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# NUCLEUS SOFTWARE EXPORTS LTD.

## FINANCIAL HIGHLIGHTS

Rs. in Crore, except per share data

	CONSOLIDATED PERFORMANCE		
	For the Quarter Ended		Year Ended
	June 30, 2007	June 30, 2006	March 31, 2007
<b>For the Period</b>			
Revenue from Operations	66.66	49.76	221.19
Operating Profit (EBITDA)	14.83	14.42	63.28
Profit after Tax (PAT)	14.01	13.40	55.15
EBITDA as a % of Revenue from Operations	22.25%	28.98%	28.61%
PAT as a % of Revenue from Operations	21.02%	26.93%	24.93%
EPS	8.67	8.32	34.22
Dividend Per Share	—	—	3.50
Dividend Payout	—	—	5.64
<b>At the end of the Period</b>	<b>As at June 30, 2007</b>	<b>As at June 30, 2006</b>	<b>As at March 31, 2007</b>
Share Capital	16.16	16.11	16.16
Reserves and Surplus	162.23	112.68	149.03
Net Worth	178.39	128.79	165.19
Total Assets	179.47	129.00	166.19
Net Fixed Assets	61.09	37.49	55.07
Investments	70.86	78.16	69.01
Current Assets	115.35	59.95	109.70
Cash and Cash Equivalents	73.38	77.35	81.90
Working Capital	47.53	13.30	42.11
Market Capitalisation	1,649.81	487.49	1,546.38
No. of Shareholders	9,527	7,176	7,954
No. of Shares (Face Value of Rs.10.00)	16,160,312	16,104,812	16,160,312

### Notes:

Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the Period.



# NUCLEUS SOFTWARE EXPORTS LTD.

## FINANCIAL HIGHLIGHTS

All figures in US\$'000 except per share data

	CONSOLIDATED PERFORMANCE		
	For the Quarter Ended		Year Ended
	June 30, 2007	June 30, 2006	March 31, 2007
<b>For the Period</b>			
Revenue from Operations	16,322	10,796	50,557
Operating Profit (EBITDA)	3,631	3,128	14,464
Profit after Tax (PAT)	3,430	2,907	12,605
EBITDA as a % of Revenue from Operations	22.25%	28.98%	28.61%
PAT as a % of Revenue from Operations	21.02%	26.93%	24.93%
EPS	0.21	0.18	0.78
Dividend Per Share	—	—	0.08
Dividend Payout	—	—	1,289
<b>At the end of the Period</b>			
	<b>As at June 30, 2007</b>	<b>As at June 30, 2006</b>	<b>As at March 31, 2007</b>
Share Capital	3,957	3,495	3,694
Reserves and Surplus	39,723	24,448	34,064
Net Worth	43,680	27,943	37,758
Total Assets	43,945	27,988	37,986
Net Fixed Assets	14,958	8,135	12,587
Investments	17,351	16,958	15,774
Current Assets	28,244	13,008	25,074
Cash and Cash Equivalents	17,968	16,782	18,720
Working Capital	11,638	2,886	9,625
Market Capitalisation	105,770	105,770	353,458
US\$ Exchange Rate (In Rs.)	40.84	46.09	43.75

### Notes:

Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the Period.



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## Letter to the Shareholders

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Dear Shareholder,

It gives me immense pleasure to share the results of your Company for the first quarter of FY 2008. Your Company has posted a y-o-y top line growth of 33.96 % with consolidated revenue from operations at Rs.66.66 crore, against Rs.49.76 crore for the corresponding quarter of the previous year. On a y-o-y basis, the bottom line also saw a growth of 4.54 % with net profit for the quarter at Rs.14.01 crore against Rs.13.40 crore for the corresponding quarter of the previous year. Earnings per share was Rs. 8.67 for the quarter against Rs.8.32 for the corresponding quarter of the previous year.

Operating profit for the quarter was Rs.14.83 crore, 22.25 % of revenue, against Rs.14.42 crore, 28.98 % of revenue in the corresponding quarter of the previous year. There is a 673 basis points decline in the operating margins due to adverse exchange rate movements and the increase in personnel costs consequent to an annual review.

The strengthening of the Indian currency against US\$ has signalled a new paradigm, possibly the end of a comfortable exchange rate regime. While these 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.

Talent as we are visualizing will always be scarce, more so in terms of shortage of quality educational institutions. Global GDP growth is running close to 5% and market opportunities continue to be immense. We are aggressively recruiting sales and marketing personnel to address multiple opportunities and engagements and are encouraging our customers to launch their business with only essential customization and reduce "Time to Market".

This quarter Revenue for the product business was at Rs.44.17 crore, 66.26 % of revenue for the quarter against Rs.24.18 crore, 48.59 % of revenue, in the corresponding quarter of the previous year. The Product Revenue includes Rs.3.83 crore from third party products, which we offer to our customers as an integrated solution against Rs.0.66 crore in the corresponding quarter of the previous year. Revenue from projects and services for the quarter was at Rs.22.49 crore against Rs.25.58 crore in the corresponding quarter of the previous year. The Company is optimistic on its products business and foresees increasing demand. The Company continues to focus and invest on development of niche banking products.

Receivables for the quarter have increased from Rs.55.26 crore, 91 day DSR, on March 31, 2007 to Rs.65.09 crore, 89 day DSR, on June 30, 2007 and the management is consciously focusing on a reduction to our historical levels of 60-65 days.

The Company continues to enjoy high level of liquidity. 'Cash and Bank balances' and 'Current Investments' were at Rs.73.38 crore as on June 30, 2007 against Rs.81.89 crore as on March 31, 2007. We continue to invest conservatively in Liquid Plans and Fixed Maturity Plans of Mutual Funds.

This quarter we have added 6 new clients and received 8 new product orders for 23 product modules of flagship product FinnOne™ suite. We bagged orders for product business from a leading financial institution in Dubai; a leading bank in South East Asia and from other banking and financial institutions in India. Our partnership program is adding more members across the globe and we have added 2 new partners to market our products in different parts of the world. In terms of recognition we were awarded the Partner of the Year 2007-Fastest Growing in the ISV or independent software program by Oracle.

In this quarter, we added another 17 product live sites comprising of 9 for origination module, 2 for servicing and 5 for collection. We continued with our prime focus on bringing down product implementation timelines, which has shown results. Our average implementation site cycles have shown a reduction to 3 to 4 months.

We have added 39 associates in the first quarter of FY 2008, taking the global strength of employees to 1571. Compensation revision was one of the major exercises done during the quarter and the performers were rewarded appropriately. With this revision we have also introduced certain organizational development initiatives including a "Resource Management Group", which is constantly driving and monitoring deployment of resources and assessing their proper utilization and deployment. The emphasis has been on leadership development for better execution and delivery of projects.

The Board of Directors had recommended issue of bonus shares in the ratio of 1:1, which has been approved by the members of the Company at the Annual General Meeting, held on July 6, 2007. The Board of Directors in their meeting held on the same day had fixed August 6, 2007 as Record date for determination of entitlement of bonus shares.

We look forward to future with confidence and optimism. The hard work of Nucleites, guidance of our Board Members and well-wishers and the support of our customers, business associates and shareholders is the key to realization of our vision. I take this opportunity to thank you all for your support in making this journey of success a remarkable one.

Vishnu R Dusad

Managing Director

Date: July 25, 2007



## **NUCLEUS SOFTWARE EXPORTS LTD.**

### **Auditors' Report**

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To the Board of Directors of  
Nucleus Software Exports Ltd.

As required by you, we have audited the attached Balance Sheet of Nucleus Software Exports Ltd. ("the Company") as at 30 June 2007, the Profit and Loss Account and also the Cash Flow Statement of the Company for the quarter 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.

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 have been kept by the Company, so far as appears from our examination of the 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, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards prescribed by Companies (Accounting Standards) Rules, 2006, to the extent applicable; and
- e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 30 June 2007;
  - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the quarter ended on that date; and
  - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the quarter ended on that date.

for **BSR & Co.**  
Chartered Accountants

Place : Gurgaon  
Date : July 25, 2007

Sd/-  
**Vikram Advani**  
Partner  
Membership No.: 091765



# NUCLEUS SOFTWARE EXPORTS LTD.

## Balance Sheet as at 30 June 2007

All amounts in Rupees

Particulars	Schedule	As at 30 June 2007 (Rupees)	As at 30 June 2006 (Rupees)	As at 31 March 2007 (Rupees)
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Funds</b>				
Share Capital	1	161,618,120	161,063,120	161,618,120
Advance Pursuant to Stock Option Schemes		7,213,100	2,087,500	7,213,100
Reserves and Surplus	2	1,343,574,379	942,511,454	1,215,697,193
<b>Total</b>		<b>1,512,405,599</b>	<b>1,105,662,074</b>	<b>1,384,528,413</b>
<b>Deferred Tax Liability</b> (refer note 3, schedule 16)		1,410,242	—	521,206
		1,513,815,841	1,105,662,074	1,385,049,619
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	3	738,199,865	504,465,886	548,039,427
Less: Accumulated Depreciation		(230,768,239)	(179,274,534)	(217,038,659)
Net Block		507,431,626	325,191,352	331,000,768
Add: Capital Work in Progress (including capital advances)		7,459,153	10,794,723	130,458,253
		514,890,779	335,986,075	461,459,021
<b>Investments</b>	4	721,118,820	824,018,547	694,816,097
<b>Deferred Tax Asset</b> (Refer note 3, Schedule 16)		—	1,769,425	—
<b>Current Assets, Loans &amp; Advances</b>				
Sundry Debtors	5	440,741,226	198,030,042	376,936,553
Cash and Bank Balances	6	60,640,017	28,763,129	134,345,157
Loans and Advances	7	110,094,994	33,861,334	72,482,533
Other Current Assets	8	176,315,568	95,033,680	155,274,431
		787,791,805	355,688,185	739,038,674
<b>Less: Current Liabilities &amp; Provisions</b>				
Current Liabilities	9	(458,234,720)	(307,031,760)	(464,168,330)
Provisions	10	(51,750,843)	(104,768,398)	(46,095,843)
		(509,985,563)	(411,800,158)	(510,264,173)
<b>Net Current Assets/(Liabilities)</b>		277,806,242	(56,111,973)	228,774,501
<b>Total</b>		<b>1,513,815,841</b>	<b>1,105,662,074</b>	<b>1,385,049,619</b>

### Significant accounting policies and notes to the accounts

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

### As per our report of even date

#### For BSR & Co.

Chartered Accountants

**Vikram Advani**

Partner

Membership No.: 091765

**Gurgaon**

July 25, 2007

For and on behalf of the Board of Directors

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

Chairman

**Vishnu R Dusad**

Managing Director

**P K Sanghi**

Chief Financial Officer

**Poonam Bhasin**

Company Secretary

**NOIDA (U.P.)**

July 25, 2007



# NUCLEUS SOFTWARE EXPORTS LTD.

## Profit and Loss Account for the quarter ended 30 June 2007

All amounts in Rupees

Particulars	Schedule	As at 30 June 2007 (Rupees)	As at 30 June 2006 (Rupees)	As at 31 March 2007 (Rupees)
Sales and Services	11	472,267,224	313,658,168	1,465,305,488
Software Development Expenses	12	270,601,170	157,420,499	735,379,305
<b>Gross Profit</b>		<b>201,666,054</b>	<b>156,237,669</b>	<b>729,926,183</b>
Selling and Marketing Expenses	13	33,087,452	21,584,454	120,702,002
General and Administration Expenses	14	39,612,191	22,470,058	115,938,659
<b>Operating Profit Before Depreciation and Withholding Tax</b>		<b>128,966,411</b>	<b>112,183,157</b>	<b>493,285,522</b>
Depreciation	3	16,107,024	11,448,052	51,981,831
Withholding Taxes Charged Off		3,271,472	7,496,897	46,749,630
<b>Operating Profit After Depreciation, and Withholding Tax</b>		<b>109,587,915</b>	<b>93,238,208</b>	<b>394,554,061</b>
Other Income	15	22,264,727	16,813,549	46,617,209
<b>Profit before Taxation</b>		<b>131,852,642</b>	<b>110,051,757</b>	<b>441,171,270</b>
Provision for tax - Current		16,500,000	3,100,000	3,000,000
- MAT credit entitlement (refer note 8, schedule16)		(13,100,000)	—	—
- Fringe benefit tax		1,600,000	900,000	6,124,139
- Deferred tax charge (refer note 3, schedule16)		889,036	589,352	2,879,983
- Income tax for earlier years		—	86,355	86,355
Provision for Wealth Tax		—	—	63,952
<b>Profit after Taxation</b>		<b>125,963,606</b>	<b>105,376,050</b>	<b>429,016,841</b>
<b>Profit Available for Appropriation</b>				
Profit for the period / year		125,963,606	105,376,050	429,016,841
Add: Balance Brought Forward		502,245,490	237,546,836	237,546,836
<b>Total Amount Available for Appropriation</b>		<b>628,209,096</b>	<b>342,922,886</b>	<b>666,563,677</b>
Interim Dividend		-	-	56,407,092
Corporate Dividend Tax		-	-	7,911,095
Transferred to General Reserve		-	-	100,000,000
<b>Balance Carried Forward to the Balance Sheet</b>		<b>628,209,096</b>	<b>342,922,886</b>	<b>502,245,490</b>
<b>Earnings Per Equity Share (par value Rs. 10 each)</b> (Note 16, Schedule 16)				
Basic		7.79	6.54	26.62
Diluted		7.63	6.52	26.33
<b>Number of Shares used in Computing Earnings Per Equity Share</b>				
Basic		16,160,312	16,104,812	16,113,654
Diluted		16,508,959	16,166,424	16,293,013

### Significant accounting policies and notes to the accounts

16

The schedules referred to above form an integral part of the Profit and Loss account.

