company on July 1, 2008, 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, 2008.

Pursuant to the provisions of Sec 205A (5) of the Companies Act, 1956, the Company has transferred Rs.28,762, being unpaid / unclaimed dividend for the financial year ended March 2001 , to the Investor Education and Protection Fund (IEPF) established by the Central Government.

4. BONUS SHARES

The Shareholders had approved a bonus issue of one share for each equity share held at the Annual General Meeting held on July 6, 2007. The bonus shares were allotted on August 8, 2007, and were admitted for trading.

5. INCREASE IN SHARE CAPITAL

During the year, the authorised share capital of the Company was increased from Rs.20 crore to Rs.40 crore consisting of 4 crore equity shares of Rs.10.00 each.

Paid up share capital of the Company increased from 16,160,312 equity shares of Rs.10.00 each on March 31, 2007 to 32,367,024 equity shares of Rs.10.00 each on March 31,2008.

The increase in paid up capital is consequent to :

- Allotment of 24,400 fully paid up equity shares of Rs.10.00 each in pursuance of stock options exercised in July 2007 and October 2007. Stock options exercised in October 2007 , (post-bonus allotment) have been adjusted for bonus issue in the ratio of 1:1.

- Allotment of 16,182,312 fully paid up equity shares of Rs.10.00 each as bonus shares by capitalization of Securities Premium account in the ratio of 1:1 to shareholders holding equity shares of the Company on August 6, 2007, the record date.

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

6. REVIEW OF BUSINESS & OUTLOOK

The Indian software industry truly symbolizes India's strength in the knowledge-based global economy. Highly skilled human resources coupled with world-class quality processes have transformed India into a global powerhouse in the Information Technology (IT) sector.

With a clear vision of developing 'Products', your Company continues its focus on innovative product solutions for the Banking & Financial Services sector. Within this space, it has carved a niche for itself in the "Retail Loans" segment. Leading the Indian software product growth story, FinnOne™, the flagship product of your Company has secured the No. 2 position globally amongst the Retail Lending Solution Providers for the year 2007, as reported by IBS Publishing.

FY 08 has been characterized by the sub-prime crisis in the US followed by large mark-to-market losses reported globally by banks and the collapse of venerable financial institutions. While one can witness reduced IT spending in markets like the US, we believe this is short-term and that increased perception of risk will drive demand for technology solutions and improve demand for software products globally in the medium term. The sub-prime crisis has not had any visible impact on the business of your Company given our current minuscule sales in the US. Emerging markets and Japan continue to constitute the bulk of our business and we continue to do well in these markets. As the global market for innovative solutions evolves further, your Company finds itself strategically placed with wide array of products to cater to the demand. We believe that in the future, Indian product Companies will gain greater market share in the global software market.

With a product centric strategy, your Company will continue to invest in both functional and technology-related developments. While penetrating new markets will be our focus, we will strive to achieve higher level of customer satisfaction in our existing markets and continue to acquire and build talent.

7. NOTABLE ACCOLADES RECEIVED DURING THE YEAR

- Nucleus Software has been listed amongst the top **'15 most exciting emerging IT/BPO companies to work for'** by Nasscom.
- Nucleus Software has been listed among the **'Best 200 Under a Billion Companies in Asia' (2007)** by Forbes Asia magazine.
- Nucleus Software's flagship product FinnOne™ was recognized as the **"No. 2 Best Selling Retail Lending Software" by IBS Publishing** for the year 2007.
- Nucleus Software was selected as one of the top 25 companies adopting **"Good Corporate Governance Practices" by the Institute of Company Secretaries of India** for the second consecutive year in 2007**.**
- Nucleus Software conferred as **"Partner of the Year – 2007, Fastest Growth in ISV by Oracle"** at India Partner Forum 2007
- Nucleus Software was adjudged as **"one of the fastest growing companies in Asia Pacific"** under Deloitte Technology Fast 500 -2007

8. SUBSIDIARIES

The Company had following wholly owned subsidiaries as on March 31, 2008:

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

A new wholly–owned subsidiary 'Nucleus Software Limited' has been incorporated in the month of April 2008 in India, with its registered office in New Delhi. The main object of this Company is to develop software products and provide software services, from our new additional location to be set up at Jaipur.

Your Company received an interim dividend of Rs.10 crore from Virstra I-Technology Services Ltd., a wholly owned subsidiary during the year.

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

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

9. INFRASTRUCTURE

The construction of Phase 2 facility at our NOIDA, India campus is now complete. This facility consisting of basement and eight floors includes a parking area for 125+ two wheelers, a 6,000 square feet cafeteria and food zone for seating 300+ employees, a 1,220 square feet data centre and six floors of seating capacity occupying 6,070 square feet per floor. With this, our NOIDA office has a total constructed area of 2,00,000 square feet.

During the year, the Company's development centre at Chennai moved to new premises. With a capacity of over 200 seats, this centre is a state-of-the-art facility with world-class infrastructure to support growing customer needs. The marketing and support centre in Mumbai also commenced operations from its new premises. A new marketing and support center in Dubai Internet City shall start operations shortly.

10. SPECIAL ECONOMIC ZONE PROJECT

In line with the growing needs of business and our expansion plan, we have made arrangements for acquisition of 17.41 acres of land in an SEZ in Jaipur at a private sector multi-product Special Economic Zone, being developed by one of the largest industrial houses in India.

Jaipur is a new destination for the IT sector and with a large pool of fresh engineering graduates, the industry is expected to grow at a fast pace. Easy accessibility from Delhi, excellent social infrastructure, low cost of operations, specific talent related to the industry, well developed infrastructure and excellent support from the Government, are one of the few reasons for your Company choosing Jaipur as its next destination.

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

Other fiscal benefits including indirect tax waivers are being extended for setting up, operation and maintenance of the unit.

Your Company proposes to implement the SEZ project through the new subsidiary, Nucleus Software Limited, which has been incorporated in April 2008. We expect to take possession of land in the first quarter of FY 09 and commence construction of the first phase subsequently. The project cost shall be met from internal accruals of the Company.

11. QUALITY PROCESSES

In the area of Quality Assurance, your Company has enhanced its process maturity on various aspects during this year with respect to being a product Company. Processes have been extended from "development, delivery and support" phases to "product creation and product management" phases.

Business unit level sessions were held during the year to enable a high level of integrated project management environment and reference material has been created by experts, learning from experiences gained from delivered projects, to make even better delivery to future clients.

With the introduction of configuration management tool, workflow has been automated to increase productivity and reduce defects. Your Company now has plans to move ahead to a certification under CMMI V1.2

12. HUMAN RESOURCE MANAGEMENT

The world today is witnessing a significant growth of the software industry and its enormous business potential, India is on its way to become one of the major players in this field. One of the key drivers of this success has been the availability of competent workforce.

Looking at the business needs and projections, your Company has been consistently recruiting highly skilled professionals. We are also constantly focusing on developing competencies by incorporating objective performance measurement techniques and systems. Skills are mapped and a skill inventory base built up for effective and timely deployment of resources for customer satisfaction. Human resource management has been one of the key business driver. Leadership development, career progressions and resource utilization have also been the focus areas of your Company.

Your Company believes that it is the human resource, driven by values, which makes the key difference. Towards this end, specific programs to ensure regular reaffirmation of personal and organizational values are conducted. Your Company also lays a great emphasis on providing a warm and open environment for employee communication.

Your Company has dedicated training facilities and an exclusive trainers' group consisting of voluntary internal trainers sourced across cross-functional areas who help in nurturing talent. During the year, various HR initiatives such as Competency Assessment, Competency Mapping, Behavioural Soft Skill Trainings including basic and advanced Tech trainings (technology and product oriented) have been a major focus. During the year, your Company tied up with a renowned Management Institute for two years Advanced Post Graduate Diploma in Management course. This course is conducted in the Company premises in Distance Learning Mode for our employees.

13. ADDITIONAL INFORMATION TO SHAREHOLDERS

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

14. SECRETARIAL AUDIT

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

The Secretarial Audit Report confirmed that your Company is fully compliant with the provisions of Companies Act 1956, SEBI regulations and guidelines and the Listing Agreement as applicable to the Company.

15. LIQUIDITY AND CASH EQUIVALENTS

Your Company retains the status as a debt-free Company. It has been consistently following a conservative investment policy over the years, maintaining a reasonably high level of cash and cash equivalents which enable the Company to not only eliminate short and medium term liquidity risks but also undertake capital expenditure for scaling up operations at a short notice. This approach leads to a larger shareholder value in the long term and is consistent with our vision of growth.

Our liquidity position continues to be strong with cash and cash equivalents reaching 44% of our total assets at Rs.94.13 crore.

During the year, internal cash accruals more than adequately covered the working capital requirements, capital expenditure and dividend payments. As of March 31, 2008 investments in liquid funds stood at Rs.76.63 crore (Rs.55.07 crore as on March 31, 2007) and are detailed in the accounts. Your Company has invested these funds in blue chip liquid plans and Fixed Maturity Plans of mutual funds.

With cash and bank balances, at a consolidated level, including fixed deposits with banks at Rs.17.50 crore as on March 31,2008, (Rs.26.82 crore as on March 31, 2007), the total liquid funds with the Company are Rs.94.13 crore as on March 31,2008, (Rs.81.89 crore as on March 31, 2007). The Company has built up reasonable liquidity to meet all its medium term commitments and can easily invest in upgrading and enlarging the infrastructure without any borrowings.

16. FOREIGN EXCHANGE RISK

In April 2007, the Indian Rupee, the reporting currency of the Company, appreciated significantly against the US $ and continued to appreciate through the year under review. From Rs.43.75 to a Dollar on March 31, 2007, the appreciation was to Rs.40.84 on June 30, 2007 and to Rs.39.90 on March 31, 2008. With our overseas billings being largely dollar-denominated, this appreciation had a negative effect on our turnover and margins. While our robust and product centric model enabled us to grow volumes and achieve a 30% growth in revenue at the consolidated level, profitability was a larger challenge with higher expenditure on product development.

To mitigate risk, we have substantially enhanced hedging values and simultaneously instituted robust controls at the audit committee level. In the medium term, we will continue to examine an economic global product development and delivery model and look for competitive advantage wherever available including in overseas geographies.

17. FIXED DEPOSITS

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

18. AUDITORS

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

19. DIRECTORS

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

Mr. Arun Shekhar Aran and Mr. Sanjiv Sarin, Directors of the Company, shall retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

20. CORPORATE GOVERNANCE

The Corporate Governance philosophy of your Company is to comply with not only the statutory requirements, but also voluntarily formulate and adhere to a set of strong Corporate Governance practices. We believe that sound Corporate Governance is critical to enhance and retain investors' trust. The responsibility for this lies entirely with the Board of Directors and the Management of the Company. The driving forces of Corporate Governance at Nucleus are its core values, which are: belief in people, entrepreneurship, customer orientation and pursuit of excellence. The Company's goal is to find creative and productive ways of keeping its stakeholders, such as investors, customers and associates informed, while fulfilling the role of a responsible corporate committed to best practices.

The Board and the Company Management strive hard to best serve the interests of all stakeholders including shareholders, customers, Government and the society at large.

In addition to being compliant with statutory provisions of Clause 49 of the Listing Agreement, your Company has put in place several non-mandatory recommendations including Training of Board members, "Whistle Blower Policy" and "Remuneration Committee". Significantly, 4 out of 6 directors on the Board continue to be Independent Directors.

We are pleased to state that your Company was short listed as one of the Top 25 Companies adopting "Good Corporate Governance Practices" by the Institute of Company Secretaries of India for the second successive year in 2007.

21. EMPLOYEE STOCK OPTION PLAN

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

Particulars	1999 Plan	2002 Plan	2005 Plan	2006 Plan
(a) Total number of options under the Plan	170,000	225,000	6,00,000	1,000,000
(b) Pricing formula	Rs.24/- per option	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	Nil	Nil	Nil	Nil
(d) Options vested as of March 31,2008	Nil (There are no options vested and not exercised as on March 31, 2008)	30,450	42,600	11,786
(e) (i) Options exercised during the year – *Pre-bonus allotment*	5,700	16,300	Nil	Nil
(ii) Total number of shares arising as a result of exercise of above option during the year – *Pre bonus allotment*	5,700	16,300	Nil	Nil
(f) (i) Options exercised during the year – *Post-bonus allotment*	Nil	1,200	Nil	Nil
(ii) Total number of shares arising as a result of exercise of above option during the year- Post bonus allotment*	Nil	2,400	Nil	Nil
(g) Options forfeited during the year	Nil	700	Nil	22,000
(h) Variation of terms of options during the year	Nil	Nil	Nil	Nil
(i) Amount realized by exercise of options during the year (Rs.)	79,800	5,112,000	Nil	Nil
(j) Total number of options in force as on March 31,2008	Nil	141,550	142,000	249,860
(k) Details of options granted during the year ended March 31, 2008 to:				
(i) Senior managerial personnel of the Company:	Nil	Nil	Nil	Nil
(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.	Nil	Nil	Nil	Nil
(iii) Identified employees who were granted option , during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversion) of the Company at the time of grant.	Nil	Nil	Nil	Nil
(l) Weighted average exercise price of options	24.00	336.50	356.48	475.11
(m) Weighted average fair value of the options	381.76	292.09	183.55	191.68

*The Company has issued Bonus shares in the ratio of 1:1 in August 2007 and in accordance with statutory approvals all existing options exercised after the Record Date will entitle the option holders for 2 shares for every 1 share held.

The Company has used intrinsic value of stock options to determine compensation cost. Had compensation cost for the ESOP been determined in a manner with the fair value approach, the Company's net income and EPS would be impacted as given below:

Net Income	As Reported	Rs.60.77 crore
	Less: Adjusted Amount	Rs.2.97 crore
Adjusted Net Income		Rs.57.80 crore
Basic and Diluted EPS		
	As Reported	
	Basic	18.78
	Diluted	18.63
	After Adjustment	
	Basic	17.86
	Diluted	17.72

Your Company has adopted Black Scholes option pricing model to determine the fair value of stock options. The significant assumptions are:

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

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

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

23. PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' Report for the year ended March 31, 2008 is annexed as Annexure- B.

24. DIRECTORS' RESPONSIBILITY

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

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

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

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

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

25. ACKNOWLEDGMENTS

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

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

For and on behalf of the Board of Directors

Noida (U.P.)
April 27, 2008

Lt. Gen. T. P. Singh (Retd.)
Chairman

ANNEXURE A

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

A. DETAILS OF CONSERVATION OF ENERGY

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

1. Use of latest technology such as T5 and CFL lights to economize our electrical consumptions.
2. Use of eco-friendly gas (FM 200) in our fire suppression system in the data center
3. Rain water harvesting
4. Use of AAC blocks in construction for keeping the load and pressure on air-conditioning minimal.
5. Use of furniture and equipment products that are standard and branded, and which comply with environment-friendly specification.
6. Implementation of Green building" designs and construction which had dramatically reduced the enormous amounts of energy that buildings consume in heating, cooling, lighting and water use.

Your Company is always in search of innovative and efficient energy conservation technologies and applies these prudently.

B. RESEARCH AND DEVELOPMENT

Your Company firmly believes that ongoing research and development is the key to sustained development; and accordingly, we continually invest in research and development of new products and services, designs, frameworks, processes and methodologies. This effort creates a strong quality culture and enhances productivity and customer satisfaction.

1. R & D Initiatives in Specific Areas

Your Company is one of the few IT companies in India, which is focused on the business of building its own Intellectual Property. Since 1989, Nucleus has been continuously involved in Research and Development activities to develop new business applications for the banking industry. These business applications help Nucleus' clients improve their operational efficiencies and meet rising expectations of their customers. At the same time, these reduce operational costs and increase profitability.

Your Company focuses on the business applications for the banking and financial services. The Research and Development investments are focused to get a deep understanding of the banking business processes and develop technologies and products which can improve these processes bringing about fundamental changes in the way businesses operate.

The R&D expenditure is focused on two fronts: one is to develop new business applications covering new areas of banking, and the second applies to the core research in the arena of new technologies.

To maintain the competitive edge in the market place, apart from the technology upgradation being undertaken, the flagship product FinnOne™ is being enhanced to cater to the growing needs of financial institutions.

2. Benefits of the Above R & D

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

During the year as part of technology upgrade strategy, work started on migration of our flagship product FinnOne™ Lending to the Java J2EE platform. The migration is in progress and the product would be released this year.

The FinnOne™ suite today covers multiple business areas like auto loans, mortgages, personal loans, and SME loans, while Cash@Will™ applications provide end-to-end support in the areas of collections, payments and liquidity management for corporate customers of the financial institutions.

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

3. Future Plan of Action

With our business model continuing to yield positive results, the Company is now planning to invest further in product development and add new products to the portfolio. Planned new release of all the key modules will enrich our products in the area of captive auto financing, dealer financing, insurance management, sales lead management, business partner incentive, and payment management.

In addition, to meet the growing needs of Islamic banking, FinnOne™ product is being further enhanced to meet the specific business requirements of Islamic banking customers, located mainly in the Middle East.

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

C. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Efforts Towards Technology Absorption, Adaptation and Innovation:

Your Company realizes the importance of innovation and constant improvement in key areas of business. As business and technologies are changing constantly, investment in research and development activities is of paramount importance. Your Company continued its focus on quality 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 grass-root level.

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

D. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Export Initiatives and Development of New Export Markets

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

We are looking for opportunities in developed countries arising from the current turmoil in consumer finance and also through replacement of legacy system. At the same time, we have made substantial investments in sales and marketing in the growing markets in Middle East and Africa.

In FY 08, foreign exchange earnings from software products and services, at Rs.163.25 crore, 83% of total revenue grew by 36% over Rs.120.07 crore, 82% of the total revenue in FY 07.

2. Foreign Exchange Earned and Used

Year Ended March 31	2008	2007
Foreign Exchange earnings	163.25	120.07
Foreign Exchange outgo (Including capital goods)	24.57	20.01

For and on behalf of the Board of Directors

Noida (U.P.)
April 27, 2008

Lt. Gen. T. P. Singh (Retd.)
Chairman

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

Sl No.	Name	Designation	Qualification	Age yrs.	Date of Joining	Experience Yrs.	Gross Remuneration (Rs.)	Designation - Previous Employment
1	Abhijit Mittra	Vice President	MA,PGDM Com. Soft. Appl.	44	21-Jul-99	22	6,094,582	Manager - RPG ITOCHU Finance Ltd
2	Anurag Bhatia	Vice President	MCA	42	15-Jan-96	18	3,582,463	System Analyst - TCS Limited
3	Dharamvir Rohilla	Vice President	M.Sc	54	23-Nov-06	31	3,529,157	Group Manager - Perot System
4	Inamdar Bhalchandra C.	Vice President	M.Sc	47	5-Jan-04	23	3,492,551	General Manager (Operations) - Walchand Infotech
5	Kishore Tambe	Vice President	B.Sc , MCA	43	1-Feb-96	18	3,407,408	Senior Engineer - Softek Ltd.
6	M Shanker*	Vice President	Masters in Computer, B Tech	52	10-Mar-06	28	4,007,870	Operations Director (Head of Central Solutioning, Service Management Consultancy) - XANSA
7	Manoj Tandon*	Vice President (Corporate Affairs)	B-Tech, PGDM	48	3-Nov-05	23	771,305	Assistant Vice President - Computer Science Corporation
8	Mukta Arora	Vice President	B.Sc , PGDBA	43	5-May-06	21	3,607,887	Head Delivery - Servitium Solutions Pvt. Ltd.
9	Niraj Vedwa	President - Sales & Marketing	PGDSM	42	8-Mar-99	20	7,089,801	National Sales Manager - Modicorp Ltd
10	Parag Bhise	Vice President	MCA	43	3-Oct-89	18	3,019,116	Project Trainee - Cooperative Milk Producers Federation of Patna
11	Pinakin G. Pujara	Associate Vice President	B. Com, MBA	49	22-Aug-05	27	2,533,842	VP Finance - Transformers & Rectifiers (India) Ltd.
12	Piramanayagam T	Associate Vice President	MDBA	43	4-May-04	17	2,639,006	Senior Consultant - Patni Computers
13	Prakash Pai	President-Product Management	M.Sc	47	1-Jun-94	24	6,327,407	Chief Officer (EDO) - Bank of India
14	Pramod K Sanghi	President -Finance & Chief Financial Officer	B. Com(H), PGDM	53	15-Apr-02	30	5,800,798	Executive Director (Finance) - Pearl Global Limited
15	Rajneesh K. Chadha*	Vice President	B.E (Electronics)	43	27-Feb-06	20	2,578,205	Consultant - TCS Limited
16	R P Singh	President-Deliveries	B.A (Hons), PG Diploma	47	1-Apr-94	21	6,832,233	President (Technologies) - Nucleus Software Workshop (P) Ltd
17	Ravi Verma	President - Human Resource	Masters in Public Administration, PGDPM	49	8-Feb-06	26	5,483,860	Vice President (Human Resources) - Reliance Industries Limited
18	Sandhya Verma	Vice President	M.Sc	49	22-Dec-05	22	3,891,884	Director - Aayam Technologies
19	Sanjeev Kulshrestha	Associate Vice President	MCA, M.Sc	44	7-Feb-96	16	3,134,644	Software Engineer - Information Technologies (INDIA) Ltd
20	Sushil Tyagi	Vice President	MBA	38	12-Mar-01	17	3,727,947	Business Development Manager - Cannon India Ltd
21	Vishnu R Dusad	Managing Director	B. Tech	51	9-Jan-89	27	20,320,000	N.A

* Employed for the Part of the Year

Note:
a) Remuneration comprises salary, allowances, and taxable value of perquisites.
b) Mr. R.P. Singh is the son of Lt. Gen. T.P. Singh (Retd.), chairman of the Company.
c) All appointments are contractual in nature.
d) None of the employees own more than 2% of the outstanding shares of the Company as on March 31, 2008

For and on behalf of the Board of Directors

Noida (U.P.)
April 27, 2008

Lt. Gen. T. P. Singh (Retd.)
Chairman

ANNEXURE - C

AUDITOR'S CERTIFICATE

(Under Clause 49 of the Listing Agreement)

To the Members of
Nucleus Software Exports Limited

We have examined the compliance of conditions of Corporate Governance by Nucleus Software Exports Limited ("the Company"), for the year ended on 31 March 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

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

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For BSR & Co.
Chartered Accountants

Vikram Aggarwal
Partner
Membership No. 089826

Place : Gurgaon
Date : April 27, 2008

CERTIFICATION BY MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER OF THE COMPANY

We, Vishnu R. Dusad, Managing Director and Pramod K. Sanghi, Chief Financial Officer, of Nucleus Software Exports Limited ("the Company"), to the best of our knowledge and belief, certify that:

1. We have reviewed the financial statements for the year ended March 31, 2008 along with its schedules and notes on accounts, as well as the cash flow statements; and the Directors' Report;

2. These statements do not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, misleading with respect to the statements made;

3. These financial statements, fairly present in all material respects the financial condition, results of operations and cash 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 year; 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.

7. We further declare that all Board Members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

Noida (U.P.)	**Vishnu R. Dusad**	**Pramod K. Sanghi**
April 27, 2008	**Managing Director**	**Chief Financial Officer**

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

Forming Part of the Financial Statements for the year ended March 31, 2008

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

A. INDUSTRY STRUCTURE AND DEVELOPMENTS

The Indian information technology sector continues to be one of the sunshine sectors of the Indian economy showing rapid growth and promise. Starting the year 2007 on a positive note, the Indian Information Technology Industry went on to further raise the bar by posting above- forecast results, continuing to reach greater heights in terms of revenue growth, employment numbers as well as maturity of service offerings.

During the year several macro economic factors started inûuencing the Indian economy and more so the IT industry. The US Dollar had an unprecedented and rapid depreciation vis- à- vis the Indian Rupee, concerns on the slowdown in the US economy fuelled by the sub- prime crisis, inflationary trends due to increased crude prices etc. Ongoing concerns around talent and infrastructure added to the skepticism about the sustainability of India's value proposition in the IT sector.

The industry responded with maturity on all counts, pitching in to take on these challenges. India remains the core component of global sourcing strategies and India base service delivery continues to expand in scope and scale. Direct employment in the sector is expected to cross 2 million this year. IT adoption in the domestic market is growing rapidly, supporting the rounded evolution of the sector and its growing role in the economy. (Source - The **Strategic Review 2008 by Nasscom)**

According to the global infotech analyst International Data Corporation, the Indian IT and IT-enabled services (ITeS) market is estimated to grow at the rate of over 16 per cent to become a US$ 132 billion industry, significantly, the domestic market alone is expected to become over US$ 50 billion, with a CAGR of about 18.4 per cent. Simultaneously, the IT and ITeS exports are estimated to more than double to US$ 78.62 billion in 2012.

The past two decades have seen the emergence of India as a leader in IT Services. Indian Companies have left an indelible mark on the Indian business landscape. However, to further enhance this leadership, India must look to innovative technology creation and emergence of technology product companies, which deliver products to global markets, in addition to being a leader in outsourcing destination for IT services.

In today's intensely competitive business environment, sustainable success is increasingly about creating new products, applications and services that provide a radically better experience for the consumer. With each success come greater expectations. This is the challenge now faced by many segments of industry globally, including the Indian IT-ITES industry. Delivering "more" or "better" can be done by increasing efficiency, but beyond a point the value curve begins to flatten and it becomes increasingly difficult to keep providing ever increasing value-for-money. The only way to do so is therefore through innovation: not just executing the same series of steps more efficiently, but by doing new things in different ways to achieve new levels of output.

B. COMPANY BACKGROUND

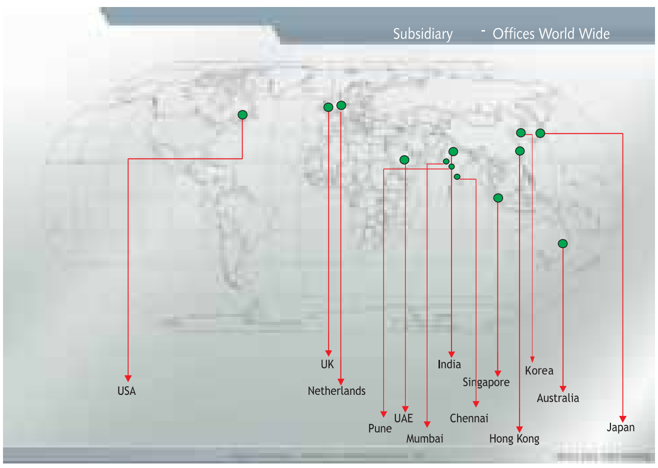
The Company was incorporated on January 9, 1989 as **Nucleus Software Exports Private Limited** with its registered office at 33-35 Thyagraj Nagar Market, New Delhi-110003.

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

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

Nucleus is a multi-product, multi-service Company with customers globally. Nucleus has developed solutions for Retail banking, Corporate Banking, Credit Cards, ATM, FX trading, Credit Appraisal, Cash Management, Trade Finance, Workflow. The Company in its endeavor to serve the customers better has made substantial investments in people, intellectual property and infrastructure.

Over the years Nucleus has gained tremendous experience working closely with IT leaders in the Banking and Financial Services Industry, leading to, not only a thorough but also an unmatched insight into the unique needs of the sector.



Management's Discussion and Analysis

Headquartered in Delhi, India the Company has following wholly owned Subsidiaries:

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

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

The Company has branch offices in Chennai and Mumbai in India and in UAE and UK. These Subsidiaries/branch offices help the Company in providing front-end support to clients and explore new opportunities.

THE STRATEGY

The Company has been pursuing a consistent Strategy of: -

- **Investing in Products** - Since IPO in 1995, Nucleus has been developing a suite of PRODUCTS for banks and financial companies with the objective of positioning at the higher end of the value chain.
- **Investing in People –** Your Company considers people as its greatest asset and takes several initiatives, especially in HR related areas for the development of the employees and the Company as a whole.
- **Investing in Global Markets -** Start with the home market to build a reference base and then achieve a global presence.

THE RESULT

The above strategy has yielded the following Results:

- Today Nucleus is a leader in Products for the **RETAIL** Loan segment in India and has a Product presence globally
- Major Product win in Japan in January 2007.
- Estimated 70% of incremental retail loans in India are booked using FinnOne™, the Nucleus offering.
- Our markets are Japan, South East Asia, India, Middle East and Africa with the first site in Europe live in Italy in FY 2007.
- We are debt free and as of 31 March 2008, our cash and cash equivalents were 44% of total assets.

Your Company is one of the few Indian IT Companies, which has proven its capability to deliver IT services that satisfy the requirements of international clients who expect the highest quality standards.

For better management of product software, processes have been enhanced and configuration management workflow has been automated to increase productivity and reduce defects. Your Company has initiated plans for implementing CMMI version 1.2 as a future quality benchmark for the Company.

Some of the notable accolades won by Nucleus are:

- Nucleus Software has been listed among the **'Best 200 under a billion companies in Asia' (2007) by** Forbes Asia magazine.
- FinnOne™ Suite **ranked No 2**, best selling retail lending software globally by IBS publishing, the UK based financial publication.
- Nucleus Software ranked amongst the **'top 15 most exciting emerging IT/BPO companies to work for'** says NASSCOM survey.
- Nucleus Software has been selected as one of the top 25 companies adopting **"Good Corporate Governance Practices" by the Institute of Company Secretaries of India** for the second consecutive year in 2007**.**
- Nucleus Software was adjudged as one of the **fastest growing companies in Asia Pacific** under Deloitte Technology Fast 500 –2007
- Nucleus Software was conferred with **Oracle Partner of the Year Award in** Fusion Middleware category at an APAC level.
- Nucleus Software was awarded for being the **Fastest Growing ISV in 2007 by Oracle Corporation**
- The Company's flagship product FinnOne™ was recognized as the **"No. 1 Best Selling Retail Lending Software" by IBS Publishing** for the year 2006.

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

C. COMPANY MANAGEMENT

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

The Company has the concept of Matrix Structure, which puts together the advantages of functional reporting and geographical reporting.

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

At the senior most level, a 'Management Team' consisting of the CEO and Global Heads for Technology and Delivery, Sales and Marketing, Product Management, Finance, HR, Quality and Corporate Affairs, meet every week to discuss strategy issues and frame policies. Concurrently, a "Management Council" which includes Management Team members and other Vice Presidents of the Company, meets every week to collectively address policy implementation and operations across the Company.

D. OPPORTUNITIES AND THREATS

Over the years, from a beginning as Software Services Company, Nucleus has transformed in to a Software Product Company with more than 50% of revenue derived form the 'Product Business' in the year 2007 and 2008. The journey has been challenging and building 'Intellectual Property' has been a difficult task. Your Company's commitment since inception has been on developing innovative IP and foraying the rather tough world of products.

The product business has been a long-term journey, one that began with assessing the market, the applicability and viability of the offering and progressing with the product hitting the market, hopefully "on-time" (neither too early, nor too late)

In order to build products, we analyzed customers requirement and built products that proved valuable to them. A key imperative for a product development Company is to establish its credibility and prove its longevity in the marketplace.

Today, with global acceptance by banks of Nucleus products, the FinnOne™ suite for "Retail Loans" and the Cash@Will™ suite for 'Corporate Collections and Payments", the market share and visibility is on an upward trend. With the world economy and cross border trade forecast to grow, increased consumer confidence is leading to explosive growth in retail assets in emerging markets and a steady replacement market in the developed countries. Technology is "Raw Material" for our customers and there is a growing need for "Value" based business solutions delivered in tune to meet market needs.

Being in the products business, your Company has to deal with smaller and larger players. While price could be one of the differentiators, focus is on the features as well. At the same time, a suitable business model has to be evolved, where new components are continuously added to our offering to provide continuous value to the customer and generate fresh revenue streams. Building add-on capability into products is therefore essential. The Company also faces increased competition in all markets, from local, regional and global players. While economic growth outlook remains positive in most regions of the world, there are always uncertainties, linked to political and market risk. Strategically, our focus is on the "Retail Banking" niche and consequent specialization enables us to explore our IPR to reasonable value.

E. OUTLOOK

The Company continues to be cautiously optimistic about its growth prospects for the current financial year.

F. RISKS AND CONCERNS

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

G. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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

The following measures are in place to ensure financial responsibility:

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

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

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

H. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

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

It is business critical in the Company to simulate an environment conducive to foster greater learning in the areas of Banking and the latest technology in the Information Technology (IT) segment which helps business to run faster and more effectively.

Besides internal training, the knowledge groups are nominated to various seminars and external workshops to keep them abreast of the latest in the banking business. Sessions are also conducted regularly in the Company, where industry practitioners, leaders and experts are invited to share knowledge on topics related to Banking and financial business segment.

Trainings in the Company concentrate in the areas as mentioned below:

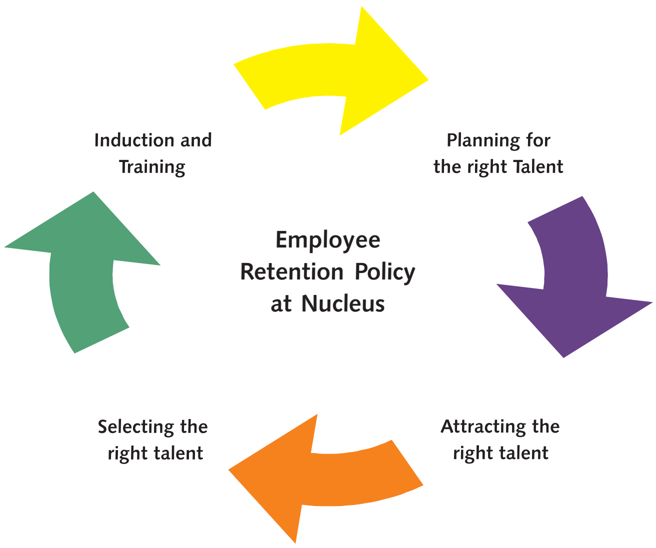
- ❖ Functional and Domain Training
- ❖ Technology related Training
- ❖ Softskill / Behavioural Training
- ❖ Leadership and Team Building Training
- ❖ Product Training
- ❖ Induction Training

With India's burgeoning role in the global IT landscape, people will be the key value differentiators that organizations may have to offer to their client. Hence it becomes imperative for organizations to attract, retain and motivate the right talent.

The right mix of culture and HR practices adopted by Nucleus, contribute to the above in a big way. Compensation is most certainly a key driver in such situations. We are constantly focusing at the HR function to empower our people to scale new heights of productivity while enjoying world-class facilities.

Attracting and retaining talent is one of our biggest challenges and we are laying new focus on the proactive HR function to empower our people and scale new heights of productivity while enjoying world-class facilities.

The Company has identified four steps in this regard



Employee Retention Policy envisages various initiatives, which impact in enhancing employee engagement across the organization. Various initiatives have been taken by top management to retain the talent in the organization

During the year, your Company tied up with a renowned Management Institute for two years "Advanced Post Graduate Diploma" in Management course. These courses are conducted in the Company premises in Distance Learning Mode for the employees. The program would act as :

a) A measure for key employee retention and development.

b) Equip the employees with management skills required to survive and thrive in the corporate world

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

During the year 404 Nucleus personnel were added, taking the total strength to 1936 as on March 31, 2008.

I. FINANCIAL CONDITION

RESULTS OF OPERATIONS

(Rs. in crore)

For the Year Ended March 31,	2008	% of Revenue	2007	% of Revenue	Growth %
Revenue from Operations	**196.95**	***100.00***	**146.53**	***100.00***	***34.41***
Software Development Expenses	109.93	*55.81*	73.54	*50.19*	*49.48*
Gross Profit	**87.02**	***44.19***	**72.99**	***49.81***	***19.23***
Selling and Marketing Expenses	14.12	*7.17*	12.07	*8.24*	*16.97*
General and Administration Expenses	15.61	*7.93*	11.59	*7.91*	*34.68*
Operating Profit (EBITDA)	**57.29**	***29.09***	**49.33**	***33.67***	***16.15***
Depreciation	8.10	*4.11*	5.20	*3.55*	*55.80*
Withholding Taxes Charged off	4.15	*2.11*	4.67	*3.19*	*(11.14)*
Operating Profit after Interest, Depreciation and Withholding Taxes	45.04	*22.87*	39.46	*26.93*	*14.15*
Other Income	17.02	*8.64*	4.66	*3.18*	*265.13*
Profit before Tax	**62.06**	***31.51***	**44.12**	***30.11***	***40.66***
Provision for Taxation					
- Current	6.20	*3.15*	0.31	*0.21*	*NA*
- MAT credit entitlement	(5.41)	*(2.75)*	-	-	-
- Fringe Benefit	0.72	*0.36*	0.61	*0.42*	*17.50*
- Deferred	(0.22)	*(0.11)*	0.29	*0.20*	*NA*
- Earlier year tax	-	-	0.01	*0.01*	*NA*
Profit after Tax	**60.77**	***30.85***	**42.90**	***29.28***	***41.65***

REVENUE

Revenue of the Company is derived from "Software products" and "Projects and Services". During the year total revenue was Rs.196.95 crore against Rs.146.53 crore for the previous year, representing an increase of 34.41 %. The revenue of the Company from its product business constituted 86.52% of revenue and from projects and professional services constituted 13.48% of revenue during the year.

EXPENDITURE

Software Development Expenses

Software development expenses primarily consist of compensation to our software professionals, expenses on travel to execute work at client site, consultancy charges, software development charges, cost of software purchased for delivery to clients, bandwidth and communication expenses and proportionate infrastructure charges. During the year our software development expenses were Rs.109.93 crore at 55.81% of revenue against Rs.73.54 crore at 50.19% of revenue in the previous year.

In comparison to the previous year, the software development expenses have increased by 49.48%, with employee cost increasing by 50.05%. Cost of software purchased for delivery to clients, rent, rates and taxes, software and other development charges, and IT expenses also exhibit a higher increase.

(Rs. in crore)

For the Year ended March 31,	2008	% of Revenue	2007	% of Revenue	Growth %
Employee Costs	76.86	*39.02*	51.22	*34.96*	*50.05*
Travel Expenses	13.87	*7.04*	11.31	*7.72*	*22.62*
Cost of Software Purchased for Delivery to Clients	6.49	*3.29*	1.51	*1.03*	*329.61*
Communication	1.36	*0.69*	1.41	*0.96*	*-3.58*
Power and Fuel	2.06	*1.04*	1.68	*1.15*	*22.48*
Rent, Rates and Taxes	0.67	*0.34*	0.34	*0.23*	*97.97*
Software and Other Development Charges	1.21	*0.61*	0.73	*0.50*	*65.89*
Legal and Professional	1.59	*0.81*	1.30	*0.89*	*22.25*
Conveyance	1.05	*0.53*	0.79	*0.54*	*32.55*
IT Expenses	0.62	*0.32*	0.39	*0.27*	*59.17*
Repairs and Maintenance	1.04	*0.53*	0.45	*0.31*	*130.00*
Training and Recruitment	2.25	*1.14*	1.83	*1.25*	*22.79*
Insurance	0.31	*0.16*	0.23	*0.16*	*34.50*
Others	0.57	*0.29*	0.35	*0.24*	*62.86*
Total Software Development Expenses	**109.93**	***55.81***	**73.54**	***50.19***	***49.48***
Revenue	***196.95***	***100.00***	***146.53***	***100.00***	***34.41***

The Gross margin for the current financial year was Rs.87.02 crore at 44.19% of revenue against Rs.72.99 crore at 49.81% of revenue in the previous year, representing an increase of 19.23%.

Selling and Marketing Expenses

Our selling and marketing expenses comprise of compensation of sales and marketing personnel, travel, brand building (advertisement, conference, seminar, etc), communication, training and recruitment and other allocated infrastructure costs. The Company has ambitious plans to increase geographical reach with a mix of direct sales effort and channel partner effort and building a global brand for its products.

During the year our selling and marketing expenses were Rs.14.12 crore at 7.17% of revenue against Rs.12.07crore at 8.24% of revenue in the previous year, representing an increase of 16.97%.

Significant increase in expenses during the year was witnessed under the heads Employee costs, Rates and Taxes, Advertisement and Business Promotion and Communication.