### As per our report of even date

#### For BSR & Co.

Chartered Accountants

Vikram Advani

Partner

Membership No.: 091765

Gurgaon

July 25, 2007

NOIDA (U.P.)

July 25, 2007

Lt. Gen. T P Singh (Retd.)

Chairman

P K Sanghi

Chief Financial Officer

Vishnu R Dusad

Managing Director

Poonam Bhasin

Company Secretary



# NUCLEUS SOFTWARE EXPORTS LTD.

## Cash Flow Statement for quarter ended 30 June 2007

All amounts in Rupees

	For the quarter ended 30 June 2007	For the quarter ended 30 June 2006	For the year ended 31 March 2007
<b>A. Cash flow from operating activities</b>			
Net profit before tax	131,852,642	110,051,757	441,171,270
Adjustment for:			
Depreciation	16,107,024	11,448,052	51,981,831
Exchange difference on translation of foreign currency accounts	(20,867,597)	(1,231,794)	(3,712,223)
Dividend received from non-trade investments	(1,515,534)	(1,650,981)	(9,914,653)
Interest on fixed deposits and loan to subsidiaries	(195,714)	(1,776,709)	(2,417,759)
Profit on sale of investments	(19,484,525)	(11,960,652)	(23,269,833)
Amortisation of employees stock compensation expenses	1,913,580	1,503,192	8,377,407
Profit on sale of fixed assets	(492,709)	(143,895)	(196,292)
Advances and other current assets written off	-	-	290,466
Provision for doubtful debts/advances/other current assets	355,299	2,163,749	21,435,709
Operating profit before working capital changes	107,672,466	108,402,719	483,745,923
Increase in debtors	(64,372,977)	(94,477,810)	(297,043,297)
Increase in loans and advances	(11,999,456)	8,918,077	(32,171,850)
Increase in other current assets	(20,850,198)	(25,823,110)	(89,210,619)
(Decrease) / increase in current liabilities and provisions	(20,900,462)	(22,524,959)	150,757,433
Income tax paid	(10,450,627)	(25,505,083)	216,077,590
Fringe benefit tax paid	(2,961,747)	(1,341,600)	(9,935,113)
	(1,995,000)	(170,074)	(6,224,213)
Net cash from / (used in) operating activities (A)	<b>(15,407,374)</b>	<b>(27,016,757)</b>	<b>199,918,264</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress	(51,371,903)	(31,363,328)	(193,376,191)
Sale of fixed assets	582,855	288,659	2,206,704
Purchase of current investments	(437,238,271)	(504,512,482)	(1,553,944,465)
Proceeds on sale of current investments	430,420,073	368,603,325	1,558,546,939
Loan to subsidiaries (net)	-	5,516,000	7,936,975
Interest on fixed deposits and loan to subsidiaries	4,775	4,109,121	5,365,347
Income tax paid	(1,545,851)	(2,789,196)	(2,688,257)
Dividend received from non-trade investments	1,515,534	1,650,981	9,914,653
Net cash from / (used in) investing activities (B)	<b>(57,632,788)</b>	<b>(158,496,920)</b>	<b>(166,038,295)</b>
<b>C. Cash flow from financing activities</b>			
Dividend paid (including corporate dividend tax thereon)	-	-	(126,144,669)
Advance pursuant to employee stock option scheme	-	1,330,000	13,999,520
Net cash from / (used) in financing activities (C)	-	<b>1,330,000</b>	<b>(112,145,149)</b>
Net (decrease) / increase in cash and cash equivalents (A+B+C)	<b>(73,040,162)</b>	<b>(184,183,677)</b>	<b>(78,265,180)</b>
Opening cash and cash equivalents	<b>134,345,157</b>	<b>213,088,500</b>	<b>213,088,500</b>
Exchange difference on translation of foreign currency bank accounts	(664,978)	(141,694)	(478,163)
Closing cash and cash equivalents*	<b>60,640,017</b>	<b>28,763,129</b>	<b>134,345,157</b>

\*include fixed deposits amounting to Rs 9,025,288 (Rs 7,809,459; Rs. 9,654,311) under lien with bank on account of guarantees issued on behalf of the Company

### Notes:

1. 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

**Vikram Advani**  
Partner  
Membership No.: 091765

**Gurgaon**  
July 25, 2007

**NOIDA (U.P.)**  
July 25, 2007

For and on behalf of the Board of Directors

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

**Vishnu R Dusad**  
Managing Director

**P K Sanghi**  
Chief Financial Officer

**Poonam Bhasin**  
Company Secretary



# NUCLEUS SOFTWARE EXPORTS LTD.

## Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 June 2007	As at 30 June 2006	As at 31 March 2007
<b>SCHEDULE—1</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised Capital</b>			
20,000,000 (20,000,000;20,000,000) equity shares of Rs.10 each	200,000,000	200,000,000	200,000,000
<b>Issued, subscribed and paid up</b>			
<b>Issued</b>			
16,163,112 (16,107,612; 16,163,112) equity shares of Rs.10 each	161,631,120	161,076,120	161,631,120
<b>Subscribed and paid up</b>			
16,160,312 (16,104,812; 16,160,312) equity shares of Rs.10 each, fully paid up	161,603,120	161,048,120	161,603,120
Of the above:			
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; 2,800) forfeited equity shares pending for reissue	15,000	15,000	15,000
	161,618,120	161,063,120	161,618,120



# NUCLEUS SOFTWARE EXPORTS LTD.

## Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 June 2007	As at 30 June 2006	As at 31 March 2007
<b>SCHEDULE—2</b>			
<b>RESERVES AND SURPLUS</b>			
<b>General reserve</b>			
Balance as at 1 April	531,473,550	441,454,695	441,454,695
Add: Transferred from Profit and Loss Account	—	—	100,000,000
Less: Gratuity and leave encashment transitional liability (refer note 22, schedule 16)	—	9,981,145	9,981,145
	<u>531,473,550</u>	<u>431,473,550</u>	<u>531,473,550</u>
<b>Securities premium account</b>			
Balance as at 1 April	173,199,509	162,978,709	162,978,709
Add : On conversion of stock options issued to employees	—	—	10,220,800
	<u>173,199,509</u>	<u>162,978,709</u>	<u>173,199,509</u>
<b>Capital reserve account</b>			
Balance as at 1 April	1,573,030	1,500,030	1,500,030
Add: Amount forfeited against employees stock option plan	—	—	73,000
	<u>1,573,030</u>	<u>1,500,030</u>	<u>1,573,030</u>
<b>Employee stock options</b>			
Balance as at 1 April	19,234,288	4,394,168	4,394,168
Add: Options granted during the period / year	—	7,873,600	19,906,600
Less: Reversal on forfeiture of stock options granted	—	—	1,761,600
Less: Transferred to securities premium account on exercise of stock options	—	—	3,304,880
	<u>19,234,288</u>	<u>12,267,768</u>	<u>19,234,288</u>
Less: Deferred employee compensation	(10,115,094)	(8,631,489)	(12,028,674)
	<u>9,119,194</u>	<u>3,636,279</u>	<u>7,205,614</u>
<b>Profit and Loss Account</b>			
Balance as at 1 April	502,245,490	237,546,836	237,546,836
Add: Profit for the period / year	125,963,606	105,376,050	429,016,841
Less: Transferred to general reserve	—	—	100,000,000
Less: Interim dividend	—	—	56,407,092
Less: Corporate dividend tax	—	—	7,911,095
	<u>628,209,096</u>	<u>342,922,886</u>	<u>502,245,490</u>
	<u>1,343,574,379</u>	<u>942,511,454</u>	<u>1,215,697,193</u>



**Schedules forming part of the financial statements**

**SCHEDULE—3  
FIXED ASSETS**

Particulars	All amounts in Rupees					
	GROSS BLOCK		ACCUMULATED DEPRECIATION		NET BLOCK	
	As at 1 April, 2007	Additions Deductions/ Adjustments As at 30 June 2007	As at 1 April, 2007	Depreciation for the Period Deduction/ Adjustments As at 30 June 2007	As at 30 June 2007	As at 31 March, 2007
Freehold land	3,360,720	-	-	-	3,360,720	3,360,720
Leasehold land	66,395,000	-	187,889	-	62,583,551	62,771,440
Building	146,584,882	96,398,264	1,334,198	-	229,615,286	134,551,220
Office and other equipment	63,788,499	41,410,481	2,870,967	(1,923,508)	67,812,151	29,294,783
Computers	129,142,740	34,543,577	7,009,572	-	85,258,317	57,724,312
Vehicles	14,643,410	4,953,144	761,277	-	12,695,856	8,503,989
Furniture and fixtures	32,642,818	10,181,582	1,050,343	(453,936)	20,556,416	11,493,177
Software	84,658,419	2,849,440	2,551,331	-	16,854,907	16,536,798
Leasehold improvements	6,822,939	2,291,540	361,447	-	8,694,422	6,764,329
<b>Total</b>	<b>548,039,427</b>	<b>192,628,028</b>	<b>16,107,024</b>	<b>(2,377,444)</b>	<b>507,431,626</b>	<b>331,000,768</b>
Previous period	442,357,760	65,831,467	11,448,052	(3,578,577)	325,191,352	-
Previous year	442,357,760	114,040,310	51,981,831	(6,348,231)	331,000,768	-



# NUCLEUS SOFTWARE EXPORTS LTD.

## Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 June 2007	As at 30 June 2006	As at 31 March 2007
<b>SCHEDULE—4</b>			
<b>INVESTMENTS</b>			
<b>Investments</b>			
<b>Long term investments</b>			
<b>Equity shares - Non trade and unquoted</b>			
10,040,000 (10,040,000; 10,040,000) equity shares of Rs 10 each, fully paid up, in GMAC Financial Services India Ltd [Of the above, 80,000 (80,000; 80,000) equity shares are held by nominees on behalf of the Company]	136,882,640	136,882,640	136,882,640
25,000 (25,000; 25,000) equity shares of Rs 10 each, fully paid up, in Ujjivan Financial Services Pvt. Ltd.	2,500,000	2,500,000	2,500,000
	139,382,640	139,382,640	139,382,640
<b>Equity shares in wholly owned subsidiaries - Non-trade and unquoted</b>			
625,000 ( 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	16,319,950
1,000,000 (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	16,293,150
200 (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	4,092,262
316,000 (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	9,790,955
100,000 (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	619,885
1,000,000 ( 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 (Nil; 6) equity shares are held by nominees on behalf of the Company]	10,000,000	10,000,000	10,000,000
1,000 (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	5,365,000
	62,481,202	62,481,202	62,481,202
<b>Current investments</b>			
<b>Investments in bonds and mutual funds - Non trade and unquoted</b>			
Nil (1,000,000; Nil) units of face value of Rs. 10 each of UTI Fixed Maturity Plan-YFMP 07/05-Growth	—	10,000,000	—
Nil (2,000,000; Nil) units of face value of Rs. 10 each of UTI Fixed Maturity Plan-YFMP 09/05-Growth	—	20,000,000	—
500,000 (500,000; 500,000) units of face value of Rs. 10 each of UTI Fixed Maturity Plan-YFMP 06/06-Growth	5,000,000	5,000,000	5,000,000
Nil (2,000,000; 2,000,000) units of face value of Rs. 10 each of Prudential ICICI FMP Series 5-Institutional-Growth	—	20,000,000	20,000,000
2,500,000 (Nil; 2,500,000) units of face value of Rs. 10 each of Prudential ICICI FMP Series 34-Institutional-Growth	25,000,000	—	25,000,000
Nil (1,185,642; Nil) units of face value of Rs. 10 each of DSP Merrill Lynch Liquidity Fund- Growth	—	20,000,000	—