(Rs. in crore)

For the Year ended March 31,	2008	% of Revenue	2007	% of Revenue	Growth %
Employee Costs	7.59	*3.85*	5.01	*3.42*	*51.53*
Travel Expenses	2.31	*1.17*	2.03	*1.39*	*13.97*
Rent, Rates and Taxes	0.42	*0.22*	0.13	*0.09*	*226.86*
Advertisement and Business Promotion	1.05	*0.53*	0.78	*0.53*	*34.79*
Communication	0.21	*0.11*	0.08	*0.05*	*168.46*
Conference, Exhibition and Seminar	0.77	*0.39*	0.90	*0.61*	*(14.38)*
Commission on Sales	0.45	*0.23*	2.42	*1.65*	*(81.33)*
Legal and professional charges	0.22	*0.11*	0.10	*0.07*	*106.00*
Printing and stationary	0.41	*0.21*	0.13	*0.09*	*213.30*
Others	0.69	*0.35*	0.48	*0.32*	*43.75*
Total Selling and Marketing Expenses	**14.12**	***7.17***	**12.07**	***8.24***	***16.97***
Revenue	***196.95***	***100.00***	***146.53***	***100.00***	***34.41***

Employee costs have increased 51.53% with increase in numbers and effect of annual performance reviews.

General and Administrative Expenses

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

During the year the Company incurred general and administrative expenses of Rs.15.61 crore at 7.93% of revenue against Rs.11.59 crore at 7.91% of revenue in the previous year, representing an increase of 34.68%

(Rs. in crore)

For the Year ended March 31,	2008	% of Revenue	2007	% of Revenue	Growth %
Employee Costs	8.38	*4.25*	6.04	*4.12*	*38.74*
Travel Expenses	0.33	*0.17*	0.19	*0.13*	*73.68*
Legal and Professional Charges	0.97	*0.49*	0.86	*0.59*	*12.79*
Communication	0.26	*0.13*	0.15	*0.10*	*73.33*
Provision for Doubtful Debts	0.59	*0.30*	2.14	*1.46*	*(72.43)*
Rent, Rates and Taxes	0.49	*0.25*	0.39	*0.27*	*25.64*
Conveyance	0.35	*0.18*	0.32	*0.22*	*9.37*
Printing and Stationery	0.15	*0.07*	0.16	*0.11*	*(6.25)*
Power and Fuel	0.21	*0.11*	0.12	*0.08*	*75.00*
Advertisement	0.27	*0.14*	0.10	*0.07*	*170.00*
Advances and current assets written off	0.66	*0.33*	0.03	*0.02*	*NA*
Miscellaneous expenses	2.95	*1.50*	0.60	*0.41*	*391.67*
Total General and Administrative Expenses	**15.61**	***7.93***	**11.59**	***7.91***	***34.68***
Revenue	***196.95***	***100.00***	***146.53***	***100.00***	***34.41***

Employee costs have increased 38.74% with increase in numbers and effect of annual performance reviews.

Operating Profit

During the year our operating income was Rs.57.29 crore, 29.09% of revenue against Rs.49.33 crore, 33.67% of revenue in the previous year.

Depreciation

Depreciation on fixed assets was Rs.8.10 crore, 4.11% of revenue for the year against Rs.5.20 crore, 3.55% of revenue in the previous year.

Increase in depreciation charge for the year by Rs.2.90 crore is attributable to increase in following asset heads:

Leasehold Improvements Rs.0.17 crore, Building Rs.0.28 crore, Computers Rs.1.17 crore, Office and other equipments Rs.0.74 crore, Vehicles, Rs.0.06 crore, Software, Rs.0.30 crore and Furniture & Fixtures, Rs.0.18 crore on respective major additions during the year.

Withholding Taxes

Withholding taxes charged off represent withholding taxes charged to the Profit and Loss Account during the year, of Rs.4.15 crore as against Rs.4.67 crore in the previous year. These relate to taxes withheld by customers/subsidiaries on overseas transactions net of tax credits.

Other Income

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

(Rs. in crore)

For the Year ended March 31,	2008	2007
On Investments		
- Capital Gain	2.48	2.33
- Dividend	11.64	0.99
Interest Income	0.09	0.24
Gain/Loss on foreign exchange fluctuation	2.14	0.68
Profit on sale of assets	0.09	0.02
Others	0.58	0.40
Total	**17.02**	**4.66**

Other income for the year is Rs.17.02 crore against Rs.4.66 crore for the previous year. Profit on sale of mutual funds was Rs.2.48 crore for the year against Rs.2.33 crore in the previous year. The Dividend income increased to Rs.11.64 crore for the year against Rs.0.99 crore for the previous year. It also includes dividend of Rs.10.00 crore received from our wholly owned subsidiary, VirStra-I Technology Services Ltd.

Interest income decreased to Rs.0.09 crore as against Rs.0.24 crore in the previous year. Gain of Foreign Exchange Fluctuation was Rs.2.14 crore against Rs.0.68 crore in the previous year Miscellaneous income was Rs.0.58 crore against Rs.0.40 crore in the previous year.

Provision for Income Tax *(Rs. in crore)*

For the Year ended March 31,	2008	2007
Provision for Taxation		
- Current Tax	6.20	0.31
- Fringe Benefit Tax	0.72	0.61
- MAT Credit Entitlement	(5.41)	-
- Deferred Tax Expense	(0.21)	0.29
- Earlier Year Tax	-	0.01
Total	**1.30**	**1.22**

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

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

Net Income

Net Income for the year was Rs.60.77 crore, 30.85% of revenue, representing an increase of 41.65% over net income of Rs.42.90 crore, 29.28% of revenue, during the previous year.

FINANCIALS

Share Capital

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

Share Capital of the Parent Company increased from 16,160,312 Equity Shares of Rs.10/- each as on March 31, 2007 to 32,367,024 Equity Shares of Rs.10/- each as on March 31, 2008. Consequently, the paid up Share Capital increased from Rs.16.16 crore as on March 31, 2007 to Rs.32.37 crore as on March 31, 2008, including the amount in share forfeiture account.

The increase is consequent to:

- Allotment of 24,400 fully paid up Equity Shares of Rs.10/- each in pursuance of stock options exercised in July 2007 and October 2007 (adjusted for Bonus issue in the ratio of 1:1).
- Allotment of 16,182,312 fully paid up Equity Shares of Rs.10/- each as Bonus Shares by capitalization of Securities Premium account in the ratio of 1:1 to Shareholders holding Equity Shares of the Company on August 6, 2007, the record date.
- The Company received listing and trading approval for the abovementioned Equity Shares from National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd., and Madras Stock Exchange Ltd.

Share Capital Details

	2008		2007	
	Equity shares (No.)	Rs. Crore	Equity shares (No.)	Rs. Crore
Balance at the beginning of the year	**16,160,312**	**16.16**	**16,104,812**	**16.10**
Shares issued upon conversion of options issued under :				
ESOP 1999	5,700	0.01	12,500	0.02
ESOP 2002	17,500	0.02	43,000	0.04
ESOP 2005	-	-	-	-
ESOP 2006	-	-	-	-
Bonus Shares issued on ESOP	1,200	-	-	-
Bonus Shares	16,182,312	16.18	-	-
Balance at the end of the year	**32,367,024**	**32.37**	**16,160,312**	**16.16**

Retained Earnings

During the year Company earned net profit of Rs.60.77 crore. The Company has proposed dividend of Rs.9.71 crore and transferred Rs.6.08 crore to general reserve. During the previous year the Company paid interim dividend of Rs.5.64 crore and transferred Rs.10.00 crore to general reserve. Dividend tax for the year was Rs.1.65 crore (Rs.0.79 crore for the previous year).

Reserves and Surplus

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

(Rs. in crore)

	Opening Balance as on April 1, 2007	Additions/ (Deletions) during the year	Closing Balance as on March 31, 2008
General Reserve	53.15	6.07	59.22
Securities Premium	17.32	(15.27)	2.05
Capital Reserve	0.16	0.02	0.18
Employee Stock Options (net of deferred employee compensation)	0.72	0.21	0.93
Profit and Loss Account Balance	50.22	43.33	93.55
Total	**121.57**	**34.36**	**155.93**

The Company alloted 16,182,312 fully paid up equity shares of Rs.10.00 each as bonus shares by capitalization of Securties Premium amount during the year.

Fixed Assets

(Rs. in crore)

As at March 31,	2008	2007	% inc/dec
Gross Block			
Freehold land	0.34	0.34	-
Leasehold land	6.64	6.64	0.01
Building	24.29	14.66	65.71
Office and other equipment	11.49	6.39	79.81
Computers	18.81	12.91	45.70
Vehicles	1.65	1.46	13.01
Furniture and fixtures	4.53	3.26	38.96
Software	10.22	8.46	20.80
Leasehold improvement	0.91	0.68	33.37
Total	**78.88**	**54.80**	**43.94**
Less: accumulated depreciation	29.26	21.70	34.84
Net Block	**49.62**	**33.10**	**49.91**
Add: Capital Work In Progress	2.05	13.04	(84.28)
Net Fixed Assets	**51.67**	**46.14**	**11.99**

As at March 31, 2008, gross block of fixed assets including investment in technology assets was Rs.78.88 crore (Rs.54.80 crore as on March 31, 2007). The increase in gross block of fixed assets is primarily on account of balance capitalization of second facility in Sector-62, NOIDA

The net fixed assets after depreciation are Rs.49.62 crore as on March 31, 2008 compared to Rs.33.10 crore as on March 31, 2007.

Capital work in progress as on March 31, 2008 is Rs.2.05 crore against Rs.13.04 crore as on March 31, 2007.

Investments

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

(Rs. in crore)

Name of Subsidiary	Year ended March 31, 2008	Year ended March 31, 2007
Nucleus Software Solutions Pte. Ltd., Singapore	1.63	1.63
Nucleus Software Inc., USA.	1.63	1.63
Nucleus Software Japan Kabushiki Kaiga, Japan	0.41	0.41
Nucleus Software (HK) Ltd., Hongkong	0.06	0.06
Nucleus Software (Australia) Pty. Ltd., Australia	0.49	0. 98
Virstra I-Technology Services Ltd., India	1.00	1.00
Nucleus Software Netherlands B.V., Netherlands	0.54	0.54
Step down Subsidiary		
VirStra I- Technology (Singapore) Pte. Ltd.	0.56	0.56

Reduction in investments in Subsidiary companies is due to Provision made for diminution in value for Nucleus Software Australia (Pty.) Ltd. by Rs.48.95

Other investments of the Company include:

- Rs.2.50 crore in ICICI Prudential FMP Series 34- One Year Plan B Institutional Growth
- Rs.1.50 crore in ING Long Term FMP 1 – Institutional Growth
- Rs.1.02 crore in Birla Interval Income Fund –Institutional Quarterly series- 3-Dividend
- Rs.2.50 crore in ABN Amro FTP Series 5 Fourteen Month Plan Inst. Growth
- Rs.2.50 crore in ABN Amro FTP Series 8 yearly plan- A-Inst. Growth
- Rs.1.50 crore in HSBC Fixed term Series-27 Inst. Growth
- Rs.1.00 crore in HSBC Fixed term Series-28- Inst Growth
- Rs.6.00 crore in HSBC Fixed term Series-44- Inst Growth
- Rs.2.50 crore in Principal Pnb Fixed Maturity Plan-385 Days-Series 4 Institutional-Growth
- Rs.1.09 crore in HDFC FMP 367 D April 2007(5) - Institutional Plan-Growth
- Rs.5.00 crore in HDFC FMP 13 M April 2008 (VII) (2) - Wholesale Plan-Growth
- Rs.1.92 crore in ICICI Prudential Flexible Income Plan-Dividend Reinvestment
- Rs.1.02 crore in ICICI Prudential Interval Fund II Qtrly Interval Plan – C Retail (D)
- Rs.2.00 crore in Kotak FMP 14 M Series 4-Institutional Growth
- Rs.1.50 crore in Reliance Fixed Horizon Fund III- Annual Plan series I-Institutional Plan-Growth
- Rs.1.50 crore in Reliance Fixed Horizon Fund III- Annual Plan series IV-Institutional Plan-Growth
- Rs.2.50 crore in Kotak FMP 13 M series 2-institutional-plan-Growth
- Rs.2.50 crore in DWS fixed term fund series 24-Institutional plan-Growth
- Rs.2.00 crore in DWS fixed term fund series 33-Institutional Plan-Growth
- Rs.5.00 crore in DWS fixed term fund series 47-Institutional Plan-Growth
- Rs.0.75 crore in Standard Chartered Fixed maturity plan - yearly series 11-plan B- Growth
- Rs.4.00 crore in Templeton Fixed Horizon Fund Series II Plan B Institutional Growth
- Rs.1.00 crore in DSP Merrill Lynch Fixed Term Plan Series 3D-Institutional –Growth
- Rs.4.00 crore in DSP Merrill Lynch Fixed Term Plan Series 12 ½ M Institutional –Growth
- Rs.2.50 crore in Lotus India FMP 375 Days Series II Inst. Growth
- Rs.1.50 crore in Lotus India FMP 375 Days Series VII Inst. Growth
- Rs.5.00 crore in Standard Chartered Fixed Maturity Plan - Yearly Series 19-Plan B- Growth
- Rs.3.00 crore in Sundaram BNP Paribas Fixed Term Plan D- Inst. Growth
- Rs.2.00 crore in Sundaram BNP Paribas Fixed Term Plan E- Inst. Growth
- Rs.5.00 crore in UTI Fixed Maturity HFMP 03/08 I Plan E- Inst. Dividend

Investment in mutual funds is in low risk liquid funds.

Other Long Term Investments

Other Long term investment comprise of:

a) Investment in 10,040,000 Equity Shares of face value of Rs. 10 each in GMAC Financial Services India Limited made by the Company (together with its nominees), representing 25.10% of the total Equity Share capital of the said Company.

GMAC Financial Services India Limited is a subsidiary of General Motors Acceptance Corporation (GMAC), a Company incorporated in United States of America. The Company has entered into a shareholder agreement with GMAC whereby under the terms of the agreement, the Company has an option to exit the investment in favour of GMAC or a designee of GMAC. Similarly GMAC has the option to ask the Company to divest the shareholding in favour of GMAC or a designee of GMAC.

During the year, the Company has exercised the put option (subject to regulatory approval) on investments in Equity Shares of GMAC Financial Services India Limited. The investment of Rs.13.69 crore was made in October 2004. The transaction is expected to be closed in the current year after requisite regulatory approval is received.

b) Investment in 25,000 Equity Shares of face value of Rs.100/- each in Ujjivan Financial Services Private Ltd.

Ujjivan Financial Services Private Ltd., has been promoted in the area of micro finance by a group of experienced professional with banking and technology background.

Current Investments and Bank Balances

Our capital requirements are completely financed by internal accruals. 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, 2008 the cash and bank balances stood at Rs.5.72 crore (Rs.13.43 crore on March 31, 2007) and current investments in liquid schemes and Fixed Maturity Plans of mutual funds were Rs.75.82 crore (Rs.49.30 crore on March 31, 2007). As a part of its financial policies, the Company believes in maintaining high level of liquidity as it provides immense support against contingencies and uncertainties.

Our net cash flow from operating activities before working capital changes was Rs.58.16 crore for the financial year as compared to Rs.48.37 crore in the previous year. After considering working capital changes, operating cash flow is Rs.17.30 crore against Rs.19.99 crore, a reduction which merits further analysis.

Receivables have increased by Rs.7.71 crore. While DSR is at 77 against 81 last year, there is additional deployment in receivables with turnover increase.

Loans and advances have increased by Rs.3.24 crore.

Other Current Assets have increased by Rs.18.12 crore. Current Liabilities have decreased by Rs.8.52 crore with "Advances from Customers" decreasing by Rs.17.70 crore and other components increasing.

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

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

As at March 31,	2008	2007
Operating cash flow as % of revenue	8.78%	13.64%
Days of sale receivable	77	81
Cash and bank balances as % of assets	3.03%	9.70%
Cash and bank balances as % of revenue	2.90%	9.17%
Current investments as % of assets	40.12%	35.59%
Current investments as % of revenue	38.50%	33.64%

Trade Receivables

Our trade receivables (net of provision) as on March 31, 2008 were Rs. 44.98 crore against Rs. 37.69 crore on March 31, 2007. In the opinion of management all the trade receivables are recoverable.

(Rs. in crore)

As at March 31,	2008	2007
Due from		
- Subsidiaries	8.81	10.87
- Others	36.17	26.82
Total	**44.98**	**37.69**

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

As at March 31,	2008	2007
Less than 6 months	92.69%	97.88%
More than 6 months	7.31%	2.12%
Days of sales receivables (DSR)	77	81

Management is making all efforts to reduce the DSR.

Loans and Advances

(Rs. in crore)

As at March 31,	2008	2007
Advances recoverable in cash or in kind or for value to be received	2.18	2.23
Loans and advances to subsidiaries *	0.01	1.28
Security deposits	0.97	0.84
Advance income tax	0.85	0.82
Prepaid expenses	2.40	2.07
Advance fringe benefit tax	0.27	-
MAT credit entitlement	5.41	-
Total	**12.09**	**7.24**

Advances recoverable in cash or in kind or for value to be received are primarily towards amounts paid in advance for value and services to be received in future, and staff advances. The amount is Rs.2.18 crore as on March 31, 2008 (Rs.2.23 crore as on March 31, 2007)

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

Current Liabilities

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

The total amount of Sundry Creditors as on March 31, 2008 is Rs.20.38 crore (Rs.15.07 crore as on March 31, 2007). The increase in Sundry Creditors is primarily on account of increase in liabilities related to staff, suppliers for services, capital goods and managerial remuneration.

(Rs. in crore)

As at March 31,	2008	2007
Sundry Creditors	20.38	15.07
Witholding tax	2.78	0.94
Due to Subsidiaries	0.18	1.42
Advances from customers	9.62	27.32
Unclaimed dividend	0.11	0.34
Other liabilities	2.37	1.33
Total	**35.44**	**46.42**

Withholding tax payable represents the amount of withholding taxes to be deducted/deductible by the overseas clients/ Subsidiaries on income billed to them by the Parent Company. The total amount of withholding tax liability as on March 31, 2008 is Rs.2.78 crore (Rs.0.94 crore as on March 31, 2007).

Advances from customers as on March 31, 2008 is Rs.9.62 crore (Rs.27.32 crore as on March 31, 2007). These consist of advance payments received from customers and "Unearned Revenue". Unearned Revenue is defined as client billing for which related costs have not incurred or product license delivery is at a later date.

The amount of Unclaimed Dividend as on March 31, 2008 is Rs.0.11 crore (Rs.0.34 crore as on March 31, 2007).

Other liabilities represent amounts accrued for Statutory dues for the taxes deducted at source by the Company, staff provident fund, employee state insurance liabilities, sales tax, etc. The total amount of other liabilities as on March 31, 2008 is Rs.2.37 crore (Rs.1.33 crore as on March 31, 2007).

Provisions

Provisions as on March 31, 2008 are Rs.18.61 crore (Rs.4.61 crore as on March 31, 2007). The break-up of provision at the year-end is given below:

(Rs. in crore)

As at March 31,	2008	2007
Gratuity	3.55	2.04
Leave encashment	3.70	2.56
Fringe Benefit Tax	-	0.01
Dividend	9.71	-
Corporate dividend tax	1.65	
Total	**18.61**	**4.61**

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

Provision for Dividend as on March 31, 2008 is Rs.9.71 crore, with a provision for corporate dividend tax of Rs.1.65 crore. The Company had paid interim dividend in the month of March 2007 for FY 2006-07 and hence no provision was made in this respect as on March 31, 2007. During the previous year, the Company paid interim dividend of Rs.5.64 crore and Dividend tax was Rs.0.79 crore.

AUDITORS' REPORT

For the Financial Statements for the year ended March 31, 2008

Auditors' Report

To the Members of
Nucleus Software Exports Ltd.

We have audited the attached Balance Sheet of Nucleus Software Exports Ltd. ('the Company') as at 31 March 2008, the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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

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

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

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

(e) on the basis of written representations received from the directors, as on 31 March 2008, and taken on record by the Board of Directors, we report that none of the directors of the Company is disqualified as on 31 March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and

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

  (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2008;

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

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

For BSR & Co.
Chartered Accountants

Sd/-
Vikram Aggarwal
Partner
Membership No.: 089826

Gurgaon
April 27, 2008

Annexure to the Auditors' report

(Referred to in our report of even date)

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

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

(c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.

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

(iii) (a) The Company has granted loans to one company covered in the register maintained under section 301 of the Companies Act, 1956, which is its wholly owned subsidiary. The maximum amount outstanding during the year was Rs.2,821,875 and the year-end balance of such loan was Rs.Nil.

(b) In our opinion, the rate of interest and other terms and conditions on which loan has been granted to company listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.

(c) In the case of loans granted to companies listed in the register maintained under section 301 of the Companies Act, 1956, the borrower has been regular in repaying the principal amounts and interest as stipulated in the term of the agreement.

(d) There is no overdue amount in excess of Rs.100,000 in respect of loan granted to the Company listed in the register maintained under section 301 of the Companies Act, 1956.

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

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

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

(b) In our opinion, and having regard to our comments in paragraph (iv) above and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. 5 lakh during the period, in respect of each party, have been made for specialised requirements of the buyers and for which suitable alternative quotations are not available. However, on the basis of information and explanations provided, the same appear reasonable.

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

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

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

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

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

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty and other material statutory dues were in arrears as at 31 March 2008 for a period of more than six months from the date they became payable.

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

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

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

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

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

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

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

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

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

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

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

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

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

For BSR & Co.
Chartered Accountants

Sd/-
Vikram Aggarwal
Partner
Membership No.: 089826

Gurgaon
April 27, 2008

Balance Sheet as at 31 March 2008

All amounts in Rupees

	Schedule	As at 31 March 2008	As at 31 March 2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	323,685,240	161,618,120
Advance pursuant to stock option schemes		6,754,100	7,213,100
Reserves and Surplus	2	1,559,362,156	1,215,697,193
TOTAL		1,889,801,496	1,384,528,413
Deferred tax liability (refer note 3, schedule 16)		-	521,206
		1,889,801,496	1,385,049,619
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	788,863,849	548,039,427
Less: Accumulated Depreciation		(292,612,908)	(217,038,659)
Net Block		496,250,941	331,000,768
Add: Capital Work in Progress (including capital advances)		20,487,398	130,458,253
		516,738,339	461,459,021
Investments	4	955,144,959	694,816,097
Deferred Tax Asset (refer note 3, schedule 16)		1,620,506	-
Current Assets, Loans and Advances			
Sundry Debtors	5	449,823,371	376,936,553
Cash and Bank Balances	6	57,191,639	134,345,157
Loans and Advances	7	120,937,936	72,482,533
Other Current Assets	8	328,920,411	155,274,431
		956,873,357	739,038,674
Less: Current Liabilities and Provisions			
Current Liabilities	9	(354,422,319)	(464,168,330)
Provisions	10	(186,153,346)	(46,095,843)
		(540,575,665)	(510,264,173)
Net Current Assets		416,297,692	228,774,501
TOTAL		1,889,801,496	1,385,049,619
Significant accounting policies and notes to the accounts	16		

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

As per our report of even date

For BSR & Co.
Chartered Accountants

Vikram Aggarwal
Partner
Membership No.: 089826

Gurgaon
April 27, 2008

For and on behalf of the Board of Directors

Lt. Gen. T P Singh (Retd.)
Chairman

Vishnu R Dusad
Managing Director

NOIDA (U.P.)
April 27, 2008

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Profit and Loss Account for the year ended 31 March 2008

All amounts in Rupees

	Schedule	For the Year ended 31 March 2008	For the Year ended 31 March 2007
Sales and Services	11	1,969,518,038	1,465,305,488
Software Development Expenses	12	1,099,283,881	735,379,305
Gross Profit		870,234,157	729,926,183
Selling and Marketing Expenses	13	141,183,940	120,702,002
General and Administration Expenses	14	156,096,021	115,938,659
Operating Profit Before Depreciation and Withholding Tax		572,954,196	493,285,522
Depreciation	3	81,017,846	51,981,831
Withholding Taxes Charged Off		41,497,730	46,749,630
Operating Profit After Depreciation and Withholding Tax		450,438,620	394,554,061
Other Income	15	170,151,536	46,617,209
Profit Before Taxation		620,590,156	441,171,270
Provision for Tax - current income tax		61,900,000	3,000,000
- MAT credit entitlement (refer note 8, schedule16)		(54,100,000)	-
- fringe benefit tax		7,167,414	6,124,139
- deferred tax charge /(credit) (refer note 3, schedule16)		(2,141,712)	2,879,983
- income tax for earlier years		-	86,355
Provision for Wealth Tax		70,040	63,952
Profit After Taxation		607,694,414	429,016,841
Profit Available for Appropriation			
Profit for the year		607,694,414	429,016,841
Add: Balance Brought Forward		502,245,490	237,546,836
Total Amount Available for Appropriation		1,109,939,904	666,563,677
Proposed Dividend		97,101,072	-
Interim Dividend		-	56,407,092
Corporate Dividend Tax		16,502,327	7,911,095
Transferred to General Reserve		60,769,441	100,000,000
Balance Carried Forward to the Balance Sheet		935,567,064	502,245,490
Earnings Per Equity Share (par value Rs. 10 each) (refer note 17, schedule 16)			
Basic		18.78	13.29
Diluted		18.63	13.22
Number of shares used in computing earnings per equity share			
Basic		32,358,999	32,273,966
Diluted		32,615,059	32,453,325
Significant accounting policies and notes to the accounts	16		

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

As per our report of even date

For BSR & Co.
Chartered Accountants

Vikram Aggarwal
Partner
Membership No.: 089826

Gurgaon
April 27, 2008

For and on behalf of the Board of Directors

Lt. Gen. T P Singh (Retd.)
Chairman

Vishnu R Dusad
Managing Director

NOIDA (U.P.)
April 27, 2008

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Statement of Cash Flow for the year ended 31 March 2008

All amounts in Rupees

	For the Year ended 31 March 2008	For the Year ended 31 March 2007
A. Cash flow from operating activities		
Net profit before tax	620,590,156	441,171,270
Adjustment for:		
Depreciation	81,017,846	51,981,831
Exchange difference on translation of foreign currency accounts	(285,402)	(3,712,223)
Dividend received from non-trade investments	(16,430,650)	(9,914,653)
Dividend received from subsidiary	(100,000,000)	-
Interest on fixed deposits and loan to subsidiaries	(929,240)	(2,417,759)
Profit on sale of investments	(24,833,708)	(23,269,833)
Employee's stock compensation expenses	5,990,268	8,377,407
Profit on sale of fixed assets (net)	(907,591)	(196,292)
Advances and other current assets written off	6,609,696	290,466
Provision for doubtful debts / advances / other current assets	5,866,055	21,435,709
Provision for dimunition in the value of investments	4,895,477	-
Operating profit before working capital changes	581,582,907	483,745,923
Increase in sundry debtors	(77,133,518)	(297,043,297)
Increase in loans and advances	(32,363,816)	(32,171,850)
Increase in other current assets	(181,227,207)	(89,210,619)
(Decrease) / increase in current liabilities and provisions	(85,230,921)	150,757,433
	205,627,446	216,077,590
Income tax paid (net)	(22,651,128)	(9,935,113)
Fringe benefit tax paid	(9,969,688)	(6,224,213)
Net cash from operating activities (A)	**173,006,630**	**199,918,264**
B. Cash flow from investing activities		
Purchase of fixed assets/capital work in progress	(135,233,054)	(193,376,191)
Sale of fixed assets	2,810,333	2,206,704
Purchase of current investments	(2,263,695,055)	(1,553,944,465)
Proceeds on sale of current investments	2,023,304,424	1,558,546,939
Repayment of loan by subsidiaries	2,821,875	7,936,975
Interest on fixed deposits and loan to subsidiaries	739,397	5,365,347
Income tax paid	(2,067,602)	(2,688,257)
Dividend received from non-trade investments	16,430,650	9,914,653
Dividend received from subsidiary	100,000,000	-
Net cash used in investing activities (B)	**(254,889,032)**	**(166,038,295)**
C. Cash flow from financing activities		
Dividend paid (including corporate dividend tax thereon)	-	(126,144,669)
Advance pursuant to employee stock option scheme / proceeds from employee stock option excercised	5,191,800	13,999,520
Net cash from / (used) in financing activities (C)	**5,191,800**	**(112,145,149)**
Net decrease in cash and cash equivalents (A+B+C)	(76,690,603)	(78,265,180)
Opening cash and cash equivalents	134,345,157	213,088,500
Exchange difference on translation of foreign currency bank accounts	(462,915)	(478,163)
Closing cash and cash equivalents*	**57,191,639**	**134,345,157**

*include fixed deposits amounting to Rs.6,412,120 (Rs.9,654,311) under lien with bank on account of guarantees issued on behalf of the Company

Note:

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

As per our report of even date

For BSR & Co.
Chartered Accountants

For and on behalf of the Board of Directors

Vikram Aggarwal
Partner
Membership No.: 089826

Lt. Gen. T P Singh (Retd.)
Chairman

Vishnu R Dusad
Managing Director

Gurgaon
April 27, 2008

NOIDA (U.P.)
April 27, 2008

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Schedules to the Financial Statements

All amounts in Rupees

	As at 31 March 2008	As at 31 March 2007
SCHEDULE 1		
SHARE CAPITAL		
Authorised Capital		
40,000,000 (20,000,000) equity shares of Rs.10 each	400,000,000	200,000,000
Issued, subscribed and paid up		
Issued		
32,369,824 (16,163,112) equity shares of Rs.10 each	323,698,240	161,631,120
Subscribed and paid up		
32,367,024 (16,160,312) equity shares of Rs.10 each, fully paid up	323,670,240	161,603,120
Of the above:		
16,183,512 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2008		
8,045,406 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2005		
2,637,050 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of general reserve and securities premium account during the year ended 31 March 2002		
1,452,270 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of general reserve during the year ended 31 March 1995		
Add: 2,800 (2,800) forfeited equity shares pending for reissue	15,000	15,000
	323,685,240	161,618,120
SCHEDULE 2		
RESERVES AND SURPLUS		
General Reserve		
Balance as at 1 April	531,473,550	441,454,695
Add: Transferred from Profit and Loss Account	60,769,441	100,000,000
Less: Gratuity and leave encashment transitional liability (refer note 9, schedule 16)	-	9,981,145
	592,242,991	531,473,550
Securities Premium Account		
Balance as at 1 April	173,199,509	162,978,709
Add: Share premium received	5,191,800	-
Add : On conversion of stock options issued to employees	3,928,400	10,220,800
Less: Amount utilised for issuance of 16,183,512 bonus shares of Rs. 10 each	161,835,120	-
	20,484,589	173,199,509
Capital Reserve Account		
Balance as at 1 April	1,573,030	1,500,030
Add: Amount forfeited against employees stock option plan	227,000	73,000
	1,800,030	1,573,030
Employee Stock Options		
Balance as at 1 April	19,234,288	4,394,168
Add: Options granted during the year	-	19,906,600
Less: Reversal on forfeiture of stock options granted	57,680	1,761,600
Less: Transferred to securities premium account on exercise of stock options	3,928,400	3,304,880
	15,248,208	19,234,288
Less: Deferred employee compensation	(5,980,726)	(12,028,674)
	9,267,482	7,205,614
Profit and Loss Account		
Balance as at 1 April	502,245,490	237,546,836
Add: Profit for the year	607,694,414	429,016,841
Less: Transferred to general reserve	60,769,441	100,000,000
Less: Proposed dividend	97,101,072	-
Less: Interim dividend	-	56,407,092
Less: Corporate dividend tax	16,502,327	7,911,095
	935,567,064	502,245,490
	1,559,362,156	1,215,697,193

Schedules forming part of the financial statements

SCHEDULE 3
FIXED ASSETS

All amounts in Rupees

	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2007	Additions	Deductions / adjustments	As at 31 March 2008	As at 1 April 2007	Depreciation for the year	Deductions / adjustments	As at 31 March 2008	As at 31 March 2008	As at 31 March 2007
Tangible assets										
Freehold land	3,360,720	-	-	3,360,720	-	-	-	-	3,360,720	3,360,720
Leasehold land	66,395,000	-	-	66,395,000	3,623,560	753,621	-	4,377,181	62,017,819	62,771,440
Leasehold improvements	6,822,939	2,291,540	(8,687)	9,105,792	58,610	1,773,260	-	1,831,870	7,273,922	6,764,329
Building	146,584,882	96,332,943	-	242,917,825	12,033,662	7,429,213	-	19,462,875	223,454,950	134,551,220
Plant and machinery (including Office equipments)	63,788,499	53,073,770	(1,945,654)	114,916,615	34,493,716	18,269,768	(1,923,508)	50,839,976	64,076,639	29,294,783
Computers	129,142,740	58,956,118	-	188,098,858	71,418,428	32,214,469	-	103,632,897	84,465,961	57,724,312
Vehicles	14,643,410	6,780,665	(4,870,062)	16,554,013	6,139,421	3,176,068	(3,066,153)	6,249,336	10,304,677	8,503,989
Furniture and fixtures	32,642,818	13,160,189	(521,936)	45,281,071	21,149,641	5,565,229	(453,936)	26,260,934	19,020,137	11,493,177
Intangible assets										
Software	84,658,419	17,575,536	-	102,233,955	68,121,621	11,836,218	-	79,957,839	22,276,116	16,536,798
Total	548,039,427	248,170,761	(7,346,339)	788,863,849	217,038,659	81,017,846	(5,443,597)	292,612,908	496,250,941	331,000,768
Previous year	442,357,760	114,040,310	(8,358,643)	548,039,427	171,405,059	51,981,831	(6,348,231)	217,038,659	331,000,768	-

All amounts in Rupees

	As at 31 March 2008	As at 31 March 2007
SCHEDULE 4		
INVESTMENTS		
Long Term Investments		
Equity shares - Trade and unquoted		
10,040,000 (10,040,000) equity shares of Rs 10 each, fully paid up, in GMAC Financial Services India Limited [Of the above, 80,000 (80,000) equity shares are held by nominees on behalf of the Company]	136,882,640	136,882,640
25,000 (25,000) equity shares of Rs 10 each, fully paid up, in Ujjivan Financial Services Private Limited	2,500,000	2,500,000
	139,382,640	139,382,640
Equity shares in wholly owned subsidiaries - Unquoted		
625,000 (625,000) equity shares of SGD 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore, a wholly owned subsidiary	16,319,950	16,319,950
1,000,000 (1,000,000) equity shares of USD 0.35 each, fully paid up, in Nucleus Software Inc., USA, a wholly owned subsidiary	16,293,150	16,293,150
200 (200) equity shares of JPY 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaiga, Japan, a wholly owned subsidiary	4,092,262	4,092,262
316,000 (316,000) equity shares of Aus $ 1 each, fully paid up, in Nucleus Software (Australia) Pty. Ltd., Australia, a wholly owned subsidiary	9,790,955	9,790,955
100,000 (100,000) equity shares of HK $ 1 each, fully paid up, in Nucleus Software (HK) Ltd., Hong Kong, a wholly owned subsidiary	619,885	619,885
1,000,000 (1,000,000) equity shares of Rs 10 each, fully paid up, in Virstra *i*-Technology Services Limited, India, a wholly owned subsidiary [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company]	10,000,000	10,000,000
1,000 (1,000) equity shares of Euro 100 each, fully paid up, in Nucleus Software Netherlands B.V., Netherlands, a wholly owned subsidiary	5,365,000	5,365,000
Less: Provision for diminution in value of investment in Nucleus Software (Australia) Pty. Ltd., Australia	(4,895,477)	-
	57,585,725	62,481,202
Current investments		
Investments in bonds and mutual funds - Non trade and unquoted		
Nil (500,000) units of face value of Rs. 10 each of UTI Fixed Maturity Plan-YFMP 06/06-Growth	-	5,000,000
Nil (2,000,000) units of face value of Rs. 10 each of Prudential ICICI FMP Series 5-Institutional-Growth	-	20,000,000
2,500,000 (2,500,000) units of face value of Rs. 10 each of ICICI Prudential FMP Series 34-One Year Plan B Institutional Growth	25,000,000	25,000,000
1,500,000 (Nil) units of face value of Rs. 10 each of ING Long Term FMP 1 Institutional Growth	15,000,000	-
1,024,881 (Nil) units of face value of Rs. 10 each of Birla Interval Income Fund -Institutional Quarterly series- 3-Dividend	10,248,882	-

All amounts in Rupees

	As at 31 March 2008	As at 31 March 2007
Nil (800,000) units of face value of Rs. 10 each of Grindlays Fixed Maturity-16th Plan A-Growth	-	8,000,000
Nil (900,000) units of face value of Rs. 10 each of Grindlays Fixed Maturity-20th Plan -Growth	-	9,000,000
Nil (2,297,827) units of face value of Rs. 10 each of Birla Cash Plus-Institutional Premium-Growth	-	25,682,000
Nil (2,000,000) units of face value of Rs. 10 each of Chola FMP-14 Months-Cumulative	-	20,000,000
Nil (1,000,000) units of face value of Rs. 10 each of ABN Amro FTP Series 2 Thirteen Month Plan-Growth	-	10,000,000
2,500,000 (2,500,000) units of face value of Rs. 10 each of ABN AMRO FTPS5 14 Mths Plan Inst Growth	25,000,000	25,000,000
2,500,000 (Nil) units of face value of Rs. 10 each of ABN AMRO Fixed Term Plan-Ser-8-Yly Plan A-Inst.Growth	25,000,000	-
Nil (1,000,000) units of face value of Rs. 10 each of HSBC Fixed term Series-4-Growth	-	10,000,000
Nil (2,000,000) units of face value of Rs. 10 each of HSBC Fixed term Series-9-Growth	-	20,000,000
1,500,000 (1,500,000) units of face value of Rs. 10 each of HSBC Fixed Term Series-27 Inst. Growth	15,000,000	15,000,000
1,000,000 (Nil) units of face value of Rs. 10 each of HSBC Fixed Term Series-28 Inst. Growth	10,000,000	-
6,000,000 (Nil) units of face value of Rs. 10 each of HSBC Fixed Term Series-44 Inst. Growth	60,000,000	-
Nil (1,000,000) units of face value of Rs. 10 each of Principal Pnb Fixed Maturity Plan-385 Days-Series I Institutional-Growth	-	10,000,000
2,500,000 (2,500,000) units of face value of Rs. 10 each of Principal Pnb FMP 385 Days-Series IV-Mar 07 Inst. Growth Plan	25,000,000	25,000,000
Nil (1,000,000) units of face value of Rs. 10 each of HDFC FMP 13M March 2006(1)- Institutional Plan-Growth	-	10,000,000
Nil (1,000,000) units of face value of Rs. 10 each of HDFC FMP 13M June 2006(1)- Institutional Plan-Growth	-	10,000,000
Nil (1,250,000) units of face value of Rs. 10 each of HDFC FMP 13M July 2006(1)- Institutional Plan-Growth	-	12,500,000
1,091,130 (Nil) units of face value of Rs. 10 each of HDFC FMP 367D April 2007 (5)-Wholesale Plan Growth	10,911,300	-
5,000,000 (Nil) units of face value of Rs. 10 each of HDFC FMP 13M March 2008 (VII) (2) -Wholesale Plan Growth	50,000,000	-
Nil (3,117,013) units of face value of Rs. 10 each of LICMF Liquid Fund-Growth	-	40,000,000
Nil (4,826,534) units of face value of Rs. 10 each of Prudential ICICI Super Institutional Plan-Growth	-	50,000,000
1,821,275 (Nil) units of face value of Rs. 10 each of ICICI Prudential Flexible Income Plan - Dividend Reinvestment	19,257,256	-
1,025,916 (Nil) units of face value of Rs. 10 each of ICICI Prudential Interval Fund II Qtrly Interval Plan - C Retail (D)	10,259,156	-

Schedules to the Financial Statements

All amounts in Rupees

	As at 31 March 2008	As at 31 March 2007
Nil (1,398,093) units of face value of Rs. 10 each of Kotak Liquid- Institutional Plus Plan -Growth	-	20,000,000
2,000,000(Nil) units of face value of Rs. 10 each of Kotak FMP 14M S-4 - Institutional Growth	20,000,000	-
Nil (1,500,000) units of face value of Rs 10 each of Reliance Fixed Horizon QFMP Series V-Dividend	-	15,000,000
1,500,000 (1,500,000) units of face value of Rs 10 each of Reliance Fixed Horizon Fund III-Annual Plan Series I-Institutional Growth Plan	15,000,000	15,000,000
1,500,000 (1,500,000) units of face value of Rs 10 each of Reliance Fixed Horizon Fund III-Annual Plan Series IV-Institutional Growth Plan	15,000,000	15,000,000
2,500,000 (2,500,000) units of face value of Rs 10 each of Kotak FMP 13M Series 2 Institutional-Growth	25,000,000	25,000,000
Nil (1,250,000) units of face value of Rs 10 each of Kotak FMP Series 26-Growth	-	12,500,000
2,500,000 (2,500,000) units of face value of Rs 10 each of DWS Fixed Term Fund Series 24-Institutional Plan-Growth Option	25,000,000	25,000,000
2,000,000 (Nil) units of face value of Rs 10 each of DWS Fixed Term Fund Series 33-Institutional Growth	20,000,000	-
5,000,000 (Nil) units of face value of Rs 10 each of DWS Fixed Term Fund Series 47-Institutional Growth	50,000,000	-
Nil (1,527,025) units of face value of Rs 10 each of UTI Fixed maturity plan halfyearly series HFMP/1206/I Dividend plan-Reinvestment	-	15,270,255
750,000 (Nil) units of face value of Rs 10 each of Standard Chartered Fixed Maturity Plan - Yearly Series 11-Plan B- Growth	7,500,000	-
4,000,000 (Nil) units of face value of Rs 10 each of Templeton Fixed Horizon Fund Series II-Plan B-Institutional -Growth	40,000,000	-
10,000 (Nill) units of face value of Rs 1000 each of DSP Merrill Lynch Fixed Term Plan Series 3D-Institutional -Growth	10,000,000	-
4,000,000 (Nil) units of face value of Rs 1000 each of DSP Merrill Lynch Fixed Term Plan Series 12 1/2 M-Institutional -Growth	40,000,000	-
2,500,000 (Nil) units of face value of Rs 10 each of Lotus India FMP 375 Days Series II Inst. Growth	25,000,000	-
1,500,000 (Nil) units of face value of Rs 10 each of Lotus India FMP 375 Days Series VII Inst. Growth	15,000,000	-
5,000,000 (Nil) units of face value of Rs 10 each of Standard Chartered Fixed Maturity Plan - Yearly Series 19-Plan B- Growth	50,000,000	-
3,000,000 (Nil) units of face value of Rs 10 each of Sundaram BNP Paribas Fixed Term Plan D- Inst. Growth	30,000,000	-
2,000,000 (Nil) units of face value of Rs 10 each of Sundaram BNP Paribas Fixed Term Plan E- Inst. Growth	20,000,000	-
5,000,000 (Nil) units of face value of Rs 10 each of UTI Fixed Maturity HFMP 03/08 I Plan E- Inst. Dividend	50,000,000	-
	758,176,594	**492,952,255**
	955,144,959	**694,816,097**

Notes:

1. Net asset value (NAV) of current investments is Rs.788,836,182 (Rs.512,682,896) as at 31 March 2008.
2. Refer note 7, schedule 16 for details of investments purchased and sold during the year ended 31 March 2008.

All amounts in Rupees

	As at 31 March 2008	As at 31 March 2007
SCHEDULE 5		
SUNDRY DEBTORS (UNSECURED)		
Debts outstanding for a period exceeding six months		
- Considered good	32,883,242	8,012,776
- Considered doubtful	6,935,163	9,682,471
	39,818,405	17,695,247
Less: Provision for doubtful debts	(6,935,163)	(9,682,471)
	32,883,242	8,012,776
Other debts (considered good)*	416,940,129	368,923,777
	449,823,371	376,936,553

* includes debt amounting to Rs.14,408,112 (Rs.9,773,891) from Nucleus Software Inc., USA, Rs.28,251,263 (Rs.55,137,972) from Nucleus Software Japan Kabushiki Kaiga and Rs.45,492,600 (Rs.43,832,933) from Nucleus Software Solutions Pte. Ltd., Singapore, being companies under the same management within the meaning of section 370 (1B) of the Companies Act 1956.

	As at 31 March 2008	As at 31 March 2007
SCHEDULE 6		
CASH AND BANK BALANCES		
Cash in hand [including cheques in hand Rs. Nil (Rs.708,663)]	252,925	1,002,545
Balances with scheduled banks:		
- in current accounts	43,510,213	114,501,219
- in fixed deposit accounts*	11,536,175	9,654,311
Balance with non scheduled bank:		
- in current account (Citibank, United Kingdom) [Maximum amount outstanding during the year Rs.2,020,956 (Rs.1,106,298)]	816,658	829,963
- in current account (Citibank, U.A.E)	1,075,668	-
[Maximum amount outstanding during the year Rs.2,210,768 (Rs.Nil)]		
Remittance in transit	-	8,357,119
	57,191,639	134,345,157

*include fixed deposits amounting to Rs.6,412,120 (Rs.9,654,311) under lien with bank on account of guarantees issued on behalf of the Company

	As at 31 March 2008	As at 31 March 2007
SCHEDULE 7		
LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	21,835,754	22,303,998
Loans and advances to subsidiaries*	96,127	12,758,902
Security deposits	9,702,487	8,448,926
Advance income tax [net of provision Rs.37,246,234 (Rs.29,446,234)]	8,466,578	8,217,888
Advance fringe benefit tax [net of provision Rs.17,563,018 (Rs.Nil)]	2,732,274	-
MAT credit entitlement (refer note 8, schedule16)	54,100,000	-
Prepaid expenses	24,004,716	20,752,819
	120,937,936	72,482,533

* includes loan amounting to Rs.Nil (Rs.2,821,875) to Nucleus Software Inc., USA, [maximum amount outstanding during the year Rs.2,821,875 (Rs.5,415,575)], being company under the same management within the meaning of section 370 (1B) of the Companies Act 1956.

All amounts in Rupees

	As at 31 March 2008	As at 31 March 2007
SCHEDULE 8		
OTHER CURRENT ASSETS		
Service income accrued but not due	327,836,855	154,380,718
Interest accrued but not due	1,083,556	893,713
	328,920,411	155,274,431
SCHEDULE 9		
CURRENT LIABILITIES		
Sundry creditors *	203,768,350	150,692,621
Withholding tax	27,772,507	9,434,496
Due to subsidiaries	1,835,264	14,243,095
Advances from customers	96,178,719	273,215,853
Unclaimed dividends	1,085,191	3,435,287
Other liabilities	23,782,288	13,146,978
	354,422,319	464,168,330

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

	As at 31 March 2008	As at 31 March 2007
SCHEDULE 10		
PROVISIONS		
Gratuity	35,529,286	20,377,128
Leave encashment	37,020,661	25,648,715
Fringe benefit tax [Net of advance fringe benefit tax Rs. Nil (Rs.10,325,604)	-	70,000
Proposed dividend	97,101,072	-
Corporate dividend tax	16,502,327	-
	186,153,346	46,095,843

All amounts in Rupees

	As at 31 March 2008	As at 31 March 2007
SCHEDULE 11		
SALES AND SERVICES		
Software development services and products		
- Domestic	336,999,848	254,784,000
- Overseas	1,632,518,190	1,207,019,288
Consultancy services	-	-
	-	3,502,200
	1,969,518,038	1,465,305,488
SCHEDULE 12		
SOFTWARE DEVELOPMENT EXPENSES		
Salaries and allowances	703,779,243	463,012,124
Contribution to provident and other funds	37,531,770	24,774,730
Directors' remuneration [including stock compensation expenses Rs.125,089; (Rs.1,396,831)]	10,493,089	9,719,409
Employee's stock compensation expenses	4,791,600	4,307,968
Staff welfare	11,979,555	10,361,647
Conveyance	10,471,320	7,950,453
Communication	13,595,297	14,145,662
Rent	6,730,867	3,422,394
Legal and professional	15,892,577	13,038,471
Repair and maintenance	-	
- Buildings	1,425,432	278,462
- Others	8,924,722	4,268,879
Training and recruitment	22,471,393	18,319,019
Printing and stationery	1,270,307	713,520
Insurance	3,093,513	2,322,658
Software and other development charges	12,109,684	7,288,344
Cost of software purchased for delivery to clients	64,871,485	15,113,102
Travelling	138,684,760	113,069,711
Power and fuel	20,576,723	16,788,645
Conference, exhibition and seminar	212,690	61,348
Information technology expenses	6,207,442	3,942,861
Miscellaneous expenses	4,170,412	2,479,898
	1,099,283,881	735,379,305

All amounts in Rupees

	As at 31 March 2008	As at 31 March 2007
SCHEDULE 13		
SELLING AND MARKETING EXPENSES		
Salaries and allowances	61,551,033	37,262,729
Contribution to provident and other funds	2,368,477	1,870,399
Directors' remuneration [including stock compensation expenses Rs.125,089; (Rs.1,396,831)]	10,493,089	9,719,409
Employee's stock compensation expenses	366,506	251,224
Staff welfare	1,137,253	978,984
Conveyance	2,533,613	2,149,413
Communication	2,147,696	807,280
Rent	4,249,229	1,294,020
Legal and professional	2,161,712	1,049,284
Repair and maintenance	-	
- Buildings	78,510	23,876
- Others	499,354	369,596
Training and recruitment	1,223,762	783,167
Printing and stationery	4,132,414	1,318,845
Insurance	139,610	118,610
Travelling	23,135,913	20,282,614
Advertisement and business promotion	10,513,439	7,835,392
Power and fuel	1,446,910	913,302
Conference, exhibition and seminar	7,705,625	8,987,645
Information technology expenses	284,157	177,405
Commission to channel partners	4,517,151	24,188,634
Miscellaneous expenses	498,487	320,174
	141,183,940	120,702,002

All amounts in Rupees

	As at 31 March 2008	As at 31 March 2007
SCHEDULE 14		
GENERAL AND ADMINISTRATION EXPENSES		
Salaries and allowances	70,368,142	49,440,441
Contribution to provident and other funds	4,194,447	2,881,983
Directors' remuneration [including stock compensation expenses Rs.62,545; (Rs.698,414)]	6,791,545	6,204,705
Employee's stock compensation expenses	519,439	326,139
Staff welfare	1,897,170	1,524,886
Conveyance	3,494,733	3,168,617
Communication	2,574,840	1,456,765
Rent	260,699	642,941
Rates and taxes	4,618,937	3,259,295
Legal and professional	9,741,310	8,615,483
Repair and maintenance	-	
- Buildings	368,327	71,483
- Others	2,302,428	1,119,215
Training and recruitment	2,545,101	984,536
Printing and stationery	1,451,076	1,568,079
Insurance	310,675	193,393
Bank charges	1,661,660	1,776,281
Travelling	3,266,312	1,886,000
Advertisement and business promotion	2,680,087	1,015,557
Power and fuel	2,118,456	1,211,226
Conference, exhibition and seminar	254,211	443,880
Information technology expenses	620,068	320,847
Advances and other current assets written off	6,609,696	290,466
Provision for doubtful debts /advances / other current assets *	5,866,055	21,435,709
Provision for dimunition in the value of investments	4,895,477	-
Miscellaneous expenses	16,685,130	6,100,732
	156,096,021	115,938,659

*Includes bad debts written off
(Rs.8,613,363; Rs.12,546,037)

	As at 31 March 2008	As at 31 March 2007
SCHEDULE 15		
OTHER INCOME		
Dividend received from non-trade investments	16,430,650	9,914,653
Dividend received from subsidiary	100,000,000	-
Gain/(loss) on foreign exchange fluctuation (net)	21,378,027	6,797,263
Interest on fixed deposits and loans to subsidiaries [gross of tax deducted at source Rs.25,974; (Rs.913,379)]	929,240	2,417,759
Profit on sale of fixed assets (net)	907,591	196,292
Profit on sale of investments	24,833,708	23,269,833
Miscellaneous income	5,672,320	4,021,409
	170,151,536	46,617,209

SCHEDULE 16
Significant accounting policies and notes to the accounts

1. Company Overview

Nucleus Software Exports Ltd. ('Nucleus' or 'the Company') was incorporated on 9 January 1989 in India as a private limited Company. It was subsequently converted into a public limited Company on 10 October 1994. The Company made an initial public offer in August 1995. As at 31 March 2008, the Company is listed on three stock exchanges in India namely National Stock Exchange, Bombay Stock Exchange and Madras Stock Exchange. The Company has wholly owned subsidiaries in Singapore, USA, Japan, Australia, Hong-Kong, Netherlands and India. The Company's business consists of software product development and marketing and providing support services mainly for corporate business entities in the banking and financial services sector.

2. Significant accounting policies

(i) Basis of preparation

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

Pursuant to the Institute of Chartered Accountants of India ("ICAI") Announcement "Accounting for Derivatives" on the early adoption of Accounting standard (AS) 30 "Financial Instruments: Recognition and Measurement", the Company has early adopted the standard for the year under review, to the extent that the adoption does not conflict with existing mandatory accounting standards and other authoritative pronouncements, Company law and other regulatory requirements.

(ii) Use of estimates

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

Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated.

(iii) Revenue recognition

Revenue from software development services comprises income from time and material and fixed price contracts. Revenue from time and material basis 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. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become certain based on the current estimates.

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

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

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

(iv) Expenditure

The cost of software purchased for use in software development and services is charged to cost of revenues in the year of acquisition. Post sales customer support costs are estimated by the management, determined on the basis of past experience. Expenses are accounted for on accrual basis and provisions are made for all known losses and liabilities.

(v) Fixed assets and capital work in progress

Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation.

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

(vi) Depreciation

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

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

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

(vii) Investments

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

(viii) Research and development

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure incurred on research and development is depreciated over the estimated useful lives of the related assets.

(ix) Foreign exchange transactions

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

In the case of forward contracts:

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

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

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

The Company enters into foreign exchange options contracts where the counter party is a bank. Although these option contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting. Options are marked to market and any resultant gain/loss is recognized in the Profit and Loss Account.

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

(x) Employee stock option based compensation

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

(xi) Retirement benefits

Retirement benefits to employees comprise gratuity, leave encashment and payments to provident fund. Contributions to provident fund are deposited with the appropriate government authorities and are charged to Profit and Loss Account as and when they become payable.

Provision for gratuity and leave encashment is made on the basis of actuarial valuation.

(xii) Operating leases

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

(xiii) Earnings per share

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

(xiv) Taxation

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

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

(xv) Impairment of assets

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

3. Deferred tax asset/(liability)

Components of net deferred tax asset/(liability):

	As at 31 March 2008 (Rupees)	As at 31 March 2007 (Rupees)
Deferred tax asset		
Provision for doubtful debts	652,173	668,865
Provision for retirement benefits	19,681,623	5,362,242
	20,333,796	**6,031,107**
Deferred tax liability		
Fixed assets	(18,713,290)	(6,552,313)
Net deferred tax asset/(liability)	**1,620,506**	**(521,206)**

4. Forward contracts and options in foreign currency

Exchange gain in respect of forward exchange contracts to be recognised in the profit and loss account of the subsequent accounting period is Rs.226,463 (Rs.230,162). As at 31 March

2008, the Company has outstanding forward contracts for USD 8,517,624 (USD 1,750,000).

Further, the company has option contracts to sell USD 20,400,000 (USD 4,950,000). The loss on mark to market of such option contracts is Rs.1,652,961 (Rs.Nil)

As of the Balance Sheet date, the Company has no foreign currency exposures that are not hedged by a derivative instrument or otherwise (Rs.57,186,850).

5. Employees Stock Option Plan ("ESOP")

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

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

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

1999 Stock Option Scheme

	Year ended 31 March 2008	Year ended 31 March 2007
Options outstanding at the beginning of the year	5,700	12,500
Options granted	-	9,000
Options forfeited	-	(3,300)
Options exercised	(5,700)	(12,500)
	-	**5,700**

2002 Stock Option Scheme

	Year ended 31 March 2008	Year ended 31 March 2007
Options outstanding at the beginning of the year	159,750	63,250
Options granted	-	145,500
Options forfeited	(700)	(6,000)
Options exercised	(17,500)	(43,000)
	141,550	**159,750**

2005 Stock Option Scheme

	Year ended 31 March 2008	Year ended 31 March 2007
Options outstanding at the beginning of the year	142,000	-
Options granted	-	142,000
Options forfeited	-	-
Options exercised	-	-
	142,000	**142,000**

2006 Stock Option Scheme

	Year ended 31 March 2008	Year ended 31 March 2007
Options outstanding at the beginning of the year	271,860	-
Options granted	-	271,860
Options forfeited	(22,000)	-
Options exercised	-	-
	249,860	**271,860**

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

	Year ended 31 March 2008 (Rupees)	Year ended 31 March 2007 (Rupees)
Balance brought forward	12,028,674	2,261,081
Add: Recognised during the year	-	19,906,600
Less: Amortisation expense	5,990,268	8,377,407
Less: Reversal due to forfeiture	57,680	1,761,600
Balance carried forward	**5,980,726**	**12,028,674**

6.(a) Managerial remuneration

	Year ended 31 March 2008 (Rupees)	Year ended 31 March 2007 (Rupees)
A. Managing Director		
Salary and perquisites	6,000,000	3,120,000
Contribution to provident and other funds	360,000	198,000
Commission	13,960,000	16,838,447
	20,320,000	**20,156,447**
B. Non Executive Directors		
Stock based compensation	312,723	3,492,076
Commission	5,600,000	650,000
Sitting fees	1,545,000	1,345,000
	7,457,723	**5,487,076**

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

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

	Year ended 31 March 2008 (Rupees)	Year ended 31 March 2007 (Rupees)
Profit after taxation	607,694,414	429,016,841
Add: (i) Remuneration paid to the directors	26,232,723	24,298,523
(ii) Depreciation as per accounts	81,017,846	51,981,831
(iii) Provision for doubtful debts/advances/other current assets (net)	5,866,055	21,435,709
(iv) Tax for the year	12,895,742	12,154,429
(v) Directors' sitting fees	1,545,000	1,345,000
(vi) Provision for diminution in value of investment	4,895,477	-
Less: (i) Profit on sale of investments	24,833,708	23,269,833
(ii) Depreciation as per section 350	81,017,846	51,981,831
Net profit for the purpose of managerial remuneration	634,295,703	464,980,669
Commission paid / payable to Managing Director [maximum 5% being Rs.29,919,609 (Rs.21,933,050)]	13,960,000	16,838,447
Commission payable to non-wholetime directors [maximum 1% being Rs.5,983,922 (Rs.4,386,610)]	5,600,000	650,000

7. Details of investments purchased and sold during the year

Name of the investment	Face value Amount (Rupees)	Purchased during the year Quantity	Purchased during the year Amount (Rupees)	Sold during the year Quantity	Sold during the year Amount (Rupees)
DSP Merrill Lynch Cash Plus-Regular-Weekly-(Dividend)	1,000	30,195	30,224,103	30,195	30,224,103
DSP Merrill Lynch Cash Plus-Institutional-(Dividend)	1,000	50,074	50,078,701	50,074	50,078,701
UTI Liquid Plus Fund-Institutional Plan-(Dividend)	1,000	10,135	10,137,499	10,135	10,137,499
DWS Credit Opportunities Cash Fund-(Dividend)	10	4,272,042	43,199,339	4,272,042	43,399,673
LICMF Liquid Plus Fund-(Dividend)	10	5,174,727	51,747,270	5,174,727	51,750,539
Reliance Liquid Plus Fund-Institutional Option-(Dividend)	1,000	147,371	147,534,219	147,371	147,522,961
ICICI Prudentail Flexible Income Plan-(Dividend)	10	3,414,510	36,103,319	3,414,510	36,103,319
ING Liquid Plus Fund-Institutional-(Dividend)	10	17,208,071	172,137,494	17,208,071	172,137,494
Sundaram BNP Paribsa Liquid Plus-Super Inst.-(Dividend)	10	8,805,443	88,264,001	8,805,443	88,264,001
Lotus India Liquid Fund-(Dividend)	10	1,018,743	10,197,810	1,018,743	10,192,523
UTI Liquid Cash Plan-Institutional Plan-(Dividend)	1,000	9,820	10,011,084	9,820	10,011,084

Birla Cash Plus-Instl Prem.-(Dividend)	10	5,991,527	60,032,101	5,991,527	60,032,101
HDFC Cash Management Fund-Savings Plus Plan-Wholesale-(Dividend)	10	2,748,204	27,568,607	2,748,204	27,568,607
Standard Chartered Liquidity Manager-Plus-(Dividend)	1,000	30,057	30,063,534	30,057	30,063,534
DWS Money Plus Fund-Institutional Plan-(Dividend)	10	5,072,460	50,766,192	5,072,460	50,766,192
AIG India Treasury Plus Fund-Institutional-(Dividend)	10	4,006,549	40,109,166	4,006,549	40,109,166
AIG India Treasury Plus Fund-Super Institutional-(Dividend)	10	10,010,024	100,210,353	10,010,024	100,210,353
ABN AMRO Money Plus-Institutional Plan-(Dividend)	10	1,508,181	15,081,958	1,508,181	15,081,958
Sundaram BNP Paribas Liquid Plus-(Dividend)	10	5,760,997	57,652,644	5,760,997	57,651,795
DWS Money Plus Fund-Regular-(Dividend)	10	1,999,263	20,044,407	1,999,263	20,044,407
Lotus India Liquid Plus Fund-(Dividend)	10	8,538,102	85,515,066	8,538,102	85,515,066
ABN AMRO Flexible Short Term Plan Ser C-(Dividend)	10	2,035,224	20,352,243	2,035,224	20,352,243
Sundaram BNP Paribas FTP Series XXIX-(Dividend)	10	2,543,718	25,437,175	2,543,718	25,437,175
Birla FTP-Quarterly-Series 14-Dividend-Payout	10	1,000,000	10,000,000	1,000,000	10,210,372
DSP Merrill Lynch FTP Plan Series 1N-(Dividend)	1,000	25,440	25,439,824	25,440	25,445,884
Kotak FMP 3M Series 20-(Dividend)	10	2,035,146	20,351,465	2,035,146	20,351,465
ICICI Prudential Liquid Plan-Super IP-(Dividend)	10	4,016,724	40,167,239	4,016,724	40,167,239
Tata Liquidity Management Fund-(Dividend)	1,000	14,988	15,021,412	14,988	15,021,412
Standard Chartered Liquidity Manager-(Dividend)	1,000	30,104	30,109,551	30,104	30,109,551
HDFC Cash Management-Savings Plan-(Dividend)	10	941,913	10,018,559	941,913	10,018,559
Reliance Quarterly Interval Fund-Series II-Institutional-(Dividend)	10	1,016,912	10,169,530	1,016,912	10,169,730
ING Fixed Maturity Fund-34 Inst.-(Dividend)	10	2,000,000	20,000,000	2,000,000	20,000,000
Lotus India FMP-3 Months-Series XIX-(Dividend)	10	1,017,134	10,171,340	1,017,134	10,173,171
Kotak FMP 3M Series 26-(Dividend)	10	2,034,412	20,344,156	2,034,412	20,344,121
Reliance Quarterly Interval Fund-Series III-Institutional-(Dividend)	10	2,071,679	20,717,646	2,071,679	20,717,828
Lotus India Quarterly Interval Fund-Plan B-(Dividend)	10	1,018,507	10,185,077	1,018,507	10,185,577
Sundaram BNP Paribas Interval Fund-Qly-Plan -A-Inst-(Dividend)	10	1,553,402	15,534,019	1,553,402	15,534,019
ABN Amro Flexible Short Term Plan Ser C -QFMP (Dividend)	10	1,553,362	15,533,679	1,553,362	15,533,623
HSBC Interval Fund-Plan 2-Institutional-(Dividend)	10	3,563,583	35,636,241	3,563,583	35,658,641
DSP Merrill Lynch Fixed Maturity Plan 3M Series 2-Instl-(Dividend)	10	2,587,693	25,877,034	2,587,693	25,882,880
Reliance Fixed Horizon Fund VI-Series 1-Inst-(Dividend)	10	1,000,000	10,000,000	1,000,000	10,000,000
UTI Fixed Income Interval Fund-Quarterly Interval Plan Series -I-Inst-(Dividend)	10	1,018,327	10,183,671	1,018,327	10,183,271
UTI Fixed Maturity Plan Quarterly Series-QFMP-0907/I-INST-(Dividend)	10	2,032,725	20,327,246	2,032,725	20,346,557
Reliance Interval Fund-Quarterly Plan-Series I-Inst-(Dividend)	10	2,034,604	20,349,334	2,034,604	20,351,534
DSP Merrill Lynch Fixed Term Plan Series 1P-Institutional -(Dividend)	1,000	25,413	25,413,408	25,413	25,418,644
SBI Debt Fund Series-90 Days-15-(Sep 07)-(Dividend)	10	1,524,986	15,249,855	1,524,986	15,249,855
ING Fixed Maturity Fund-XXVI-(Dividend)	10	1,500,000	15,000,000	1,500,000	15,000,000

8. Most of the operations of the company are conducted through Software Technology Park ('STP'). Income from STP are tax exempt upto 31 March 2009.

Pursuant to the change in the Indian Income-tax Act, 1961, the company has calculated its tax liability after considering Minimum Alternative Tax (MAT). The MAT liability can be carried forward and set off against the future tax liability. Accordingly a sum of Rs.54,100,000 was carried forward and shown under "Loans and advances" in the balance sheet as at 31 March 2008.

9. Employee Benefit Obligations

The Company provides for gratuity, a defined retirement plan (Gratuity Plan) covering all employees of the Company. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment, an amount based on respective employee's last drawn salary and the years of employment with the Company. Liability with regard to gratuity plan is accrued based on actuarial valuation at the balance sheet date, carried out by an independent actuary. Actuarial gain or loss is recognised immediately in the statement of profit and loss as income or expense.

Effective 1 April 2006, the Company adopted revised Accounting Standard 15 on Employee Benefits. Pursuant to the adoption, the transitional obligations of the Company amounted to Rs. 9,981,145 (net of deferred tax amounting to Rs. 1,018,855). As required by the standard as on 1 April 2006, the obligation has been recorded with the transfer of Rs. 9,981,145 from general reserve.

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

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

Particulars	As at 31 March 2008 (Rupees)	As at 31 March 2007 (Rupees)
Obligation at period beginning	**20,377,128**	**12,890,710**
Current service cost	5,667,581	3,023,103
Interest cost	1,466,767	862,875
Actuarial losses	10,018,058	5,651,252
Benefits paid	(2,000,248)	(2,050,812)
Obligation at period end	**35,529,286**	**20,377,128**
Change in plan assets		
Plan Assets at period beginning, at fair value	-	-
Contributions	2,000,248	2,050,812
Benefits paid	(2,000,248)	(2,050,812)
Plan assets at period end, at fair value	**-**	**-**
The Scheme does not have any assets as at the valuation date to meet the gratuity liability.		

Gratuity cost for the year:

	Year ended 31 March 2008 (Rupees)	Year ended 31 March 2007 (Rupees)
Current service cost	5,667,581	3,023,103
Interest cost	1,466,767	862,875
Actuarial losses	10,018,058	5,651,252
Net gratuity cost	**17,152,406**	**9,537,230**

Assumptions

	Year ended 31 March 2008	Year ended 31 March 2007
Discount rate	7.50% p.a	8% p.a
Salary escalation rate	10% p.a for first 5 years & 7% p.a thereafter	5% p.a

a) Discount rate:

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

b) Salary escalation rate:

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

10. Segment reporting – Basis of preparation

(i) Segment accounting policies

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

(ii) Composition of reportable segments

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

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 manmonths. 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. The Company believes that it is not practicable to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and directly charged against total income.

Segment assets and liabilities represent the net assets put up and liabilities of that segment. All the fixed assets of the Company are located in India. These have not been identified to any of the reportable segments, as these are used interchangeably between segments. 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.

During thr current quarter, the Company has changed the basis of allocation of certain costs amongst warious segments. As a result of the same, the impact on segment results is summarised as under:

(Amount in Rupees)

Description	India	Far East	Singapore	Europe	USA	Others	Total
Increase (decrease) in segment result for the quarter	(1,265,048)	21,607,340	(10,975,760)	2,926,085	349,455	(12,642,071)	-
Increase (decrease) in segment result for the year	163,110	81,445,152	(39,481,173)	30,139,904	(6,794,733)	(65,472,260)	-

a) Information in respect of primary segment

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

For the year ended 31 March 2008

(Amount in Rupees)

Description	India	Far East	Singapore	Europe	USA	Others	Total
Revenue from external customers	336,999,849	817,734,611	129,747,381	154,101,145	11,642,679	519,292,373	1,969,518,038
Expenses	298,259,978	458,696,694	118,742,292	63,763,489	14,025,949	378,902,923	1,332,391,325
Segment result	38,739,871	359,037,917	11,005,089	90,337,656	(2,383,270)	140,389,450	637,126,713
Unallocated corporate expenditure							186,688,093
Operating profit before taxation							450,438,620
Other income							170,151,536
Profit before tax							620,590,156
Provision for taxation							
– current income tax							61,900,000
– MAT credit entitlement							(54,100,000)
– fringe benefit tax							7,167,414
– deferred tax							(2,141,712)
– income tax for earlier years							-
Provision for wealth tax							70,040
Net profit after taxation							**607,694,414**

For the year ended 31 March 2007

(Amount in Rupees)

Description	India	Far East	Singapore	Europe	USA	Others	Total
Revenue from external customers	254,783,999	481,373,097	132,092,576	137,387,530	46,678,869	412,989,417	1,465,305,488
Expenses	250,514,629	305,337,321	70,687,528	73,791,663	25,557,518	222,579,575	948,468,235
Segment result	4,269,370	176,035,776	61,405,048	63,595,867	21,121,350	190,409,842	516,837,253
Unallocated corporate expenditure							122,283,192
Operating profit before taxation							394,554,061
Other income							46,617,209
Profit before tax							441,171,270
Provision for taxation							
– current income tax							3,000,000
– fringe benefit tax							6,124,139
– deferred tax							2,879,983
– income tax for earlier years							86,355
Provision for wealth tax							63,952
Net profit after taxation							**429,016,841**

Assets and liabilities of reportable primary segment are as follows:

As at 31 March 2008

(Amount in Rupees)

Description	India	Far East	Singapore	Europe	USA	Others	Total
Segment assets	93,478,271	259,102,553	58,061,461	21,238,498	21,771,858	324,103,713	777,756,354
Unallocated corporate assets							1,652,620,807
Total assets							**2,430,377,161**
Segment liabilities	43,557,318	125,281,022	30,138,646	81,295,237	1,636,308	75,554,991	357,463,522
Unallocated corporate liabilities							183,112,143
Total liabilities							**540,575,665**
Capital employed							**1,889,801,496**

As at 31 March 2007

(Amount in Rupees)

Description	India	Far East	Singapore	Europe	USA	Others	Total
Segment assets	84,522,577	182,454,257	63,495,771	193,346	14,356,692	199,053,440	544,076,083
Unallocated corporate assets							1,351,237,709
Total assets							**1,895,313,792**
Segment liabilities	52,401,988	182,969,784	16,924,961	136,428,141	3,247,217	43,333,493	435,305,584
Unallocated corporate liabilities							75,479,795
Total liabilities							**510,785,379**
Capital employed							**1,384,528,413**

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

For the year ended 31 March 2008

(Amount in Rupees)

Description	India	Far East	Singapore	Europe	USA	Others	Total
Capital expenditure (unallocated)							138,199,906
Total capital expenditure							**138,199,906**
Depreciation expenditure (unallocated)							81,017,846
Total depreciation							**81,017,846**
Segment non-cash expense other than depreciation	3,686,190	2,012,079	5,227,235	555,153	38,774	11,842,065	23,361,496
Total non cash expenditure other than depreciation	**3,686,190**	**2,012,079**	**5,227,235**	**555,153**	**38,774**	**11,842,065**	**23,361,496**

For the year ended 31 March 2007

(Amount in Rupees)

Description	India	Far East	Singapore	Europe	USA	Others	Total
Capital expenditure (unallocated)							209,428,282
Total capital expenditure							**209,428,282**
Depreciation expenditure (unallocated)							51,981,831
Total depreciation							**51,981,831**
Segment non-cash expense other than depreciation	2,518,160	2,270,237	3,027,822	755,930	1,382,795	20,147,588	30,102,532
Total non cash expenditure other than depreciation	**2,518,160**	**2,270,237**	**3,027,822**	**755,930**	**1,382,795**	**20,147,588**	**30,102,532**

b) Information in respect of secondary segment

i) Information for business segments

For the year ended 31 March 2008

(Amount in Rupees)

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

For the year ended 31 March 2007

(Amount in Rupees)

Description	Products	Software projects and services	Total
Revenue	1,144,158,717	321,146,771	1,465,305,488
Carrying amount of segment assets	386,857,981	144,459,290	531,317,271

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

11. Related party transactions

a) List of related parties

Parties where control exists:

Wholly owned subsidiary companies

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

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

- Virstra i -Technology (Singapore) Pte. Ltd.

Other related parties with whom transactions have taken place during the period/ year:

Key managerial personnel:
- Vishnu R Dusad (Managing director)

b) **Transactions with related parties**

(Amounts in Rupees)

		Year ended 31 March 2008	Year ended 31 March 2007
i	**Software development, services and products**		
	-Nucleus Software Japan Kabushiki Kaiga.	562,924,334	257,804,780
	-Nucleus Software Solutions Pte Ltd.	91,963,385	105,991,382
	-Nucleus Software Inc.	8,984,067	43,811,715
	-Others	15,908,118	16,879,146
ii	**Other income**		
	-VirStra i-Technology Services Limited	102,070,058	2,968,730
iii	**Managerial remuneration**		
	-Vishnu R Dusad (Managing director)	20,320,000	20,156,447
iv	**Reimbursement of expenses**		
	From wholly owned subsidiary companies :		
	-VirStra i-Technology Services Limited	6,276,783	9,644,251
	-Nucleus Software Solutions Pte Ltd	7,473,929	12,681,199
	-Nucleus Software Japan Kabushiki Kaiga.	5,130,647	1,522,589
	-Nucleus Software Inc	9,327,039	65,182
	-Others	114,470	49,490
	To wholly owned subsidiary companies:		
	-Nucleus Software Solutions Pte Ltd.	2,926,882	5,320,419
	-Nucleus Software Japan Kabushiki Kaiga.	337,139	21,157,010
	-Others	187,797	498,123
v	**Cost of services hired**		
	-Nucleus Software Solutions Pte Ltd.	14,249,492	-
vi	**Commission paid**		
	To wholly owned subsidiary company		
	-Nucleus Software (Australia) Pty Ltd.	560,502	781,918
vii	**Interest received**		
	From wholly owned subsidiary companies		
	-Nucleus Software Solutions Pte Ltd.	-	71,559
	-Nucleus Software Inc.	120,149	369,501
viii	**Loans and advances**		
	Repaid by wholly owned subsidiary company		
	-Nucleus Software Solutions Pte Ltd.	-	5,824,000
	-Nucleus Software Inc.	2,570,325	2,466,620
	-VirStra i -Technology Services Limited	12,400,000	10,000,000

c) **Outstanding balances as at year end**

	As at 31 March 2008 (Rupees)	As at 31 March 2007 (Rupees)
Loans and advances		
To wholly owned subsidiaries		
-Nucleus Software Solutions Pte Ltd.	-	8,842,354
-VirStra i-Technology Services Limited.	-	-
-Nucleus Software Inc.	-	3,916,548
-Nucleus Software Netherlands B.V	96,127	-
Debtors		
Wholly owned subsidiaries		
-Nucleus Software Japan Kabushiki Kaiga.	28,251,263	55,137,972
-Nucleus Software Solutions Pte Ltd.	45,492,600	43,832,933
-Nucleus Software Inc.	14,408,112	9,773,801
-Others	-	90
Service income accrued but not due		
Wholly owned subsidiary Company		
-Nucleus Software Japan Kabushiki Kaiga.	100,895,679	7,669,406
-Nucleus Software Inc.	7,047,138	-
-Nucleus Software Solutions Pte Ltd.	2,714,067	-
Interest income accrued but not due		
Wholly owned subsidiary Company		
-Nucleus Software Inc.	-	249,389
Sundry creditors		
Due to wholly owned subsidiaries		
-Nucleus Software Japan Kabushiki Kaiga.	-	13,217,345
-Nucleus Software Solutions Pte Ltd.	10,657,091	-
-VirStra i -Technology Services Limited.	920,296	374,027
-Nucleus Software (Australia) Pty Ltd.	914,968	651,723
Advance from customers		
Advances from wholly owned subsidiaries		
-Nucleus Software Japan Kabushiki Kaiga.	1,258,606	120,930,844

	Year ended 31 March 2008 (Rupees)	Year ended 31 March 2007 (Rupees)
12. Legal and professional includes payment to auditors		
Audit fees (including service tax)	1,853,940	1,643,602
Other services (including service tax)	796,716	454,532
Out of pocket expenses	140,000	195,240
Total	**2,790,656**	**2,293,374**
13. CIF value of imports		
Capital goods	30,152,545	56,834,204
Total	**30,152,545**	**56,834,204**
14. Expenditure in foreign currency		
Travelling	123,933,220	101,862,483
Professional charges	6,386,194	808,164
Others	85,219,926	40,634,705
Total	**215,539,340**	**143,305,352**

	Year ended 31 March 2008 (Rupees)	Year ended 31 March 2007 (Rupees)
15. Earnings in foreign currency		
Income from software development services and products	1,632,518,190	1,207,019,288
Income from Consultancy Services	-	3,502,200
Interest	126,537	448,326
Total	**1,632,644,727**	**1,210,969,814**
16. Dividend remitted in foreign currency		
Amount remitted (net of tax)		
Interim dividend (2007)	-	-
Final dividend (2006)	-*	-*
Final dividend (2005)	-*	-*
Number of shares held by non-resident shareholders		
Interim dividend (2007)	-	252,020
Final dividend (2006)	-	786,111
Final dividend (2005)	-	-
Number of non-resident shareholders		
Interim dividend (2007)	-	178
Final dividend (2006)	-	175
Final dividend (2005)	-	-
*Dividend was remitted in Indian Rupees		
17. Earnings per share		
Profit after taxation available to equity shareholders (Rupees)	607,694,414	429,016,841
Weighted average number of equity shares used in calculating basic earnings per share	32,358,999	32,273,966
Add: Effect of dilutive issue of shares	256,060	179,359
Weighted average number of equity shares used in calculating diluted earnings per share	32,615,059	32,453,325
Basic earnings per share (Rupees)	18.78	13.29
Diluted earnings per share (Rupees.)	18.63	13.22

18. Capital commitments and contingent liabilities

a. Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances) Rs.111,489,712 (previous year Rs.56,579,872).