# NUCLEUS SOFTWARE EXPORTS LTD.

## Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 June 2007	As at 30 June 2005	As at 31 March 2007
Nil (996,744; Nil) units of face value of Rs. 10 each of ABN Amro Cash Fund-Institutional-Growth	—	10,500,000	—
Nil (467,666; Nil) units of face value of Rs. 10 each of ING Vysya Liquid Fund Institutional-Growth	—	5,000,000	—
Nil (26,544; Nil) units of face value of Rs. 1000 each of UTI Liquid Cash Plan Institutional-Growth	—	29,895,490	—
Nil (1,187,620; Nil) units of face value of Rs. 10 each of Prudential ICICI Institutional Liquid Plan-Growth	—	20,000,000	—
Nil (881,780; Nil) units of face value of Rs. 10 each of Birla Sun Life Cash manager-Institutional Plan-Growth	—	10,000,000	—
Nil (750,000; Nil) units of face value of Rs. 10 each of Magnum Debt Fund Series-13 Months (Oct 05)-Growth	—	7,500,000	—
Nil (800,000; 800,000) units of face value of Rs. 10 each of Grindlays Fixed Maturity-16th Plan A-Growth	—	8,000,000	8,000,000
Nil (900,000; 900,000) units of face value of Rs. 10 each of Grindlays Fixed Maturity-20th Plan -Growth	—	9,000,000	9,000,000
Nil (5,472,457; Nil) units of face value of Rs. 10 each of LICMF Liquid Fund-Dividend	—	59,858,221	—
Nil (4,522,623; 2,297,827) units of face value of Rs. 10 each of Birla Cash Plus-Institutional Premium-Growth	—	49,999,015	25,682,000
Nil (2,000,000; 2,000,000) units of face value of Rs. 10 each of Chola FMP-14 Months-Cumulative	—	20,000,000	20,000,000
Nil (1,000,000; 1,000,000) units of face value of Rs. 10 each of ABN Amro FTP Series 2 Thirteen Month Plan-Growth	—	10,000,000	10,000,000
2,500,000 (Nil; 2,500,000) units of face value of Rs. 10 each of ABN Amro FTP Series 5 Fourteen Month Plan-Growth	25,000,000	—	25,000,000
2,500,000 (Nil; Nil) units of face value of Rs. 10 each of ABN Amro FTP Series 8 yearly plan- A-Growth	25,000,000	—	—
Nil (1,000,000; 1,000,000) units of face value of Rs. 10 each of HSBC Fixed term Series-4-Growth	—	10,000,000	10,000,000
2,000,000 (2,000,000; 2,000,000) units of face value of Rs. 10 each of HSBC Fixed term Series-9-Growth	20,000,000	20,000,000	20,000,000
1,500,000 (Nil; 1,500,000) units of face value of Rs. 10 each of HSBC Fixed term Series-27-Growth	15,000,000	—	15,000,000
1,000,000 (Nil; Nil) units of face value of Rs. 10 each of HSBC Fixed term Series-28-Growth	10,000,000	—	—
Nil (1,000,000; 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	10,000,000
2,500,000 (Nil; 2,500,000) units of face value of Rs. 10 each of Principal Pnb Fixed Maturity Plan-385 Days-Series 4 Institutional-Growth	25,000,000	—	25,000,000
Nil (1,000,000 1,000,000) units of face value of Rs. 10 each of HDFC FMP 13M March 2006(1)- Institutional Plan-Growth	—	10,000,000	10,000,000
1,000,000 (1,000,000; 1,000,000) units of face value of Rs. 10 each of HDFC FMP 13M June 2006(1)- Institutional Plan-Growth	10,000,000	10,000,000	10,000,000
1,250,000 (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	—	12,500,000
1,091,130 (Nil; Nil) units of face value of Rs. 10 each of HDFC FMP 367 days April 2007 Wholesale Plan-Growth	10,911,300	—	—
Nil (6,891,461; Nil) units of face value of Rs. 10 each of HSBC Cash Fund - Institutional Plus Plan - Daily Dividend	—	68,953,198	—



# NUCLEUS SOFTWARE EXPORTS LTD.

## Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 June 2007	As at 30 June 2006	As at 31 March 2007
Nil (2,360,406; Nil) units of face value of Rs. 10 each of Kotak Liquid- Institutional Plus Plan -Daily Dividend	—	28,863,282	—
Nil (3,950,846; Nil) units of face value of Rs, 10 each of Birla Cash Plus-Institutional Premium-Daily Dividend	—	39,585,499	—
Nil (3,117,013 ; 3,117,013) units of face value of Rs. 10 each of LICMF Liquid Fund-Growth	—	40,000,000	40,000,000
Nil (4,826,534; 4,826,534) units of face value of Rs. 10 each of Prudential ICICI Super Institutional Plan-Growth	—	50,000,000	50,000,000
Nil (1,398,093; 1,398,093) units of face value of Rs. 10 each of Kotak Liquid- Institutional Plus Plan -Growth	—	20,000,000	20,000,000
Nil (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 (Nil; 1,500,000) units of face value of Rs 10 each of Reliance fixed horizon fund III-annual plan series I-institutional plan-Growth	15,000,000	—	15,000,000
1,500,000 (Nil; 1,500,000) units of face value of Rs 10 each of Reliance fixed horizon fund III-annual plan series IV-institutional plan-Growth	15,000,000	—	15,000,000
2,500,000 (Nil; 2,500,000) units of face value of Rs 10 each of Kotak FMP 13M series 2-institutional-plan-Growth	25,000,000	—	25,000,000
1,250,000 (Nil;1,250,000) units of face value of Rs 10 each of Kotak FMP series 26-Growth	12,500,000	—	12,500,000
2,500,000 (Nil; 2,500,000) units of face value of Rs 10 each of DWS fixed term fund series 24-Institutional plan-Growth	25,000,000	—	25,000,000
2,500,000 (Nil; Nil) units of face value of Rs 10 each of DWS fixed term fund series 33-Institutional plan-Growth	20,000,000	—	—
Nil (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
2,000,000 (Nil; Nil) units of face value of Rs 10 each of ABN Amro Flexible short term plan series C quarterly Dividend-Reinvestment	20,000,000	—	—
65,681(Nil; Nil) units of face value of Rs 1000 each of Reliance liquid plus fund -institutional option-Daily Dividend	65,769,851	—	—
1,000,000 (Nil; Nil) units of face value of Rs 10 each of Birla FTP-Series 14 - Dividend	10,000,000	—	—
1,007,050 (Nil; Nil) units of face value of Rs 10 each of I NG liquid Plus fund- institutional plan-Daily Dividend	10,073,827	—	—
750,000 (Nil; Nil) units of face value of Rs 10 each of Standard Chartered Fixed maturity plan - yearly series 11-plan B- Growth	7,500,000	—	—
2,000,000 (Nil; Nil) units of face value of Rs 10 each of Kotak FMP 3M series 20- Dividend	20,000,000	—	—
25000,000 (Nil; Nil) units of face value of Rs 10 each of Sundram BNP paribas Fixed term plan series XXIX- Dividend	25,000,000	—	—
25,000 (Nil; Nil) units of face value of Rs 1000 each of DSP Merrill Lynch Fixed term plan series 1N-Institutional -Dividend	25,000,000	—	—
4,000,000 (Nil; Nil) units of face value of Rs 10 each of Templeton Fixed horizon Fund series II-plan B-Institutional -Growth	40,000,000	—	—
	<u>519,254,978</u>	<u>622,154,705</u>	<u>492,952,255</u>
	<u>721,118,820</u>	<u>824,018,547</u>	<u>694,816,097</u>

### Notes:

1. Net asset value (NAV) of current investments Rs 530,039,423 (Rs 631,463,642; Rs. 512,682,896 ) as at 30 June 2007.
2. Refer note 7, schedule 16 for details of investments purchased and sold during the quarter ended 30 June 2007.



# NUCLEUS SOFTWARE EXPORTS LTD.

## Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 June 2007	As at 30 June 2006	As at 31 March 2007
<b>SCHEDULE—5</b>			
<b>SUNDRY DEBTORS (UNSECURED)</b>			
Debts outstanding for a period exceeding six months			
- Considered good	43,391,516	2,589,451	8,012,776
- Considered doubtful	10,037,770	19,645,122	9,682,471
	53,429,286	22,234,573	17,695,247
Less: Provision for doubtful debts	(10,037,770)	(19,645,122)	(9,682,471)
	43,391,516	2,589,451	8,012,776
Other debts (considered good)*	397,349,710	195,440,591	368,923,777
	440,741,226	198,030,042	376,936,553

\* includes debt amounting to Rs.9,775,667 ( Rs.260,915; Rs.9,773,891) from Nucleus Software Inc., USA, Rs.35,490,937 (Rs.110,842,350; Rs.55,137,972) from Nucleus Software Japan kabushiki Kaiga and Rs.39,766,335 (Rs.3,485,839; Rs.43,832,933) Nucleus Software Solutions Pte Ltd, Singapore and Rs.2,066,080 (Rs. Nil; Rs. Nil) from Virstra-i Techonolgy Services Limited, India, being companies under the same management within the meaning of section 370 (1B) of the Companies Act 1956.

## **SCHEDULE—6 :** **CASH AND BANK BALANCES**

Cash in hand [including cheques in hand Nil (Rs.50,000; Rs.708,663)]	394,265	794,095	1,002,545
Balances with scheduled banks:			
- in current accounts	44,836,351	17,762,630	114,501,219
- in fixed deposit accounts*	9,025,088	9,337,461	9,654,311
Balance with non scheduled bank:			
- in current account (Citibank, United Kingdom) [Maximum amount outstanding during the year Rs.834,382 (Rs1,058,740; Rs1,106,298)]	751,515	868,943	829,963
Remittance in transit	5,632,798	—	8,357,119
	60,640,017	28,763,129	134,345,157

\*include fixed deposits amounting to Rs.9,025,288 (Rs.7,809,459; Rs.9,654,311) under lien with bank on account of guarantees issued on behalf of the Company

## **SCHEDULE—7** **LOANS AND ADVANCES**

(Unsecured, considered good)

Advances recoverable in cash or in kind or for value to be received	37,712,230	12,553,297	22,303,998
Loans and advances to subsidiaries*	17,467,711	11,346,039	12,758,902
Security deposits	8,560,465	3,335,148	8,448,926
Advance income tax [net of provision Rs.32,846,234 (Rs.Nil; Rs.29,446,234)]	9,325,486	—	8,217,888
Advance fringe benefit tax [net of provision Rs 11,995,604 (Rs Nil; Rs Nil)]	325,000	—	—
MAT credit entitlement (refer note 8, schedule16)	13,100,000	—	—
Prepaid expenses	23,604,102	6,626,850	20,752,819
	110,094,994	33,861,334	72,482,533

\* includes loan amounting to Rs.2,634,180 (Rs.5,415,575; Rs.2,821,875) to Nucleus Software Inc., USA, [maximum amount outstanding during the year Rs.2,821,875 (Rs.5,415,575; Rs.5,415,575)], being companies under the same management within the meaning of section 370 (1B) of the Companies Act 1956.