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

19. Operating lease

The Company has acquired office premises under a non-cancellable operating lease. Operating lease rentals paid during the year is Rs.7,102,920 (Rs.1,224,157). The future minimum lease expense in respect of such leases is as follows:

	As at 31 March 2008 (Rupees)	As at 31 March 2007 (Rupees)
Not later than 1 year	5,209,325	7,102,920
Later than 1 year but not later than 5 years	-	5,209,325
Later than 5 years	-	-
Total	**5,209,325**	**12,312,245**

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

	Year ended 31 March 2008 (Rupees)	Year ended 31 March 2007 (Rupees)
Salaries and allowances	835,698,418	549,715,294
Contribution to provident and other funds	44,094,694	29,527,112
Directors' remuneration (including stock compensation expenses Rs.312,723; Rs.3,492,076)	27,777,723	25,643,523
Employee's stock compensation expenses	5,677,545	4,885,331
Staff welfare	15,013,978	12,865,517
Training and recruitment	26,240,256	20,086,722
Software and other development charges	12,109,684	7,288,344
Cost of software purchased for delivery to clients	64,871,485	15,113,102
Travelling	165,086,985	135,238,325
Conveyance	16,499,666	13,268,483
Communication	18,317,833	16,409,707
Rent, rates and taxes	15,859,732	8,618,650
Legal and professional	27,795,599	22,703,238
Power and fuel	24,142,089	18,913,173
Repair and maintenance		
- Buildings	1,872,269	373,821
- Others	11,726,504	5,757,690
Advertisement and business promotion	13,193,526	8,850,949
Conference, exhibition and seminar	8,172,526	9,492,873
Information technology expenses	7,111,667	4,441,113
Advances and other current assets written off	6,609,696	290,466
Commission to channel partners	4,517,151	24,188,634
Provision for doubtful debts/advances/other current assets	5,866,055	21,435,709
Provision for diminution in the value of investments	4,895,477	-
Printing and stationery	6,853,797	3,600,444
Insurance	3,543,798	2,634,661
Bank charges	1,661,660	1,776,281
Miscellaneous expenses	21,354,029	8,900,804
Total	**1,396,563,842**	**972,019,966**

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

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

For and on behalf of the Board of Directors

Lt. Gen. T P Singh (Retd.)
Chairman

Vishnu R Dusad
Managing Director

NOIDA (U.P.)
April 27, 2008

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Information pursuant to Part IV of Schedule VI of the Companies Act, 1956
Balance Sheet Abstract and Company's General Business Profile

I.	**Registration details**	
	Registration No.	55-34594
	State Code	55
	Balance Sheet Date	31 March 2008
II.	**Capital raised during the year (Rupees in thousands)**	
	Public issue	Nil
	Rights issue	Nil
	Bonus issue	161,835
	Private placement	232
III.	**Position of mobilisation and deployment of funds (Rupees in thousands)**	
	Total liabilities	2,430,377
	Total assets	2,430,377
	Sources of funds	
	Paid-up capital *	330,439
	Reserves and surplus	1,559,362
	Secured loans	Nil
	Unsecured loans	Nil
	Deferred tax liability	Nil
	* includes Rs.6,754 thousands in respect of advance pursuant to stock option schemes	
	Application of funds	
	Net fixed assets	516,738**
	Investments	955,145
	Net current assets	416,298
	Deferred tax assets	1,620
	Miscellaneous expenditure	Nil
	Accumulated losses	Nil
	** includes Rs.20,487 thousands in respect of capital work-in-progress (including capital advances)	
IV.	**Performance of Company (Rupees in thousands except earnings per share)**	
	Turnover (including other income)	2,139,670
	Total expenditure	1,519,080
	Profit before tax	620,590
	Profit after tax	607,694
	Earnings per share **(in Rupees)**	18.78 (Basic)
		18.63(Diluted)
	Dividend rate %	30
V.	**Generic names of Principal Products/Services of Company (as per monetary terms)**	
	Product description:	Software services
	Item code (ITC code):	Not Applicable
	Product description:	Software products
	Item code (ITC code):	Not Applicable
	Product description:	Software solutions and systems integration
	Item code (ITC code):	Not Applicable

For and on behalf of the Board of Directors

Lt. Gen. T P Singh (Retd.)
Chairman

Vishnu R Dusad
Managing Director

NOIDA (U.P.)
April 27, 2008

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

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 Kaiga	Nucleus Software (Australia) Pty Ltd	Nucleus Software (HK) Ltd	Nucleus Software Netherlands B.V	Virstra I-Technology Services Ltd	Virstra I-Technology (Singapore) Pte Ltd (Step down subsidiary Company)
Financial Year of the Subsidiary Company ended on	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008	March 31, 2008
No. of shares of the Subsidairy Company	625,000 shares of S$1 each fully paid up	100,000 shares of US$0.35 each fully paid up	200 shares of 50,000 Yen each fully paid up	316,000 shares of Australian $1 each fully paid up	100,000 Shares of Hongkong $1 each fully paid up	1,000 Shares of Euro 100 each fully paid up	1,000,000 Shares of Rs. 10 each fully paid up	200,000 Shares of SG $ 1 each fully paid up
Percentage of holding (Equity)	100%	100%	100%	100%	100%	100%	100%	100%
Percentage of holding (Preference)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
The net aggregate of profit/losses of the Subsidiary Company for its Financial Year so far as they concern the members of the Holding Company								
a) Dealt with in the Accounts for the period ended 31.03.2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Not dealt with in the Accounts for the period ended 31.03.08	Singapore $ 1,194,027 (Equivalent to Rs.34,734,245)	US $ 169,490 (Equivalent to Rs.6,762,651)	Yen 24,453,461 (Equivalent to Rs.9,769,158)	Australian $ 571 (Equivalent to Rs.20,887)	HK $ (21,714) (Equivalent to Rs.118,559)	Euro (27,126) (Equivalent to Rs.1,710,837)	Rs.56,008,626	SG $ (164,942) (Equivalent to Rs.4,798,163)
The net aggregate of profit/losses of the Subsidiary Company for the previous Financial Years since it became a subsidiary so far as they concern the members of the Holding Company								
a) Dealt with in the Accounts for the period ended 31.03.08	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Not dealt with in the Accounts for the period ended 31.03.08	Singapore $ 3,868,490 (Equivalent to Rs.112,534,374)	US $ (199,545) (Equivalent to Rs.7,961,846)	Yen 20,093,872 (Equivalent to Rs.8,027,502)	Australian $ (92,756) (Equivalent to Rs.3,393,014)	HK $ (96,501) (Equivalent to Rs.526,895)	Euro (22,368) Equivalent to Rs.1,410,750)	Rs.63,453,745	SG $ (58,634) (Equivalent to Rs.1,705,663)

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, 2008

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

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

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

Overview

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

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

Over the last nineteen years, Nucleus has built a distinguished reputation of providing innovative and comprehensive software solutions and products in the BFSI Vertical. Multi-product, multi-service, multi-currency and multi-lingual implementation has led to worldwide acceptability and customer satisfaction. Nucleus operates through integrated and well-networked subsidiaries in Australia, Hongkong, India, Japan, Netherlands, Singapore and USA and branch offices in India, Korea, UAE and UK. Since 1995, the Company has deliberately chosen to develop software products and invested heavily in creation of intellectual property. The product offerings have been well received and Nucleus has carved out a special niche in Products for Retail Lending Solutions and Cash Management

Company Strengths

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

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

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

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

Some of the notable accolades won by Nucleus are:

- Nucleus Software has been listed among the **'Best 200 under a billion companies in Asia' (2007) by** Forbes Asia magazine.
- FinnOne™ Suite **ranked No 2**, best selling retail lending software globally by IBS publishing, the UK based financial publication
- Nucleus Software has been ranked amongst the **'top 15 most exciting emerging IT/BPO companies to work for'** a NASSCOM survey.
- Nucleus Software has been selected as one of the top 25 companies adopting **"Good Corporate Governance Practices" by the Institute of Company Secretaries of India** for second consecutive year in 2007**.**
- Nucleus Software was adjudged as **one of the fastest growing companies in Asia Pacific** under Deloitte Technology Fast 500 – 2007.
- Nucleus Software was conferred with **Oracle Partner of the Year Award in** Fusion Middleware category at an APAC level.
- Nucleus Software was awarded for being the **Fastest Growing ISV in 2007 by Oracle Corporation.**
- The Company's flagship product FinnOne™ was recognized as the **"No. 1 Best Selling Retail Lending Software" by IBS Publishing** for the year 2006.
- Received the award for **" Excellence in Financial Reporting"** by the **Institute of Chartered Accountants of India (ICAI)** for financial year 2005. Our Annual Report was adjudged No.2 in the category of 'Information Technology, Communication and Entertainment Enterprises' companies.

- Annual Report for financial year 2005 received the '**Merit Award' for "Best Presented Accounts Award"** by the **South Asian Federation of Accountants** in January 2007 in the category of 'Communication and Information Technology Sector".
- Nucleus Software was ranked **13th in Dataquest Top 20 Best Employers Survey 2006**. Survey was conducted by IDC-Dataquest amongst 200 IT employers across India.
- Nasscom ranked Nucleus as one of the Top 5 Indian Product Companies in its annual software and services industry performance report for the financial year 2002.
- Nucleus has received the best Partner award for "Building World Class Loan Management Solution on 9iAS technology" by Oracle Corporation in 2003

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

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

The FinnOne™ suite of products includes:

- **Customer Acquisition System:** FinnOne™ CAS focuses on the customer acquisition and application processing functionality of retail loans business. FinnOne™ CAS is driven by powerful workflow management engine, policy and scoring engine, and underwriter and decision making tools. The application interfaces with credit bureaus, external agencies, and dedupe engines to receive scoring and investigation reports run against negative and positive customers. This helps in managing the risk in a retail loans origination business. A variety of tools such as online calculators, activity schedulers, mailers, and contact activity planners help in improving the efficiency of the acquisition process. Simulated quote generation of various loan offers for a customer and graphical display of customized workflows eases the job of the user. Besides Auto Loans, Housing Loans, Consumer Loans, and Commercial Vehicle Financing, the system also supports the servicing of Top-up and Education loans.
- **Loan Management System:** FinnOne™ LMS focuses on the loan servicing aspects of a retail loans business. The system supports the servicing of a wide range of loan products like Auto Loans, Housing Loans, Consumer Loans, and Commercial Vehicle Financing. The system supports the financial institution in the billing, accrual, rescheduling, termination, accounting, interest and overdue calculation, and provisioning processes. The system facilitates single as well as multiple loan disbursal. FinnOne™ LMS is also the backbone of all customer servicing activities with respect to the loans. The system also has integrated modules for ABS and Teller.
- **Collections:** The FinnOne™ Collections 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.
- **Finance Against Securities**: The FinnOne™ FAS system enables businesses in offering line based or loan based products. The objective of the FAS product is to value the collateral security provided by the customer in order to determine the credit lines or loans to be offered. FAS helps the customer in lending against any of the collaterals, such as equity, mutual funds, or bonds.
- **General Ledger:** The FinnOne™ General Ledger 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.
- **LiquiDeposits:** The FinnOne™ LiquiDeposit system caters to the requirements of the liability business of a financial institution. The system while meeting the vanilla requirements of a typical term deposit system has advance features like floating rate deposits. The system facilitates in offering unitized and sweep deposit schemes. The system also facilitates Term Deposits, Recurring Deposits, Variable Deposits and Cash Certificates businesses.
- **Forecaster:** The FinnOne™ 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 regression. The system provides an end to end solution to implement data mining projects by using CRISP (Cross Industry Standard process) for data mining.
- **PowerPay:** The FinnOne™ Power Pay 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**: The FinnOne™ 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.

BankONet™: An Internet Banking solution, BankONet™, provides bank with the cutting edge advantage by servicing its customers online. This solution serves both retail and corporate customers. The solution is a one-stop e-banking channel.

Cash@Will™: Cash@Will™ is a complete suite providing comprehensive web enabled cash management solutions and services. The suite's functional modules include - Collections, Payments, and Liquidity Management. The product is divided into two broad categories – on site bank operations and web driven customer operations. By seamlessly supporting multi-bank, multi-currency, multi-lingual transactions, it ensures smooth flow of information and cash.

Group Structure

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

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

The current management structure enables:

- Alignment of products and services with customer expectation.
- Responding and adapting quickly and flexibly to external and internal changes and innovations.
- Synergy of efforts through streamlining of processes.
- Establishment of directions and guiding performance.
- Risks and rewards based on achievements of predefined targets.

FINANCIAL CONDITION

RESULTS OF OPERATIONS

The consolidated financial results as below:

(Rs. in Crore)

For the Year Ended March 31,	2008	% of Revenue	2007	% of Revenue	Growth %
Revenue from Operations	**288.72**	***100.00***	**221.19**	***100.00***	***30.53***
Software Development Expenses	174.52	*60.45*	125.11	*56.56*	*39.49*
Gross Profit	**114.20**	***39.55***	**96.08**	***43.44***	***18.86***
Selling and Marketing Expenses	20.63	*7.15*	17.93	*8.11*	*15.06*
General and Administration Expenses	20.16	*6.98*	14.87	*6.72*	*35.57*
Operating Profit (EBITDA)	**73.41**	***25.43***	**63.28**	***28.61***	***16.01***
Depreciation	11.85	*4.10*	6.88	*3.11*	*72.24*
Withholding Taxes Charged off	4.15	*1.44*	4.68	*2.12*	*(11.32)*
Operating Profit after Interest, Depreciation and Withholding Taxes	57.41	*19.88*	51.72	*23.38*	*11.00*
Other Income	7.05	*2.44*	5.62	*2.54*	*25.44*
Profit before Tax	**64.46**	***22.33***	**57.34**	***25.92***	***12.42***
Provision for Taxation					
- Current	8.30	*2.87*	0.96	*0.43*	*773.68*
- MAT credit entitlement	(5.96)	*(2.06)*	-	-	*NA*
- Fringe Benefit	0.71	*0.25*	0.61	*0.28*	*16.39*
- Deferred	(0.28)	*(0.10)*	0.39	*0.18*	*NA*
- Earlier year tax	(0.05)	*(0.02)*	0.23	*0.10*	*NA*
Profit after Tax	**61.74**	***21.38***	**55.15**	***24.93***	***11.95***

REVENUE

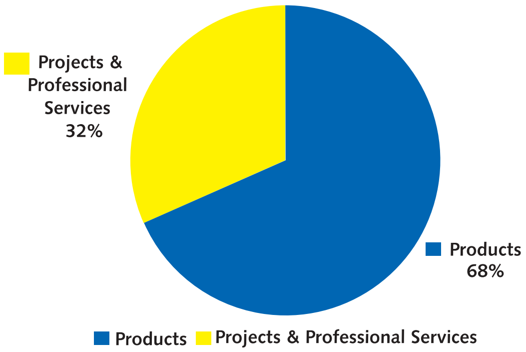
The revenue of the Company is derived from "Software Products" and "Projects and Services".

During the year the total revenue was Rs.288.72 crore against Rs.221.19 crore for the previous year representing an increase of 30.53%.

We derive our revenue from the following business segments:

- Products
- Projects and Services

Business Segment Revenue for the year 2007-08



Products

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

Product revenue was Rs.197.41 crore during the year constituting 68.38% of the total revenue against Rs.119.76 crore, 54.14% of total revenue, in the previous year.

Projects and Services

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

Revenue from software projects and services segment during the year was Rs.91.31 crore constituting 31.62% of the total revenue against Rs.101.42 crore constituting 45.85% of total revenue in the previous year.

EXPENDITURE

Software Development Expenses

Software development expenses primarily consist of compensation to our software professionals, expenses on travel to execute work at client site, direct consultancy charges, cost of software purchased for delivery to clients, bandwidth and communication expense and proportionate infrastructure charges. During the year our software development expenses were Rs.174.52 crore, 60.45% of revenue against Rs.125.11 crore, 56.56% of revenue in the previous financial year.

Overall these expenses have increased by 39.49% over the previous year. Employee costs have increased 34.80% over previous year with additions in numbers and effect of annual performance reviews. These employee costs include the employees in "Product Development", which are expensed.

Rent has increased to Rs.9.97 crore against Rs.2.35 crore in previous year and includes rent paid in Japan for accommodation for onsite projects. Further, we have moved into new premises in Chennai in February 2007 and Mumbai in March 2007 with significantly larger space and cost.

'Cost of Software Purchased' has increased to Rs.9.17 crore against Rs.1.51 crore previous year, due to implementation of bought out credit card systems at two customer sites.

(Rs. in crore)

For the Year ended March 31,	2008	% of Revenue	2007	% of Revenue	Growth %
Employee Costs	114.27	*39.58*	84.77	*38.32*	*34.80*
Travel Expenses	17.40	*6.03*	15.28	*6.91*	*13.87*
Rent	9.97	*3.45*	2.35	*1.06*	*324.26*
Cost of Software Purchased for Delivery to Clients	9.17	*3.18*	1.51	*0.68*	*507.28*
Communication	1.99	*0.69*	2.03	*0.92*	*(1.97)*
Consultancy Charges	9.24	*3.20*	9.64	*4.36*	*(4.15)*
Power and Fuel	2.45	*0.85*	2.06	*0.93*	*18.93*
Software and Other Development Charges	1.28	*0.44*	0.73	*0.33*	*75.34*
Legal and Professional	1.68	*0.58*	1.34	*0.61*	*25.37*
Conveyance	1.20	*0.42*	0.96	*0.43*	*25.00*
IT Expenses	0.70	*0.24*	0.48	*0.22*	*45.83*
Repairs and Maintenance	1.20	*0.42*	0.55	*0.25*	*118.18*
Training and Recruitment	2.55	*0.88*	2.23	*1.01*	*14.35*
Insurance	0.54	*0.19*	0.42	*0.19*	*28.57*
Others	0.88	*0.30*	0.76	*0.34*	*15.79*
Total Software Development Expenses	**174.52**	***60.45***	**125.11**	***56.56***	***39.49***
Revenue	***288.72***	***100.00***	***221.19***	***100.00***	***30.53***

Selling and Marketing Expenses

Our selling and marketing expenses comprise of compensation of sales and marketing personnel, travel, brand building (advertisement, conference, seminar, etc), communication, training and recruitment and other allocated infrastructure costs. The Company has ambitious plans to increase geographical reach with a mix of direct sales effort and channel partner effort along with building a global brand for its products.

During the year selling and marketing expenses were Rs.20.63 crore at 7.15% of revenue against Rs.17.93 crore at 8.11% of revenue in the previous year representing an increase of 15.06%.

(Rs. in crore)

For the Year ended March 31,	*2008*	*% of Revenue*	*2007*	*% of Revenue*	*Growth %*
Employee Costs	11.65	*4.04*	9.02	*4.08*	*29.16*
Travel Expenses	3.09	*1.07*	2.75	*1.24*	*12.36*
Rent	0.70	*0.24*	0.57	*0.26*	*22.81*
Advertisement and Business Promotion	1.18	*0.41*	0.86	*0.39*	*37.21*
Communication	0.58	*0.20*	0.42	*0.19*	*38.10*
Conference, Exhibition and Seminar	0.80	*0.28*	0.93	*0.42*	*(13.98)*
Channel Partner Payments	0.82	*0.28*	2.35	*1.06*	*(65.11)*
Others	1.81	*0.63*	1.03	*0.47*	*75.73*
Total Selling and Marketing Expenses	**20.63**	***7.15***	**17.93**	***8.11***	***15.06***
Revenue	***288.72***	***100.00***	***221.19***	***100.00***	***30.53***

Employee costs have increased 29.16% with increase in numbers and effect of annual performance reviews.

General and Administrative Expenses

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

During the year our general and administrative expenses were Rs.20.16 crore at 6.98% of revenue against Rs.14.87 crore at 6.72% of revenue in the previous year, representing an increase of 35.57%.

(Rs. in crore)

For the Year ended March 31,	*2008*	*% of Revenue*	*2007*	*% of Revenue*	*Growth %*
Employee Costs	10.17	*3.52*	7.43	*3.36*	*36.88*
Travel Expenses	0.61	*0.21*	0.23	*0.10*	*165.22*
Legal and Professional	1.86	*0.64*	1.44	*0.65*	*29.17*
Communication	0.38	*0.13*	0.26	*0.12*	*46.15*
Rent, Rates and Taxes	0.85	*0.29*	0.56	*0.25*	*51.79*
Provision for Doubtful Debts/ Advances/ Other Current Assets written off	0.68	*0.24*	2.27	*1.03*	*(70.04)*
Printing and Stationery	0.21	*0.07*	0.27	*0.12*	*(22.22)*
Conveyance	0.38	*0.13*	0.34	*0.15*	*11.76*
Power and Fuel	0.22	*0.08*	0.13	*0.06*	*69.23*
Bad Debts written off	-	-	0.16	*0.07*	*NA*
Advertisement & Business Promotion	0.59	*0.20*	0.10	*0.05*	*NA*
Bank Charges	0.30	*0.10*	0.29	*0.13*	*3.45*
Consultancy Charges	0.52	*0.18*	0.11	*0.05*	*NA*
Others	3.39	*1.17*	1.28	*0.58*	*164.84*
Total General and Administrative Expenses	**20.16**	***6.98***	**14.87**	***6.72***	***35.57***
Revenue	***288.72***	***100.00***	***221.19***	***100.00***	***30.53***

Employee costs have increased 36.88% with increase in numbers and effect of annual performance reviews.

Operating Profit

During the year our operating income was Rs.73.41 crore, 25.43% of revenue against Rs.63.28 crore, 28.61% of revenue in the previous year.

Depreciation

Depreciation on fixed assets was Rs.11.85 crore, 4.10% of revenue for the year against Rs.6.88 crore, 3.11% of revenue in the previous year. Increase in depreciation charge for the year is by Rs.4.97 crore.

Withholding Taxes

Withholding taxes charged off represent withholding taxes charged to Profit and Loss Account during the year, net of credits available, Rs.4.15 crore against Rs.4.68 crore in the previous year. These relate to taxes withheld by customers/subsidiaries on overseas transactions.

Other Income

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

(Rs. in Crore)

For the Year ended March 31,	*2008*	*2007*
On Investments		
- Capital Gain	2.48	2.33
- Dividend	2.14	1.20
Interest Income	0.14	0.23
Gain/(Loss) on foreign exchange fluctuation	(0.21)	0.29
Forex Gain / (Loss) on consolidation	0.11	0.10
Others	2.39	1.47
Total	**7.05**	**5.62**

Other income for the year was Rs.7.05 crore compared to Rs.5.62 crore for the previous year representing an increase of Rs.1.43 crore. This increase is largely attributable to higher income of Rs.4.62 crore against Rs.3.53 crore previous year, from profit on sale and dividends from mutual funds as a result of higher investments and better returns.

Provision for Income Tax

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

(Rs. in crore)

For the Year ended March 31,	*2008*	*2007*
Provision for Taxation		
- Current Tax	8.30	0.96
- Fringe Benefit Tax	0.72	0.61
- MAT Credit Entitlement	(5.97)	-
- Deferred Tax Expense	(0.28)	0.40
- Earlier Year Tax	(0.05)	0.23
Total	**2.72**	**2.20**

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

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

Net Income

Our net income for the year was Rs.61.74 crore, 21.38% of revenue, representing an increase of 11.95% over the net income of Rs.55.15 crore, 24.93% of revenue, during the previous year.

FINANCIALS

Share Capital

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

Share Capital of the Parent Company increased from 16,160,312 Equity Shares of Rs.10/- each as on March 31, 2007 to 32,367,024 Equity Shares of Rs.10/- each as on March 31, 2008. Consequently, the paid up Share Capital increased from Rs.16.11 crore as on March 31, 2007 to Rs.32.36 crore as on March 31, 2008, including the amount in share forfeiture account.

The increase is consequent to:

- Allotment of 24,400 fully paid up Equity Shares of Rs.10/- each in pursuance of stock options exercised in July 2007 and October 2007(adjusted for Bonus issue in the ratio of 1:1).
- -Allotment of 16,182,312 fully paid up Equity Shares of Rs.10/- each as Bonus Shares by capitalization of Securities Premium account in the ratio of 1:1 to Shareholders holding Equity Shares of the Company on August 6, 2007, the record date.

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

	2008		2007	
	Equity shares (No.)	Rs. Crore	Equity shares (No.)	Rs. Crore
Balance at the beginning of the year	**16,160,312**	**16.16**	**16,104,812**	**16.10**
Shares issued upon conversion of options issued under :				
ESOP 1999	5,700	0.01	12,500	0.02
ESOP 2002	17,500	0.02	43,000	0.04
ESOP 2005	-	-	-	-
ESOP 2006	-	-	-	-
Bonus Shares issued on ESOP	1,200	-	-	-
Bonus Shares	16,182,312	16.18	-	-
Balance at the end of the year	**32,367,024**	**32.37**	**16,160,312**	**16.16**

Subsidiaries

Paid-up Share Capital of the Subsidiaries as on March 31, 2008 is given below. As 100% of the Share Capital of the Subsidiaries is held by Nucleus Software Exports Limited and nominees; on consolidation of accounts, these amounts are contra with investments in Subsidiaries amount in the accounts of the Parent Company

Name of Subsidiary Company	Currency	As at March 31, 2008		As at March 31, 2007	
		In foreign Currency	Eqv. Rupees (in crore)	In foreign Currency	Eqv. Rupees (in crore)
Nucleus Software Solutions Pte. Ltd. Singapore. 625,000 equity shares of S$ 1 each	**SGD**	625,000	1.63	625,000	1.63
Nucleus Software Inc., USA. 1,000,000 shares of US$ 0.35 cents each	**USD**	350,000	1.63	350,000	1.63
Nucleus Software Japan Kabushiki Kaiga, Japan. 200 equity shares of JPY 50,000 each	**JPY**	10,000,000	0.41	10,000,000	0.41
Nucleus Software (HK) Ltd., Hong Kong. 100,000 equity shares of HK$ 1 each	**HKD**	100,000	0.06	100,000	0.06
Nucleus Software (Australia) Pty Ltd., Australia 316,000 equity shares of Aus $ 1 each	**Aus $**	316,000	0.98	316,000	0.98
VirStra I-Technology Services Ltd., India 1,000,000 equity shares of Rs.10 each	**INR**	-	1.00	-	1.00
Nucleus Software Netherlands BV, Netherlands 1000 equity shares of EURO 100 each	**Euro**	100,000	0.54	100,000	0.54
Step down Subsidiary of Nucleus Software Exports Ltd.					
Virstra (Singapore) Pte Ltd., Singapore 200,000 equity shares of S$ 1 each	**SGD**	200,000	0.56	200,000	0.56

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

Reserves and Surplus

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

(Rs. in crore)

Particulars	Opening Balance as on April 1, 2007	Additions/ (Deletions) during the year	Closing Balance as on March 31, 2008
General Reserve	53.01	8.44	61.45
Securities Premium	17.32	(15.27)	2.05
Capital Reserve	0.16	0.02	0.18
Employee Stock Options (net of deferred employee compensation)	0.72	0.21	0.93
Foreign Currency Translation Reserve	0.94	0.29	1.23
Profit and Loss Account Balance	76.88	40.24	117.12
Total	**149.03**	**33.93**	**182.96**

The Company alloted 16,182,312 fully paid up equity shares of Rs.10.00 each as bonus shares by capitalization of Securties Premium amount during the year.

Fixed Assets

(Rs. in crore)

As at March 31,	2008	2007	Inc/Dec %
Gross Block			
Freehold land	0.34	0.34	-
Leasehold land	6.64	6.64	-
Building	24.29	14.66	65.69
Office and other equipment	14.18	8.73	62.43
Computers	25.11	17.98	39.66
Vehicles	1.74	1.55	12.26
Furniture and fixtures	5.12	3.84	33.33
Software	11.33	9.56	18.51
Leasehold improvement	6.28	5.24	19.85
Total	**95.03**	**68.54**	**38.65**
Less; accumulated depreciation	37.93	26.56	42.81
Net Block	**57.10**	**41.98**	**36.02**
Add: Capital Work In Progress	2.05	13.08	(84.33)
Net Fixed Assets	**59.15**	**55.06**	**7.43**

As at March 31, 2008, gross block of fixed assets including investment in technology assets was Rs.95.03 crore (Rs.68.54 crore as on March 31, 2007).

The increase in gross block of fixed assets is primarily on account of balance capitalization of second facility in Sector-62, NOIDA

The net fixed assets after depreciation are Rs.57.10 crore as on March 31, 2008 compared to Rs.41.98 crore as on March 31, 2007.

Other Long-Term Investment

Other long term investment comprise of:

a) Investment in 10,040,000 Equity Shares of face value of Rs.10 each in GMAC Financial Services India Limited made by the Company (together with its nominees), representing 25.10% of the total Equity Share capital of the said Company.

GMAC Financial Services India Limited is a subsidiary of General Motors Acceptance Corporation (GMAC), a Company incorporated in United States of America. The Company has entered into a shareholder agreement with GMAC whereby under the terms of the agreement, the Company has an option to exit the investment in favour of GMAC or a designee of GMAC. Similarly GMAC has the option to ask the Company to divest the shareholding in favour of GMAC or a designee of GMAC.

During the year, the Company has exercised the put option (subject to regulatory approval) on investments in Equity Shares of GMAC Financial Services India Limited. The investment of Rs.13.69 crore was made in October 2004. The transaction is expected to be closed in the current year after requisite regulatory approval is received.

b) Investment in 25,000 Equity Shares of face value of Rs.100/- each in Ujjivan Financial Services Private Ltd.

Ujjivan Financial Services Private Ltd., has been promoted in the area of micro finance by a group of experienced professionals with banking and technology background.

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, 2008 the cash and bank balances stood at Rs.17.50 crore (Rs.26.83 crore on March 31, 2007 and current investments in liquid schemes and Fixed Maturity Plans of mutual funds were Rs.76.63 crore (Rs.55.07 crore on March 31, 2007). As a part of its financial policies, the Company believes in maintaining high level of liquidity as it provides immense support against contingencies and uncertainties.

Our net cash flow from operating activities before working capital changes was Rs.73.19 crore for the financial year as compared to Rs.64.40 crore in the previous year. After considering working capital changes, operating cash flow is Rs.24.40 crore against Rs.38.73 crore, a reduction which merits further analysis.

Receivables have increased by Rs.12.98 crore. While DSR is at 79 against 83 last year, there is additional deployment in receivables with turnover increase.

Loans and advances have increased by Rs.7.30 crore.

Other Current Assets have increased by Rs.15.00 crore. Current Liabilities have decreased by Rs.11.26 crore with "Advances from Customers" decreasing by Rs.24.33 crore and other components increasing.

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

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

As at March 31,	2008	2007
Operating cash flow as % of revenue	8.45	17.51
Days of sale receivable	79	83
Cash and bank balances as % of assets	8.09	16.14
Cash and bank balances as % of revenue	6.06	12.13
Current investments as % of assets	35.44	33.14
Current investments as % of revenue	26.54	24.90

Trade Receivables

Our trade receivables (net of provision) as on March 31, 2008 were Rs.67.81 crore against Rs.55.26 crore on March 31, 2007. In the opinion of management all the trade receivables are recoverable.

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

As at March 31,	2008	2007
Less than 6 months	94.48%	97.60%
More than 6 months	5.52%	2.40%
Days of sales receivables (DSR)	79	83

Management is making all efforts to reduce the DSR.

Loans and Advances

The amount is Rs.16.66 crore as on March 31, 2008 (Rs.9.69 crore as on March 31,2007).

(Rs. in crore)

As at March 31,	2008	2007
Advances recoverable in cash or in kind or for value to be received	3.58	3.63
Security deposits	2.92	2.60
Advance income tax	0.84	0.82
Advance fringe benefit tax	0.27	-
MAT credit entitlement	5.97	-
Prepaid expenses	3.08	2.64
Total	**16.66**	**9.69**

Advances recoverable in cash or in kind or for value to be received are primarily towards amounts paid in advance for value and services to be received in future, and staff advances. The amount is Rs.3.58 crore as on March 31,2008 (Rs.3.63 crore as on March 31, 2007).

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

Current Liabilities

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

The total amount of Sundry Creditors as on March 31, 2008 is Rs.26.09 crore (Rs.18.99 crore as on March 31, 2007). The increase is on account of increase in liabilities related to staff, suppliers and especially for capital work in progress at the campus in Noida.

(Rs. in Crore)

As at March 31,	2008	2007
Sundry Creditors	26.09	18.99
Witholding tax	2.78	1.45
Advances from customers	13.59	37.93
Unclaimed dividend	0.11	0.34
Other liabilities	6.13	3.80
Total	**48.70**	**62.51**

Withholding tax payable represents the amount of withholding taxes to be deducted/deductible by overseas clients/ Subsidiaries on income billed to them by the Parent Company. The total amount of withholding tax liability as on March 31, 2008 is Rs.2.78 crore (Rs.1.45 crore as on March 31, 2007).

Advances from customers as on March 31, 2008 is Rs.13.59 crore (Rs.37.93 crore as on March 31, 2007). These consist of advance payments received from customers and "Unearned Revenue"; Unearned Revenue is defined as client billing for which related costs have not been incurred or product license delivery is at a later date.

The amount of Unclaimed Dividend as on March 31, 2008 is Rs.0.11 crore (Rs.0.34 crore as on March 31, 2007).

Other liabilities represent amounts accrued for statutory dues related to taxes and staff benefits etc. The total amount of other liabilities as on March 31, 2008 is Rs.6.13 crore (Rs.3.80 crore as on March 31, 2007). The increase is partly due to increase in "Consumption tax" payable in Japan on billing by the subsidiary in Japan.

Provisions

(Rs. in Crore)

As at March 31,	2008	2007
Gratuity	3.73	2.15
Leave encashment	4.00	2.92
Income Tax	1.10	0.23
Fringe Benefit Tax	-	0.01
Proposed Dividend	9.71	-
Corporate dividend tax	1.65	-
Total	**20.19**	**5.31**

Provision for Dividend as on March 31, 2008 is Rs.9.71 crore, with a provision for corporate dividend tax of Rs.1.65 crore. The Company had declared and paid interim dividend in the month of March, 2007 for FY 2006-07 and no liability existed at the end of the year on this account.

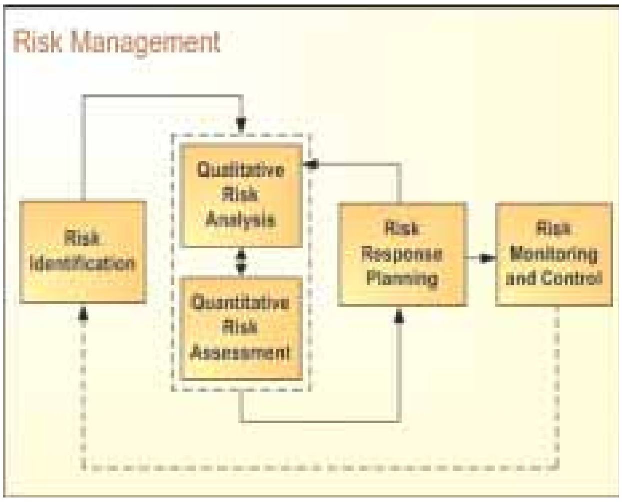
Risk Management Report

Risk management is a structured approach to managing uncertainty related to a threat, through a sequence of human activities including risk assessment, strategy development to manage it, and mitigation of risk. The strategies include avoiding the risk, reducing the negative effect of the risk, and accepting some or all of the consequences of a particular risk.

Risk management deals with the possibility that some future event will cause damage . It provides strategies, techniques, and an approach to recognizing and confronting any threat faced by an organization in fulfilling its mission.

Risk Management may be brioken down into a number of sub-processes as follows:

- Risk Identification
- Qualitative Risk Analysis
- Quantitative Risk Assessment
- Risk Response Planning
- Risk Monitoring and Control



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

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

- **Revenue Concentration**
- **Exchange Rate**
- **Product Obsolescence**
- **Intellectual Property Rights**
- **Legal and Statutory Compliances**
- **Financial Reporting Risk**
- **Internal Processes**
- **Business Continuity and Security**
- **Human Resource**
- **Investment Mix**

1. Revenue Concentration

a. **Client Concentration:-** The Company is offering products and services to large international clients in the banking space. With increasing penetration of accounts and value added services for existing customers, revenues from individual clients become large. During the year, we derived 68% of our revenues from the top 5 clients against 63% of revenues from the top 5 clients in the previous year. Increased revenue from individual clients has an advantage of lower marketing costs, predictability of revenue, easier resource planning and focused relationships, which deliver customer satisfaction. At the same time, we are exposed to risks of the client reducing IT expenditure, reducing man month rates, reducing the size of engagement due to external factors etc.

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

We reiterate our commitment to reduce the revenue from top 5 clients to 40% of the total revenue in the medium term. To achieve this, the Company is making substantial investments in marketing and brand building in other growing markets to sign new clients. We endeavor to mitigate risk by delivering value on a consistent basis.

During the year, the Company has doubled its sales force. To tap the local markets, residents of respective countries have been hired. We have also opened a branch office in Dubai for marketing our products in the growing Middle-East market. The following table provides historical data on client concentration (based on Indian GAAP)

Year ended March 31,	2008	2007
% of Revenue from the top-five clients	68%	63%
Clients accounting for > 10% of revenues	2	2

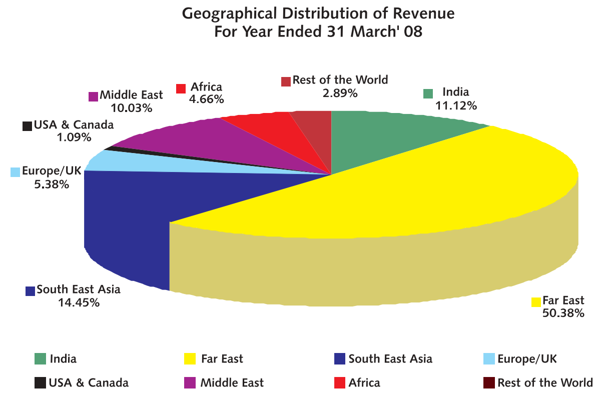
b. Geographic concentration. : Geographical risk is attributable to all the factors, which are peculiar or sensitive to a region. Concentration of revenue from any country exposes us to the risks specific to its economic condition, global trade policies, local laws, and political environment.

The revenues from Far East region have been growing constantly. Revenue from this region accounts for 50% of the total revenue.

This concentration of revenue increases the susceptibility of the revenue to events that take place in these geographies. Besides political risk, there are other risks of changes in taxation policy, regulations regarding deputation of skilled manpower, civil unrest, epidemics and wars.

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

	Year Ended	
Geography	31- Mar-08	31-Mar-07
India	11.12%	10.76%
Far East	50.38%	43.18%
South East Asia	14.45%	21.00%
Europe/UK	5.38%	6.27%
USA & Canada	1.09%	3.09%
Middle East	10.03%	6.92%
Africa	4.66%	5.61%
Rest of the World	2.89%	3.15%



Our success in different geographies is a function of :

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

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

We mitigate this risk by investing in new markets. In FY 08, Middle East region contribution has grown to 10.03% of revenue from 6.92% of revenue in the last year.

We are increasing our marketing efforts in Europe to seed the market for future growth. Our first product implementation in Europe went live in Italy in April 2006 and the second implementation went live in BeNeLux in March 2008 . We are continuously evaluating opportunities in the US . Middle East & African region continue to be areas of great opportunity and we continue our deep focus in these markets.

As the Company's products find greater acceptance, we are confident that this geographical concentration risk will not be a constraint in the future.

c. Political Risk: Our subsidiaries are located in seven countries (Singapore, USA, Japan, Australia, Hong Kong, India, and Netherlands). Political activities in these countries also effect our operations and revenues. At the same time, such diversification strategy is also a de-risking mechanism to protect the Company from the political climate of any one country.

Our major operations are in India. Political environment in India has the greatest impact on our revenues. For the past few years, India has witnessed a coalition government at the center. Withdrawal of support by any one or two parties can lead to political instability. However, all parties have recognized that India's world-class education system and low cost structure has given it a competitive advantage in software exports. We believe that all Indian Governments will continue to create a conducive environment for growth of high technology focused Companies, which includes the Software sector.

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

In the face of global financial crisis like the sub prime crisis, many financial institutions are realizing the strengths and value of the products and solutions offered by Indian IT companies operating in the BFSI domain. Banks and financial institutions across the globe are now looking at increased operational efficiency in their Loans business through automated solutions with robust credit appraisal mechanisms. At this juncture transformation from existing legacy systems to technologically advanced and cost effective lending solutions from Indian IT vendors may be the way forward and could convert risk into opportunity.

While acknowledging this risk, we continue to focus on this sector and are confident that our "Value" based solutions will find greater market success. It is our estimate that today our solutions service less than 0.25% of global retail assets and this risk would be meaningful at a much higher market penetration and share.

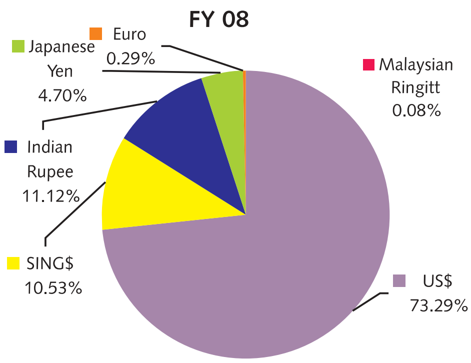
2. Exchange Rate

The operating currency of the Parent Company is Indian Rupees. Majority of Company's expense (excluding expenses by Nucleus Software Solutions Pte Ltd., Singapore and our Japan and USA Subsidiaries) are also incurred in rupees, however 90% of the Company's revenue are in foreign currency. With revenues being earned in foreign currency, and costs being in Indian rupees, adverse fluctuations of exchange rate could impact the profitability of the business.

If the rupee becomes stronger relative to other currencies, Nucleus may lose the competitive advantage of low cost of delivery, affecting its revenues and margins.

The strengthening of the Indian currency against US$ has signalled a new paradigm, possibly the end of a comfortable exchange rate regime. The Indian Rupee has appreciated by 12% against the US Dollar in the year 2007-08. While there are short-term adverse effects on revenue and profitability, the welcome part is the integration with global markets and the need for constant evolution of the Software Products business model.

The following chart exhibits our exposure in different currencies.



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

Under the guidance of the Audit Committee of the Board of Directors, the Company has adopted a policy of hedging foreign currency risk as measured by turnover, at 50% of the gross three year exposure subject to Central Bank regulations. The Company uses both Forward contracts and Dollar rupee options to hedge and does not enter into trading or speculative transactions. As a medium term solution, we strive to increase value to our customers thereby improving realization.

Through a well-designed reporting mechanism, the results of the hedging strategy are reported to, and reviewed by the Audit Committee every quarter.

3. Product Obsolescence

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

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

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

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

During the year, as a part of our technology upgrade strategy; we started the migration of our flagship product FinnOne™ Lending to the Java J2EE platform. The migration is in progress and the product release is slated for FY 09. In addition, we enriched our product FinnOne™, to cater to the growing needs of financial institutions in areas of captive auto financing, dealer financing, insurance management, sales lead management, business partner incentives, and payment management.To strengthen the domain competency, your Company also recruited a large number of functional experts.

As a result of such initiatives, the FinnOne™ suite today covers multiple business areas like auto loans, mortgages, personal loans, and SME loans, while Cash@Will™ applications provide end-to-end support in the areas of collections, payments and liquidity management for corporate customers of the financial institutions.

4. Intellectual Property

Your Company, globally licenses Intellectual Property in the form of products for the Banking and Financial Services Industry. Though every country has enacted laws to protect Intellectual Property, many infringements take place and a majority of them end up in courts of law. In such a scenario, Intellectual property protection is key for continued business success of our Company.

We make significant investments in the creation of Intellectual Property and need to secure the same both operationally and legally. The Company's competitive position may be impacted due to inadequate mechanisms to monitor access to Intellectual

Property, which may lead to unauthorized, misappropriation or duplication of critical IPR.

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

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

5. Legal And Statutory Compliances

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

Your Company is incorporated in India, has subsidiaries in Japan, Singapore, USA, Hong Kong, Australia and Netherlands and caters to customers in numerous countries. Each of these subsidiaries operate in a different legal environment and has to comply with the laws, statutes and regulations of that particular country.

Lack of awareness of these laws, leading to inadequate compliance would expose the business to the risk of penal action by the local Governments and adversely impact the brand and reputation of the Company.

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

In order to mitigate contract risks, a team of legal experts positioned at the head-office of your Company vets 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.

6. Financial Reporting Risk

Your Company prepares financial statements in conformity with Indian GAAP. This requires estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the financial reporting period. These estimates and assumptions are made based on judgments, which carry inherent reporting risks.

The risk management framework, a process designed for minimization of the risks is periodically placed before the Audit Committee members for their review.

The adequacy of the Internal Control systems in the Company is also verified by the Internal Auditors during the Audit carried out by them, once every quarter. The report is placed before the Audit Committee and the members may investigate any matter relating to internal control systems and review the scope of Internal Audit.

To encourage open and frank discussions amongst the Auditors and the Audit Committee members, separate meetings of the Audit Committee members with the Auditors, without the Management, are held every quarter. The meeting agenda consists of discussion on the Company's accounting principles as applied in its financial reporting, the clarity of the Company's financial disclosures and degree of aggressiveness or conservatism of the Company's accounting principles Accounting Manual is augmented to incorporate statutory changes and suggestions of Internal Auditors.

7. Internal Processes

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

In the area of Quality assurance, your Company has enhanced its process maturity on various aspects with respect to being a **Product Company**. Processes have been extended from "development, delivery and support" phases to "product creation and product management" phases.

For better management of product software, processes have been enhanced and configuration management workflow has been automated to increase productivity and reduce defects. Company has initiated plans for implementing CMMI version 1.2 as a future quality benchmark for the Company.

8. Security and Business Continuity

Operating disruptions can occur with or without warning. Business Continuity Plan is required to ensure the maintenance or recovery of operations, including service delivery to the customers, when confronted with adverse events such as natural disasters, technological failures, human error and to avoid any financial losses and/or adverse impact on the strategic plans and reputation.

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

The Company is continuously investing in operational security of its operations. Strict procedures are in place to control the level of access to server rooms and other sensitive areas. Access to the premises is controlled through Biometric access control systems and proximity cards. The Company has invested significantly in a state of the art network infrastructure for managing its operations and for establishing high-speed links to overseas destinations.

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

9. Human Resource Management

IT organizations have been in a high growth phase in the last five years and have increasingly experienced flux and instability. Being in a knowledge-based industry, a high intellectual capital lends competitive advantage to a firm. Intellectual capital comprise of human capital and intellectual assets, the latter being any created bit of knowledge or expertise.

With a global explosion in market-opportunities in the IT sector, the shortage of manpower both in numbers and skills is a prime challenge. The related issues are recruitment of world-class workforce and their retention, compensation and career planning, technological obsolescence and employee turnover. Retention and motivation of personnel are major HR concerns today. Further, the use of new technologies, the support of learning and training, and a challenging environment ranked higher than competitive pay structures as effective retention practices.

To attract, retain and motivate the right talent, your Company offers a distinct value proposition to successfully attract talent. We are constantly focusing at the HR function to empower our people to scale new heights of productivity while enjoying world-class facilities. Although thrust is given on the technology and domain, your Company also recognizes developing our resources in totality. Thus, Soft skill, Leadership, Enhancing Effectiveness are the areas which are also focused to ensure we develop and nurture budding leaders and talent; at the same time help people perform their current roles and deliver output which enhances customer delight and self satisfaction.

During the year, your Company tied up with a renowned Management Institute for two years Advanced Post Graduate Diploma in Management course. These courses are conducted in the Company premises in Distance Learning Mode for our employees. The program acts as a measure for :

a) key employee retention and development.

b) equip our employees with management skills required to survive and thrive in the corporate world.

10. Investment Mix

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

For ensuring continuity of business operations and to have liquidity in business, a mix of investments with some low earning assets has also to be maintained by the Company. Inadequate management of the investment mix of the Company could lead to either Shareholder Value destruction or a high exposure to the risk of liquidity crunch.

The Company has been consistently following a conservative investment policy maintaining a reasonably high level of cash and cash equivalents which enable the Company to not only eliminate short and medium term liquidity risks but also scale up operations at a short notice.

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

AUDITORS' REPORT

For the Consolidated Financial Statements for the year ended March 31, 2008

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

We have audited the attached consolidated Balance Sheet of Nucleus Software Exports Ltd. ('the Company') and its subsidiaries, as described in summary of significant accounting policies to the consolidated financial statements as at 31 March 2008, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

The financial statements of Nucleus Software Inc., United States of America, Nucleus Software (Australia) Pty. Ltd., Australia, Nucleus Software (HK) Ltd., Hong-Kong and Nucleus Software Solutions Pte. Ltd., Singapore, whose financial statements reflect total assets of Rs.305,115,746 as at 31 March 2008, total revenues of Rs.650,691,704 and total cash flows amounting to Rs.36,388,267 for the year then ended have been audited by other auditors. The audit reports for the above mentioned entities have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of those subsidiaries, is based solely upon the report of the other auditors.

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

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

(i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31 March 2008;

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

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

For BSR & Co.
Chartered Accountants

Sd/-
Vikram Aggarwal
Partner
Membership No.: 089826

Gurgaon
April 27, 2008

Consolidated Balance Sheet as at 31 March 2008

All amounts in Rupees

Particulars	Schedule	As at 31 March 2008	As at 31 March 2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	323,685,240	161,618,120
Advance pursuant to Stock Option Schemes		6,754,100	7,213,100
Reserves and Surplus	2	1,829,507,034	1,490,312,656
		2,159,946,374	1,659,143,876
Deferred Tax Liability (refer note 2, schedule 16)		2,589,446	2,759,300
TOTAL		2,162,535,820	1,661,903,176
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	950,342,530	685,421,855
Less: Accumulated Depreciation		(379,276,057)	(265,565,579)
Net Block		571,066,473	419,856,276
Add: Capital Work in Progress (including capital advances)		20,487,398	130,833,322
		591,553,871	550,689,598
Investments	4	905,683,618	690,092,446
Deferred Tax Asset (refer note 2, schedule 16)		2,746,398	-
Current Assets, Loans and Advances			
Sundry Debtors	5	678,142,849	552,623,005
Cash and Bank Balances	6	175,019,463	268,251,436
Loans and Advances	7	166,588,896	96,882,798
Other Current Assets	8	331,672,434	181,563,104
		1,351,423,642	1,099,320,342
Less: Current Liabilities and Provisions			
Current Liabilities	9	(486,981,430)	(625,138,250)
Provisions	10	(201,890,279)	(53,060,961)
		(688,871,709)	(678,199,211)
Net Current Assets		662,551,933	421,121,132
TOTAL		2,162,535,820	1,661,903,176
Significant accounting policies and notes to the accounts	16		

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

As per our report of even date

For BSR & Co.
Chartered Accountants

For and on behalf of the Board of Directors

Vikram Aggarwal
Partner
Membership No.: 089826

Lt. Gen. T P Singh (Retd.)
Chairman

Vishnu R Dusad
Managing Director

Gurgaon
April 27, 2008

NOIDA (U.P.)
April 27, 2008

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Consolidated Profit and Loss Account for the year ended 31 March 2008

All amounts in Rupees

Particulars	Schedule	For the year ended 31 March 2008	For the year ended 31 March 2007
Sales and Services	11	2,887,174,622	2,211,873,274
Software Development Expenses	12	1,745,144,014	1,251,060,641
Gross Profit		1,142,030,608	960,812,633
Selling and Marketing Expenses	13	206,281,697	179,296,675
General and Administration Expenses	14	201,633,126	148,724,677
Operating Profit Before Depreciation and Withholding Tax		734,115,785	632,791,281
Depreciation	3	118,463,957	68,768,476
Withholding Taxes Charged off		41,497,730	46,806,861
Operating Profit After Depreciation and Withholding Tax		574,154,098	517,215,944
Other Income	15	70,472,179	56,211,717
Profit Before Taxation		644,626,277	573,427,661
Provision for Tax - current income tax		82,886,834	9,513,304
- MAT credit entitlement (refer note 7, schedule 16)		(59,650,000)	-
- fringe benefit tax		7,167,414	6,124,139
- deferred tax charge / (credit) (refer note 2, schedule 16)		(2,784,932)	3,955,757
- income tax for earlier year		(455,387)	2,298,081
Provision for Wealth Tax		70,040	63,952
Profit After Taxation		617,392,308	551,472,428
Profit Available for Appropriation			
Profit for the year		617,392,308	551,472,428
Add: Balance Brought Forward		768,827,982	381,673,741
Total Amount Available for Appropriation		1,386,220,290	933,146,169
Proposed Dividend		97,101,072	-
Interim Dividend		-	56,407,092
Corporate Dividend Tax		33,497,327	7,911,095
Transferred to General Reserve		84,415,178	100,000,000
Balance Carried Forward to the Balance Sheet		1,171,206,713	768,827,982
Earnings per share (par value Rs. 10 each) (refer note 12, schedule 16)			
Basic		19.08	17.09
Diluted		18.93	16.99
Number of Shares used in Computing Earnings per Equity Share			
Basic		32,358,999	32,273,966
Diluted		32,615,059	32,453,325
Significant accounting policies and notes to the accounts	16		

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

As per our report of even date

For BSR & Co.
Chartered Accountants

Vikram Aggarwal
Partner
Membership No.: 089826

Gurgaon
April 27, 2008

For and on behalf of the Board of Directors

Lt. Gen. T P Singh (Retd.)
Chairman

Vishnu R Dusad
Managing Director

NOIDA (U.P.)
April 27, 2008

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Consolidated Cash Flow Statement for the year ended 31 March 2008

All amounts in Rupees

	For the Year ended 31 March 2008	For the Year ended 31 March 2007
A. Cash flow from operating activities		
Net profit before tax	644,626,277	573,427,661
Adjustment for:		
Depreciation	118,463,957	68,768,476
Exchange difference on translation of foreign currency accounts	(2,087,636)	6,968,086
Dividend received from non trade investments	(21,405,254)	(11,991,342)
Interest on fixed deposits	(1,378,783)	(2,348,378)
Profit on sale of investments	(24,833,708)	(23,269,833)
Employee's stock compensation expenses	5,990,268	8,377,407
Profit on sale of fixed assets (net)	(907,591)	(196,292)
Advances and other current assets written off	6,609,696	290,466
Provision for doubtful debts / advances	6,838,935	23,926,167
Operating profit before working capital changes	731,916,161	643,952,418
Decrease / (increase) in debtors	(129,881,015)	(349,207,855)
Decrease / (increase) in loans and advances	(73,086,724)	(43,915,179)
Decrease / (increase) in other current assets	(150,102,474)	(107,556,158)
(Decrease) / increase in current liabilities	(112,621,714)	273,351,065
	266,224,234	416,624,292
Direct taxes paid	(12,286,599)	(23,102,889)
Fringe benefit tax paid	(9,969,688)	(6,224,213)
Net cash from operating activities (A)	**243,967,947**	**387,297,190**
B. Cash flow from investing activities		
Purchase of fixed assets/capital work in progress	(159,203,099)	(268,554,816)
Sale of fixed assets	4,350,823	2,206,704
Purchase of current investments	(2,838,895,078)	(1,769,021,154)
Proceeds on sale of current investments	2,648,137,614	1,715,866,077
Interest on fixed deposits	1,371,927	4,411,869
Tax paid	(2,067,602)	(2,688,257)
Dividend received from non trade investments	21,405,254	11,991,342
Net cash used in investing activities (B)	**(324,900,161)**	**(305,788,235)**
C. Cash flow from financing activities		
Dividend paid (including corporate dividend tax thereon)	(16,995,000)	(126,144,669)
Advance pursuant to employee stock option scheme	5,191,800	13,999,520
Net cash used in financing activities (C)	(11,803,200)	(112,145,149)
Net (decrease) / increase in cash and cash equivalents	(92,735,414)	(30,636,194)
Opening cash and cash equivalents	268,251,436	300,525,040
Effect of exchange rate change	(496,559)	(1,637,410)
Closing cash and cash equivalents *	175,019,463	268,251,436

*include fixed deposits amounting to Rs.6,712,120 (Rs.9,954,311) under lien with bank on account of guarantees issued on behalf of the Company

Notes:

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

As per our report of even date

For BSR & Co.
Chartered Accountants

For and on behalf of the Board of Directors

Vikram Aggarwal
Partner
Membership No.: 089826

Lt. Gen. T P Singh (Retd.)
Chairman

Vishnu R Dusad
Managing Director

Gurgaon
April 27, 2008

NOIDA (U.P.)
April 27, 2008

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Schedules to the Consolidated Financial Statements

All amounts in Rupees

	As at 31 March 2008	As at 31 March 2007
SCHEDULE 1		
SHARE CAPITAL		
Authorised capital		
40,000,000 (20,000,000) equity shares of Rs.10 each	400,000,000	200,000,000
Issued, subscribed and paid up		
Issued		
32,369,824 (16,163,112) equity shares of Rs.10 each	323,698,240	161,631,120
Subscribed and paid up		
32,367,024 (16,160,312) equity shares of Rs.10 each, fully paid up	323,670,240	161,603,120
Of the above:		
16,183,512 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2008		
8,045,406 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2005		
2,637,050 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of general reserve and securities premium account during the year ended 31 March 2002		
1,452,270 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of general reserve during the year ended 31 March 1995		
Add: 2,800 (2,800) forfeited equity shares pending for reissue	15,000	15,000
	323,685,240	161,618,120
SCHEDULE 2		
RESERVES AND SURPLUS		
General reserve		
Balance as at 1 April	530,059,102	441,454,695
Add: Transferred from Profit and Loss Account	84,415,178	100,000,000
Less:- Gratuity and leave encashment transitional liability (refer note 8, schedule 16)	-	11,395,593
	614,474,280	530,059,102
Securities premium account		
Balance as at 1 April	173,199,509	162,978,709
Add: Share premium received	5,191,800	-
Add : On conversion of stock options issued to employees	3,928,400	10,220,800
Less: Amount utilised for issuance of 16,183,512 bonus shares of Rs. 10 each	161,835,120	-
	20,484,589	173,199,509
Capital reserve account		
Balance as at 1 April	1,573,030	1,500,030
Add: Amount forfeited against employees stock option plan	227,000	73,000
	1,800,030	1,573,030
Employee stock options		
Balance as at 1 April	19,234,288	4,394,168
Add: Options granted during the year	-	19,906,600
Less: Reversal on forfeiture of stock options granted	57,680	1,761,600
Less: Transferred to securities premium account on exercise of stock options	3,928,400	3,304,880
	15,248,208	19,234,288
Less: Deferred employee compensation	(5,980,726)	(12,028,674)
	9,267,482	7,205,614
Foreign currency translation reserve		
Balance as at 1 April	9,447,419	4,320,879
Add: Addition during the year	2,826,521	5,126,540
	12,273,940	9,447,419
Profit and Loss Account		
Balance as at 1 April	768,827,982	381,673,741
Add: Profit for the year	617,392,308	551,472,428
Less: Transferred to general reserve	84,415,178	100,000,000
Less: Proposed dividend	97,101,072	-
Less: Interim dividend	-	56,407,092
Less: Corporate dividend tax	33,497,327	7,911,095
	1,171,206,713	768,827,982
	1,829,507,034	1,490,312,656

Schedules forming part of the consolidated financial statements

SCHEDULE 3
FIXED ASSETS

All amounts in Rupees

	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2007	Additions	Deductions / adjustments	As at 31 March 2008	As at 1 April 2007	Depreciation for the year	Deductions / adjustments	As at 31 March 2008	As at 31 March 2008	As at 31 March 2007
Tangible assets										
Freehold land	3,360,720	-	-	3,360,720	-	-	-	-	3,360,720	3,360,720
Leasehold land	66,395,000	-	-	66,395,000	3,623,560	753,621	-	4,377,181	62,017,819	62,771,440
Leasehold improvement	52,431,330	10,408,786	(8,687)	62,831,429	1,325,960	18,656,554	-	19,982,514	42,848,915	51,105,370
Building	146,584,882	96,332,943	-	242,917,825	12,033,662	7,429,213	-	19,462,875	223,454,950	134,551,220
Plant and machinery (including Office equipments)	87,315,530	56,835,681	(2,338,759)	141,812,452	42,958,592	22,625,795	(1,765,916)	63,818,471	77,993,981	44,356,938
Computers	179,794,352	71,191,342	137,442	251,123,136	101,064,274	44,497,335	509,005	146,070,614	105,052,522	78,730,078
Vehicles	15,489,326	6,780,665	(4,870,062)	17,399,929	6,353,101	3,345,251	(3,066,153)	6,632,199	10,767,730	9,136,225
Furniture and fixtures	38,448,362	13,205,353	(499,654)	51,154,061	26,728,208	5,660,478	(430,415)	31,958,271	19,195,790	11,720,154
Intangible assets										
Software	95,602,353	17,745,625	-	113,347,978	71,478,222	15,495,710	-	86,973,932	26,374,046	24,124,131
Current year	**685,421,855**	**272,500,395**	**(7,579,720)**	**950,342,530**	**265,565,579**	**118,463,957**	**(4,753,479)**	**379,276,057**	**571,066,473**	**419,856,276**
Previous year	501,422,509	190,745,309	(6,745,963)	685,421,855	201,902,924	68,768,476	(5,105,821)	265,565,579	419,856,276	-

* includes the effect of translation in respect of assets held by foreign subsidiaries which are considered as non-integral to the operations of the company in terms of Accounting Standard 11 as specified in the Companies (Accounting Standard) Rules, 2006.

All amounts in Rupees

	As at 31 March 2008	As at 31 March 2007
SCHEDULE 4		
INVESTMENTS		
Long term investments		
Equity shares - Trade and unquoted		
10,040,000 (10,040,000) equity shares of Rs 10 each, fully paid up, in GMAC Financial Services India Limited	136,882,640	136,882,640
[Of the above, 80,000 (80,000) equity shares are held by nominees on behalf of the Company]		
25,000 (25,000) equity shares of Rs 10 each, fully paid up, in Ujjivan Financial Services Private Limited	2,500,000	2,500,000
	139,382,640	139,382,640
Current investments		
Investments in bonds and mutual funds - Non trade and unquoted		
Nil (500,000) units of face value of Rs. 10 each of UTI Fixed Maturity Plan-YFMP 06/06-Growth	-	5,000,000
Nil (2,000,000) units of face value of Rs. 10 each of Prudential ICICI FMP Series 5-Institutional-Growth	-	20,000,000
2,500,000 (2,500,000) units of face value of Rs. 10 each of ICICI Prudential FMP Series 34-One Year Plan B Institutional Growth	25,000,000	25,000,000
1,500,000 (Nil) units of face value of Rs. 10 each of ING Long Term FMP 1 Institutional Growth	15,000,000	-
1,024,881 (Nil) units of face value of Rs. 10 each of Birla Interval Income Fund -Institutional Quarterly series- 3-Dividend	10,248,882	-
Nil (800,000) units of face value of Rs. 10 each of Grindlays Fixed Maturity-16th Plan A-Growth	-	8,000,000
Nil (900,000) units of face value of Rs. 10 each of Grindlays Fixed Maturity-20th Plan -Growth	-	9,000,000
Nil (2,297,827) units of face value of Rs. 10 each of Birla Cash Plus-Institutional Premium-Growth	-	25,682,000
Nil (2,000,000) units of face value of Rs. 10 each of Chola FMP-14 Months-Cumulative	-	20,000,000
Nil (1,000,000) units of face value of Rs. 10 each of ABN Amro FTP Series 2 Thirteen Month Plan-Growth	-	10,000,000
2,500,000 (2,500,000) units of face value of Rs. 10 each of ABN AMRO FTPS5 14 Mths Plan Inst Growth	25,000,000	25,000,000
2,500,000 (Nil) units of face value of Rs. 10 each of ABN AMRO Fixed Term Plan-Ser-8-Yly Plan A-Inst.Growth	25,000,000	-
Nil (1,000,000) units of face value of Rs. 10 each of HSBC Fixed term Series-4-Growth	-	10,000,000
Nil (2,000,000) units of face value of Rs. 10 each of HSBC Fixed term Series-9-Growth	-	20,000,000
1,500,000 (1,500,000) units of face value of Rs. 10 each of HSBC Fixed Term Series-27 Inst. Growth	15,000,000	15,000,000

All amounts in Rupees

	As at 31 March 2008	As at 31 March 2007
1,000,000 (Nil) units of face value of Rs. 10 each of HSBC Fixed Term Series-28 Inst. Growth	10,000,000	-
6,000,000 (Nil) units of face value of Rs. 10 each of HSBC Fixed Term Series-44 Inst. Growth	60,000,000	-
Nil (1,000,000) units of face value of Rs. 10 each of Principal Pnb Fixed Maturity Plan-385 Days-Series I Institutional-Growth	-	10,000,000
2,500,000 (2,500,000) units of face value of Rs. 10 each of Principal Pnb FMP 385 Days-Series IV-Mar 07 Inst. Growth Plan	25,000,000	25,000,000
Nil (1,000,000) units of face value of Rs. 10 each of HDFC FMP 13M March 2006(1)- Institutional Plan-Growth	-	10,000,000
Nil (1,000,000) units of face value of Rs. 10 each of HDFC FMP 13M June 2006(1)- Institutional Plan-Growth	-	10,000,000
Nil (1,250,000) units of face value of Rs. 10 each of HDFC FMP 13M July 2006(1)- Institutional Plan-Growth	-	12,500,000
1,091,130 (Nil) units of face value of Rs. 10 each of HDFC FMP 367D April 2007 (5)-Wholesale Plan Growth	10,911,300	-
5,000,000 (Nil) units of face value of Rs. 10 each of HDFC FMP 13M March 2008 (VII) (2) -Wholesale Plan Growth	50,000,000	-
Nil (3,117,013) units of face value of Rs. 10 each of LICMF Liquid Fund-Growth	-	40,000,000
Nil (4,826,534) units of face value of Rs. 10 each of Prudential ICICI Super Institutional Plan-Growth	-	50,000,000
1,821,275 (Nil) units of face value of Rs. 10 each of ICICI Prudential Flexible Income Plan - Dividend Reinvestment	19,257,256	-
1,025,916 (Nil) units of face value of Rs. 10 each of ICICI Prudential Interval Fund II Qtrly Interval Plan - C Retail (D)	10,259,156	-
Nil (1,398,093) units of face value of Rs. 10 each of Kotak Liquid- Institutional Plus Plan -Growth	-	20,000,000
2,000,000(Nil) units of face value of Rs. 10 each of Kotak FMP 14M S-4 - Institutional Growth	20,000,000	-
Nil (1,500,000) units of face value of Rs 10 each of Reliance Fixed Horizon QFMP Series V-Dividend	-	15,000,000
1,500,000 (1,500,000) units of face value of Rs 10 each of Reliance Fixed Horizon Fund III-Annual Plan Series I-Institutional Growth Plan	15,000,000	15,000,000
1,500,000 (1,500,000) units of face value of Rs 10 each of Reliance Fixed Horizon Fund III-Annual Plan Series IV-Institutional Growth Plan	15,000,000	15,000,000
2,500,000 (2,500,000) units of face value of Rs 10 each of Kotak FMP 13M Series 2 Institutional-Growth	25,000,000	25,000,000
Nil (1,250,000) units of face value of Rs 10 each of Kotak FMP Series 26-Growth	-	12,500,000
2,500,000 (2,500,000) units of face value of Rs 10 each of DWS Fixed Term Fund Series 24-Institutional Plan-Growth Option	25,000,000	25,000,000
2,000,000 (Nil) units of face value of Rs 10 each of DWS Fixed Term Fund Series 33-Institutional Growth	20,000,000	-

Schedules to the Consolidated Financial Statements

All amounts in Rupees

	As at 31 March 2008	As at 31 March 2007
5,000,000 (Nil) units of face value of Rs 10 each of DWS Fixed Term Fund Series 47-Institutional Growth	50,000,000	-
Nil (1,527,025) units of face value of Rs 10 each of UTI Fixed maturity plan halfyearly series HFMP/1206/I Dividend plan-Reinvestment	-	15,270,255
750,000 (Nil) units of face value of Rs 10 each of Standard Chartered Fixed Maturity Plan - Yearly Series 11-Plan B- Growth	7,500,000	-
4,000,000 (Nil) units of face value of Rs 10 each of Templeton Fixed Horizon Fund Series II-Plan B-Institutional -Growth	40,000,000	-
10,000 (Nill) units of face value of Rs 1000 each of DSP Merrill Lynch Fixed Term Plan Series 3D-Institutional -Growth	10,000,000	-
4,000,000 (Nil) units of face value of Rs 1000 each of DSP Merrill Lynch Fixed Term Plan Series 12 1/2 M-Institutional -Growth	40,000,000	-
2,500,000 (Nil) units of face value of Rs 10 each of Lotus India FMP 375 Days Series II Inst. Growth	25,000,000	-
1,500,000 (Nil) units of face value of Rs 10 each of Lotus India FMP 375 Days Series VII Inst. Growth	15,000,000	-
5,000,000 (Nil) units of face value of Rs 10 each of Standard Chartered Fixed Maturity Plan - Yearly Series 19-Plan B- Growth	50,000,000	-
3,000,000 (Nil) units of face value of Rs 10 each of Sundaram BNP Paribas Fixed Term Plan D- Inst. Growth	30,000,000	-
2,000,000 (Nil) units of face value of Rs 10 each of Sundaram BNP Paribas Fixed Term Plan E- Inst. Growth	20,000,000	-
5,000,000 (Nil) units of face value of Rs 10 each of UTI Fixed Maturity HFMP 03/08 I Plan E- Inst. Dividend	50,000,000	-
Nil (56,666) units of face value of Rs. 1000 each of UTI Liquid Cash Plan Institutional-Dividend	-	57,757,551
812,438 (Nil) units of of face value of Rs. 10 each of LIC Mutual Fund Dividend Plan-Daily dividend	8,124,384	-
	766,300,978	550,709,806
	905,683,618	690,092,446

Notes:

1. Net asset value (NAV) of current investments Rs.796,960,566 (Rs.570,440,447) as at 31 March 2008.
2. Refer note 6, schedule 16 for details of investments purchased and sold during the year ended 31 March 2008.

All amounts in Rupees

	As at 31 March 2008	As at 31 March 2007
SCHEDULE 5		
SUNDRY DEBTORS		
(Unsecured)		
Debts outstanding for a period exceeding six months		
- Considered good	37,471,606	13,258,993
- Considered doubtful	6,935,163	12,101,592
	44,406,769	25,360,585
Less: Provision for doubtful debts	(6,935,163)	(12,101,592)
	37,471,606	13,258,993
Other debts (considered good)	640,671,243	539,364,012
	678,142,849	552,623,005
SCHEDULE 6		
CASH AND BANK BALANCES		
Cash in hand [including cheques in hand Rs. Nil (Rs. 708,663)]	571,131	1,154,079
Balances with scheduled banks:		
- in current accounts	52,358,556	127,488,075
- in fixed deposit accounts**	11,836,175	9,954,311
Balance with non scheduled bank: *		
- in current account		
Citibank-U.K.	816,658	829,963
Citibank-UAE	1,075,668	-
Citibank-Singapore	27,814,130	5,055,139
Citibank-Korea	19,990,752	-
Korea Exchange Bank	320	986,567
PNC Bank-USA	23,952,700	29,524,134
Bank of Tokyo Mitshubishi -Japan	13,782,730	69,980,699
Shinsei Bank - Japan	18,800,665	6,597,533
Citibank -Hong Kong	34,434	36,201
ANZ Bank - Australia	301,539	421,318
Citibank -Singapore	295,256	3,295,569
Citibank -Netherlands	3,215,246	4,553,035
- in fixed deposit accounts		
ANZ Bank - Australia	173,503	17,695
Remittance in transit	-	8,357,119
	175,019,463	268,251,436
*Maximum amount oustanding during the year		
- in current accounts		
Citibank-U.K	2,020,956	1,106,298
Citibank-UAE	2,210,768	-
Citibank-Singapore	140,247,341	107,845,585
Citibank-Korea	19,990,752	-
Korea Exchange Bank	4,367,340	2,479,211
PNC Bank-USA	28,720,180	60,293,084
Bank of Tokyo Mitshubishi -Japan	171,520,735	242,091,011
Shinsei Bank - Japan	150,051,758	76,775,795
Citibank -Hong Kong	72,460	110,837
ANZ Bank - Australia	302,992	3,206,069
Citibank -Singapore	13,346,068	-
Citibank -Netherlands	4,553,035	5,644,536
- in fixed deposit accounts		
ANZ Bank - Australia	173,503	17,695

**include fixed deposits amounting to Rs.6,712,120 (Rs.9,954,311) under lien with bank on account of guarantees issued on behalf of the Company

All amounts in Rupees

	As at 31 March 2008	As at 31 March 2007
SCHEDULE 7		
LOANS AND ADVANCES		
Advances recoverable in cash or in kind or for value to be received	35,856,415	36,322,488
Security deposits	29,233,965	25,958,119
Advance income tax [net of provision Rs.37,388,111 (Rs.36,175,434)]	8,423,897	8,218,595
Advance fringe benefit tax [net of provision Rs.17,563,018 (Rs.Nil)]	2,732,274	-
MAT credit entitlement (refer note 7, schedule16)	59,650,000	-
Prepaid expenses	30,692,345	26,383,596
	166,588,896	**96,882,798**
SCHEDULE 8		
OTHER CURRENT ASSETS		
Service income accrued but not due	330,551,008	180,448,534
Interest accrued but not due	1,121,426	1,114,570
	331,672,434	**181,563,104**
SCHEDULE 9		
CURRENT LIABILITIES		
Sundry creditors	260,911,060	189,934,510
Withholding tax	27,772,507	14,506,608
Advances from customers	135,948,255	379,251,212
Unclaimed dividend	1,085,191	3,435,287
Other liabilities	61,264,417	38,010,633
	486,981,430	**625,138,250**
SCHEDULE 10		
PROVISIONS		
Gratuity	37,253,641	21,484,480
Leave encashment	40,027,407	29,203,236
Taxation [Net of advance tax Rs.9,432,764 (Rs.Nil)]	11,005,832	2,303,245
Fringe benefit tax [Net of advance fringe benefit tax Rs.Nil (Rs.10,325,604)	-	70,000
Proposed dividend	97,101,072	-
Corporate dividend tax	16,502,327	-
	201,890,279	**53,060,961**

All amounts in Rupees

	For the year ended 31 March 2008	For the year ended 31 March 2007
SCHEDULE 11		
SALES AND SERVICES		
Software development services and products	2,887,174,622	2,211,873,274
	2,887,174,622	2,211,873,274
SCHEDULE 12		
SOFTWARE DEVELOPMENT EXPENSES		
Salaries and allowances	1,058,348,603	781,373,427
Contribution to provident and other funds	53,397,685	37,253,342
Directors' remuneration [including stock compensation expenses Rs. 125,089 (Rs. 1,396,831)]	10,493,089	9,719,409
Employee's stock compensation expenses	4,791,600	4,307,968
Staff welfare	15,677,029	15,051,676
Conveyance	12,048,374	9,584,535
Communication	19,890,854	20,349,920
Rent	99,756,817	23,538,515
Legal and professional	16,827,363	13,446,553
Repair and maintenance		
- Building	1,425,432	278,462
- Others	10,594,224	5,183,433
Training and recruitment	25,483,363	22,301,956
Printing and stationery	1,442,204	896,922
Insurance	5,381,706	4,160,895
Software and other development charges	12,761,828	7,288,344
Cost of software purchased for delivery to clients	91,742,260	15,113,102
Travelling	174,042,664	152,784,806
Advertisement	213,632	286,551
Consultancy charges	92,446,348	96,375,920
Power and fuel	24,503,009	20,624,344
Conference, exhibition and seminar	520,574	68,808
Information technology expenses	6,974,150	4,780,679
Miscellaneous expenses	6,381,206	6,291,074
	1,745,144,014	1,251,060,641
SCHEDULE 13		
SELLING AND MARKETING EXPENSES		
Salaries and allowances	99,884,663	74,308,780
Contribution to provident and other funds	2,519,521	2,223,522
Directors' remuneration [including stock compensation expenses Rs. 125,089 (Rs. 1,396,831)]	10,493,089	9,719,409
Employee's stock compensation expenses	366,506	251,224
Staff welfare	3,166,088	3,720,708
Conveyance	3,536,193	2,926,184
Communication	5,772,541	4,189,225
Rent	7,025,292	5,660,474
Legal and professional	4,392,965	2,483,651
Repair and maintenance		
- Building	78,510	23,876
- Others	559,851	428,836
Training and recruitment	2,375,674	783,167
Printing and stationery	4,198,746	1,339,987
Insurance	353,748	270,791
Travelling	30,938,942	27,525,959
Advertisement and business promotion	11,821,908	8,621,639
Power and fuel	1,528,670	1,013,741
Conference, exhibition and seminar	7,954,870	9,306,035
Information technology expenses	328,882	223,736
Commission to channel partners	8,192,431	23,490,758
Miscellaneous expenses	792,607	784,973
	206,281,697	179,296,675

Schedules to the Consolidated Financial Statements

All amounts in Rupees

	For the year ended 31 March 2008	For the year ended 31 March 2007
SCHEDULE 14		
GENERAL AND ADMINISTRATION EXPENSES		
Salaries and allowances	85,867,662	61,895,521
Contribution to provident and other funds	4,324,557	3,189,825
Directors' remuneration [including stock compensation expenses Rs.62,545 (Rs.698,414)]	8,548,345	6,986,895
Employee's stock compensation expenses	519,439	326,139
Staff welfare	2,402,361	1,877,771
Conveyance	3,768,525	3,401,882
Communication	3,788,527	2,581,450
Rent	3,247,405	1,725,296
Rates and Taxes	5,219,069	3,880,990
Legal and professional	18,632,917	14,409,847
Repair and maintenance		
- Building	368,327	71,483
- Others	3,221,238	1,911,295
Training and recruitment	3,406,015	1,575,706
Printing and stationery	2,135,244	2,723,162
Insurance	786,643	774,941
Bank charges	3,002,821	2,942,801
Travelling	6,068,332	2,344,825
Advertisement	5,924,593	1,018,417
Consultancy charges	5,241,680	1,119,459
Power and fuel	2,187,513	1,287,652
Conference, exhibition and seminar	368,729	444,346
Information technology expenses	694,718	367,178
Advances and other current assets written off	6,609,696	290,466
Provision for doubtful debts /advances / other current assets *	6,838,935	23,926,167
Miscellaneous expenses	18,459,835	7,651,163
	201,633,126	148,724,677

*includes bad debts written off Rs.8,613,363 (Rs.12,546,037)

	For the year ended 31 March 2008	For the year ended 31 March 2007
SCHEDULE 15		
OTHER INCOME		
Dividend received from non-trade investments	21,405,254	11,991,342
Gain on foreign exchange fluctuation (net)	(2,068,062)	2,904,414
Interest on fixed deposit [Gross of tax deducted at source Rs.25,974 (Rs.913,379)]	1,378,783	2,348,378
Profit on sale of investments	24,833,708	23,269,833
Profit on sale of fixed assets (net)	907,591	196,292
Miscellaneous income	22,929,749	14,520,673
Gain on foreign exchange fluctuation on consolidation (net)	1,085,156	980,785
	70,472,179	56,211,717

SCHEDULE 16
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. Significant accounting policies

(i) Basis of preparation

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

Pursuant to the Institute of Chartered Accountants of India ("ICAI") Announcement "Accounting for Derivatives" on the early adoption of Accounting standard (AS) 30 "Financial Instruments: Recognition and Measurement", the Company has early adopted the standard for the year under review, to the extent that the adoption does not conflict with existing mandatory accounting standards and other authoritative pronouncements, Company law and other regulatory requirements.

(ii) Principles of consolidation

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

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

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

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

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

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

(iii) Use of estimates

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

Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated.

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

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction.

Realised gains and losses on foreign exchange transactions during the period are recognised in the profit and loss account. Monetary current assets and monetary current liabilities that are determined in foreign currency are translated at the exchange rate prevalent at the date of balance sheet. The resulting difference is recorded in the profit and loss account.

In the case of forward contracts:

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

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

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

The Company enters into foreign exchange options contracts where the counter party is a bank. Although these option contracts are effective as hedges from an economic perspective, they do not qualify for hedge accounting. Options are marked to market and any resultant gain/loss is recognized in the Profit and Loss Account.

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

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 the balance sheet date are translated at the exchange rates on that date.

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

d) All resulting exchange differences are recognised in the profit and loss account of the reporting period.

e) Contingent liabilities are translated at the closing rate.

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

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

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

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

d) Contingent liabilities are translated at the closing rate.

(v) Revenue recognition

Revenue from software development services comprises income from time and material and fixed price contracts. Revenue from time and material basis 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. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become certain based on the current estimates.

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

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

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

(vi) Expenditure

The cost of software purchased for use in software development and services is charged to cost of revenues in the year of acquisition. Post sales customer support costs are estimated by the management, determined on the basis of past experience. Expenses are accounted for on accrual basis and provisions are made for all known losses and liabilities.

(vii) Fixed assets and capital work in progress

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

(viii) Depreciation

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

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

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

(ix) Investments

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

(x) Research and development

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure incurred on research and development is depreciated over the estimated useful lives of the related assets.

(xi) Retirements benefits

India

Retirement benefits to employees comprise gratuity, leave encashment and payments to provident fund. Contributions to provident fund are deposited with the appropriate government authorities and are charged to Profit and Loss Account as and when they become payable.

Provision for gratuity and leave encashment is made on the basis of actuarial valuation.

Singapore

The Company's contribution to central provident fund is deposited with the appropriate authorities and charged to the profit and loss account. Provision for leave encashment is made on a full liability basis and charged off to the profit and loss account.