# NUCLEUS SOFTWARE EXPORTS LTD.

## Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 June 2007	As at 30 June 2006	As at 31 March 2007
<b>SCHEDULE—8</b>			
<b>OTHER CURRENT ASSETS</b>			
Service income accrued but not due	175,230,916	93,535,815	154,380,718
Interest accrued but not due	1,084,652	1,497,865	893,713
	<u>176,315,568</u>	<u>95,033,680</u>	<u>155,274,431</u>

## **SCHEDULE—9** **CURRENT LIABILITIES**

Sundry creditors *	229,726,420	100,733,860	150,692,621
Withholding tax	14,197,949	12,623,566	9,434,496
Due to subsidiaries	12,483,720	28,861,071	14,243,095
Advances from customers	183,492,914	152,760,333	273,215,853
Unclaimed dividends	1,132,043	699,253	3,435,287
Other liabilities	17,201,674	11,353,677	13,146,978
	<u>458,234,720</u>	<u>307,031,760</u>	<u>464,168,330</u>

\* The Company has no outstanding amounts payable to small-scale industrial undertakings as defined under section 3(j) of the Industries (Development and Regulation) Act, 1951 (Also refer note 21 of schedule 16).

## **SCHEDULE—10** **PROVISIONS**

Gratuity	22,827,128	16,125,188	20,377,128
Leave encashment	28,923,715	23,160,184	25,648,715
Income tax [Net of advance tax Rs. Nil (Rs.32,887,214; Rs. Nil)]	—	310,734	—
Fringe benefit tax [Net of advance fringe benefit tax Rs. Nil (Rs.4,271,391; Rs.10,325,604)]	—	900,000	70,000
Dividend	—	56,366,842	—
Corporate dividend tax	—	7,905,450	—
	<u>51,750,843</u>	<u>104,768,398</u>	<u>46,095,843</u>



# NUCLEUS SOFTWARE EXPORTS LTD.

## Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended		For the
	30 June	30 June	year ended
	2007	2006	31 March 2007
<b>SCHEDULE—11</b>			
<b>SALES AND SERVICES</b>			
Software development services and products			
- Domestic	100,377,299	61,723,648	254,784,000
- Overseas	371,889,925	251,934,520	1,207,019,288
Consultancy services	—	—	3,502,200
	<u>472,267,224</u>	<u>313,658,168</u>	<u>1,465,305,488</u>

## **SCHEDULE—12**

### **SOFTWARE DEVELOPMENT EXPENSES**

Salaries and allowances	168,786,467	96,156,773	463,012,124
Contribution to provident and other funds	7,325,012	4,884,296	24,774,730
"Directors' remuneration (including stock compensation expenses "Rs.125,089 (Rs.339,060; Rs.1,396,831)"	2,685,575	2,246,742	9,719,409
Employee's stock compensation expenses	1,336,506	655,542	4,307,968
Staff welfare	2,552,781	1,919,025	10,361,647
Conveyance	2,282,206	1,236,113	7,950,453
Communication	3,049,571	5,443,220	14,145,662
Rent	1,330,228	738,526	3,422,394
Legal and professional	3,914,930	2,015,315	13,038,471
Repair and maintenance			
- Buildings	117,143	31,619	278,462
- Others	981,582	706,776	4,268,879
Training and recruitment	1,986,148	5,110,552	18,319,019
Printing and stationery	717,611	176,881	713,520
Insurance	676,622	700,853	2,322,658
Software and other development charges	1,110,166	1,398,534	7,288,344
Cost of software purchased for delivery to clients	29,516,300	5,130,567	15,113,102
Travelling	34,274,847	24,661,584	113,069,711
Power and fuel	6,159,175	3,530,717	16,788,645
Conference, exhibition and seminar	—	61,348	61,348
Information technology expenses	1,476,834	422,336	3,942,861
Miscellaneous expenses	321,466	193,180	2,479,898
	<u>270,601,170</u>	<u>157,420,499</u>	<u>735,379,305</u>



# NUCLEUS SOFTWARE EXPORTS LTD.

## Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended 30 June 2007	30 June 2006	For the year ended 31 March 2007
<b>SCHEDULE—13</b>			
<b>SELLING AND MARKETING EXPENSES</b>			
Salaries and allowances	13,752,646	7,115,504	37,262,729
Contribution to provident and other funds	611,436	315,742	1,870,399
"Directors' remuneration (including stock compensation expenses "Rs.125,089 (Rs.339,060; Rs.1,396,831)"	2,685,575	2,246,742	9,719,409
Employee's stock compensation expenses	110,486	—	251,224
Staff welfare	269,357	190,580	978,984
Conveyance	860,636	228,052	2,149,413
Communication	354,407	173,436	807,280
Rent	1,125,342	60,697	1,294,020
Legal and professional	270,222	233,332	1,049,284
Repair and maintenance			
- Buildings	9,830	3,162	23,876
- Others	82,371	70,678	369,596
Training and recruitment	173,439	218,131	783,167
Printing and stationery	1,813,237	278,062	1,318,845
Insurance	30,756	47,116	118,610
Travelling	5,256,998	3,636,138	20,282,614
Advertisement and business promotion	2,973,715	1,413,110	7,835,392
Power and fuel	419,222	149,950	913,302
Conference, exhibition and seminar	154,828	145,398	8,987,645
Information technology expenses	67,402	19,299	177,405
Commission to channel partner	2,035,431	4,988,291	24,188,634
Miscellaneous expenses	30,116	51,034	320,174
	<u>33,087,452</u>	<u>21,584,454</u>	<u>120,702,002</u>



# NUCLEUS SOFTWARE EXPORTS LTD.

## Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended		For the
	30 June	30 June	year ended
	2007	2006	31 March 2007
<b>SCHEDULE—14</b>			
<b>GENERAL AND ADMINISTRATION EXPENSES</b>			
Salaries and allowances	19,121,397	10,604,396	49,440,441
Contribution to provident and other funds	879,002	591,917	2,881,983
"Directors' remuneration (including stock compensation expenses "Rs.62,545 (Rs.169,530; Rs.698,414)")	1,642,787	1,408,371	6,204,705
Employee's stock compensation expenses	153,865	—	326,139
Staff welfare	436,514	304,784	1,524,886
Conveyance	600,836	465,283	3,168,617
Communication	497,119	52,468	1,456,765
Rent	64,800	30,000	642,941
Rates and taxes	483,263	318,907	3,259,295
Legal and professional	1,402,860	3,297,463	8,615,483
Repair and maintenance			
- Buildings	28,671	11,067	71,483
- Others	240,247	247,372	1,119,215
Training and recruitment	225,563	31,692	984,536
Printing and stationery	272,338	217,632	1,568,079
Insurance	61,511	62,821	193,393
Bank charges	257,009	393,795	1,776,281
Travelling	1,112,112	13,953	1,886,000
Advertisement	1,533,781	27,883	1,015,557
Power and fuel	587,768	49,514	1,211,226
Conference, exhibition and seminar	98,446	302,199	443,880
Information technology expenses	138,078	31,417	320,847
Advances and other current assets written off	—	—	290,466
Provision for doubtful debts /advances / other current assets *	355,299	2,163,749	21,435,709
Loss on foreign exchange fluctuation (net)	6,977,208	359,219	—
Miscellaneous expenses	2,441,717	1,484,156	6,100,732
	<b>39,612,191</b>	<b>22,470,058</b>	<b>115,938,659</b>

\*Includes bad debts written off Rs. Nil (Rs. 1,573,226; Rs. 12,546,037)

## SCHEDULE—15

### OTHER INCOME

Dividend received from non-trade investments	1,515,534	1,650,981	9,914,653
Gain on foreign exchange fluctuation (net)	—	—	6,797,263
Interest on fixed deposits and loans to subsidiaries [gross of tax deducted at source Rs. 943 (Rs. 751,283 Rs. 913,379)]	195,714	1,776,709	2,417,759
Profit on sale of fixed assets (net)	492,709	143,895	196,292
Profit on sale of investments	19,484,525	11,960,652	23,269,833
Miscellaneous income	576,245	1,281,312	4,021,409
	<b>22,264,727</b>	<b>16,813,549</b>	<b>46,617,209</b>



**Schedules forming part of the financial statements**

**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 30 June 2007, 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.

**(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.



## **NUCLEUS SOFTWARE EXPORTS LTD.**

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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 the 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**

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:

<i>Asset category</i>	<i>Useful life (in years)</i>
Building	30
Office and other 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, other than those relating to fixed assets purchased from a country outside India are recognised in the profit and loss account. Foreign currency assets and liabilities are translated at period-end rates and resultant gains/losses on foreign exchange translations, other than those relating to fixed assets purchased from a country outside India are recognised 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 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 of speculation purpose.

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.

**(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 amortised over the vesting period, on a straight line basis.

**(xi) Retirements benefits**

Contributions to provident fund are charged to the profit and loss account as incurred. Provisions in respect of gratuity and leave encashment for the interim period are calculated on a year-to-date basis by using the actuarially determined rates at the end of the prior financial year, adjusted by the management after keeping into consideration events occurring during the interim period

**(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 period/year. Diluted earnings per share is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the period/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**

Components of net deferred tax asset:

*(Amounts in Rupees)*

	As at 30 June 2007	As at 30 June 2006	As at 31 March 2007
<b>Deferred tax asset</b>			
Provision for doubtful debts	682,698	918,036	668,865
Provision for retirement benefits	6,116,915	3,645,249	5,362,242
	<u>6,799,613</u>	<u>4,563,285</u>	<u>6,031,107</u>
<b>Deferred tax liability</b>			
Fixed assets	(8,209,855)	(2,793,860)	(6,552,313)
<b>Net deferred tax asset / (liability)</b>	<u>(1,410,242)</u>	<u>1,769,425</u>	<u>(521,206)</u>



**4. Forward and derivative options 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.2,434,827 (Rs.384,449;Rs.230,162 ). As at 30 June 2007, the Company has outstanding forward contracts for USD 8,800,000 (USD 2,600,000; USD 1,750,000).

Further, the company has option contracts to sell USD 13,000,000 (USD Nil; USD 4,950,000). The gain on mark to market of option contracts is Rs.15,061,193 (Rs. Nil; Rs.5,436,250)

As of the Balance Sheet date, the Company has no foreign currency exposures that are not hedged by a derivative instrument or otherwise (Rs.61,402,389, 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 non-refundable payments, if any is to be recognised and amortised on a straight-line basis over the vesting period, ranging from eighteen to thirty six months.

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 equity shares, 2002 scheme for 225,000 equity shares, 2005 scheme for 600,000 equity shares and 2006 scheme for 1,000,000 equity shares to eligible employees. These schemes are administered by a Compensation Committee comprising of four members, the majority of whom are independent directors.

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

*(Amounts in Rupees)*

**1999 Stock Option Scheme**

	Quarter ended 30 June, 2007	Quarter ended 30 June, 2006	Year ended 31 March, 2007
Options outstanding at the beginning of the period/ year	5,700	12,500	12,500
Options granted	—	9,000	9,000
Options forfeited	—	—	(3,300)
Options exercised	—	—	(12,500)
	5,700	21,500	5,700

**2002 Stock Option Scheme**

	Quarter ended 30 June, 2007	Quarter ended 30 June, 2006	Year ended 31 March, 2007
Options outstanding at the beginning of the period/ year	159,750	63,250	63,250
Options granted	—	50,000	145,500
Options forfeited	—	—	(6,000)
Options exercised	—	—	(43,000)
	159,750	113,250	159,750



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### 2005 Stock Option Scheme

	Quarter ended 30 June, 2007	Quarter ended 30 June, 2006	Year ended 31 March, 2007
Options outstanding at the beginning of the period/ year	142,000	—	—
Options granted	—	40,000	142,000
Options forfeited	—	—	—
Options exercised	—	—	—
	142,000	40,000	142,000

### 2006 Stock Option Scheme

	Quarter ended 30 June, 2007	Quarter ended 30 June, 2006	Year ended 31 March, 2007
Options outstanding at the beginning of the period/ year	271,860	—	—
Options granted	—	—	271,860
Options forfeited	—	—	-
Options exercised	—	—	-
	271,860	—	271,860

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

	Quarter ended 30 June, 2007	Quarter ended 30 June, 2006	Year ended 31 March, 2007
Balance brought forward	12,028,674	2,261,081	2,261,081
Add: Recognised during the period	—	7,873,600	19,906,600
Less: Amortisation expense	1,913,580	1,503,192	8,377,407
Less: Reversal due to forfeiture	-	—	1,761,600
Balance carried forward	10,115,094	8,631,489	12,028,674

(Amounts in Rupees)

### 6. Managerial Remuneration \*

	Quarter ended 30 June, 2007	Quarter ended 30 June, 2006	Year ended 31 March, 2007
<b>A. Managing Director</b>			
Salary and perquisites	1,500,000	540,000	3,120,000
Contribution to provident and other funds	90,000	36,000	198,000
Commission	3,994,339	4,193,206	16,838,447
	<b>5,584,339</b>	<b>4,769,206</b>	<b>20,156,447</b>
<b>B. Non Executive Directors</b>			
Stock base compensation	312,723	—	3,492,076
Commission	816,875	750,000	650,000
Sitting fees	300,000	90,000	1,345,000
	1,429,598	840,000	5,487,076

(Amounts in Rupees)

\*Note: The above remuneration does not include expense towards retirement benefits as the same is based on actuarial valuation/ estimates carried out for the Company as a whole.



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### 7. Details of investments purchased and sold during the three months ended 30 June 2007

Name of the investment	Face value Amount (Rupees)	Purchased during the period Quantity	Amount (Rupees)	Sold during the period Quantity	Amount (Rupees)
Sundaram BNP Paribas Liquid Plus- (Dividend)	10	2,505,134	25,063,212	2,505,134	25,063,862
ICICI Prudential Liquid Plan-Super IP- (Dividend)	10	4,016,724	40,167,239	4,016,724	40,167,239
ING Vysya Liquid-(Dividend)	10	749,753	7,500,000	749,753	7,500,000
ICICI Prudential Flexible Income Plan- (Dividend)	10	1,901,293	20,103,319	1,901,293	20,103,319
Tata Liquidity Management Fund- (Dividend)	10	14,988	15,021,412	14,988	15,021,412
Standard Chartered Liquidity Manager- (Dividend)	10	30,104	30,109,551	30,104	30,109,551
HDFC Cash Management-Saving Plan- (Dividend)	10	941,913	10,018,559	941,913	10,018,559

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. 13,100,000 was carried forward and shown under "Loans and advances" in the balance sheet as of 30 June 2007

### 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 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 number of employees. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably. 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.



## NUCLEUS SOFTWARE EXPORTS LTD.

### Information in respect of primary segment

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

#### For the quarter ended 30 June 2007

Description	<i>(Amounts in Rupees)</i>						
	India	Far East	Singapore	Europe	USA	Others	Total
Revenue from external customers	100,377,299	161,084,108	35,209,278	40,177,562	3,181,631	132,237,346	472,267,224
Expenses	96,971,997	98,136,257	20,735,258	23,661,153	1,873,709	77,876,506	319,254,880
Segment result	3,405,302	62,947,851	14,474,020	16,516,409	1,307,922	54,360,840	153,012,344
Unallocated corporate expenditure							43,424,429
Operating profit before taxation							109,587,915
Other income							22,264,727
Profit before tax							131,852,642
Provision for taxation							
- current income tax							16,500,000
- MAT credit entitlement							(13,100,000)
- fringe benefit tax							1,600,000
- deferred tax							889,036
- income tax for earlier years							—
Provision for wealth tax							—
<b>Net profit after taxation</b>							<b>125,963,606</b>

#### For the quarter ended 30 June 2006

Description	<i>(Amounts in Rupees)</i>						
	India	Far East	Singapore	Europe	USA	Others	Total
Revenue from external customers	61,723,648	93,641,361	34,741,631	41,319,166	396,270	81,836,092	313,658,168
Expenses	56,645,444	55,912,050	17,962,377	21,484,536	204,882	43,551,605	195,760,894
Segment result	5,078,204	37,729,311	16,779,254	19,834,630	191,388	38,284,487	117,897,274
Unallocated corporate expenditure							24,659,066
Operating profit before taxation							93,238,208
Other income							16,813,549
Profit before tax							110,051,757
Provision for taxation							
- current income tax							3,100,000
- MAT credit entitlement							—
- fringe benefit tax							900,000
- deferred tax							589,352
- income tax for earlier years							86,355
Provision for wealth tax							—
<b>Net profit after taxation</b>							<b>105,376,050</b>



## NUCLEUS SOFTWARE EXPORTS LTD.

For the year ended 31 March 2007

(Amounts 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
- MAT credit entitlement							—
- fringe benefit tax							6,124,139
- deferred tax							2,879,983
- income tax for earlier years							86,355
Provision for wealth tax							63,952
<b>Net profit after taxation</b>							<b>429,016,841</b>

Assets and liabilities of reportable primary segment are as follows:

As at 30 June 2007

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	USA	Others	Total
Segment assets	128,998,168	169,265,465	62,501,601	5,198,599	15,422,701	252,053,319	633,439,853
Unallocated corporate assets							1,390,361,551
<b>Total assets</b>							<b>2,023,801,404</b>
Segment liabilities	90,643,968	150,077,386	12,820,404	107,408,141	1,158,498	55,423,916	417,532,313
Unallocated corporate liabilities							93,863,492
<b>Total liabilities</b>							<b>511,395,805</b>
<b>Capital employed</b>							<b>1,512,405,599</b>



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### As at 30 June 2006

*(Amounts in Rupees)*

Description	India	Far East	Singapore	Europe	USA	Others	Total
Segment assets	67,349,188	117,804,896	13,141,753	56,957	6,788,500	97,770,602	302,911,896
Unallocated corporate assets							1,214,550,336
<b>Total assets</b>							<b>1,517,462,232</b>
Segment liabilities	44,568,861	43,990,518	5,002,489	140,666,531	123,104	14,844,627	249,196,130
Unallocated corporate liabilities							162,604,028
<b>Total liabilities</b>							<b>411,800,158</b>
<b>Capital employed</b>							<b>1,105,662,074</b>

### As at 31 March 2007

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
<b>Total assets</b>							<b>1,895,313,792</b>
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
<b>Capital employed</b>							<b>1,384,528,413</b>

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

### For the quarter ended 30 June 2007

Description	India	Far East	Singapore	Europe	USA	Others	Total
Capital expenditure (unallocated)							69,628,928
<b>Total capital expenditure</b>							<b>69,628,928</b>
Depreciation expenditure (unallocated)							16,107,024
<b>Total depreciation</b>							<b>16,107,024</b>
Segment non-cash expense other than depreciation	818,712	539,133	117,842	134,471	10,649	648,072	2,268,879
<b>Total non cash expenditure other than depreciation</b>	<b>818,712</b>	<b>539,133</b>	<b>117,842</b>	<b>134,471</b>	<b>10,649</b>	<b>648,072</b>	<b>2,268,879</b>



## NUCLEUS SOFTWARE EXPORTS LTD.

### For the quarter ended 30 June 2006

Description	India	Far East	Singapore	Europe	USA	Others	Total
Capital expenditure (unallocated)							41,555,909
<b>Total capital expenditure</b>							<b>41,555,909</b>
Depreciation expenditure (unallocated)							11,448,052
<b>Total depreciation</b>							<b>11,448,052</b>
Segment non-cash expense other than depreciation	50,729	368,842	136,843	162,751	1,154,761	1,793,013	3,666,939
<b>Total non cash expenditure other than depreciation</b>	<b>50,729</b>	<b>368,842</b>	<b>136,843</b>	<b>162,751</b>	<b>1,154,761</b>	<b>1,793,013</b>	<b>3,666,939</b>

### For the year ended 31 March 2007

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

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.



## NUCLEUS SOFTWARE EXPORTS LTD.

### 10. Related party disclosures

#### 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)

	Quarter ended 30 June, 2007	Quarter ended 30- June, 2006	Year ended 31 March, 2007
<b>i. Software development, services and products</b>			
-Nucleus Software Japan Kabushiki Kaiga	105,095,503	93,626,220	257,804,780
-Nucleus Software Solutions Pte Ltd	26,371,829	32,883,991	105,991,382
-Nucleus Software Inc.	2,285,570	—	43,811,715
-Others	4,658,118	3,750,000	16,879,145
<b>ii. Other income</b>			
Virstra i -Technology Services Limited	569,295	479,340	2,968,730
<b>iii. Managerial remuneration</b>			
Vishnu R Dusad (Managing director)	5,584,339	4,769,206	20,156,447
<b>iv. Reimbursement of expenses</b>			
From wholly owned subsidiary companies :			
-Virstra I -Technology Services Limited	1,847,904	2,988,930	9,644,251
-Nucleus Software Solutions Pte Ltd	2,386,912	3,859,909	12,681,199
-Others	152,702	109,287	1,637,261
<i>To wholly owned subsidiary companies:</i>			
-Nucleus Software Solutions Pte Ltd	551,901	2,172,446	5,320,419
-Nucleus Software Japan Kabushiki Kaiga	—	5,325,601	21,157,010
-Others	—	29,847	498,123
<b>v. Cost of services hired</b>			
-Nucleus Software Solutions Pte Ltd	5,314,427	—	—



## NUCLEUS SOFTWARE EXPORTS LTD.

	<i>(Amounts in Rupees)</i>		
	Quarter ended 30 June, 2007	Quarter ended 30 June, 2006	Year ended 31 March, 2007
<b>vi. Commission paid</b>			
<i>To wholly owned subsidiary company</i>			
-Nucleus Software (Australia) Pty Ltd.	268,441	165,483	781,918
<b>vii. Interest received</b>			
<i>From wholly owned subsidiary companies</i>			
-Nucleus Software Solutions Pte Ltd	—	71,559	71,559
-Nucleus Software Inc.	59,827	113,053	369,501
<b>viii. Loans and advances</b>			
<i>Repaid by wholly owned subsidiary company</i>			
-Nucleus Software Solutions Pte Ltd	—	5,824,000	5,824,000
-Nucleus Software Inc.	—	—	2,466,620

### c) Outstanding balances as at period/year end

	<i>(Amounts in Rupees)</i>		
	As at 30 June, 2007	As at 30 June, 2006	Year ended 31 March, 2007
<b>Loans and advances</b>			
<i>To wholly owned subsidiaries</i>			
-Nucleus Software Solutions Pte Ltd	9,837,588	3,178,160	8,842,354
-Virstra i -Technology Services Limited	3,974,991	1,640,294	—
-Nucleus Software Inc.	3,655,132	6,527,585	3,916,548
<b>Debtors</b>			
<i>Wholly owned subsidiaries</i>			
-Nucleus Software Japan Kabushiki Kaiga	35,490,937	110,842,350	55,137,972
-Nucleus Software Solutions Pte Ltd	39,766,335	3,485,839	43,832,933
-Nucleus Software Inc.	9,775,667	260,915	9,773,801
-Others 2,066,080	—	90	
<b>Service income accrued but not due</b>			
<i>Wholly owned subsidiary Company</i>			
-Nucleus Software Japan Kabushiki Kaiga	6,001,215	6,963,176	7,669,406
-Nucleus Software Inc.	1,101,046	—	—
<b>Interest income accrued but not due</b>			
<i>Wholly owned subsidiary Company</i>			
-Nucleus Software Inc.	309,216	594,125	249,389
<b>Sundry creditors</b>			
<i>Due to wholly owned subsidiaries</i>			
-Nucleus Software Japan Kabushiki Kaiga	11,624,432	17,524,732	13,217,345
-Virstra i -Technology Services Limited	—	11,250,000	374,027
-Others 859,288	86,339	651,723	
<i>Advances from wholly owned subsidiaries</i>			
-Nucleus Software Japan Kabushiki Kaiga	65,938,855	—	120,930,844



# NUCLEUS SOFTWARE EXPORTS LTD.

(Amounts in Rupees)