United States of America

The Company's social security contributions are charged to the profit and loss account.

Australia

The Company's contributions to superannuation are charged to the profit and loss account.

(xii) Employee stock option based compensation

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

(xiii) Earnings per share

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

(xiv) Operating leases

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

(xv) Taxation

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

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

(xvi) Impairment of assets

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

2. Deferred tax assets/(liability)

Components of net deferred tax asset / (liability):

	As at 31 March 2008 (Rupees)	As at 31 March 2007 (Rupees)
Deferred tax asset		
Provision for doubtful debts	652,173	668,866
Provision for retirement benefits	21,129,875	5,600,119
	21,782,048	**6,268,985**
Deferred tax liability		
Fixed assets	(21,625,096)	(9,028,285)
Net deferred tax asset /(liability)	156,952	(2,759,300)

3. Forward contracts

Exchange gain in respect of forward exchange contracts to be recognised in the profit and loss account of the subsequent accounting period is Rs.265,857 (Rs.230,162). As at 31 March 2008, the Company has outstanding forward contracts for USD 9,692,654 (USD 1,750,000).

Further, the company has option contracts to sell USD 20,400,000 (USD 4,950,000) in respect of which AS 11 (revised) is not applicable. The loss on mark to market of such option contracts is Rs.1,652,961.

As of the Balance Sheet date, the Company has foreign currency exposures that are not hedged by a derivative instrument or otherwise Rs.53,061,465 (Rs.151,933,467)

4. Employees Stock Option Plan ("ESOP")

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

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

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

1999 Stock Option Scheme

	Year ended 31 March 2008	**Year ended 31 March 2007**
Options outstanding at the beginning of the year	5,700	12,500
Options granted	-	9,000
Options forfeited	-	(3,300)
Options exercised	(5,700)	(12,500)
	-	**5,700**

2002 Stock Option Scheme

	Year ended 31 March 2008	**Year ended 31 March 2007**
Options outstanding at the beginning of the year	159,750	63,250
Options granted	-	145,500
Options forfeited	(700)	(6,000)
Options exercised	(17,500)	(43,000)
	141,550	**159,750**

2005 Stock Option Scheme

	Year ended 31 March 2008	**Year ended 31 March 2007**
Options outstanding at the beginning of the year	142,000	-
Options granted	-	142,000
Options forfeited	-	-
Options exercised	-	-
	142,000	**142,000**

2006 Stock Option Scheme

	Year ended 31 March 2008	**Year ended 31 March 2007**
Options outstanding at the beginning of the year	271,860	-
Options granted	-	271,860
Options forfeited	(22,000)	
Options exercised	-	-
	249,860	**271,860**

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

	Year ended 31 March 2008 (Rupees)	**Year ended 31 March 2007 (Rupees)**
Balance brought forward	12,028,674	2,261,081
Add: Recognised during the year	-	19,906,600
Less: Amortisation expense	5,990,268	8,377,407
Less: Reversal due to forfeiture	57,680	1,761,600
Balance carried forward	**5,980,726**	**12,028,674**

5. Managerial remuneration *

	Year ended 31 March 2008 (Rupees)	**Year ended 31 March 2007 (Rupees)**
A. Whole time directors		
Salary and perquisites	7,861,760	3,902,190
Contribution to provident and other funds	360,000	198,000
Commission	13,960,000	16,838,447
	22,181,760	**20,938,637**
B. Non executive directors		
Stock based compensation	312,723	3,492,076
Commission	5,600,000	650,000
Sitting fees	1,545,000	1,345,000
	7,457,723	**5,487,076**

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

6. Details of investments purchased and sold during the year

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

ABN Amro Flexible Short Term Plan Ser C -QFMP (Dividend)	10	1,553,362	15,533,679	1,553,362	15,533,623
HSBC Interval Fund-Plan 2-Institutional-(Dividend)	10	3,563,583	35,636,241	3,563,583	35,658,641
DSP Merrill Lynch Fixed Maturity Plan 3M Series 2-Instl-(Dividend)	10	2,587,693	25,877,034	2,587,693	25,882,880
Reliance Fixed Horizon Fund VI-Series 1-Inst-(Dividend)	10	1,000,000	10,000,000	1,000,000	10,000,000
UTI Fixed Income Interval Fund-Quarterly Interval Plan Series -I-Inst-(Dividend)	10	1,018,327	10,183,671	1,018,327	10,183,271
UTI Fixed Maturity Plan Quarterly Series-QFMP-0907/I-INST-(Dividend)	10	2,032,725	20,327,246	2,032,725	20,346,557
Reliance Interval Fund-Quarterly Plan-Series I-Inst-(Dividend)	10	2,034,604	20,349,334	2,034,604	20,351,534
DSP Merrill Lynch Fixed Term Plan Series 1P-Institutional -(Dividend)	1,000	25,413	25,413,408	25,413	25,418,644
SBI Debt Fund Series-90 Days-15-(Sep 07)-(Dividend)	10	1,524,986	15,249,855	1,524,986	15,249,855
ING Fixed Maturity Fund-XXVI-(Dividend)	10	1,500,000	15,000,000	1,500,000	15,000,000
ICICI Prudential Institutional Liquid Plan-Daily	10	5,524,595	55,245,952	5,524,595	5,524,595
Reliance Liquid Plus Fund Institutional Option-Daily	1000	171,742	171,931,737	171,742	171,931,737
DWS Money Plus Fund Regular Plan-Daily	10	3,767,520	37,772,775	3,767,520	37,772,775
Lotus India Liquid Plus Fund-Daily	10	5,292,238	53,005,473	5,292,238	53,005,473
ING Liquid Plus Fund Institutional-Daily	10	5,575,223	55,767,625	5,575,223	55,767,625
DSP Merrill Lynch Cash Plus Institutional-Daily	10	60,585	60,591,335	60,585	60,591,335
ICICI Prudential Flexible Income Plan-Daily	10	5,026,889	53,151,804	5,026,889	53,151,804
DWS Credit Oppurtunities	10	1,005,519	10,108,939	1,005,519	10,108,939
Cash Fund-Weekly LIC Mutual Fund	**10**	**6,950,000**	**69,500,000**	**6,950,000**	**69,500,000**

7. Certain operations of the company are conducted through Software Technology Park (‘STP’). Income from STP are tax exempt upto 31 March 2009.

Pursuant to the change in the Indian Income-tax Act, 1961, the company has calculated its tax liability after considering Minimum Alternative Tax (MAT). The MAT liability can be carried forward and set off against the future tax liability. Accordingly a sum of Rs.59,650,000 was carried forward and shown under “Loans and advances” in the balance sheet as at 31 March 2008.

8. Employee Benefit Obligations

The Company provides for gratuity, a defined retirement plan (Gratuity Plan) covering all employees of the Company. The Gratuity Plan provides a lump sum payment to vested employees at retirement or termination of employment, an amount based on respective employee’s last drawn salary and the years of employment with the Company. Liability with regard to gratuity plan is accrued based on actuarial valuation at the balance sheet date, carried out by an independent actuary. Actuarial gain or loss is recognised immediately in the statement of profit and loss as income or expense.

Effective 1 April 2006, the Company adopted revised Accounting Standard 15 on Employee Benefits. Pursuant to the adoption, the transitional obligations of the Company amounted to Rs.11,395,593 (net of deferred tax amounting to Rs.1,018,855). As required by the standard as on 1 April 2006, the obligation has been recorded with the transfer of Rs.11,395,593 from general reserve.

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

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

Particulars	As at 31 March 2008 (Rupees)	As at 31 March 2007 (Rupees)
Obligation at period beginning	21,484,480	13,637,209
Current service cost	6,293,169	3,630,890
Interest cost	1,555,176	918,705
Actuarial losses	9,921,064	5,348,488
Benefits paid	(2,000,248)	(2,050,812)
Obligation at period end	**37,253,641**	**21,484,480**
Change in plan assets		
Plan Assets at period beginning, at fair value	-	-
Contributions	2,000,248	2,050,812
Benefits paid	(2,000,248)	(2,050,812)
Plan assets at period end, at fair value	**-**	**-**

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

Gratuity cost for the year:

	Year ended 31 March 2008 (Rupees)	Year ended 31 March 2007 (Rupees)
Current service cost	6,293,169	3,630,890
Interest cost	1,555,176	918,705
Expected return on plan assets	-	-
Actuarial losses	9,921,064	5,348,488
Past service cost	-	-
Net gratuity cost	**17,769,409**	**9,898,083**

Assumptions

	Year ended 31 March 2008	Year ended 31 March 2007
Discount rate	7.50% p.a	8% p.a
Salary escalation rate	10% p.a for first 5 years & 7% p.a thereafter	5% p.a

a) Discount rate:

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

b) Salary escalation rate:

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

9. Segment reporting – Basis of preparation

(i) Segment accounting policies

The Segment reporting policy complies with the accounting policies adopted for preparation and presentation of financial statements of the Group and is in conformity with Accounting Standard-17 on "Segment Reporting", issued by the ICAI. The primary segmentation is based on the Geographies in which the Group operates and internal reporting systems. The secondary segmentation is based on the nature and type of services rendered.

(ii) Composition of reportable segments

The Group operates in four main geographical segments: India, Far East, Singapore and Europe.

Income and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while the remainder of the costs are categorised in relation to the associated turnover and/or number of manmonths. 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. The Company believes that it is not practicable to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and directly charged against total income.

Segment assets and liabilities represent the net assets put up and liabilities of that segment. Most of the fixed assets of the Group are located in India. These have not been identified to any of the reportable segments, as these are used interchangeably between segments. 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.

During the current year, the Company has changed the basis of allocation of certain costs amongst various segments. As a result of the same, the impact on segment results is summarised as under:

(Amount in Rupees)

Description	**India**	**Far East**	**Singapore**	**Europe**	**Others**	**Total**
Increase/(decrease) in the segment result	(1,015,615)	84,851,315	(39,438,021)	30,888,137	(75,285,817)	-

a) Information in respect of primary segment

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

For the year ended 31 March 2008

(Amount in Rupees)

Description	**India**	**Far East**	**Singapore**	**Europe**	**Others**	**Total**
Revenue from external customers	321,091,730	1,454,543,002	326,219,667	155,221,729	630,098,493	2,887,174,622
Expenses	299,438,702	824,738,195	390,421,614	64,621,444	495,196,524	2,074,416,479
Segment result	21,653,028	577,890,500	(12,287,639)	90,600,285	134,901,969	812,758,144
Unallocated corporate expenditure						238,604,046
Operating profit before taxation						574,154,098
Other income						70,472,179
Profit before tax						644,626,277
Provision for taxation						
– current tax						82,886,834
– MAT credit entitlement						(59,650,000)
– fringe benefit tax						7,167,414
– deferred tax charge						(2,784,932)
– income tax for earlier years						(455,387)
Provision for wealth tax						70,040
Net profit after taxation						**617,392,308**

For the year ended 31 March 2007

(Amount in Rupees)

Description	**India**	**Far East**	**Singapore**	**Europe**	**Others**	**Total**
Revenue from external customers	238,069,638	955,237,240	337,198,644	138,747,642	542,620,110	2,211,873,274
Expenses	250,514,629	574,092,427	324,548,981	75,227,174	333,116,370	1,557,499,581
Segment result	(12,444,991)	381,144,813	12,649,663	63,520,468	209,503,740	654,373,693
Unallocated corporate expenditure						137,157,749
Operating profit before taxation						517,215,945
Other income						56,211,717
Profit before tax						573,427,661
Provision for taxation						
– current tax						9,513,304
– MAT credit entitlement						-
– fringe benefit tax						6,124,139
– deferred tax charge						3,955,757
– income tax for earlier years						2,298,081
Provision for wealth tax						63,952
Net profit after taxation						**551,472,428**

Assets and liabilities of reportable primary segment are as follows:

As at 31 March 2008

(Amount in Rupees)

Description	India	Far East	Singapore	Europe	Others	Total
Segment assets	115,051,374	542,912,473	85,306,815	24,633,486	404,402,495	1,172,306,643
Unallocated corporate assets						1,679,100,886
Total assets						**2,851,407,529**
Segment liabilities	68,867,870	186,477,013	82,040,361	81,491,731	86,882,591	505,759,566
Unallocated corporate liabilities						183,112,143
Total liabilities						**688,871,709**
Capital employed						**2,159,946,374**

As at 31 March 2007

(Amount in Rupees)

Description	India	Far East	Singapore	Europe	Others	Total
Segment assets	109,552,983	445,258,137	99,022,175	4,832,689	243,637,911	902,303,895
Unallocated corporate assets						1,435,495,247
Total assets						**2,337,799,142**
Segment liabilities	72,681,680	279,939,561	50,406,052	136,539,178	61,370,906	600,937,377
Unallocated corporate liabilities						77,717,889
Total liabilities						**678,655,266**
Capital employed						**1,659,143,876**

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

For the year ended 31 March 2008

(Amount in Rupees)

Description	India	Far East	Singapore	Europe	Others	Total
Capital expenditure	-	2,728,221	21,601,413	-	-	24,329,634
Capital expenditure (unallocated)						137,824,837
Total capital expenditure						**162,154,471**
Depreciation expenditure	-	11,400,737	26,025,159	-	-	37,425,896
Depreciation expenditure (unallocated)						81,038,061
Total Depreciation						**118,463,957**
Segment non-cash expense other than depreciation	3,686,190	2,012,080	5,227,235	555,153	7,958,241	19,438,899
Total non cash expenditure other than depreciation	**3,686,190**	**2,012,080**	**5,227,235**	**555,153**	**7,958,241**	**19,438,899**

For the year ended 31 March 2007

(Amount in Rupees)

Description	India	Far East	Singapore	Europe	Others	Total
Capital expenditure	-	113,501	60,172,340	-	-	60,285,841
Capital expenditure (unallocated)						223,805,214
Total capital expenditure						**284,091,055**
Depreciation expenditure	-	9,560,867	7,225,778	-	-	16,786,645
Depreciation expenditure (unallocated)						51,981,831
Total Depreciation						**68,768,476**
Segment non-cash expense other than depreciation	2,518,160	2,270,237	3,027,822	755,930	24,021,891	32,594,040
Total non cash expenditure other than depreciation	**2,518,160**	**2,270,237**	**3,027,822**	**755,930**	**24,021,891**	**32,594,040**

b) Information in respect of secondary segment

For the year ended 31 March 2008

(Amount in Rupees)

Description	Products	Software projects and services	Total
Revenue	1,974,144,506	913,030,116	2,887,174,622
Carrying amount of segment assets	721,694,415	286,999,442	1,008,693,857

For the year ended 31 March 2007

(Amount in Rupees)

Description	Products	Software projects and services	Total
Revenue	1,197,639,995	1,014,233,279	2,211,873,274
Carrying amount of segment assets	414,397,783	318,673,757	733,071,540

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

10. Related party transactions

a) List of related parties

Related parties with whom transactions have taken place during the year:

Key managerial personnel:

- Vishnu R Dusad (Managing Director, parent company)

b) Transactions with related parties

(Amounts in Rupees)

	Year ended 31 March 2008	Year ended 31 March 2007
Managerial remuneration		
Key managerial personnel	22,181,760	20,938,637

11. Legal and professional includes payment to auditors

Audit fees (includes service tax)	5,013,138	3,939,982
Other services	1,344,718	1,472,596
Out of pocket expenses	145,618	223,808
	6,503,474	**5,636,386**

12. Earnings per share

	Year ended 31 March 2008 (Rupees)	Year ended 31 March 2007 (Rupees)
Profit after taxation available to equity shareholders (Rupees)	617,392,308	551,472,429
Weighted average number of equity shares used in calculating basic earnings per share	32,358,999	32,273,966
Add: Effect of dilutive issue of shares	256,060	179,359
Weighted average number of equity shares used in calculating diluted earnings per share	32,615,059	32,453,325
Basic earnings per share (Rupees)	19.08	17.09
Diluted earnings per share (Rupees)	18.93	16.99

13. Capital commitments and contingent liabilities

a. Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances) Rs.111,750,052 (Rs.56,614,289).

b. Claim against the Group not acknowledged as debt Rs.324,000 (Rs.324,000).

14. The Company has acquired office premises under a non-cancellable operating lease. The future minimum lease expense in respect of such leases is as follows:

	As at 31 March 2008 (Rupees)	As at 31 March 2007 (Rupees)
Not later than one year	18,081,846	23,952,347
Later than one year but not later than 5 years	990,806	14,400,037
	19,072,652	**38,352,384**

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

	Year ended 31 March 2008 (Rupees)	Year ended 31 March 2007 (Rupees)
Salaries and allowances	1,244,100,928	917,577,728
Contribution to provident and other funds	60,241,763	42,666,689
Directors' remuneration [including stock compensation expenses Rs. 312,723; (Rs. 3,492,076)]	29,534,523	26,425,713
Employee's stock compensation expenses	5,677,545	4,885,331
Staff welfare	21,245,479	20,650,154
Training and recruitment	31,265,052	24,660,829
Software and other development charges	12,761,828	7,288,344
Cost of software purchased for delivery to clients	91,742,260	15,113,102
Travelling	211,049,937	182,655,590
Conveyance	19,353,093	15,912,602
Communication	29,451,921	27,120,595
Rent, rates and taxes	115,248,582	34,805,275
Legal and professional	39,853,245	30,340,051
Consultancy charges	97,688,028	97,495,379
Power and fuel	28,219,192	22,925,737
Repair and maintenance		
- Building	1,872,269	373,821
- Others	14,375,313	7,523,564
Advertisement and business promotion	17,960,133	9,926,608
Conference, exhibition and seminar	8,844,173	9,819,190
IT Expenses	7,997,750	5,371,593
Bad debts/ advances/ other current assets written off	13,448,631	18,552,266
Provision for doubtful debts	-	5,664,367
Commission to channel partners	8,192,431	23,490,758
Printing and stationery	7,776,195	4,960,071
Insurance	6,522,097	5,206,626
Bank charges	3,002,821	2,942,801
Miscellaneous expenses	25,633,648	14,727,208
Total	**2,153,058,837**	**1,579,081,992**

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

For and on behalf of the Board of Directors

Lt. Gen. T P Singh (Retd.)
Chairman

Vishnu R Dusad
Managing Director

NOIDA (U.P.)
April 27, 2008

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary:	Nucleus Software Solutions Pte. Ltd.
Date of Incorporation	February 25, 1994
Business Address	300 Tampines Ave 5, #05-05 Tampines Junction Singapore-529653
Directors	Vishnu R Dusad Kapil Gupta
Auditors	KPMG

Financial Data

At the End of the Year	*March 31, 2008*		*March 31, 2007*	
	S $	*INR*	*S $*	*INR*
Share Capital	625,000	18,181,250	625,000	18,100,000
Reserves	5,062,517	147,268,620	3,696,232	107,042,879
Total Assets	13,151,022	382,563,230	10,636,862	308,043,524
Total Liabilities	7,463,505	217,113,360	6,315,630	182,900,645
Investments	-	-	-	-
For the Year Ended				
Turnover	28,635,417	833,004,281	26,545,664	768,762,429
Profit Before Taxation	1,507,957	43,866,469	634,227	18,367,214
Provision for Taxation	313,930	9,132,224	153,204	4,436,788
Profit After Taxation	1,194,027	34,734,245	481,023	13,930,426
Proposed Dividend	-	-	-	-

Note: Above figures in INR have been calculated at 1 S$ = Rs.29.09 and 1 S$ = Rs.28.96 for the year ended March 31, 2008 and March 31, 2007 respectively.

Note:
In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company.

Statement under Section 212 (8)

Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary:	Nucleus Software Inc. USA
Date of Incorporation	August 5, 1997
Business Address	197 Route 18 South, Suit 3000, East Brunswick, NJ 08816-1440, USA
Directors	Vishnu R. Dusad
Auditors	Jignesh N. Thakkar

Financial Data

At the End of the Year	*March 31, 2008*		*March 31, 2007*	
	S $	*INR*	*S $*	*INR*
Share Capital	350,000	13,965,000	350,000	15,312,500
Reserves	(30,055)	(1,199,195)	(199,545)	(8,730,094)
Total Assets	1,163,521	46,424,488	973,697	42,599,244
Total Liabilities	843,576	33,658,682	823,242	36,016,838
Investments	-	-	-	-
For the Year Ended				
Turnover	722,061	28,810,234	2,319,252	101,467,275
Profit Before Taxation	170,055	6,785,195	(55,907)	(2,445,931)
Provision for Taxation	565	22,544	12,381	541,669
Profit After Taxation	169,490	6,762,651	(68,289)	(2,987,644)
Proposed Dividend	-	-	-	-

Note: Above figures in INR have been calculated at 1 US $= Rs. 39.90 and 1US $= Rs.43.75 for the year ended March 31, 2008 and March 31, 2007 respectively

Note:
In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company.

Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary:	Nucleus Software Japan Kabushiki Kaiga
Date of Incorporation	November 2, 2001
Business Address	2F KY Building 3-16-14 Roppongi Minato-KU, Tokyo -106-0032
Directors	Vishnu R Dusad R P Singh Pramod K Sanghi Parminder Iqbal Bansil Niraj Vedwa Vijay Sharma
Auditors	BSR & Co.

Financial Data

At the End of the Year	*March 31, 2008*		*March 31, 2007*	
	JPY	*INR*	*JPY*	*INR*
Share Capital	10,000,000	3,995,000	10,000,000	3,719,000
Reserves	44,547,333	17,796,660	20,093,872	7,472,911
Total Assets	698,128,188	278,902,211	979,045,085	364,106,867
Total Liabilities	643,580,855	257,110,552	948,951,213	352,914,956
Investments	-	-	-	-
For the Year Ended				
Turnover	2,623,863,613	1,048,233,513	1,144,616,932	425,683,037
Profit Before Taxation	41,655,474	16,641,360	18,830,040	7,002,892
Provision for Taxation	17,202,013	6,872,204	5,365,200	1,995,318
Profit After Taxation	24,453,461	9,769,156	13,464,840	5,007,574
Proposed Dividend	-	-	-	-

Note: Above figures in INR have been calculated at 1 JPY= Rs. 0.3995 and 1JPY= Rs.0.3719 for the year ended March 31, 2008 and March 31, 2007 respectively

Note:
In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company.

Statement under Section 212 (8)

Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary:	Nucleus Software (Australia) Pty Limited
Date of Incorporation	May 7, 2002
Business Address	Level -57 MLC Centre 19-29, Martin Place New South Wales 2000 Australia
Directors	Vishnu R. Dusad
Auditors	Suhrid R. Sheth

Financial Data

At the End of the Year	*March 31, 2008*		*March 31, 2007*	
	Aus $	*INR*	*Aus $*	*INR*
Share Capital	316,000	11,559,280	316,000	11,183,240
Reserves	(300,185)	(10,980,767)	(300,756)	(10,643,755)
Total Assets	30,250	1,106,545	19,146	677,577
Total Liabilities	656	23,996	2,001	70,815
Investments	-	-	-	-
For the Year Ended				
Turnover	-	-	-	-
Profit Before Taxation	571	20,887	(55,462)	(1,962,800)
Provision for Taxation	-	-	432	15,288
Profit After Taxation	571	20,887	(55,894)	(1,978,089)
Proposed Dividend	-	-	-	-

Note: Above figures in INR have been calculated at 1 Aus$= Rs.36.58 and 1 Aus$= Rs.35.39 for the year ended March 31, 2008 and March 31, 2007 respectively

Note:
In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company.

Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary:	Nucleus Software (HK) Limited
Date of Incorporation	March 20, 2002
Business Address	Suite-B, 5F, Wing Hing Comm. Building 139 Wing Lok Street, Sheung Wan, Hong Kong
Directors	Vishnu R. Dusad Ravi Pratap Singh
Auditors	NG & Chow

Financial Data

At the End of the Year	*March 31, 2008*		*March 31, 2007*	
	HK $	*INR*	*HK $*	*INR*
Share Capital	100,000	546,000	100,000	557,000
Reserves	(118,215)	(645,454)	(96,501)	(537,511)
Total Assets	13,949	76,162	13,099	72,961
Total Liabilities	32,164	175,615	9,600	53,472
Investments	-	-	-	-
For the Year Ended				
Turnover	-	-	-	-
Profit Before Taxation	(21,714)	(118,559)	(20,000)	(111,400)
Provision for Taxation	-	-	-	-
Profit After Taxation	(21,714)	(118,559)	(20,000)	(111,400)
Proposed Dividend	-	-	-	-

Note: Above figures in INR have been calculated at 1 HK $= Rs.5.46 and 1 HK $= Rs.5.57 for the year ended March 31, 2008 and March 31, 2007 respectively

Note:
In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company.

Statement under Section 212 (8)

Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary:	VirStra I-Technology Services Limited
Date of Incorporation	May 6, 2004
Business Address	6th Floor, Marisoft-I, Marigold Premises, Vadagon Sheri, Kalyani Nagar, Pune-411014
Directors	Vishnu R Dusad Sanjiv Sarin Ravi Pratap Singh Pramod K Sanghi
Auditors	BSR & Co.

Financial Data

At the End of the Year	*March 31, 2008* *INR*	*March 31, 2007* *INR*
Share Capital	10,000,000	10,000,000
Reserves	119,462,371	180,448,745
Total Assets	155,735,900	211,464,938
Total Liabilities	26,273,529	20,665,538
Investments	13,693,640	63,326,807
For the Year Ended		
Turnover	183,970,286	237,283,731
Profit Before Taxation	54,582,079	106,685,810
Provision for Taxation	(1,426,547)	364,665
Profit After Taxation	56,008,626	106,321,145
Dividend*	100,000,000	-

*The Company paid interim dividend of Rs.10.00 crore during the financial year 2007-08.

Note:
In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company.

Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary:	Nucleus Software Netherlands B.V.
Date of Incorporation	February 2, 2006
Business Address	Amsteldijk 166, 1079 LH Amsterdam The Netherlands
Directors	Vishnu R. Dusad
Auditors	BSR & Co.

Financial Data

At the End of the Year	*March 31, 2008*		*March 31, 2007*	
	S $	*INR*	*S $*	*INR*
Share Capital	100,000	6,307,000	100,000	5,833,000
Reserves	(49,494)	(3,121,587)	(22,367)	(1,304,667)
Total Assets	55,354	3,491,177	79,536	4,639,335
Total Liabilities	4,848	305,763	1,904	111,060
Investments	-	-	-	-
For the Year Ended				
Turnover	-	-	-	-
Profit Before Taxation	(27,126)	(1,710,837)	(5,420)	(316,149)
Provision for Taxation	-	-	-	-
Profit After Taxation	(27,126)	(1,710,837)	(5,420)	(316,149)
Proposed Dividend	-	-	-	-

Note: Above figures in INR have been calculated at 1 Euro = Rs.63.07 and 1 Euro = Rs.58.33 for the year ended March 31, 2008 and March 31, 2007 respectively

Note:
In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company.

Statement under Section 212 (8)

Statement of Subsidiary in pursuance of approval under Section 212 (8) of the Companies Act, 1956

Name of Subsidiary:	VirStra I-Technology (Singapore) Pte Limited (Step down Subsidiary of Nucleus Software Exports Limited)
Date of Incorporation	December 17, 2004
Business Address	300 Tampines Ave 5, #05-05 Tampines Junction Singapore-529653
Directors	Vishnu R. Dusad Kapil Gupta
Auditors	KPMG

Financial Data

At the End of the Year	*March 31, 2008*		*March 31, 2007*	
	S $	*INR*	*S $*	*INR*
Share Capital	200,000	5,818,000	200,000	5,792,000
Reserves	(223,576)	(6,503,826)	(58,634)	(1,698,041)
Total Assets	1,393,693	40,542,529	1,811,178	52,451,715
Total Liabilities	1,417,269	41,228,355	1,669,812	48,357,756
Investments	-	-	-	-
For the Year Ended				
Turnover	450,000	13,090,500	-	-
Profit Before Taxation	(164,942)	(4,798,163)	(54,193)	(1,569,429)
Provision for Taxation	-	-	-	-
Profit After Taxation	(164,942)	(4,798,163)	(54,193)	(1,569,429)
Proposed Dividend	-	-	-	-

Note: Above figures in INR have been calculated at 1 S $= Rs.29.09 and 1 S $= Rs.28.96 for the year ended March 31, 2008 and March 31, 2007 respectively

Note:
In terms of approval granted by the Central Government under Section 212(8) of Companies Act 1956, a copy of the Balance Sheet, Profit & Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with the Annual Report of the Company. The Company will make available these documents and the related details upon request by any investor of the Company.

REPORT ON CORPORATE GOVERNANCE

Report on Corporate Governance

Company's Philosophy on Code of Governance

Corporate governance is an integrated framework whereby people formally organize themselves for a defined purpose, and apply critical processes consistently to achieve predicted performance for sustainable development. It is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders.

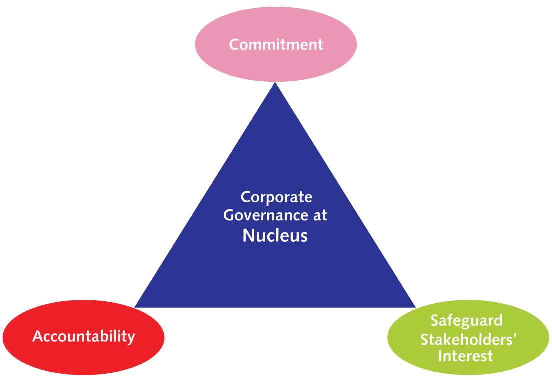
Good Corporate Governance encourages performance of organizations which ensures sustainability of society, economy and environment. When an organisation performs well, everyone associated with the organisation grows. Investors get good dividends and capital appreciation, employees get salary hikes, lenders and suppliers get timely payment, customers get good products at lower prices, society gets improved quality of life and government gets increased taxes which in turn are invested in socio-economic development and security.

In order to promote and raise the standards of Corporate Governance, the Securities and Exchange Board of India (SEBI) introduced a Code of Corporate Governance to be implemented by listed Companies. The recommendations of SEBI suggested suitable amendments to the Listing Agreement to improve the standards of Corporate Governance in the listed Companies, and are divided into mandatory and non-mandatory recommendations. The revised Clause 49 of the Listing Agreement has been made effective from January 1, 2006

The Nucleus management is committed to implement the best practices of Corporate Governance.

Nucleus has identified three major Corporate Governance tenets for practicing in the Company:-

1) Continuous commitment of the management to principles of integrity and transparency in business operations
2) Accountability
3) Safeguarding the interests of the stakeholders in the organization



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

- The challenge of implementation is for each Company to find the path and solutions that fit its circumstances
- The Company must have strong and active internal standards
- The Company must achieve market credibility.
- Good Corporate Governance is a journey, not a destination and
- Improving governance yields positive returns

Corporate Governance philosophy at Nucleus is to comply with not only the statutory requirements, but also voluntarily formulate and adhere to a set of strong Corporate Governance practices. We believe that sound Corporate Governance is critical to enhance and retain investor trust. The responsibility for putting the recommendations into practice lies directly with the Board of Directors and the management of the Company. The driving forces of Corporate Governance at Nucleus are its core values, which are: belief in people, entrepreneurship, customer orientation and the pursuit of excellence. The Company's goal is to find creative and productive ways of keeping its stakeholders, such as investors, customers and associates informed, while fulfilling the role of a responsible corporate committed to best practice.

The Board and the Company management strive hard to best serve the interests of the stakeholders including shareholders, customers, Government and society at large.

A. Board of Directors

1. Composition of the Board of Directors as on March 31, 2008

The Board of the Company consists of six members with over fifty- percent of the Board comprising of Non-Executive Directors. Non-Executive Directors with their diverse knowledge, experience and expertise provide valuable contribution in the deliberations and decisions of the Board.

Name of Director	Position
Lt. Gen. T P Singh (Retd.)	Chairman, Non-Executive Director
Vishnu R Dusad	Managing Director, Promoter
Arun Shekhar Aran	Independent Non-Executive Director
Prithvi Haldea	Independent Non-Executive Director
Suresh Joshi	Independent Non-Executive Director
Sanjiv Sarin	Independent Non-Executive Director

Although, the level of knowledge, integrity and independence necessary to carry out the functions of a Director are difficult to summarize, the essential characteristics of the members of the Board include the attributes of asking hard questions, working well with others, having industry awareness, providing valuable inputs, availability when needed, being alert and inquisitive, making long range planning contribution among others.

By self evaluation of performance, the Board can recognize its achievements and reach consensus on areas needing empowerment. Discussing the results of a self-assessment at a retreat can assist in developing a long-range plan. Process for evaluating performance of Board Members in the Company is given elsewhere in the report.

For selection of Independent Directors, definition of Independence as per Clause 49 is just a starting point for Nucleus. For Nucleus, the quality of the Independent Directors is a far greater criterion. Some of the qualities we look at are:

- Well Educated
- Reputation of Character and Integrity
- Specialist /Experts in functional areas
- General Management exposure and experience
- Industry Awareness
- Global Awareness
- Entrepreneurial Experience

All our Independent Directors meet some or all of these criteria as is evident from the profile of Directors.

DIRECTORS' PROFILE

Lt. Gen. T. P. Singh (Retd.) – Chairman

Lt. Gen. T. P. Singh joined the Board of Directors of the Company in December 1994 and was unanimously appointed Chairman of the Board in December 1996.

Lt. Gen. T. P. Singh retired from the Army in 1993 after completing 39 years of commissioned service.

In the HRD field, he has handled large number of officers and men including civilians of all grades. He established himself as an expert in formulation of training policies and in their implementation during various tenures as an Instructor including one as Commandant of the School of Artillery, an institute awarding a recognized degree of M Tech.

In the organizational field, he has proven himself by being awarded the Ati Vashist Seva Medal for work involved in framing the future structure of the Indian Artillery. Later he was awarded the Param Vashist Seva Medal for his contribution as a senior member of the Experts Committee set up to recommend structural reorganisation, and management process streamlining for the Indian Army.

The General worked on the Investment Committee of the Army Group Insurance Scheme where investments worth crores were processed. This involved incisive knowledge of industrial environment and long-term trends.

As the Chairman, he has contributed immensely in guiding the Company on the path of success and transforming it into a world-class, next generation organization.

He has played a pivotal role in framing strategic roadmap for Nucleus and analyzing the business opportunities available.

Vishnu R. Dusad – Managing Director

Mr. Vishnu R. Dusad is one of the founders of Nucleus Software Exports Ltd. and has served as a Director since the inception of the Company. Mr. Dusad completed his Bachelors Degree in Technology from the Indian Institute of Technology (IIT), Delhi and has been associated with the development of the software industry in India since 1983 as an entrepreneur. He was appointed Managing Director of the Company in January 1997. Mr. Dusad has enriched Nucleus with his technology background and 22 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.

Arun Shekhar Aran - Director

Mr. Arun Shekhar Aran is a successful first generation entrepreneur with 25 years of experience in IT industry. Having completed B. Tech from IIT, Delhi and MBA from IIM, Ahmedabad he started his career with Asian Paints in 1982.

In 1989, he joined Nucleus Software Group as a partner where he played a key role in leading the team in the development of the first ever credit card system in India for Citibank. Mr. Arun Shekhar Aran joined the Board of Directors of the Company in March 1996.

In 1994, Mr. Shekhar promoted the Mumbai based software Company, Nucsoft Ltd., and is presently the CEO.

Prithvi Haldea - Director

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

Mr. Haldea is presently a member, among others, of Primary Market Advisory Committee of SEBI, SEBI Committee on Disclosures & Accounting Standards, Listing Advisory Committee of NSE, Listing Committee of BSE, Index Committee of BSE and Delisting Committee of DSE. He is on the Board of Directors of UTI Asset Management Co.Ltd. Mr. Haldea is also the Co-Chairman of the ASSOCHAM's Capital Market Committee and a member of CII's Capital Market Committee. In the past, Mr. Haldea has served as a member of Central Listing Authority, Finance Minister's High Level Expert Committee on Corporate Bonds and Securitisation, Secondary Market Advisory Committee of SEBI and SEBI's Committee for Review of MAPIN. He is a visiting faculty at several institutions, and has presented scores of papers at various conferences in India and abroad.

As an investor protection activist, Mr. Haldea regularly raises issues with regulators and in the media. He has also launched four unique websites: www.watchoutinvestors.com, aggregating information on economic defaulters which now lists over 80,000 cases, www.primedirectors.com, a databank of professionals for listed companies to select independent directors, now hosting profiles of over 17,000 professionals, www.directorsdatabase.com, covering names and profiles of directors of companies listed at BSE and www.iepf.gov.in, an investor education initiative.

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

Suresh Joshi - Director

Mr. Suresh Joshi, graduate in Science has been associated with Nucleus since early 1989. His association began with developing modules for Credit Card System. He joined the Board of Directors of the Company in December 1994. He has a long career in Information Technology, including stints with IBM in India. He has completed many consulting assignments in India and abroad in-

- Financial Systems design and implementation
- Strengthening systems and procedures
- Software Quality Assurance.

Currently Mr. Suresh Joshi is Chairman of Softenger (India) Pvt. Ltd. Softenger provides services in management of IT infrastructure at several locations in India and abroad.

Sanjiv Sarin - Director

Mr. Sanjiv Sarin is a postgraduate from IIT Delhi with an MBA from XLRI, Jamshedpur. He is currently working as Managing Director of Medison Medical Systems India Pvt. Ltd. Earlier he was posted in Singapore as Regional Manager (Asia), with Medison Co. Ltd, a Korean Multinational. Mr. Sarin joined the Board of Directors of the Company in June 2001.

Mr. Sanjiv Sarin has more than 26 years of experience in various areas of management including marketing, team building, and organization development and managing new projects.

2. Responsibilities of the Chairman and the Managing Director

The Company has a Non-Executive Chairman. The Chairman along with other Directors contributes in defining future growth strategy and monitors the actual performance with the growth plans. The Managing Director is responsible for day-to-day operations of the Company. He is responsible for the corporate strategy and also implementation of the plans for the future growth of the Company. They are assisted by a senior management team, which is responsible for the achievements of annual targets of revenue, profitability, customer satisfaction, quality, productivity, employee retention and other related areas.

The Managing Director has responsibility for all aspects of executive management and is accountable to the Board for the performance of the Company and implementation of the policies laid down by the Board.

With a view to institutionalize all corporate affairs and set up systems and procedures for advance planning for matters requiring discussion/decision by the Board, the Company has defined guidelines for the meetings of the Board. These guidelines seek to systemize the decision making process at the meetings of the Board in an informed and efficient manner.

3. Membership Term

In accordance with the requirements of The Companies Act 1956, at least two-third of Directors shall be subject to retirement by rotation. One third of these retiring Directors shall retire every year and the Company may reappoint them with the approval of the shareholders. The Managing Director is appointed by the shareholders for a maximum period of 5 years at one time and is eligible for re-appointment upon the completion of the term.

Mr. Vishnu R Dusad, Managing Director of the Company was re-appointed as Managing Director w.e.f January 1, 2007 for a period of 5 years. His present term expires on December 31, 2011.

4. Board of Directors Compensation

Compensation of the Managing Director has been approved by the shareholders. Non-Executive Directors are being paid an amount not exceeding one percent of the net profits of the Company, in terms of section 309 (4) of the Companies Act, 1956, as approved by the shareholders at the Annual General Meeting held on July 8, 2005.

Directors other than the Promoter Director are eligible to receive options under the various ESOP schemes launched by the Company from time to time. ESOP compensation expense also forms a part of their compensation and the total remuneration is subject to the ceiling above.

The following table gives details of compensation paid /payable to the Directors for the period April 2007 to March 2008. (Amount in Rs.)