	Quarter ended 30 June, 2007	Quarter ended 30 June, 2006	Year ended 31 March, 2007
<b>11. Legal and professional</b>			
<b>(includes payment to auditors)</b>			
Audit fees (includes service tax)	375,000	334,602	1,643,602
Other services (includes service tax)	—	—	454,532
Out of pocket expenses	40,000	50,000	195,240
Total	415,000	384,602	2,293,374
<b>12. CIF value of imports</b>			
Capital goods	8,752,202	13,630,275	56,834,204
Total	8,752,202	13,630,275	56,834,204
<b>13. Expenditure in foreign currency</b>			
Travelling	29,499,938	21,258,739	101,862,483
Professional charges	1,415,454	49,244	808,164
Others	19,345,084	7,212,576	40,634,705
Total	50,260,476	28,520,559	143,305,352
<b>14. Earnings in foreign currency</b>			
Income from software development services and products	371,889,925	251,934,520	1,207,019,288
Interest	61,202	186,104	448,326
Total	371,951,127	252,120,624	1,207,467,614
<b>15. Dividend remitted in foreign currency</b>			
<b>Amount remitted (net of tax)</b>			
Interim dividend (2007)	—	—	—
Final dividend (2006)	—	—	—*
Final dividend (2005)	—	—	—*
<b>Number of shares held by non-resident shareholders</b>			
Interim dividend (2007)	—	—	252,020
Final dividend (2006)	—	—	786,111
Final dividend (2005)	—	—	—
<b>Number of non-resident shareholders</b>			
Interim dividend (2007)	—	—	178
Final dividend (2006)	—	—	175
Final dividend (2005)	—	—	—

\*Dividend was remitted in Indian Rupees



*(Amounts in Rupees)*

	Quarter ended 30 June, 2007	Quarter ended 30 June, 2006	Year ended 31 March, 2007
<b>16. Earnings per share</b>			
Profit after taxation available to equity shareholders (Rs.)	125,963,606	105,376,050	429,016,841
Weighted average number of equity shares used in calculating basic earnings per share	16,160,312	16,104,812	16,113,654
Add: Effect of dilutive issue of shares	348,647	61,612	179,359
Weighted average number of equity shares used in calculating diluted earnings per share	16,508,959	16,166,424	16,293,013
Basic earnings per share (Rs.)	7.79	6.54	26.62
Diluted earnings per share (Rs.)	7.63	6.52	26.33

**17. 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.12,548,738 (Rs.43,475,474; Rs.56,579,872).

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

**18. Operating Lease**

The Company has acquired office premises under a non-cancellable operating lease. Operating lease rentals paid during the period is Rs1,775,730 (Rs.Nil, Rs.1,224,157). The future minimum lease expense in respect of such leases is as follows:

	<b>As at 30 June 2007</b>
Not later than 1 year	7,102,920
Later than 1 year but not later than 5 years	3,433,595
Later than 5 years	—
Total	10,536,515



## NUCLEUS SOFTWARE EXPORTS LTD.

19. 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

	<i>(Amounts in Rupees)</i>		
	Quarter ended		Year ended
	30 June		31 March
	2007	2006	2007
Salaries and allowances	201,660,510	113,876,673	549,715,294
Contribution to provident and other funds	8,815,450	5,791,955	29,527,112
Directors' remuneration	7,013,937	5,901,855	25,643,523
Employee's stock compensation expenses	1,600,857	655,542	4,885,331
Staff welfare	3,258,652	2,414,389	12,865,517
Training and recruitment	2,385,150	5,360,375	20,086,722
Software and other development charges	1,110,166	1,398,534	7,288,344
Cost of software purchased for delivery to clients	29,516,300	5,130,567	15,113,102
Travelling	40,643,957	28,311,675	135,238,325
Conveyance	3,743,678	1,929,448	13,268,483
Communication	3,901,097	5,669,124	16,409,707
Rent, rates and taxes	3,003,633	1,148,130	8,618,650
Legal and professional	5,588,012	5,546,110	22,703,238
Power and fuel	7,166,165	3,730,181	18,913,173
Repair and maintenance			
- Building	155,644	45,848	373,821
- Others	1,304,200	1,024,826	5,757,690
Advertisement and business promotion	4,507,496	1,467,593	8,850,949
Conference, exhibition and seminar	387,889	508,945	9,492,873
IT expenses	1,682,314	473,052	4,441,113
Bad debts/ advances/ other current assets written off		-	1,573,226
290,466			
Commission to channel partners	2,035,431	4,988,291	24,188,634
Provision for doubtful debts/ advances/ other current assets written off		355,299	590,523
21,435,709			
Printing and stationery	2,803,186	672,575	3,600,444
Insurance	768,889	810,790	2,634,661
Bank charges	257,009	393,795	1,776,281
Loss on foreign exchange fluctuat	6,977,208	359,219	=
Miscellaneous expenses	2,658,684	1,701,770	8,900,804
Total	343,300,813	201,475,011	972,019,966

20. 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



## **NUCLEUS SOFTWARE EXPORTS LTD.**

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October 2007 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.

**21.** The Company is in the process of compiling the requisite list of micro and small enterprises under 'The Micro, Small and Medium Enterprises Development Act, 2006' which has come into force recently and in the absence of information in this regard, the particulars required by the aforesaid Act have not been given.

**22.** 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, the obligation has been recorded with the transfer of Rs.9,981,145 to general reserve.

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

For and on behalf of the Board of Directors

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

**Vishnu R Dusad**  
*Managing Director*

**NOIDA (U.P.)**  
Date : July 25, 2007

**P K Sanghi**  
*Chief Financial Officer*

**Poonam Bhasin**  
*Company Secretary*



**Consolidated Financial Statements of Nucleus Software Exports Ltd. and its Subsidiaries**

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**Basis of Preparation of the Financial Statements**

The accompanying financial statements for the quarter ended June 30, 2007 have been prepared incorporating Accounting Policies of the parent Company under the historical cost convention, in compliance with Indian Generally Accepted Accounting Practices ("GAAP") in accordance with mandatory and relevant Accounting Standards issued by the Institute of Chartered Accountants of India and in compliance with the provisions of The Companies Act, 1956.

**Use of Estimates**

The consolidated financial statements include the accounts of the Company and its Subsidiary Companies. The preparation of the financial statements in conformity with GAAP requires that the management make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Examples of such estimates include expected contract costs to be incurred to complete software development, provision for doubtful debts, future obligations under employee retirement benefit plans and the useful lives of fixed assets. Actual results could differ from those estimates.



# NUCLEUS SOFTWARE EXPORTS LTD.

## Consolidated Balance Sheet as at 30 June 2007

Particulars	All amounts in Rupees		
	As at 30 June 2007	As at 30 June 2006	As at 31 March 2007
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	161,618,120	161,063,120	161,618,120
Advance Pursuant to Stock Option Schemes	7,213,100	2,087,500	7,213,100
Reserves and Surplus	1,622,334,013	1,126,819,542	1,490,312,656
	1,791,165,233	1,289,970,162	1,659,143,876
<b>Deferred tax liability</b>	3,495,176	-	2,759,300
<b>TOTAL</b>	<b>1,794,660,409</b>	<b>1,289,970,162</b>	<b>1,661,903,176</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	888,809,191	577,473,914	685,421,855
Less: Accumulated Depreciation	(285,414,063)	(214,041,294)	(265,565,579)
Net Block	603,395,129	363,432,620	419,856,276
Add: Capital Work in Progress (including capital advances)	7,459,153	11,511,330	130,833,322
	610,854,282	374,943,950	550,689,598
<b>Investments</b>	708,553,269	781,601,702	690,092,446
<b>Deferred Tax Asset</b> (refer note 2, schedule 16)	-	430,587	-
<b>Current Assets, Loans &amp; Advances</b>			
Sundry Debtors	650,887,345	321,031,982	552,623,005
Cash and Bank Balances	164,625,617	131,250,620	268,251,436
Loans and Advances	123,430,050	46,275,464	94,579,553
Other Current Assets	214,528,890	100,974,292	181,563,104
	1,153,471,902	599,532,358	1,097,017,098
<b>Less : Current Liabilities &amp; Provisions</b>			
Current Liabilities	(621,496,383)	(346,375,889)	(625,138,250)
Provisions	(56,722,661)	(120,162,546)	(50,757,716)
	(678,219,044)	(466,538,435)	(675,895,966)
Net current assets	475,252,858	132,993,922	421,121,132
<b>TOTAL</b>	<b>1,794,660,409</b>	<b>1,289,970,161</b>	<b>1,661,903,176</b>



# NUCLEUS SOFTWARE EXPORTS LTD.

## Consolidated Profit and Loss Account for the quarter ended 30 June 2007

All amounts in Rupees

Particulars	As at 30 June 2007	As at 30 June 2006	As at 31 March 2007
			<b>(Audited)</b>
Sales and Services	666,566,668	497,598,682	2,211,873,274
Software Development Expenses	415,543,941	290,851,669	1,251,060,641
<b>Gross Profit</b>	<b>251,022,727</b>	<b>206,747,013</b>	<b>960,812,633</b>
Selling and Marketing Expenses	48,200,346	32,107,418	179,296,675
General and Administration Expenses	54,553,491	30,484,683	148,724,677
<b>Operating Profit Before Depreciation and Withholding Tax</b>	<b>148,268,890</b>	<b>144,154,912</b>	<b>632,791,281</b>
Depreciation	24,829,014	14,458,811	68,768,476
Withholding Taxes Charged Off	3,402,203	9,021,077	46,806,861
<b>Operating Profit After Depreciation and Withholding Tax</b>	<b>120,037,673</b>	<b>120,675,024</b>	<b>517,215,944</b>
Other Income	26,773,452	21,823,773	56,211,717
<b>Profit Before Taxation</b>	<b>146,811,125</b>	<b>142,498,797</b>	<b>573,427,661</b>
Provision for Tax - current	17,307,560	6,766,544	9,513,304
- MAT credit entitlement	(13,100,000)	-	-
- fringe benefit tax	1,600,000	900,000	6,124,139
- deferred tax charge (refer note 2, schedule 16)	889,036	765,097	3,955,757
- income tax for earlier year	-	86,355	2,298,081
Provision for Wealth Tax	-	-	63,952
<b>Profit After Taxation</b>	<b>140,114,529</b>	<b>133,980,801</b>	<b>551,472,428</b>
<b>Profit Available for Appropriation</b>			
Profit for the Quater	140,114,529	133,980,801	551,472,428
Add: Balance Brought Forward	768,827,981	381,673,741	381,673,741
<b>Total Amount Available for Appropriation</b>	<b>908,942,510</b>	<b>515,654,542</b>	<b>933,146,169</b>
Final Dividend	-	-	-
Interim Dividend	-	-	56,407,092
Corporate Dividend Tax	-	-	7,911,095
Transferred to General Reserve	-	-	100,000,000
<b>Balance Carried Forward to the Balance Sheet</b>	<b>908,942,510</b>	<b>515,654,542</b>	<b>768,827,982</b>
<b>Earnings Per Equity Share (par value Rs. 10 each)</b>			
Basic	8.67	8.32	34.22
Diluted	8.49	8.29	33.85
<b>Number of Shares used in Computing Earning Per Share</b>			
Basic	16,160,312	16,104,812	16,113,654
Diluted	16,508,959	16,166,424	16,293,013



# NUCLEUS SOFTWARE EXPORTS LTD.

## Consolidated Cash Flow Statement for the quarter ended 30 June 2007

All amounts in Rupees

	For the quarter ended 30 June 2007	For the quarter ended 30 June 2007	For the year ended 31 March 2007
<b>A. Cash flow from operating activities</b>			
Net profit before tax	146,811,125	142,498,796	573,427,662
<i>Adjustment for:</i>			
Depreciation	24,829,014	14,458,811	68,768,476
Exchange difference on translation of foreign currency accounts	(29,751,011)	5,208,328	6,968,085
Dividend received from non trade investments	(2,451,717)	(1,766,707)	(11,991,342)
Interest on fixed deposits	(239,900)	(1,651,828)	(2,348,378)
Profit on sale of investments	(19,484,525)	(11,960,652)	(23,269,833)
Amortisation of employees compensation expenses	1,913,580	1,503,192	8,377,407
Profit on sale of fixed assets (net)	(492,709)	(143,895)	(196,292)
Loss on assets discarded	-	-	-
Advances and other current assets written off	-	-	1,559,120
Provision for doubtful debts / advances	46,875	3,087,927	22,657,513
Operating profit before working capital changes	121,180,733	152,807,199	643,952,419
Decrease / (increase) in debtors	(98,615,172)	(86,231,527)	(347,939,201)
Decrease / (increase) in loans and advances	(1,203,090)	(8,328,395)	(43,915,179)
Decrease / (increase) in other current assets	(32,837,814)	(26,868,236)	(108,824,812)
(Decrease) / increase in current liabilities	(18,427,936)	6,330,436	273,351,065
	(29,903,278)	37,709,475	416,624,292
Direct taxes paid	(5,616,015)	(3,363,956)	(23,102,889)
Fringe benefit tax paid	(1,995,000)	-	(6,224,213)
<b>Net cash from operating activities (A)</b>	<b>(37,514,293)</b>	<b>34,345,520</b>	<b>387,297,190</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress	(67,991,879)	(52,115,703)	(268,554,816)
Sale of fixed assets	582,855	288,659	2,206,704
Purchase of current investments	(546,674,454)	(539,628,208)	(1,769,021,154)
Proceeds on sale of current investment	547,698,156	383,654,694	1,715,866,077
Purchase of long term investment	-	-	-
Interest on fixed deposits	111,928	3,552,300	4,411,869
Tax paid	(1,545,851)	(2,789,196)	(2,688,257)
Dividend received from non trade investments	2,451,717	1,766,707	11,991,342
<b>Net cash used in investing activities (B)</b>	<b>(65,367,528)</b>	<b>(205,270,747)</b>	<b>(305,788,235)</b>
<b>C. Cash flow from financing activities</b>			
Dividend paid (including corporate dividend tax thereon)	-	-	(126,144,669)
Advance pursuant to employee stock option scheme	-	1,330,000	13,999,520
<b>Net cash used in financing activities (C)</b>	<b>-</b>	<b>1,330,000</b>	<b>(112,145,149)</b>
Net (decrease) / increase in cash and cash equivalents	<b>(102,881,820)</b>	<b>(169,595,227)</b>	<b>(30,636,194)</b>
Opening cash and cash equivalents	<b>268,251,436</b>	<b>300,525,040</b>	<b>300,525,040</b>
Effect of exchange rate change	(743,999)	320,806	(1,637,410.)
Closing cash and cash equivalents *	<b>164,625,617</b>	<b>131,250,619</b>	<b>268,251,436</b>

\*include fixed deposits amounting to Rs.9,954,311 (Rs.9,149,266) under lien with bank on account of guarantees issued on behalf of the Company



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

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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.

### **A. COMPANY BACKGROUND**

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

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

Over the last eighteen years Nucleus has built a distinguished reputation of providing innovative and comprehensive software solutions and products in the BFSI Vertical. The geographical spectrum of 145 clients is spread over 22 countries. 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 Singapore, Japan, USA, Australia, Hongkong, Netherlands and India and branch offices in UK and UAE. 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.

### **B. COMPANY STRENGTHS**

The Company's business broadly consists of Development and Marketing of Software Products and Support 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:**

- The Company's flagship product FinnOne™ was globally recognized as the "No. 1 Best Selling Retail Lending Software" by IBS Publishing for the year 2006.
- 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 year 2006.
- Nucleus Software conferred as Partner of the Year - 2007, Fastest Growth in ISV by Oracle at India Partner Forum 2007
- Nucleus Software was ranked 13th in Dataquest Top 20 Best Employers Survey 2006. Survey was conducted by IDC-Dataquest amongst 200 IT employers across India
- Received the award for " Excellence in Financial Reporting" by the Institute of Chartered Accountants of India (ICAI) for financial year 2005. Our Annual Report has been adjudged as No. 2 in the category of 'Information Technology, Communication and Entertainment Enterprises' companies.
- Annual Report for financial year 2005 has 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'.
- The Parent Company Nucleus Software Exports Ltd, and wholly owned Subsidiary Nucleus Software Pte, Singapore have been assessed at SW-CMM Level 5 based on the Capability Maturity Model (CMM) developed by Carnegie Mellon University's Software Engineering Institute.
- Deloitte Touche Tohmatsu has, in 2004 , rated Nucleus for the third consecutive year as one of the fastest growing Companies in its "Deloitte Touche Tohmatsu Asia Pacific Technology Fast 500" program.
- 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.

**C. RISKS AND CONCERNS**

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

**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. As per table given below, during the current quarter, we derived 66% of our revenues from the top 5 clients against 72% of revenues from the top 5 clients in the corresponding quarter of the previous year. Increased revenue from individual clients have 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 continuously monitor the health of our major accounts to monitor this risk and are committed to reduce the revenue from top 5 clients to 40 % of the total revenue in the medium term. The Company is continuously increasing its investment in marketing and brand building in other developed countries to sign new clients.



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The following table provides historical data on client concentration (based on Indian GAAP)

	Quarter ended	
	June 30, 2007	June 30, 2006
Active clients	145	124
Clients added during the Quarter	6	4
% of Revenue from the top-five clients	66%	72%
Clients accounting for > 10% of revenues	3	2

### **b) Geographical 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. More than 75% of our revenue is from India, South East Asia and the Far East. Far East alone accounts for 45% of revenue. This 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 the revenue is given below: (based on Indian GAAP)

Geographical Area	Quarter ended	
	June 30, 2007	June 30, 2006
India	14.36%	11.66%
Far East	45.10%	41.80%
South East Asia	16.30%	22.19%
Europe/UK	6.11%	8.30%
USA & Canada	1.61%	4.51%
Middle East	12.05%	5.22%
Africa	2.52%	5.82%
Rest of the World	1.97%	0.50%

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.

With our first product implementation in Europe going live in Italy in April 2006, we expect revenue from Europe to increase in future years. As the Company's products find greater acceptance, we are confident that this 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" space and offers Products and Services to large Banks and Financial Institutions. This is an Industry concentration with attendant risk of our performance being linked to the health of the financial system and the banking sector worldwide.

While acknowledging this risk, we currently 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 fluctuation:**

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.

There is a US \$ to INR fluctuation and simultaneously a cross currency exposure for other currencies. The exchange rate between the rupee and the dollar has been changing substantially, and your Company faces the risks associated with exchange rate fluctuations, wherein the appreciation of the rupee against foreign currency adversely impacts its profitability and operating results and vice versa.

This risk is selectively hedged by following a policy of covering our Receivables through a mixture of " Forward Contracts" and " Options". The use of these foreign exchange forward contracts reduces the risk or cost to the Company. The Company does not use foreign exchange forward contracts for trading or speculation purposes.

There is a reporting mechanism wherein every quarter, the success/shortfalls of the hedging strategy are reported to the Audit Committee and the policy is fine-tuned.

**D. LIQUIDITY AND CAPITAL RESOURCES**

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 June 30, 2007 the cash and bank balances stood at Rs.16.46 crore (Rs.13.13 crore on June 30,2006) and current investments in Liquid Schemes and Fixed Maturity Plans of mutual funds were Rs.56.92 crore against Rs.64.22 crore as on June 30, 2006. All of them are in low risk liquid mutual funds in India.

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



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RATIO	Quarter Ended	
	June 30, 2007	June 30, 2006
Days of sale receivable	89	59
Cash and Bank Balances as % of assets	9.17%	10.17%
Cash and Bank Balances as % of revenue	24.70%	26.38%
Current investments as % of assets	31.71%	49.79%
Current investments as % of revenue	85.39%	129.06%

### E. FINANCIAL CONDITION

#### Results of Operations

For the Quarter Ended June 30,	2007	Rev. %	2006	Rs. in crore	
				Rev %	Growth %
<b>Income from Software Services and Products</b>	<b>66.66</b>	<b>100.00</b>	<b>49.76</b>	<b>100.00</b>	<b>33.96</b>
Software Development Expenses	41.55	62.33	29.09	58.46	42.83
Gross Profit	25.11	37.67	20.67	41.54	21.48
Selling and Marketing Expenses	4.82	7.23	3.21	6.45	50.16
General and Administration Expenses	5.46	8.19	3.05	6.13	79.02
<b>Operating Profit before Interest, Depreciation and Withholding Taxes</b>	<b>14.83</b>	<b>22.25</b>	<b>14.41</b>	<b>28.96</b>	<b>2.91</b>
Depreciation	2.48	3.72	1.45	2.91	71.03
Withholding Taxes	0.34	0.51	0.90	1.81	(62.22)
Operating Profit after Interest, Depreciation and Withholding Taxes	12.00	18.00	12.06	24.24	(0.50)
Other Income	2.68	4.02	2.19	4.40	22.37
<b>Profit before Tax</b>	<b>14.68</b>	<b>22.02</b>	<b>14.25</b>	<b>28.64</b>	<b>3.02</b>
Provision for Taxation	0.67	1.01	0.85	1.71	(21.18)
<b>Profit after Tax</b>	<b>14.01</b>	<b>21.02</b>	<b>13.40</b>	<b>26.93</b>	<b>4.55</b>

#### Revenue

The revenues of the Company are derived from software products and projects and services.

The Company's consolidated revenue from operations for the quarter ended June 30, 2007 is Rs. 66.66 crore as against Rs.49.76 crore for the quarter ended June 30, 2006, representing an increase of 33.96%.

Details of the geographical segmentation, business segmentation and currency segmentation of income have been provided elsewhere in the report

#### 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. The Company incurred total software development expenses of Rs 41.55 at 62.33% of revenue during the quarter ended June 30, 2007 against Rs.29.09 crore at 58.46% of revenue during the corresponding



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quarter of the previous year. Software development expenses have increased by 42.83 % in absolute terms, whereas revenue has increased by 33.96%.

For the Quarter Ended June 30,	2007	Rev. %	2006	Rev %	Rs. in crore
					Growth %
Employee Costs	26.49	39.73	18.98	38.13	39.57
Travel Expenses	4.33	6.50	3.44	6.91	25.87
Rent, Rates and Taxes	2.28	3.42	0.49	0.98	365.31
Cost of Software Purchased for					
Delivery to Clients	2.42	3.63	0.51	1.02	374.51
Communication	0.46	0.69	0.69	1.39	(33.33)
Consultancy Charges	3.23	4.85	3.07	6.17	5.21
Power and Fuel	0.72	1.08	0.44	0.88	63.64
Software and Other Development Charges	0.16	0.24	0.14	0.28	14.29
Legal and Professional	0.40	0.60	0.23	0.46	73.91
Conveyance	0.27	0.41	0.15	0.30	80.00
IT Expenses	0.16	0.24	0.06	0.12	166.67
Repairs and Maintenance	0.14	0.22	0.09	0.18	55.56
Training and Recruitment	0.23	0.35	0.59	1.19	(61.02)
Others	0.26	0.39	0.21	0.42	23.81
<b>Total Software Development Expenses</b>	<b>41.55</b>	<b>62.33</b>	<b>29.09</b>	<b>58.46</b>	<b>42.83</b>
<b>Revenue</b>	<b>66.66</b>	<b>100.00</b>	<b>49.76</b>	<b>100.00</b>	<b>33.96</b>

The Gross Margin has increased from Rs.20.67 crore to Rs.25.11 crore representing an increase of 21.48%.

### *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.

The Company incurred selling and marketing expenses of Rs.4.82 crore, 7.23% of revenue during the quarter ended June 30, 2007 against Rs.3.21 crore, 6.45% of revenue during the corresponding quarter of previous year. Selling and marketing expenses have increased by 50.16% in absolute terms.

For the Quarter Ended June 30,	2007	Rev. %	2006	Rev. %	Rs. in crore
					Growth %
Employee Costs	2.70	4.05	1.68	3.38	60.71
Travel Expenses	0.73	1.10	0.46	0.93	58.70
Rent, Rates and Taxes	0.21	0.32	0.11	0.22	90.91
Advertisement and Business Promotion	0.33	0.50	0.17	0.34	94.12
Communication	0.12	0.18	0.10	0.20	20.00
Conference, Exhibition and Seminar	0.04	0.06	0.04	0.08	0.00
Commission on Sales	0.18	0.27	0.49	0.99	(63.27)
Others	0.51	0.77	0.16	0.32	218.75
<b>Total Selling and Marketing Expenses</b>	<b>4.82</b>	<b>7.23</b>	<b>3.21</b>	<b>6.45</b>	<b>50.16</b>
<b>Revenue</b>	<b>66.66</b>	<b>100.00</b>	<b>49.76</b>	<b>100.00</b>	<b>33.96</b>



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### *General and Administrative Expenses*

Our general and administrative expenses comprise 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.