Name	Position	Fixed Salary	Commission	ESOP Compensation Expense	Sitting Fees	Total Compensation
Lt. Gen T P Singh (Retd.)	Chairman, Non-Executive Director	Nil	1,120,000	70,463	395,000	1,585,463
Vishnu R Dusad	Managing Director, Promoter	63,60,000	13,960,000	0	0	20,320,000
Arun Shekhar Aran	Independent Non-Executive Director	Nil	1,120,000	65,146	180,000	1,365,145
Prithvi Haldea	Independent Non-Executive Director	Nil	1,120,000	59,038	210,000	1,389,038
Suresh Joshi	Independent Non-Executive Director	Nil	1,120,000	59,038	220,000	1,399,038
Sanjiv Sarin	Independent Non-Executive Director	Nil	1,120,000	59,038	485,000	1,664,038
Total		63,60,000	19,560,000	312,723	1,490,000	27,722,722

6. Detail of Equity Shares and Stock Options held by Non-Executive Directors as on March 31, 2008

Name	Position	Equity Shares (Nos.)	Total Stock Options (Nos.)
Lt. Gen T P Singh (Retd.)	Chairman, Non-Executive Director	5,156	45,000
Arun Shekhar Aran	Independent Non-Executive Director	174,912	35,000
Prithvi Haldea	Independent Non-Executive Director	5,400	25,000
Suresh Joshi	Independent Non-Executive Director	15,200	20,000
Sanjiv Sarin	Independent Non-Executive Director	17,300	25,000

Name	ESOP 2006			
	No. of Stock Options	Grant Price (Rs)	Grant Date	Expiry Date
Lt. Gen T P Singh (Retd.)	45,000	455.00	21-Oct-06	21-Oct-09
Arun Shekhar Aran	35,000	455.00	21-Oct-06	21-Oct-09
Prithvi Haldea	25,000	455.00	21-Oct-06	21-Oct-09
Suresh Joshi	20,000	455.00	21-Oct-06	21-Oct-09
Sanjiv Sarin	25,000	455.00	21-Oct-06	21-Oct-09

The Options under ESOP 2006 were granted at fair market value.

On Exercise of stock options, optionholders are entitled to Bonus Shares in the ratio of 1: 1, pursuant to approval of Bonus Shares by the shareholders in the Annual General Meeting held on July 6, 2007.

7. Memberships of Other Boards

The number of other Directorships and Chairmanship/ Memberships of Committees held by each of the Director is given as under:

Name of Director	Position	Relationship with other Directors	Directorships Held of other Companies	Committee Membership*	Chairperson in Committees*
Lt. Gen T P Singh (Retd.)	Chairman, Non-Executive Director	None	Nil	1	1
Vishnu R Dusad	Managing Director, Promoter	None	10	1	Nil
Arun Shekhar Aran	Independent Non-Executive Director	None	1	1	1
Prithvi Haldea	Independent Non-Executive Director	None	7	2	Nil
Suresh Joshi	Independent Non-Executive Director	None	1	1	Nil
Sanjiv Sarin	Independent Non-Executive Director	None	2	2	Nil

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

B. Board Meetings

Board meetings allow exploring the areas of improvement and identifying the dynamics that contribute to any problems or weaknesses pertaining to meeting the goals of the organization. Strategies to address the problems or weaknesses include arranging Board retreats or workshops on a specific topic, organizing study sessions, and reading in areas where knowledge is needed.

1. Scheduling and selection of agenda items for Board of Directors meetings.

- A minimum of four Board Meetings are held in each year. These are scheduled in advance for the entire year and are held after the end of each financial quarter. This schedule of the Board Meetings is published in the Annual Report. Additional Board Meetings are convened by giving appropriate notice. For any business exigencies or urgency of matters, resolutions are passed by circulation.
- Committees of the Board meet whenever required, for transacting business.
- The meetings of the Board of Directors are usually held at the Company's corporate office at A 39, Sector 62, NOIDA 201307.
- The Company Secretary drafts the agenda for each meeting, in consultation with the members of the Board of Directors and the senior management of the Company. Every Board member is requested to suggest modifications / changes in the agenda items.

Number of Board Meetings Held and Attendance During 2007-08.

Twelve Board Meetings were held during the year 2007-08, as against the minimum requirement of four meetings. The dates on which the meetings were held are; April 29, 2007, May 26, 2007, July 6, 2007, July 24, 2007, July 31, 2007, August 8, 2007, September 25, 2007, October 10, 2007, October 28, 2007, January 20, 2008, March 15, 2008 and March 29, 2008. The Board has met at least once in every three months and the maximum time gap between any two meetings was not more than four months.

Name	No. of Board Meetings held	No. of Board Meetings attended	Attended last AGM
Lt. Gen T P Singh (Retd.)	12	11	Yes
Mr. Vishnu R Dusad	12	12	Yes
Mr. Arun Shekhar Aran	12	6	Yes
Mr. Prithvi Haldea	12	9	Yes
Mr. Suresh Joshi	12	6	Yes
Mr. Sanjiv Sarin	12	11	Yes

2. **Availability of Information to the Board of Directors**

There is a process of providing complete information to the Board Members with the agenda for the meeting. During meetings senior management is invited to present the plans and achievements of their respective areas of responsibility. The Board is given presentations covering major business segments and operations of the Company, before taking on record the financial results of the Company.

The information placed before the Board includes:

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

3. **Recording Minutes of Proceedings at Board Meetings**

The Company Secretary records the minutes of the proceedings of each Board meeting. Draft minutes are circulated to all the members of the Board for their comments. The finalized minutes of proceedings of a meeting are entered in the Minutes Book within 30 days from the conclusion of that meeting.

4. **All follow up items are recorded separately and action taken is reported in future meetings.**

An "Action Taken Report" is placed for all action points raised in the meetings, in all subsequent meetings.

The above processes have helped the Board to achieve:

- better understanding of what it means to be an effective Board
- clarification of what the members expect from each other and themselves
- improved communications among members and between the Board and the Managing Director
- identification of problems, potential issues, and areas to improve
- opportunity to discuss and solve problems that may hurt Board performance.
- identification of strategies to enhance Board performance
- renewed dedication to the Board
- Board goals and objectives for the coming year

Strengths are celebrated. Areas of improvement are explored to identify the dynamics that contribute to any problems or weaknesses. Strategies to address the issues may include Board retreats or workshops on a specific topic, study sessions and reading in areas where knowledge is needed, and clarification of Board expectations.

C. Audit Committee

The Audit Committee was formed in August 2001, in compliance of Section 292 A of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges, with qualified members of the Board of Directors of the Company. The Company Secretary acts as the secretary to the committee. The Audit Committee plays a key role in assisting the Board to fulfill its Corporate Governance and oversight responsibilities in relation to a Company's financial reporting, internal control systems, risk management systems and the internal and external audit functions. One of the core principles of an effective Audit Committee is that committee members are independent of the Company.

The Audit Committee has met five times during the year 2007-08.

The Audit Committee has adopted the following charter for its efficient functioning:

CHARTER OF AUDIT COMMITTEE

1. Scope of Work

1. Review and recommend to the Directors the Independent Auditors to be selected to audit financial statements of the Company.
2. Provide an open avenue of communication between the Independent Auditors, Internal Auditors and the Board of Directors.
3. Review and update the Committee's charter annually.
4. To meet at least four times per year or more frequently as circumstances require.
5. Review with the Independent Auditors, the Company's Internal Auditor and Financial Personnel:
   a) The adequacy and effectiveness of the accounting and financial controls of the Company.
   b) Related findings and recommendations of the Independent Auditor and Internal Auditor together with management 's responses.
6. Consider and review with management, Internal Auditor and Independent Auditor
   a) Significant findings during the year, including the status of previous audit recommendations.
   b) Any difficulties encountered in the course of audit work including any restrictions on the scope of activities or access to required information and
   c) Any changes required in the planned scope of the internal audit plan.
7. Prepare a letter for inclusion in the Annual Report that describes the Committee's composition and responsibilities, and how they were discharged.
8. The Chairman to be present at AGM to answer shareholders queries.
9. Review legal and regulatory matters that may have a material impact on the financial statements, related Company's compliance policies, and programs and reports received from regulators.
10. Report Committee actions to the Board of Directors with such recommendations, as the Committee may deem appropriate.
11. The Committee shall perform such other functions as assigned by law, the Company's charter or bylaws, or the Board of Directors and shall mandatorily perform following functions as assigned by Clause 49 of the Listing Agreement:

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- 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.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  a. 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
  b. Changes, if any, in accounting policies and practices and reasons for the same
  c. Major accounting entries involving estimates based on the exercise of judgment by management
  d. Significant adjustments made in the financial statements arising out of audit findings
  e. Compliance with listing and other legal requirements relating to financial statements
  f. Disclosure of any related party transactions
  g. Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly financial statements before submission to the board for approval
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.

- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism, in case the same exists.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- Management Discussion and Analysis of financial condition and results of operations.
- Statement of significant related party transactions (as defined by the audit committee), submitted by management.
- Management letters of internal control weaknesses issued by the Statutory Auditors.
- Internal audit reports relating to internal control weaknesses.
- The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.

2. Review of Auditors

The Audit Committee shall

a) Recommend to the Board of Directors the independent Auditors to be appointed and approve the compensation of the Independent Auditors.

b) Confirm and assure the independence of the Independent Auditors and the objectivity of the Internal Auditor.

c) Require and encourage the Independent Auditors to have open and frank discussions on their judgments about the quality, not just the acceptability of the Company's accounting principles as applied in its financial reporting, including such issues as the clarity of the Company's financial disclosures and degree of aggressiveness or conservatism of the Company's accounting principles.

3. Composition of the Audit Committee

It is mandatory that:

- The Audit Committee shall comprise of three or more Directors, all being Non-Executive Directors, with majority of them being independent.
- Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.
- All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall have accounting or related financial management expertise.

The composition of Audit Committee as on March 31, 2008 and the details of the meetings are as follows:

Name of the Member	Position	No. of Meetings Held	No. of Meetings Attended
Arun Shekhar Aran	Independent Non-Executive Director, Chairman of the Committee	5	4
Prithvi Haldea	Independent Non-Executive Director	5	4
Suresh Joshi	Independent Non-Executive Director	5	5
Sanjiv Sarin	Independent Non-Executive Director	5	5

Audit Committee Report for the Year Ended March 31, 2008

Each member of the Committee is an Independent Director according to Clause 49 of the Listing Agreement

The Audit Committee is independent and empowered by the Board with the authority to investigate any matter relating to the internal control system and to review the scope of Internal Audit.

The Internal Auditors of the Company are in the best position to evaluate and report on the adequacy and effectiveness of the internal controls. Keeping in view the need for the Internal Auditors' independence, the Audit Committee has created a formal mechanism to facilitate regular discussions with the Internal Auditors at the end of each quarter. The Committee has recommended the continuance of the Internal Audit function.

The Statutory Auditors are responsible for performing an independent audit of the Company's financial statements in accordance with the Generally Accepted Auditing Standards and for issuing a report thereon. The Committee's responsibility is to review the adequacy of internal audit function The Committee is also responsible to oversee the processes related to financial reporting and information dissemination, in order to ensure that the financial statements are true, correct, sufficient and credible. The Committee also reviews the quarterly, half yearly and the annual financial statements before they are submitted to Board and ensures compliance of internal control systems. In addition, the Committee recommends to the Board the appointment of the Company's Internal and Statutory Auditors.

The Committee has also reviewed that the internal controls are put in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with prevailing laws and regulations. In conducting such reviews, the Committee found no material discrepancy or weakness in the internal control systems of the Company.

The Committee also reviewed the financial and risk management framework in accordance with revised Clause 49 of the Listing agreement.

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

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

The Committee has recommended to the Board the appointment of BSR & Co., Chartered Accountants, as the Statutory Auditors of the Company for the financial year ending March 31, 2009 and that the necessary resolutions for appointing them as Auditors be placed before the shareholders.

Sd/-
Arun Shekhar Aran

D. Remuneration Committee

The Remuneration Committee recommends the remuneration payable to Directors based on their contribution to the growth and development of the Company.

The composition of Remuneration Committee as on March 31, 2008 and the details of the meetings are as follows:

Name of the Member	Position	No. of Meetings Held	No. of Meetings Attended
Lt. Gen. T. P. Singh (Retd.)	Chairman, Non-Executive, Director, Chairman of the Committee	1	1
Suresh Joshi	Independent Non-Executive Director	1	1
Sanjiv Sarin	Independent Non-Executive Director	1	1

The Remuneration Committee comprises of three Directors, all of whom are Non-Executive Directors. The Chairman of the Committee Lt. Gen. T. P. Singh (Retd.) was present at the last Annual General Meeting held on July 6, 2007.

The remuneration structure of the Managing Director comprises of salary, commission, perquisites and allowances, contribution to provident fund and gratuity.

Non-Executive Directors are being paid an amount not exceeding one percent of the net profits of the Company, in terms of section 309 (4) of the Companies Act, 1956, as approved by the shareholders at the Annual General Meeting held on July 8, 2005.

The Remuneration Committee at its meeting held on April 26, 2006, had recommended the remuneration payable to Mr. Vishnu R Dusad in accordance with his proposed re-appointment as Managing Director of the Company for a further period of 5 years with effect from January 1, 2007. The same was approved by the shareholders at the Annual General Meeting held on July 8, 2006.

Details of remuneration paid/payable to all Directors have already been provided under "Board of Directors Compensation" detailed elsewhere in this report.

E. Shareholders/Investor Grievance Committee

The Shareholders/Investor Grievance Committee is empowered to consider and approve the transfer, transmission, transposition, issue of duplicate certificates etc. of the Company and to redress shareholders complaints like transfer of shares, non-receipt of balance sheet, non-receipt of dividend warrants, etc. The status on complaints and share transfers is reported to the full Board.

The composition of Shareholders/Investor Grievance Committee as on March 31, 2008 and the details of the meetings are as follows:

Name of the Member	Position	No. of Meetings Held	No. of Meetings Attended
Lt. Gen. T. P. Singh (Retd.)	Chairman, Non-Executive Director, Chairman of the Committee	20	10
Vishnu R Dusad	Managing Director and Promoter	20	20
Sanjiv Sarin	Independent Non-Executive Director	20	10

Note: Ms. Poonam Bhasin, Company Secretary is the Compliance Officer.

Details of investor complaints resolved during the year 2007-08 are as follows:

Nature of complaints received	No. of complaints received during the year	No. of complaints resolved during the year	No. of complaints pending at the end of the year
Revalidation of Dividend warrants	29	29	Nil
Issue of duplicate share certificates	10	10	Nil
Request for Stop Transfer	Nil	Nil	Nil
Non receipt of share certificate	30	30	Nil
Demat Queries	26	26	Nil

F. Corporate Governance Committee

The Company has formed a Corporate Governance Committee to continuously implement and promote the highest standards of Corporate Governance.

The composition of Corporate Governance Committee as on March 31, 2008 and the details of the meetings are as follows:

Name of the Member	Position	No. of Meetings Held	No. of Meetings Attended
Lt. Gen. T. P. Singh (Retd.)	Chairman, Non-Executive Director- Chairman of the Committee	1	1
Vishnu R Dusad	Managing Director and Promoter	1	1
Sanjiv Sarin	Independent Non-Executive Director	1	1

The Committee continuously reviews the Corporate Governance initiatives of the Company and advises on following the best practices in the Company.

The Corporate Governance Committee in accordance with Clause 49 of Listing Agreement approved a Code of Conduct for all Board members and senior management of the Company. The Code of Conduct is also posted on the website of the Company. All Board members and senior management personnel have affirmed compliance with the code for the year. The Annual Report contains a declaration to this effect signed by the Managing Director.

G. Compensation Committee

The remuneration policy of the Company is to pay compensation and benefits along with the stock options to motivate and retain the employees of the Company. The Compensation Committee is responsible for administering the stock option plans, including review and grant of options to eligible employees under the plans.

The composition of Compensation Committee as on March 31, 2008 and the details of the meetings are as follows:

Name of the Member	Position	No. of Meetings Held	No. of Meetings Attended
Lt. Gen. T. P. Singh (Retd.)	Chairman, Non-Executive Director, Chairman of the Committee	3	2
Vishnu R Dusad	Managing Director, Promoter	3	3
Arun Shekhar Aran	Independent Non-Executive Director	3	2
Suresh Joshi	Independent Non-Executive Director	3	2
Sanjiv Sarin	Independent Non-Executive Director	3	3

H. General Body Meetings

Particular of Annual General Meetings (AGM) held during the three previous years

Meeting Date Time Venue		16th AGM July 8, 2005 10.00 a.m FICCI Auditorium New Delhi		17th AGM July 8, 2006 10.00 a.m FICCI Auditorium New Delhi		18th AGM July 6, 2007 3.00 p.m. FICCI Auditorium New Delhi
S.No	**Type**	**Resolution passed**	**Type**	**Resolution passed**	**Type**	**Resolution passed**
1.	O	Adoption of Annual Accounts for the year ended(31/03/2005)	O	Adoption of Annual Accounts for the year ended(31/03/2006)	O	Adoption of Annual Accounts for the year ended(31/03/2007)
2.	O	Reappointment of Mr. Arun Shekhar Aran as Director	O	Reappointment of Lt. Gen T P Singh (Retd.) and Mr. Sanjiv Sarin as Directors	O	Reappointment of Mr. Prithvi Haldea and Mr. Suresh Joshi as Directors
3.	O	Appointment of M/s Bharat S Raut & Co. as the Statutory Auditors.	O	Appointment of M/s BSR & Co. as the Statutory Auditors.	O	Appointment of M/s BSR & Co. as the Statutory Auditors.
4.	O	Declaration of Dividend	O	Declaration of Dividend	O	Confirm payment of Interim Dividend
5.	S	Payment of 1% commission to Non-Executive Directors of the Company.	S	Reappointment of Mr. Vishnu R Dusad a Managing Director of the Company with effect from January 1, 2007	S	Increase in the Authorized Share Capital of the Company from Rs. 20,00,00,000 to Rs. 40,00,00,000
6.	S	Approval of ESOP Scheme 2005 to offer and allot 6,00,000 equity shares.	S	Approval of ESOP Scheme 2006 to offer and allot 10,00,000 equity shares.	S	Issue of fully paid-up Bonus shares
7.	S	Grant options to any identified employee of the subsidiaries under ESOP Scheme 2005.	S	Grant options to any identified employee of the subsidiaries under ESOP Scheme 2006.		
8.	S	Approval u/s. 163 to keep register of members, returns etc at the office of RCMC Share Registry Pvt. Ltd.	S	Approval u/s. 163 to keep register of members, returns etc at the office of Karvy Computershare Pvt. Ltd.		
9.	S	Modification in ESOP 2002				

Type: O=Ordinary Resolution S=Special Resolution

During the year ended March 31, 2008, no ordinary or special resolutions were passed through postal ballot.

I. Disclosures

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the management, their Subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.

Details of transactions with the relatives of any Director:

Name	Designation	Relationship	Gross Remuneration Paid for the Year Ended March 31, 2008
R P Singh	President	Son of Chairman	Rs. 6,832,233

Remuneration paid to Directors is disclosed earlier in this Report.

Transactions with Related parties have been disclosed under note 11 of schedule 16, which forms part of the financial statements.

The above transactions do not have any potential conflict with the interests of the Company at large.

Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the year.

NIL

J. Means of Communication

The Company forwards audited quarterly results in the form of a Quarterly Report to the shareholders since December 1999. These reports contain audited financials of the parent Company along with the Auditors Report thereon, Unaudited consolidated financials of the Company and subsidiaries and a detailed analysis of results under "Management Discussion and Analysis".

Quarterly results are published in "The Economic Times" and "Navbharat Times" and/or "Business Standard". The results are also displayed on the Company's website- "www.nucleussoftware.com" immediately after adoption of the same by the Board of Directors. The important events as well as official news releases of the Company are also updated on the Company's website regularly.

Earnings conference calls are conducted on the day of 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 put up on the website www.nucleussoftware.com, soon after the call for investors' information.

The Company has also posted information relating to its financial results on Electronic Data Information Filing and Retrieval System (EDIFAR) at www.edifar.com as required by "The Bombay Stock Exchange Ltd."

K. Investor Education

Investors are provided with timely information on all Company related matters including recruitment/appointment and remuneration of Executive Directors, share transfers, advantages of dematerlisation etc.

In the Annual Report a chapter named "Shareholders' Referencer" and in the Quarterly Report a chapter named "Additional information to Shareholders" is included which answers substantially all the expected queries of investors about the Company, its history, its promoters, the public issue, employees, share transfers, dematerliasation etc. All such material information is also available on the website.

It is our constant endeavor to offer better and prompt services to our shareholders and in an effort to achieve this objective, a Shareholder Satisfaction Survey was conducted to assess the level of satisfaction among Nucleus shareholders and identify areas of strengths and weakness of Nucleus perceived by the shareholders. The satisfaction form was mailed to all the Investors as well as also put up on the website for online filling of data.

L. Details of Non-Compliance

There has been no non-compliance of any legal requirements nor have there been any strictures imposed by any stock exchange, SEBI, on any matter relating to the capital market for the last year.

M. Indian Non- Listed Subsidiary Company

a) Mr. Sanjiv Sarin, Independent Director on the Board of Directors of the Company is a Director on the Board of Directors of Virstra I-Technology Services Ltd.- non-listed Indian subsidiary Company.

b) The Audit Committee of the Company reviews the financial statements, in particular, the investments made by the above named unlisted subsidiary Company.

c) The minutes of the Board meetings of the above named unlisted subsidiary Company are placed at the Board meeting of the Company.

N. General Shareholder Information

• **Date of incorporation**	9th January, 1989
• **Registered Office**	33-35, Thyagraj Nagar Market New Delhi-110003 India
• **Corporate Office**	A-39, Sector 62 NOIDA, 201307 India
• **Date and time of Annual General Meeting**	July 8, 2008, 11.00 A.M.
• **Venue of Annual General Meeting**	FICCI Auditorium, Federation House New Delhi-110001 **India**

- **Financial Calendar (tentative and subject to change)**

Financial reporting for the first quarter ending June 30, 2008.	between 20th to 31st of July 2008
Financial reporting for the second quarter ending September 30, 2008.	between 20th to 31st of October 2008
Financial reporting for the third quarter ending December 31, 2008.	between 20th to 31st of January 2009.
Financial results for the year ending March 31, 2009.	between 21st to 30th of April 2009
Annual General Meeting for the year ending March 31, 2009.	July 2009

- Date of Book Closure for AGM — July 1 to 8, 2008 (both days inclusive)
- Listing on Stock Exchanges — Nucleus shares are listed at

  The National Stock Exchange of India Ltd. w.e.f. Dec. 19, 2002
  Bombay Stock Exchange Ltd. w.e.f Nov. 6, 1995
  The Madras Stock Exchange Ltd w.e.f Nov. 2, 1995

The annual fees for 2008-09 have been paid to all the Stock Exchanges where the shares of the Company are listed.

- **Scrip code (BSE)** 531209
  (NSE) NUCLEUS
- **International Securities Identification Number** INE096B01018
  (ISIN code-NSD and CDSL)
- **Market Price data on NSE & BSE for the financial year 2007-08**

BSE

Month	High (Rs.)	Low (Rs.)	Total Volume
April-07*	537.00	454.10	537,240
May-07*	560.13	487.50	416,148
June-07*	535.50	492.50	299,792
July-07*	533.50	407.50	435,816
Aug-07	444.00	335.00	420,105
Sept-07	389.80	314.00	647,613
Oct-07	323.60	260.05	665,094
Nov-07	352.00	265.00	725,954
Dec-07	414.00	315.50	553,429
Jan-08	404.00	225.00	469,630
Feb-08	302.00	242.00	115,552
Mar-08	280.00	170.00	204,761
Total Shares traded during the year			**5,491,134**

NSE

Month	High (Rs.)	Low (Rs.)	Total Volume
April-07*	548.05	454.05	991,572
May-07*	565.00	469.25	784,076
June-07*	533.75	490.00	465,900
July-07*	532.00	404.78	838,832
Aug-07	447.00	326.05	637,837
Sept-07	389.80	309.00	1,886,749
Oct-07	323.90	243.00	1,335,216
Nov-07	344.00	236.65	1,177,505
Dec-07	416.00	319.05	1,338,546
Jan-08	404.40	235.00	1,078,255
Feb-08	306.00	240.05	316,725
Mar-08	279.90	176.00	545,970
Total Shares traded during the year			**11,397,183**

*Share Price and Volume adjusted for Bonus shares allotted by the Company in ratio of 1:1 in the month of August 2007.

- **Registrars of Company** — **Karvy Computershare Private Limited**
  Plot No. 17-24, Vithal Rao Nagar,
  Madhapur,
  Hyderabad 500081
  Tel: 040-3312454/23320251/751
  Fax: 040-23311968
  Email: mailmanager@karvy.com
- The equity shares of the Company are traded in "Group B-1" category at the Stock Exchange, Mumbai.
- The equity share of the Company is a constituent of the Small Cap Index at BSE.

Share Transfer System

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

The Shareholders/Investor Grievance Committee is authorised to approve transfer of shares, which are received in physical form, and the said Committee approves transfer of shares on a fortnightly basis.

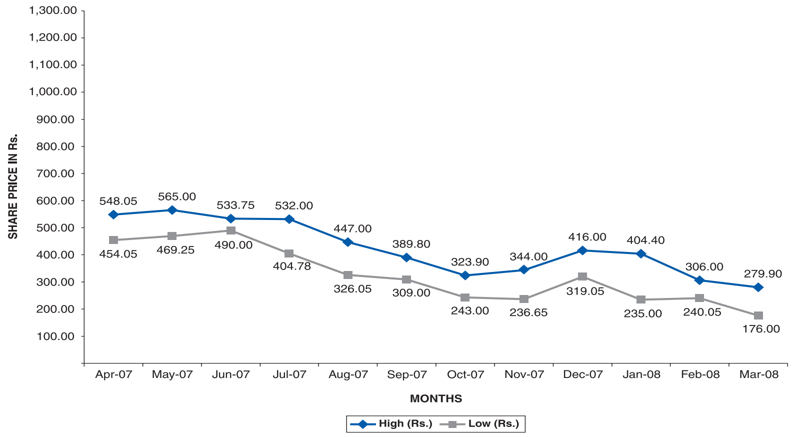
All requests for dematerialisation of shares are processed and confirmation is given to the respective Depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL) within 15 days.

The Company has De-materialised 31,288,162 shares (96.67%

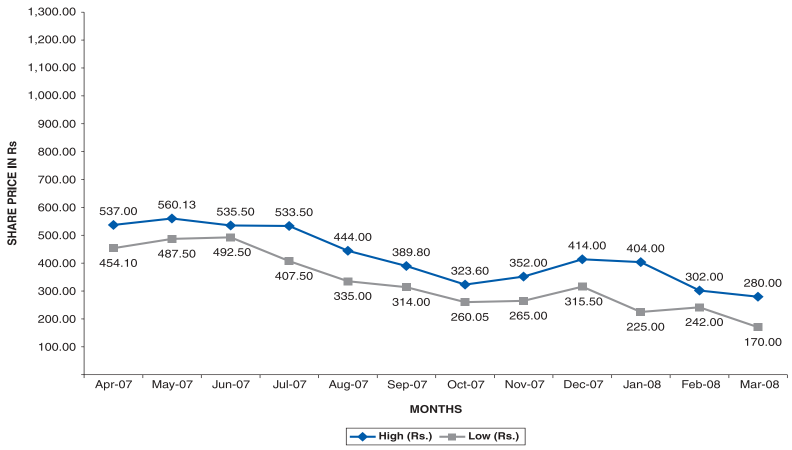
of the paid up share capital) as at March 31, 2008.

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

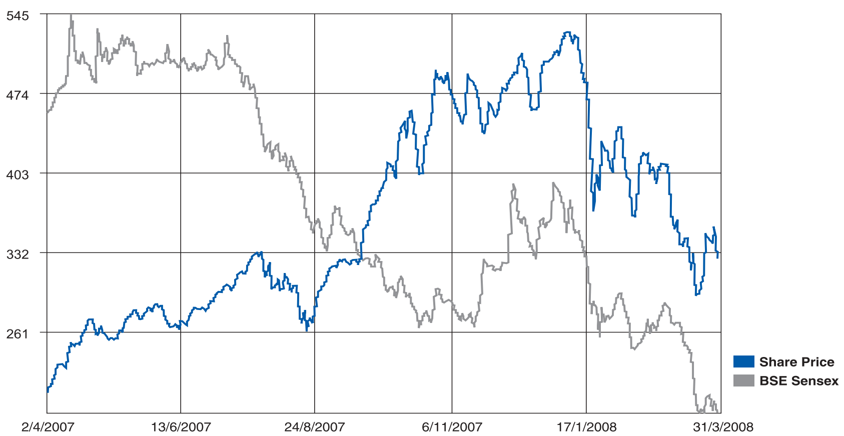
NUCLEUS SHARE PRICE - HIGH/LOW ON NSE



NUCLEUS SHARE PRICE - HIGH/LOW ON BSE



PERFORMANCE OF NUCLEUS SHARES AT BSE VIS-À-VIS BSE SENSEX



Shareholding Pattern of the Company as on March 31, 2008

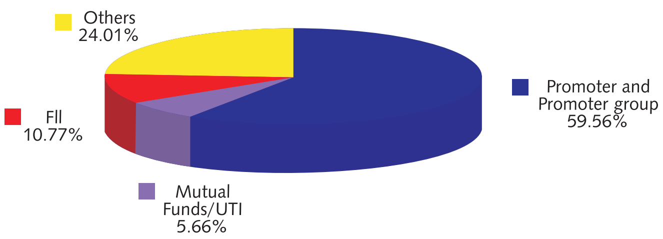
Category code	Category of shareholder	Number of shareholders	Total number of shares	Total shareholding as a percentage of total number of shares
(A)	**Shareholding of Promoter and Promoter Group**			
(I)	**Indian**			
(a)	Individuals/Hindu Undivided Family	7	7,276,308	22.48
(b)	Central Government/ State Government(s)	-	-	0.00
(c)	Bodies Corporate	4	11,997,882	37.07
(d)	Financial Institutions/ Banks	-	-	0.00
(e)	Any Other - Persons Acting in Concert			
	(i) Individuals			0.00
	(ii) Bodies Corporates			0.00
	Sub-Total (A)(1)	**11**	**19,274,190**	**59.55**
(II)	**Foreign**			
(a)	Individuals (Non-Resident individuals Foreign Individuals)	-	-	-
(b)	Bodies Corporate	-	-	-
(c)	Institutions	-	-	-
(d)	Any Other (specify)	-	-	-
	Sub-Total (A)(2)	**-**	**-**	**0.00**
	Total Shareholding of Promoter and Promoter Group (A) = (A)(1) + (A)(2)	**11**	**19,274,190**	**59.55**
(B)	**Public shareholding**			
(I)	**Institutions**			
(a)	Mutual Funds/UTI	10	1,832,593	5.66
(b)	Financial Institutions/ Banks	3	23,200	0.07
(c)	Central Government/ State Government(s)	-	-	0.00
(d)	Venture Capital Funds	-	-	0.00
(e)	Insurance Companies	-	-	0.00
(f)	Foreign Institutional Investors	24	3,486,748	10.77
(g)	Foreign Venture Capital Investors	-	-	0.00
(h)	Any Other			0.00
	Sub-Total (B)(1)	**37**	**5,342,541**	**16.51**
(II)	**Non-institutions**			
(a)	**Bodies Corporate**	503	1,860,367	5.75
(b)	**Individuals**			
	I. Individual shareholders holding nominal share capital up to Rs.1 lakh.	11,476	2,985,203	9.22
	II. Individual shareholders holding nominal share capital in excess of Rs.1 lakh.	54	2,384,156	7.37
(c)	**Any Other-**			
	(i) Non resident Indians	230	492,829	1.52
	(ii) Trusts	3	3,690	0.01
	(iii) Foreign Nationals	-	-	0.00
	(iv) Clearing Members	65	24,048	0.07
	Sub-Total (B)(2)	**12,331**	**7,750,293**	**3.95**
	Total Public Shareholding (B) = (B)(1) + (B)(2)	12,368	13,092,834	40.45
	TOTAL (A)+(B)	12,379	32,367,024	100.00
(C)	**Shares held by Custodians and against which Depository Receipts have been issued (C)**			
	GRAND TOTAL (A+B+C)	**12,379**	**32,367,024**	**100.00**

- **Distribution of Shareholding as on March 31,2008**

No. of Equity Shares Held	As on March 31, 2008				As on March 31, 2007			
	No. of Share Holders	% of Share Holders	No. of Share	% of Share Holding	No. of Share Holders	% of Share Holders	No. of Share	% of Share Holding
1-100	8,057	65.09	317,190	0.98	5,093	64.06	185,208	1.15
101-200	1,497	12.09	265,979	0.82	886	11.14	154,068	0.95
201-500	1,213	9.80	437,476	1.35	1,069	13.45	367,548	2.27
501-1000	809	6.54	587,976	1.82	386	4.86	298,601	1.85
1001-5000	601	4.85	1,333,991	4.12	379	4.77	862,685	5.34
5001-10000	81	0.65	563,682	1.74	58	0.73	421,428	2.61
10001 and above	121	0.98	28,860,730	89.17	79	0.99	13,870,774	85.83
Total	**12,379**	**100.00**	**32,367,024**	**100.00**	**7,950**	**100.00**	**16,160,312**	**100.00**

Bonus was declared in the year 2006-07 and the distribution schedule for the year 2007-08 carries the effect of the same.

Shareholding Pattern as on March 31, 2008



The Company has not issued any GDRs/ADRs. The Company has not granted any options to employees under any of its ESOP Plans this year. The pending options if exercised at the end of the vesting period shall be converted into equity shares.

- **Locations**

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

Nucleus operates state-of-the-art Software Development Centers at NOIDA (U.P) and Chennai under the Software Technology Park scheme of the Government of India.

A Subsidiary, VirStra-I Technology Services Limited operates a Development Centre at Pune under the Software Technology Park scheme of the Government of India.

PARENT COMPANY

Registered Office

Nucleus Software Exports Ltd.
Regd. Office: 33-35,
Thyagraj Nagar Mkt.
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
#05-05, Tampines Junction
Singapore-529653

Nucleus Software Japan K.K
2F KY Building, 3-16-14 Roppongi
Minato-ku
Tokyo 106-0032
Japan

Nucleus Software Inc.
197 Route 18 South
Suite 3000
East Brunswick,
NJ 08816-1440
USA

Nucleus Software (Australia) Pty. Ltd.
Level-57
MLC Center
19-29, Martin Place
New South Wales 2000,
Australia

Nucleus Software (HK) Ltd.
Suite B,5/F , Wing Hing Comm
Building 139, Wing Lok Street
Sheung Wan,
Hong Kong

Nucleus Software Netherlands B.V.
Amsteldijk 166
1079 LH Amsterdams
Netherlands

VirStra-I Technology Services Ltd.
33-35,Thyagraj Nagar Market,
New Delhi- 110003
India

STEP-DOWN SUBSIDIARY
Virstra I technology (Singapore) Pte. Ltd.
300, Tampines Avenue-5
#05-05, Tampines Junction
Singapore-529 653.

Branch Offices in India

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

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

Branch Offices in overseas locations

A. **London, UK**
Nucleus Software Exports Ltd.
29th Floor, 1 Canada Square
Canary Wharf
London E14 5DY, UK

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

- **Investor Correspondence may be addressed to:**
  The Company Secretary
  Nucleus Software Exports Ltd.,
  33-35, Thyagraj Nagar market
  New Delhi-110003.
  India
  Tel: +91-(120)-2404050
  Fax: +91-(120)-2403972
  Email: investorrelations@nucleussoftware.com

- **Other General Shareholder Information**

  The other mandatory as also various additional information of interest to investors is voluntarily furnished in a separate section" Shareholders' Referencer" elsewhere in this Report.

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

Clause 49 of the Listing Agreement mandates us to obtain a certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance as stipulated in the Clause and annex the certificate with the Director's report, which is sent annually to all our shareholders. We have obtained a certificate to this effect and the same is given as an annexure to the Directors' report.

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

B. Remuneration Committee

We have instituted a Remuneration Committee, which recommends the remuneration payable to Directors based on their contribution to the growth and development of the Company. A detailed note on it has been provided under 'Remuneration Committee' in the report.

C. Shareholder Rights

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

We communicate with investors regularly through e-mail, telephone and face-to-face meetings in investor conferences or company visits. We also leverage the Internet in communicating with our investor base.

The announcement of quarterly results is followed by press conferences and earnings conference calls. Transcripts of the earnings calls are posted on our website www.nucleussoftware.com,

Highlights of the results are also available on the Company website with a comparison with previous quarters/years.

D. Training of Board Members

The Management gives various presentations to Directors giving an overview of latest happenings in the corporate world. They are apprised of their role, responsibilities and liabilities.

The Directors during past had attended training programmes conducted by reputed institutions

- Corporate Governance Orientation Programme for Company Directors conducted by Centre for Corporate Governance and Citizenship, Indian Institute of Management, Bangalore.

  The programme provided an appreciation of what makes effective board members, their roles and responsibilities, especially in the context of the regulatory environment, stakeholder objectives as well as social responsibilities.

- Program on "Corporate Governance and Ethical Decision Making" conducted by Dun & Bradstreet.

  The Seminar helped in a better understanding of not only the legal/regulatory requirements, but also several operational and ethical issues, with live examples, critical especially for independent directors.

- Training programme on "Governing the corporation: Global Perspectives in the Indian context, conducted by Wharton School, University of Pennsylvania And Egon Zehnder International.

  The program was designed to bring home dynamics of an effective board, roles and responsibilities of the members within the regulatory framework.

E. Mechanism for Evaluating Non-Executive Board Members

With clear guidelines on the expectation of duties, and effective redressal processes. Directors of our Company maintain a high level of accountability. In addition, there is also sufficient disclosure and transparency in the Company operations to enable shareholders to monitor the performance of the Directors and Management

The Non-Executive Directors regularly hold executive sessions during each Board meeting without the Managing Director. These sessions allow Non-Executive/Independent Directors to discuss the effectiveness of Management, the quality of Board meetings and other issues or concerns. Open communication further ensures effectiveness and accessibility to every Board member. Boards' willingness to engage in self-assessment is a model for the rest. It indicates that Board members take their responsibilities very seriously. Their interest in self-improvement sets a tone for others in the Company to engage in ongoing review of their tasks.

Besides these the Company is developing a peer-evaluation process for assessment of the performance of non-executive / independent directors.

F. Whistle-Blower policy

Nucleus is committed to conduct its business in accordance with the applicable laws, rules and regulations, and with highest standards of business ethics. Nucleus does not tolerate any malpractice, impropriety, abuse or wrongdoing. The Company wishes that Nucleites too participate in this process and has instituted a Whistler Blower Policy, a mechanism for employees to report concerns about unethical behavior, actual or suspected fraud, or violation of our code of conduct or ethics policy. The Whistle Blower Policy provides the opportunity to every Nucleite to raise his or her concern, by name or on an anonymous basis on alleged breaches of internal or external regulations or other irregularities. We further affirm that during the financial year 2007-08, no employee has been denied access to the Audit Committee.

SHAREHOLDERS' REFERENCER

Shareholders' Referencer

1. Historical Perspective

- Nucleus was incorporated on January 9, 1989 in the state of Delhi, India.

- The Company's Registered Office is situated at 33-35, Thyagraj Nagar Market, New Delhi-110003, India and Corporate office at A-39, Sector 62, NOIDA, UP –201307, India.

- The Company made an IPO in August 1995. 1,168,900 equity shares, face value Rs.10/-each, were issued to Indian public at a premium of Rs.40/- per share and 532,500 equity shares, face value Rs.10/-each, were issued to Non Resident Indians at a premium of Rs.50/-per share.

- History of Bonus issues at Nucleus is as under:

Allotment Date	Ratio	No. of Shares
September 24, 1994	60:1	876,000
December 27, 1994	57:100	576,270
October 22, 2001	1:2	2,637,050
August 10, 2004	1:1	8,045,406
August 8, 2007	1:1	16,182,312

- Preferential Issue- The Company had allotted 1,875,500 equity shares of Rs.10/- each on preferential basis to the promoter/ associates and permanent employees of the Company at a price of Rs.103.15/- per share inclusive of share premium on June 22, 2001.

2. Share Related Data

- The Shares of Nucleus are listed on The National Stock Exchange of India Limited, The Bombay Stock Exchange Limited and Madras Stock Exchange Limited.

- Scrip Code of Nucleus on NSE is NUCLEUS and on BSE is 531209. The Company's shares are traded in "Group B-1" category at the Bombay Stock Exchange Ltd.

- International Securities Identification Number (ISIN code-NSDL and CDSL) is INE096B01018.

- Face value of the Company's equity shares is Rs.10.

- Shares of the Company are compulsorily traded in demat form.

- 96.67% of the Company's equity shares are in demat form.

- The Company had 12,379 shareholders as on March 31, 2008.

- The Company has not issued any GDRs/ADRs. The Company has granted options to employees under ESOP (1999), ESOP (2002), ESOP (2005) and ESOP (2006) scheme. The options if exercised at the end of the vesting period shall be converted into equity shares. The number of options due for vesting under various plans as on March 31, 2008 are:

ESOP (1999) Plan	-	Nil
ESOP (2002) Plan	-	141,550
ESOP (2005) Plan	-	142,000
ESOP (2006) Plan	-	249,860

On exercise of stock options, option holders are entitled to Bonus Shares in the ratio of 1:1 pursuant to approval of bonus issue by the shareholders in the Annual General Meeting held on July 6, 2007.

- The Company's Registrar and Share Transfer Agent is M/s. Karvy Computershare Private Limited, Plot No. 17-24, Vithal Rao Nagar, Madhapur, Hyderabad 500 081.

- The Board of Directors recommended a Final Dividend of Rs.3/- per share, on post bonus capital (30% on equity share of par value of Rs.10/-) at their Board meeting held on April 27, 2008. The payment is subject to the approval of the shareholders at the ensuing Annual General Meeting of the Company. The dividend declared and paid in the previous financial years is given below:

Financial Year	Dividend (%)	Dividend Per Share in Rs.	Dividend Pay Out in Rs. Crore
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 Board had not recommended any dividend prior to financial year 2000-2001.

*The dividend payout in 2004-05 was on the enhanced capital consequent to 1:1 bonus issue made during the year.

3. Stock Market Data

i. Bombay Stock Exchange Ltd.

Monthly open, close, high and low quotations and volume of the Company's shares traded at Bombay Stock Exchange Ltd. during the year 2007-2008:

BSE

Month	Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)	Total Shares Traded
April-07*	472.50	578.00	454.10	532.83	537,240
May-07*	550.50	560.12	487.50	501.20	416,148
June-07*	503.95	535.50	492.50	510.38	299,792
July-07*	505.00	533.50	407.50	431.53	435,816
August-07*	432.50	444.00	335.00	345.90	420,105
September-07	352.70	389.80	314.00	316.95	647,613
October-07	318.95	323.60	260.05	293.30	665,094
November-07	297.95	352.00	265.00	317.80	725,954
December-07	322.00	414.00	315.50	364.25	553,429
January-08	365.00	405.00	225.00	278.40	383,345
February-08	280.00	302.00	242.00	283.30	115,552
March-08	280.00	280.00	170.00	191.70	204,761
Total Shares traded during the year					**5,404,849**

*Share Price and Volume adjusted for Bonus shares allotted by the Company in ratio of 1:1 in the month of August 2007.

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 2007-2008:

NSE

Month	Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)	Total Shares Traded
April-07*	462.63	562.20	454.05	534.45	991,472
May-07*	557.50	565.00	469.25	500.68	784,076
June-07*	495.50	533.75	490.00	510.45	465,900
July-07*	512.50	532.00	404.78	430.83	838,832
August-07*	427.50	447.00	326.05	347.90	637,837
September-07	351.05	389.80	309.00	316.75	1,886,749
October-07	323.90	323.90	243.00	292.50	1,335,216
November-07	295.45	344.00	236.65	319.05	1,177,505
December-07	319.05	416.00	319.05	365.85	1,338,546
January-08	368.00	405.00	235.00	275.40	1,078,255
February-08	282.40	306.00	240.05	281.70	316,725
March-08	272.25	279.90	176.00	190.05	545,970
Total Shares traded during the year					**11,397,083**

*Share Price and Volume adjusted for Bonus shares allotted by the Company in ratio of 1:1 in the month of August 2007.

Note:

1. The highest share price of the Nucleus scrip at Bombay Stock Exchange Ltd. was Rs.578.00 in April 2007 and the lowest share price was Rs.170.00 in March 2008.
2. The highest share price of the Nucleus scrip at National Stock Exchange was Rs.565.00 in May 2007 and the lowest share price was Rs.176.00 in March 2008.

iii. Quarterly high -low price history of the Company's share for the year 2007-08

	BSE High (Rs.)	BSE Low (Rs.)	NSE High (Rs.)	NSE Low (Rs.)
During Quarter ended				
June 30, 2007	578.00*	454.10*	565.00*	454.05*
September 30, 2007	533.50	314.00	532.00	309.00
December 31, 2007	414.00	260.05	416.00	243.00
March 31, 2008	405.00	170.00	405.00	176.00

* Adjusted for Bonus shares allotted by the Company in ratio of 1:1 in the month of August 2007.

4. Financial Reporting to the Shareholders

i. The Company issues Quarterly Reports and the same are mailed to the shareholders. The Quarterly Reports are also available online on Company's website at: www.nucleussoftware.com

ii. The Company issues Annual Report at the end of each financial year and the same is mailed to the shareholders. The Annual Reports are also available online on Company's website at: www.nucleussoftware.com

iii. The Company holds Earnings Conference Call at the end of each quarter to report the progress made during the quarter. The transcript of all the Earnings Conference Calls till date are available online on Company's website at : www.nucleussoftware.com

5. Investors' Services

i. Details of request/complaints received during the year

Sl. No.	Nature of Request	Received	Attended	Pending
1	Revalidation of Dividend warrants	29	29	Nil
2	Issue of duplicate share certificates	10	10	Nil
3	Request for Stop Transfer	Nil	Nil	Nil
4	Non receipt of share certificate	30	30	Nil
5	Demat Queries	26	26	Nil

The Company has attended to most of the investors' grievances/correspondence within a period of 15 days from the date of receipt of the same, during the year 2007-08.

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 **:**

M/s Karvy Computershare Pvt. Ltd.
Plot No. 17-24, Vithal Rao Nagar,
Madhapur, Hyderabad-500 081

iii. Share Transfer System

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

The Shareholders/Investor Grievance Committee is authorised to approve transfer of shares, which are received in physical form, and the said Committee approves transfer of shares on a fortnightly basis.

All requests for dematerialisation of shares are processed and confirmation is given to the respective Depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL) within 15 days.

The Company has De-materialised 31,288,162 shares (96.67% of the paid up share capital) as at March 31, 2008.

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. Legal Proceedings

There are two legal proceedings pending against the Company Court. With one of them relating to termination of employment and one relating to stamp duty.

6. Shareholding Data

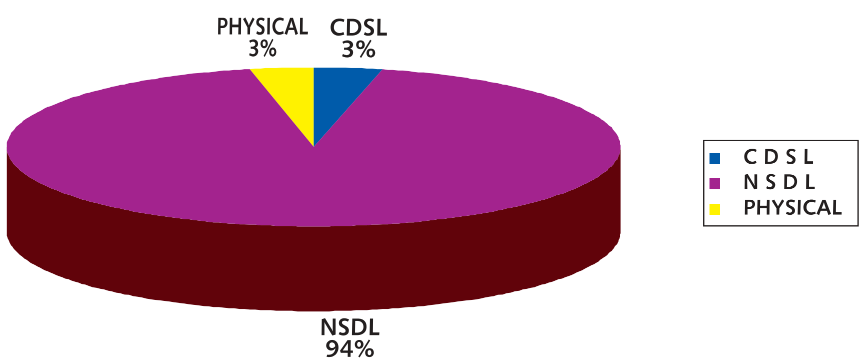
i. Distribution of Shareholding

	As on March 31, 2008				As on March 31, 2007			
No. of Equity Shares Held	No. of Share-holders	% of Share-holders	No. of Shares	% of Share holding	No. of Share-holders	% of Share-holders	No. of Shares	% of Share holding
1-100	8,057	65.09	317,190	0.98	5,093	64.03	185,208	1.15
101-200	1,497	12.09	265,979	0.82	886	11.14	154,068	0.95
201-500	1,213	9.80	437,476	1.35	1,069	13.44	367,548	2.27
501-1000	809	6.54	587,976	1.82	386	4.85	298,601	1.85
1001-5000	601	4.85	1,333,991	4.12	379	4.76	862,685	5.34
5001-10000	81	0.65	563,682	1.74	58	0.73	421,428	2.61
10001 and above	121	0.98	28,860,730	89.17	83	1.04	13,870,774	85.83
Total	**12,379**	**100.00**	**32,367,024**	**100.00**	**7,954**	**100.00**	**16,160,312**	**100.00**

The Company has allotted 16,182,312 fully paid up Equity Shares as Bonus shares and 24,400 fully paid up Equity Shares to employees during the year in pursuance of stock options exercised by them.

Consequently, the total Equity Shares increased from 16,160,312 as on March 31, 2007 to 32,367,024 as on March 31, 2008.

Shares held in Physical and Dematerialised form as on March 31, 2008



ii. **Categories of Shareholders**

Category	As on March 31, 2008			As on March 31, 2007		
	No. of Share Holders	Voting Strength (%)	No. of Shares Held	No. of Share Holders	Voting Strength (%)	No. of Shares Held
Promoter and Promoter Group	11	59.55	19,274,190	12	59.78	9,660,710
Individuals	11,595	16.66	5,392,957	7,323	18.85	3,046,955
Bodies Corporates	506	5.76	1,864,507	414	6.71	1,084,768
OCBs and NRIs	230	1.52	492,829	182	1.57	254,376
FII's	24	10.77	3,486,748	10	4.98	805,067
Mutual Funds	10	5.66	1,832,593	13	8.11	1,308,436
Banks and Financial Institutions	3	0.08	23,200	Nil	Nil	Nil
Total	**12,379**	**100.00**	**32,367,024**	**7,954**	**100.00**	**16,160,312**

iii. **Shares under Lock-in**

There are no shares under Lock in as on March 31, 2008.

7. Board Practices

Directors and their term of office

Name	Expiration of current term of office	Term of office
Lt. Gen. T P Singh (Retd.)		Retirement by rotation
Vishnu R Dusad	December 31, 2011	Five years
Arun Shekhar Aran		Retirement by rotation
Suresh Joshi		Retirement by rotation
Sanjiv Sarin		Retirement by rotation
Prithvi Haldea		Retirement by rotation

The Indian Companies Act, 1956 mandates that not less than two thirds of the members of the Board of Directors should retire by rotation, of which one third of such members should retire every year, and qualifies the retiring members for re-appointment.

8. Directors, Senior Management and Employees of the Company

The Directors of the Company and executive officers including of Subsidiaries, their respective ages as on Balance Sheet Date and their respective positions with the Company are as follows:

i. **Management Structure**

Name	Age	Position
Lt. Gen. T. P. Singh (Retd.)	72	Chairman
Vishnu R Dusad	51	CEO & Managing Director
Arun Shekhar Aran	49	Non Executive Director
Prithvi Halde	57	Non Executive Director
Suresh Joshi	68	Non Executive Director
Sanjiv Sarin	49	Non Executive Director
R P Singh	47	President , Deliveries
Pramod K Sanghi	53	President, Finance & Chief Financial Officer
Prakash Pai	48	President - Product Management
Niraj Vedwa	41	President - Sales & Marketing

Ravi Verma	48	President - Human Resource
Dr. Asha Goyal	62	Vice President and Head Quality
Neeru Bahl	41	Vice President & Country Manager (Singapore)
Parminder Bansil	39	Vice President and Country Manager (USA)
Abhijit Mittra	43	Vice President
Anurag Bhatia	41	Vice President
Dharam Vir Rohilla	54	Vice President
Inamdar Bhalchandra C	46	Vice President
Kishore Tambe	42	Vice President
Mukta Arora	42	Vice President
Parag Bhise	42	Vice President
Sandhya Verma	48	Vice President
Sushil Tyagi	38	Vice President

ii. Employee Structure

1. Employee strength globally including employees of subsidiaries.

As at March 31,	2008		2007	
- Technical Staff	1,641	84.76	1,305	85.18%
- Non-Technical Staff including Business Development Group	295	15.24	227	14.82%
Gender classification of employees is:				
- Male	1,484	76.65	1,166	76.11%
- Female	452	23.35	366	23.89%
Total	**1,936**	**100.00%**	**1,532**	**100.00%**

2. The age profile of employees

As at March 31,	2008		2007	
Between 20 and 25 years	401	20.71	431	28.13%
Between 26 and 30 years	853	44.06	618	40.34%
Between 31 and 40 years	603	31.15	420	27.41%
Between 41 and 50 years	61	3.15	50	3.26%
Between 51 and 60 years	18	0.93	13	0.86%
Total	**1,936**	**100.00%**	**1,532**	**100.00%**

9. Financial Calendar for the year 2008-09
(tentative and subject to change)

i. Financial reporting

Financial reporting for the first quarter ending June 30, 2008.	between 20th to 31st of July 2008
Financial reporting for the second quarter ending September 30, 2008.	between 20th to 31st of October 2008
Financial reporting for the third quarter ending December 31, 2008.	between 20th to 31st of January 2009.
Financial results for the year ending March 31, 2009.	between 21st to 30th of April 2009.

ii. Annual General Meeting

Annual General Meeting for the year ending March 31, 2008.	July 8, 2008.
Annual General Meeting for the year ending March 31, 2009.'	July 2009.

iii. Dividend

Date of Book Closure for AGM and payment of Dividend	July 1, 2008 to July 8, 2008 (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.

10. Shareholder Satisfaction Survey

Your Company is in constant endeavor to offer better and prompt services to its shareholders and in an effort to achieve this objective, a Shareholder Satisfaction Survey is conducted yearly, to assess the level of satisfaction among Nucleus shareholders and identify areas of strengths and weakness of Nucleus perceived by the shareholders.

The form is enclosed with this Report for your feedback. You may also fill the feedback form online on the Company's website www.nucleussoftware.com under the Investors section.

11. Unclaimed Dividend

Prior to amendment of Section 205A and enactment of Section 205C by the Companies (Amendment) Act, 1999, companies were required to transfer to the General Revenue Account of the Central Government, any moneys transferred to the 'unpaid dividend account' and which remained unpaid or unclaimed for a period of 3 years from the date of transfer to the unpaid dividend account. With effect from October 31, 1998, any moneys transferred to the 'unpaid dividend account' of the Company and remaining unpaid or unclaimed for a period of 7 years from the date it becomes due, shall be transferred to the Investor Education and Protection Fund (IEPF). Investors are requested to note that no claims shall lie against the Company or IEPF for any moneys transferred to IEPF in accordance with the provisions of Section 205C of the Companies Act, 1956.

Unclaimed dividend for the financial year 1999-2000 has been transferred to the IEPF in accordance with the provisions of Section 205C of the Companies Act, 1956.

The dates for declaration of dividend for each financial year and due dates for transfer to IEPF is mentioned herein below:

Financial Year	Date of declaration of Dividend	Last date for claiming unpaid Dividend	Due date for transfer to Investor Education and Protection Fund
2000-2001 (Final)	13th August 2001	12th August 2008	11th September 2008
2001-2002 (Ist Interim)	20th November 2001	19th November 2008	18th December 2008
2001-2002 (IInd Interim)	2nd April 2002	1st April 2009	31st March 2009
2002-2003 (Final)	8th July 2003	7th July 2010	6th August 2010
2003-2004 (Final)	8th July 2004	7th July 2011	6th August 2011
2004-2005 (Final)	8th July 2005	7th July 2012	6th August 2012
2005-2006 (Final)	8th July 2006	7th July 2013	6th August 2013
2006-2007 (Interim)	13th March 2007	12th March 2014	11th March 2014

Shareholders who have not encashed their dividend warrant(s) relating tone or more of the financial year (s) are requested to claim such dividend from Registrars of the Company at the following address :

M/s Karvy Computershare Pvt. Ltd.
Plot No. 17-24, Vithal Rao Nagar,
Madhapur, Hyderabad, 500 081

12. 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 pass book / 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.

a. Prompt credit to the bank account of the investor through electronic clearing at no extra cost.

b. Exposure to delays / loss in postal service avoided.

c. As there can be no loss in transit of warrants, issue of duplicate warrants is avoided.

d. Fraudulent encashment of warrants is avoided.

How to avail ECS facility?

Investors holding shares in physical form may send their ECS Mandate Form, duly filled in, to the Company's R&T Agent. ECS Mandate Form is enclosed for immediate use of investors. The Form may also be downloaded from the Company's website under the section "Investors". However, if shares are held in dematerialised form, ECS mandate has to be sent to the concerned Depository Participant (DP) directly, in the format prescribed by the DP.

Can ECS Facility be opted out by the investors?

ECS would be an additional mode of payment. Investors have the right to opt out from this mode of payment by giving an advance notice of four weeks either to the Company's R&T Agent or to the concerned DP, as the case may be.

What should one do in case he does not receive dividend?

Shareholders may write to the Company's R&T Agent furnishing the particulars of the dividend not received and quoting the folio number/client ID particulars (in case of dematerialized shares). The R&T Agent shall check the records and issue duplicate dividend warrant if the dividend remains unpaid in the records of the Company after expiry of the validity period of the warrant. The Company would request the concerned shareholders to execute an indemnity before issuing the duplicate warrant. If the validity period of the lost dividend warrant has not expired, shareholders will have to wait till the expiry date since duplicate warrant cannot be issued during the validity of the original warrant. On expiry of the validity period, if the dividend warrant is still shown as unpaid in records of the Company, duplicate warrant will be issued. However, duplicate warrants will not be issued against those shares wherein a 'stop transfer indicator' has been instituted either by virtue of a complaint or by law, unless the procedure for releasing the same has been completed. No duplicate warrant will be issued in respect of dividends, which have remained unpaid / unclaimed for a period of seven years in the unpaid dividend account of the Company as they are required to be transferred to the Investor Education and Protection Fund (IEPF) constituted by the Central Government.

Why should one wait till the expiry of the validity period of the original warrant?

Since the dividend warrants are payable at par at several centers across the country, banks do not accept stop payment' instructions. Hence, shareholders have to wait till the expiry of the validity of the original warrant.

How to get dividend by direct electronic deposit to bank account?

While opening accounts with Depository Participants (DPs), shareholders are required to give details of their Bank Accounts, which will be used by the Company for direct credit of the dividend to the respective accounts. However, members who wish to receive dividend in an Account other than the one specified while opening the Depository Account may notify their DPs about any change in Bank account details. Members are requested to furnish complete details of their bank accounts including MICR codes of their banks to their DPs.

ii. Dematerialization/ Rematerialisation

What is De-materialisation of shares?

Dematerialisation (Demat) is the process by which securities held in physical form evidencing the holding of securities by any person are cancelled and destroyed and the ownership thereof is entered into and retained in a fungible form on a depository by way of electronic balances. The two depositories presently functioning in India are National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Why dematerialise shares? What are the benefits of De-materialising the Share Certificate?

SEBI has notified various companies whose shares shall be traded in demat form only. By virtue of such notification, the shares of the Company are also subject to compulsory trading only in demat form on the stock exchange.

Benefits of Demat

- Elimination of bad deliveries.
- Elimination of all risks associated with physical certificates.
- No stamp duty on transfers.
- Faster settlement cycle.
- Immediate transfer/trading of securities.
- Faster disbursement of non-cash corporate benefits like rights, bonus etc.
- Lower brokerage is charged by many brokers for trading in dematerialised securities.
- Periodic status reports and information available on Internet.
- Ease related to change of address of investors.
- Elimination of problems related to transmission of demat shares.
- Ease in portfolio monitoring.

How to dematerialise shares?

The procedure for dematerialising the shares is as under:

- Open Beneficiary Account with a Depository Participant (DP) registered with SEBI.
- Submit Demat Request Form (DRF) as given by the DP, duly signed by all the holders with the names and signatures in the same order as appearing in the concerned certificate(s) and the Company's records.
- Obtain acknowledgment from the DP on handling over the share certificate (s) along with the DRF.
- Demat confirmations are required to be completed in 21 days as against 30 days (excluding time for despatch) 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.

Can shareholding be partly De-materialised?

Yes, the shareholding can be De-materialised either fully or partly as desired. However, the shares can be traded only in demat form.

Can shares be pledged for a loan when the shares are De-materialised?

Yes, you can pledge your shareholding in the electronic form in favour of the lending institution by applying to your DP in the prescribed form. After repayment of the loan, which is secured by the pledge, you can request for redemption of the pledge, by applying to your 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 / Transmission / 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.

What is the procedure for getting shares in the name of surviving shareholder(s), in the event of death of one shareholder?

The surviving shareholder(s) will have to submit a request letter supported by an attested copy of the Death Certificate of the deceased shareholder and accompanied by the relevant share certificate(s). The Company's R&T Agent on receipt of the said documents and after due scrutiny will delete the name of deceased shareholder from its records and return the share certificate(s) to the surviving shareholder(s) with necessary endorsement.

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).

What should a shareholder do in case he finds the original share certificates(s) after receipt of duplicate share certificate(s) ?

Such a shareholder is requested to surrender the original share certificate(s) , after cancellation, to the Company's R&T Agent immediately, if the duplicate share certificate(s) have been issued to him/her. Further, as the shareholder has been issued duplicate share certificate(s), he/she would be liable to indemnify any innocent third party purchasing the original share certificate(s) directly or indirectly, with or without the knowledge of the original shareholder, as it tantamount to passing of adverse title.

What is the procedure for splitting of a share certificate into smaller lots?

Shareholders may write to the Company's R&T Agent enclosing the relevant share certificate for splitting into smaller lots. The share certificates, after splitting, will be sent by the Company's R&T Agent to the shareholders at their registered address.

iv. Change of Address

What is the procedure to get changes in address registered in the Company's records?

Shareholders holding shares in physical form, may send a request letter duly signed by all the holders giving the new address alongwith Pin Code. Shareholders are also requested to quote their folio number and furnish proof such as attested copies of Ration Card / PAN Card / Passport / Latest Electricity or Telephone Bill / Lease Agreement etc. If shares are held in dematerialised form, information about change in address need.

Can there be multiple addresses for a single folio?

There can only be one registered address for one folio.

v. Change of Name

What is the procedure for registering change of name of shareholders?

Shareholders may request the Company's R&T Agent for effecting change of name in the share certificate(s) and records of the Company. Original share certificate(s) alongwith the supporting documents like marriage certificate, court order etc. should be enclosed. The Company's R&T Agent, after verification, will effect the change of name and send the share certificate(s) in the new name of the shareholders. Shareholders holding shares in demat form, may request the concerned DP in the format prescribed by DP.

vi. You can contact the following Nucleus personnel for any information: -

Vishnu R Dusad **Managing Director**	Tel: +91 (120) 2404033 E Mail: vishnu@nucleussoftware.com
R P Singh **President – Deliveries**	Tel: +91 (120) 2403981 E Mail: rp@nucleussoftware.com
Pramod K Sanghi **President - Finance & Chief Financial Officer**	Tel: +91 (120) 2404036 EMail: pksanghi@nucleussoftware.com
Prakash Pai **President - Product Management**	Tel: +91 (120) 2404046 EMail: pai@nucleussoftware.com
Niraj Vedwa **President - Sales & Marketing**	Tel: +91 (120) 2403979 E Mail: niraj@nucleussoftware.com
Poonam Bhasin **Company Secretary**	Tel: +91 (120) 2403960 E Mail: poonam@nucleussoftware.com

Economic Value Added

Economic Value Added is a measure of shareholders value. In the field of corporate finance, economic value added is a way to determine the value created, above the required return, for the shareholders of a Company.

It represents the value added to the shareholder's wealth by generating operating profits (less tax) in excess of cost of capital employed to earn that profit.

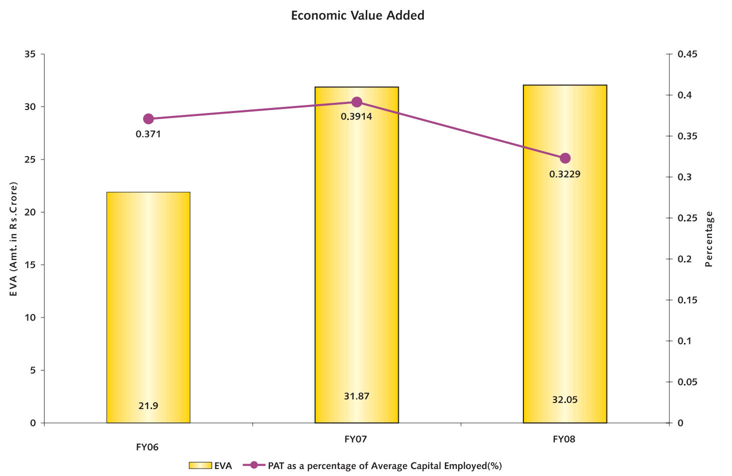
EVA= Net Operating Profit after Taxes - Cost of Capital Employed

Rs. in crore, except as otherwise stated

	FY 08	FY 07	FY 06
Cost of Capital			
Return on Risk Free Investment (%)	7.35	7.98	7.50
Market Premium (%)	7.00	7.00	7.00
Beta Variant	0.65	0.65	0.66
Cost of Equity (%)	11.90	12.53	12.12
Average Debt/Total Capital (%)	-	-	-
Cost of Debt-Net of Tax(%)	-	-	-
Weighted Average Cost of Capital (WACC) (%)	11.90	12.53	12.12
Average Capital Employed	191.22	140.89	99.94
PAT as a percentage of Average Capital Employed (%)	32.29	39.14	37.10
Economic Value Added (EVA)			
Operating Profit (excluding extraordinary income)	61.56	56.40	40.37
Less: Tax	6.87	6.88	6.36
Cost of Capital	22.64	17.65	12.11
Economic Value Added	**32.05**	**31.87**	**21.90**
Enterprise Value			
Market Value of Equity	615.14	1,546.38	587.91
Add: Debt	-	-	-
Less: Cash and Cash Equivalents	94.13	81.91	77.48
Enterprise Value	**521.01**	**1,464.47**	**510.43**
Return Ratios			
EVA as a percentage of average capital employed (%)	16.76	22.62	21.91
Enterprise Value/Average Capital Employed	2.72	10.39	5.11

Notes:

1. Cost of equity = return on risk-free investment + expected risk premium on equity investment adjusted for our beta variant in India.
2. Figures above are based on consolidated financial statements.
3. Cash and cash equivalents includes investments in liquid mutual funds.



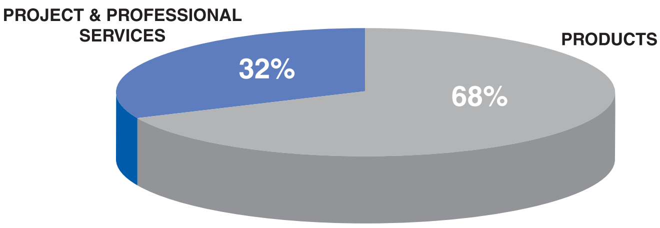
SEGMENT INFORMATION, HISTORICAL PERSPECTIVE AND RATIO ANALYSIS

Consolidated Segment Information of Nucleus Software Group

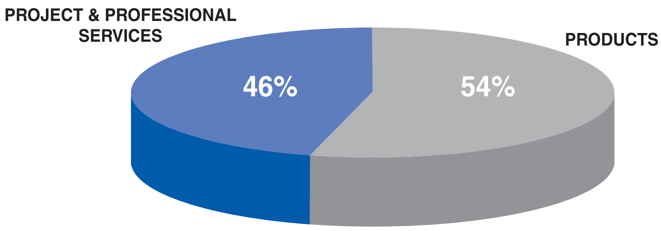
(Rs. in crore)

REVENUE BY	Year Ended March 31, 2008	% of Revenue	Year Ended March 31, 2007	% of Revenue
GEOGRAPHICAL SEGMENT				
India	32.11	11.12	23.81	10.76
Far East	145.45	50.38	95.52	43.18
South East Asia	41.71	14.45	46.46	21.00
Europe/UK	15.52	5.38	13.87	6.27
USA & Canada	3.15	1.09	6.84	3.09
Middle East	28.97	10.03	15.31	6.92
Africa	13.45	4.66	12.41	5.61
Rest of the World	8.36	2.89	6.97	3.15
TOTAL	**288.72**	**100.00**	**221.19**	**100.00**
CURRENCY SEGMENT				
Indian Rupee	32.11	11.12	23.81	10.76
Japanese Yen	13.56	4.70	12.82	5.80
Singapore $	30.39	10.53	31.14	14.08
US$	211.60	73.29	151.35	68.43
Malaysian Ringitt	0.23	0.08	1.70	0.77
Australian $	-	-	0.02	0.01
Euro	0.83	0.28	0.35	0.16
TOTAL	**288.72**	**100.00**	**221.19**	**100.00**
BUSINESS SEGMENT				
Products	197.41	68.38	119.76	54.14
Projects & Professional Services	91.31	31.62	101.43	45.86
TOTAL	**288.72**	**100.00**	**221.19**	**100.00**

YEAR ENDED MARCH 31, 2008



YEAR ENDED MARCH 31, 2007



A Historical Perspective

(All figures in Rs. crore except per share data)

Particulars	CONSOLIDATED PERFORMANCE				
For the year ended March 31,	**2008**	**2007**	**2006**	**2005**	**2004**
Revenue from Operations	288.72	221.19	148.05	103.14	80.09
Operating Profit (EBITDA)	73.41	63.28	45.13	27.07	15.25
Depreciation	11.85	6.88	4.76	3.54	3.24
Provision for Taxation	2.72	2.19	3.12	1.45	0.44
Profit after Tax (PAT)	61.74	55.15	37.08	20.75	9.73
Return on Average Networth (%)	32.45	39.29	37.13	27.28	15.25
Return on Average Capital Employed (PBIT/Average Capital Employed) (%)	33.76	40.70	40.23	29.18	15.92
Share Capital	32.37	16.16	36.11	16.09	8.03
Reserves and Surplus	182.95	149.03	99.41	68.15	59.83
Loan Funds	-	-	-	-	-
Gross Block	95.03	68.54	50.14	43.62	24.89
Net Current Assets	66.26	42.11	20.50	7.01	14.81
Market Capitalisation	615.14	1546.38	587.91	287.54	61.68
Per Share data					
Earning Per Share	19.08	17.09*	11.52*	6.45*	3.06*
Dividend Per Share	3.00	3.50	3.50	2.50	2.50
Book Value Per Share	66.52	51.11*	35.86	26.18*	21.13*

* Adjusted for the issue of Bonus Shares in ratio 1:1 in 2007

Note: While calculating the figures of group, intergroup transactions have been ignored.

A Historical Perspective Stated in US$

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

Particulars				CONSOLIDATED PERFORMANCE	
For the year ended March 31,	**2008**	**2007**	**2006**	**2005**	**2004**
Revenue from Operations	72,361	50,557	33,181	23,554	18,327
Operating Profit (EBITDA)	18,398	14,464	10,114	6,181	3,489
Depreciation	2,970	1,572	809	809	742
Provision for Taxation	682	501	331	331	100
Profit after Tax (PAT)	15,474	12,606	4,738	4,738	2,226
Return on Average Networth (%)	32.45	39.29	27.28	27.28	15.25
Return on Average Capital Employed (PBIT/Average Capital Employed) (%)	33.76	40.70	40.23	29.18	15.92
Share Capital	8,113	3,694	3,610	3,675	1,838
Reserves and Surplus	45,852	34,064	22,278	15,564	13,691
Gross Block	23,817	15,666	11,237	9,962	5,695
Net Current Assets	16,607	9,625	4,594	1,600	3,389
Market Capitalisation	154,169	353,458	131,758	65,664	14,115
Per Share data					
Earning Per Share	0.48	0.39*	0.26*	0.15*	0.07*
Dividend Per Share	0.08	0.08	0.08	0.06	0.06
Book Value Per Share	1.67	1.17	0.81*	0.60*	0.48*
US$ Exchange Rate (In Rs.)	39.90	43.75	44.62	43.79	43.70

* Adjusted for the issue of Bonus Shares in ratio 1:1 in August 2007

Note: While calculating the figures of group, intergroup transactions have been ignored.

Ratio Analysis

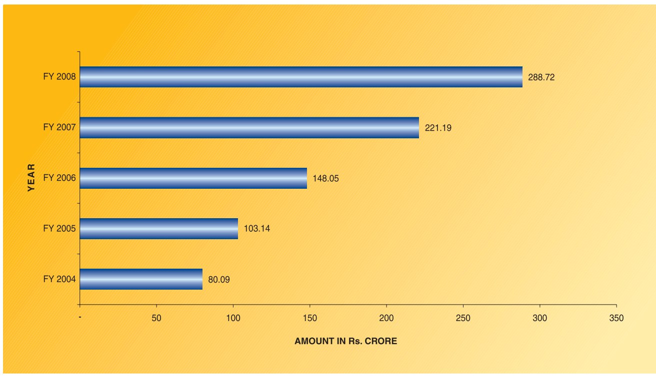
Particulars	CONSOLIDATED PERFORMANCE				
For the Year ended March 31	2008	2007	2006	2005	2004
Ratios- Financial Performance					
Export Revenue/ Revenue (%)	88.88%	89.10%	90.01%	91.66%	84.43%
Domestic Revenue/ Revenue (%)	11.12%	10.90%	9.99%	8.34%	15.57%
Gross Profit/ Revenue (%)	39.56%	43.44%	45.63%	42.11%	36.47%
Software Development Expenses/ Revenue (%)	60.44%	56.56%	54.37%	57.89%	63.53%
Selling and Marketing Expenses/ Revenue (%)	7.15%	8.11%	7.93%	7.97%	9.76%
General and Administrative Expenses/ Revenue (%)	6.98%	6.72%	7.21%	7.89%	7.66%
Total Operating Expenses/ Revenue (%)	74.57%	71.39%	69.52%	73.76%	80.96%
Operating Profit/ Revenue (%)	25.43%	28.61%	30.48%	26.24%	19.04%
Depreciation/ Revenue (%)	4.10%	3.11%	3.21%	3.43%	4.05%
Other Income/ Revenue (%)	2.44%	2.54%	2.07%	2.52%	1.80%
Tax/ Revenue (%)	0.94%	0.99%	2.10%	1.41%	0.55%
Tax/ PBT (%)	4.23%	3.83%	7.75%	6.53%	4.31%
PAT from Ordinary Activities/ Revenue	18.94%	22.39%	22.98%	17.60%	10.34%
PAT from Ordinary Activities/Net Worth(%)	25.40%	29.98%	29.45%	21.55%	12.21%
ROCE(PBIT/Capital Employed) (%)	33.76%	40.74%	40.23%	29.18%	15.92%
ROANW (PAT/Average Net Worth) (%)	32.45%	39.29%	37.13%	27.28%	15.25%
Ratios Balance Sheet					
Debt-Equity Ratio	-	-	-	-	-
Debtors Turnover (Days)	79	91	59	68	60
Asset Turnover Ratio	1.34	1.33	1.28	1.22	1.18
Current Ratio	2.77	1.62	1.46	1.15	2.12
Cash and Equivalents/Total Assets (%)	43.53%	49.28%	67.03%	73.17%	63.95%
Cash and Equivalents/ Revenue (%)	22.95%	37.02%	52.33%	59.79%	54.20%
Depreciation/Average Gross Block(%)	14.49%	11.59%	10.15%	10.34%	13.26%
Technology Investment/ Revenue (%)	3.08%	3.02%	3.86%	3.68%	1.05%
Ratios - Growth					
Growth in Export Revenue (%)	30.01%	47.89%	40.95%	39.81%	-13.20%
Growth in Revenue (%)	30.53%	49.40%	43.54%	28.78%	-9.84%
Operating Expenses Growth (%)	36.34%	53.42%	35.30%	17.32%	-10.95%
Operating Profit Growth (%)	16.02%	40.22%	66.72%	77.51%	-4.79%
PAT Growth (%)	11.95%	48.71%	78.72%	113.34%	15.65%
EPS Growth (%)	11.66%	48.41%	78.56%	113.15%	13.82%
Per- Share Data (Period End) *					
Earning Per Share from Ordinary Activities (Rs.)	16.90	15.35	10.56	5.64	2.58
Earning Per Share (Including Other Income) (Rs.)	19.08	17.09	11.51	6.45	3.03
Cash Earning Per Share from Ordinary Activities (Rs.)	20.56	17.48	12.04	6.74	3.59
Cash Earning Per Share (Including Other Income)(Rs.)	22.74	19.22	12.99	7.55	4.04
Book Value (Rs.)	66.52	51.18	35.86	26.18	21.12
Price/Earning	9.96	28.00	15.85	13.86	6.34
Price/ Cash Earning	8.36	24.90	14.05	11.84	4.76
Price/Book Value	2.86	9.35	5.09	3.41	0.91

* Adjusted for the issue of Bonus Shares in ratio 1:1 in 2007 and 2004

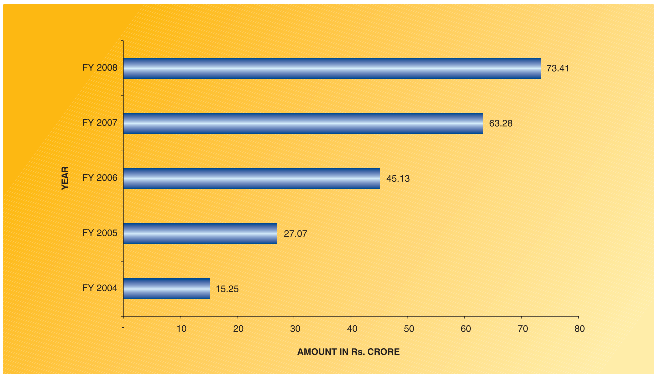
Note:

1) While calculating the consolidated figures of group, inter group transactions have been ignored.
2) Cash and Equivalents includes cash and bank balances and current investments.

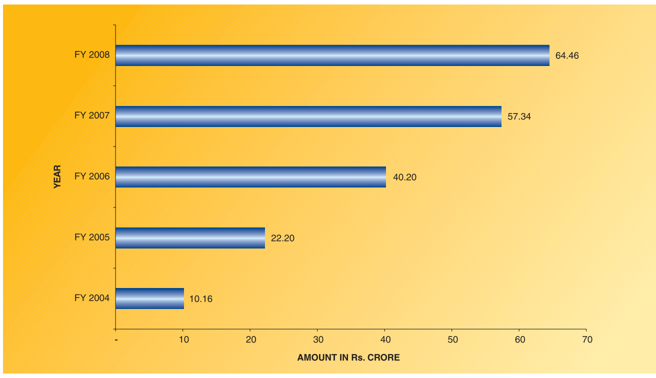
REVENUE FROM OPERATIONS



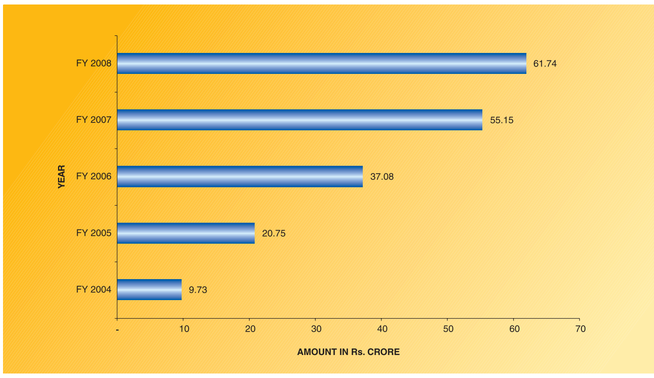
PROFIT BEFORE DEPRECIATION, INTEREST AND TAX



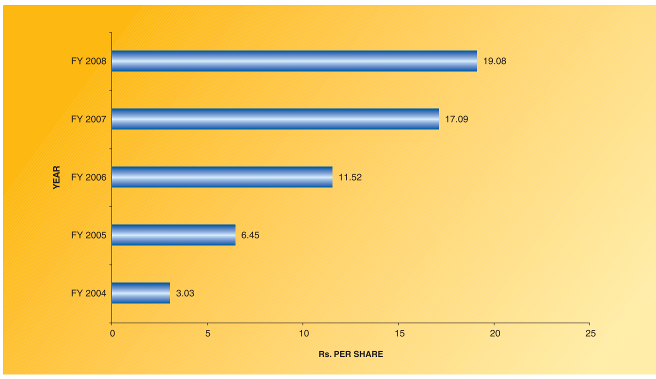
PROFIT BEFORE TAX



PROFIT AFTER TAX



EARNING PER SHARE



Notes

FinnOne™

Customer Acquisition System
Loan Management System
Collections

CASH@Will™

Payments/Collection
Liquidity Management

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