The Company incurred general and administrative expenses amounting to Rs.5.46 crore, 8.19% of revenue during the quarter ended June 30, 2007 against Rs.3.05 crore, 6.13% of revenue during the corresponding quarter of previous year.

Employee costs has increased by 72.33% due to Compensation revision.

'Others' head consists of expenses incurred on maintenance, bank charges, insurance, miscellaneous expenses, IT expenses, loss on sale of fixed assets, conference, seminar and exhibition, etc.

In comparison to corresponding quarter of previous year administrative and other expenses have increased by 79.02%.

For the Quarter Ended June 30,	2007	Rev. %	2006	Rev. %	Rs. in crore
					Growth %
Employee Costs	2.65	3.98	1.54	3.09	72.33
Travel Expenses	0.13	0.20	0.00	0.01	N.A
Legal and Professional	0.47	0.71	0.45	0.91	4.16
Communication	0.07	0.11	0.03	0.05	163.98
Rent, Rates and Taxes	0.10	0.15	0.06	0.12	64.58
Provision for Doubtful Debts	0.00	0.01	0.31	0.62	(98.48)
Printing and Stationery	0.04	0.06	0.05	0.10	(17.16)
Conveyance	0.07	0.11	0.05	0.10	36.02
Power and Fuel	0.06	0.09	0.01	0.02	701.13
Bad Debts/Advances/Other Current					
Assets Written off	0.00	0.00	0.16	0.32	(100.00)
Advertisement	0.15	0.23	0.00	0.01	N.A
Training and Recruitment	0.03	0.05	0.02	0.04	65.59
Consultancy Charges	0.01	0.02	0.02	0.05	(59.48)
Others	1.66	2.51	0.35	0.70	377.07
<b>Total General and Administrative Expenses</b>	<b>5.46</b>	<b>8.18</b>	<b>3.05</b>	<b>6.13</b>	<b>78.93</b>
<b>Revenue</b>	<b>66.66</b>	<b>100.00</b>	<b>49.76</b>	<b>100.00</b>	<b>33.96</b>

### *Operating Profit*

During the quarter ended June 30, 2007 the Company earned consolidated operating profit (profit before interest, depreciation and withholding tax) of Rs.14.83 crore representing 22.25% of revenue as compared with Rs.14.41 crore representing 28.96% of revenue for the quarter ended June 30, 2006

### *Depreciation*

Depreciation at Rs.2.48 crore on fixed assets is 3.72% of the revenue for the quarter ended June 30, 2007 as against Rs.1.45 crore, 2.91% of the revenue for the quarter ended June 30, 2006.

### *Withholding Taxes*

Withholding taxes charged off represent withholding taxes charged to Profit and Loss Account during the quarter ended June 30, 2007, of Rs.0.34 crore (Rs.0.90 crore for the quarter ended June 30, 2006). These relate to taxes withheld by customers/subsidiaries on overseas transactions net of credits available against tax liabilities in India.



**Other Income**

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

	Rs. in crore	
For the Quarter Ended June 30,	2007	2006
On Investments;		
- Capital Gain	1.94	1.20
- Dividend	0.24	0.18
Interest Income	0.02	0.17
Forex Gain/(Loss)on consolidation	0.00	(0.04)
Others	0.48	0.67
<b>Total</b>	<b>2.68</b>	<b>2.18</b>

Other income for the quarter ended June 30, 2007 is Rs.2.68 crore against Rs.2.18 crore for the quarter ended June 30, 2006.

**Provision for Income Tax**

The Company has made a provision for current tax of Rs.1.73 crore (Rs.0.68 crore for the quarter ended June 30, 2006), 2.59% of revenue, fringe benefit tax of Rs.0.16 crore (Rs.0.09 crore for the quarter ended June 30, 2006) deferred tax expense of Rs.0.09 crore (Rs.0.08 crore expense for the quarter ended June 30, 2006), and earlier year tax is NIL (Rs0.01 crore for the quarter ended June 30, 2006). Pursuant to the changes in the Indian Income Tax Act, the Company has calculated its tax liability after considering Minimum Alternate Tax (MAT). A sum of Rs.1.31 crore is carried forward and shown under Loans & Advances in the Balance Sheet as at June 30, 2007 to be set off against future tax liabilities.

**Net Income**

During the quarter ended June 30, 2007, Company has earned a net profit of Rs.14.01 crore (Rs.13.40 crore for the quarter ended June 30, 2006). The net profit represents 21.02% of revenue for the quarter ended June 30, 2007 as compared to 26.93% of revenue for the quarter ended June 30, 2006.

**F. FINANCIALS**

**1. Share Capital**

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

Share Capital of the Parent Company increased from 16,107,612 Equity Shares of Rs. 10/- each as on June 30, 2006 to 16,160,312 Equity Shares of Rs. 10/- each as on June 30, 2007. Consequently the paid up Share Capital increased from Rs. 16.11 crore as on June 30, 2006 to Rs. 16.16 crore as on June 30, 2007, including the amount in share forfeiture account.

The increase is consequent to:

— Allotment of 55,500 fully paid up Equity Shares of Rs. 10/- each to employees in pursuance of stock options exercised in July 2006 and March 2007.



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Paid-up Share Capital of the Subsidiaries as on June 30, 2007 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 account of the Parent Company

Name of Subsidiary Company	Currency	As at June 30, 2007		As at June 30, 2006	
		In foreign Currency	Eqv. Rupees (in crores)	In foreign Currency	Eqv. Rupees (in crores)
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., 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 B.V. 1000 equity shares of Euro 100 each	Euro	100,000	0.54	100,000	0.54
<b>Step down Subsidiary of Nucleus Software Exports Ltd.</b>					
Virstra (Singapore) Pte Limited. 200,000 equity shares of S\$ 1 each	SGD	200,000	0.56	100,000	0.27

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

## 2. Reserves and Surplus

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

Particulars	Balance as on April 1, 2007	Additions/ (Deletions) during the quarter	(Rs. in crore)
			Closing Balance as on June 30, 2007
General Reserve	53.01	0.00	53.01
Securities Premium	17.32	0.00	17.32
Capital Reserve	0.16	0.00	0.16
Employee Stock Options (net of deferred employee compensation)	0.72	0.19	0.91
Foreign Currency Translation Reserve	0.94	(1.00)	(0.06)
Profit and Loss Account Balance	76.88	14.01	90.89
<b>Total</b>	<b>149.03</b>	<b>13.20</b>	<b>162.23</b>



### **3. Fixed Assets**

As at June 30, 2007, gross block of fixed assets including investment in technology assets was Rs.88.88 crore (Rs. 57.75 crore as on June 30, 2006). The increase in gross block of fixed assets is primarily on account of investment in technology assets.

The net fixed assets after depreciation are Rs.61.09 crore as on June 30, 2007 compared to Rs.37.49 crore as on June 30, 2006.

### **4. Current Investments**

Current Investments of the Company as on June 30, 2007 was Rs. 56.92 crore against Rs.64.22 crore as in June 30, 2006. All of them are in low risk liquid mutual funds in India

- Rs. 0.50 crore in UTI Fixed maturity Plan-YFMP 06/06-Growth
- Rs. 2.50 crore in Prudential ICICI FMP Series 34- Institutional-Growth
- Rs. 2.50 crore in ABN Amro FTP Series 5 Fourteen Month Plan-Growth
- Rs. 2.50 crore in ABN Amro FTP Series 8 yearly plan- A-Growth
- Rs. 2.00 crore in HSBC Fixed term Series-9-Growth
- Rs. 1.50 crore in HSBC Fixed term Series-27-Growth
- Rs. 1.00 crore in HSBC Fixed term Series-28-Growth
- Rs. 2.50 crore in Principal Pnb Fixed Maturity Plan-385 Days-Series 4 Institutional-Growth
- Rs. 1.00 crore in HDFC FMP 13M June 2006(1)- Institutional Plan-Growth
- Rs. 1.25 crore in HDFC FMP 13M July 2006(1)- Institutional Plan-Growth
- Rs. 1.09 crore in HDFC FMP 367 days April 2007 Wholesale Plan-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. 1.25 crore in Kotak FMP series 26-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. 2.00 crore in ABN Amro Flexible short term plan series C quarterly Dividend-Reinvestment
- Rs. 11.57 in Reliance liquid plus fund -institutional option-Daily Dividend
- Rs. 1.00 crore in Birla FTP-Series 14 - Dividend
- Rs. 1.01 crore in ING liquid Plus fund- institutional plan-Daily Dividend
- Rs. 0.75 crore in Standard Chartered Fixed maturity plan - yearly series 11-plan B- Growth
- Rs. 2.00 crore in Kotak FMP 3M series 20- Dividend
- Rs. 2.50 crore in Sundram BNP paribas Fixed term plan series XXIX- Dividend
- RS. 2.50 crore in DSP Merrill Lynch Fixed term plan series 1N-Institutional -Dividend
- Rs. 4.00 crore in Templeton Fixed horizon Fund series II-plan B-Institutional -Growth

### **5. 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.



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.

## 6. Current Investments and Bank Balances

As of June 30,2007 the cash and bank balances stood at Rs.16.46 crore (Rs.13.13 crore as on June 30,2006) and current investments in Liquid Schemes and Fixed Maturity Plans of mutual funds were Rs.56.91 crore (Rs.64.22 crore on June 30,2006) . As part of our financial policies, the Company believes in maintaining high level of liquidity as it provides immense support against contingencies and uncertainties.

Cash and bank balance represent 9.17% and 10.17 % of the total assets as on June 30, 2007 and June 30, 2006 respectively

As at	June 30, 2007	June 30, 2006
Cash and Cheque in hand	0.05	0.09
Balances with Bank		
-In Current Accounts	14.92	12.07
-In Fixed Deposit Account	0.93	0.97
Remittance in transit	0.56	0.00
<b>Total</b>	<b>16.46</b>	<b>13.13</b>

(Rs. in crore)

## 7. Trade Receivables

Sundry Debtors amount to Rs. 65.09 crore (net of provision for bad and doubtful debts) as on June 30, 2007 (Rs. 32.10 crore, net of provision for bad and doubtful debts as on June 30, 2006). In the opinion of the management all the trade receivables are recoverable.

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

As at	June 30, 2007	June 30, 2006
Less than 6 months	91.75%	99.19%
More than 6 months	8.25%	0.81%
Days of sales receivables	89	59

## 8. Loans and Advances

The amount is Rs. 12.34 crore as on June 30, 2007 ( Rs. 4.63 crore as on June 30, 2006)

Advances recoverable in cash or in kind or for value to be received are primarily towards amounts paid in advance for value and services to be received in future, and staff advances.

The amount is Rs. 4.85 crore as on June 30, 2007 (Rs. 2.05 crore as on June 30, 2006).

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs. 2.52 crore as on June 30, 2007 (Rs. 1.39 crore as on June 30, 2006)

Prepaid expenses stood at Rs.2.74 crore as on June 30, 2007 (Rs.1.19 crore as on June 30, 2006). The increase in prepaid expenses is attributable to lease rent paid in advance for Noida campus land being charged to expense over ten more years.



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Pursuant to the changes in the Indian Income Tax Act, the Company has calculated its tax liability after considering Minimum Alternate Tax (MAT). A sum of Rs.1.31 crore is carried forward and shown under Loans & Advances in the Balance Sheet as at June 30, 2007 to be set off against future tax liabilities.

The Parent Company has the following loan outstanding from the Subsidiary, it does not appear in the consolidated accounts, as it is contra in the consolidation:

Loan of US\$ 64,500 equivalent to Rs.0.28 crore, is outstanding on June 30, 2007 from the wholly owned Subsidiary, Nucleus Software Inc. The total loan disbursed in installments in financial year 2003-04 was US \$ 157,500, at an interest rate of 3% over LIBOR, with a repayment schedule of 5 equal installments starting from financial year 2004-05. The subsidiary has repaid US \$ 93,000.

### 9. Current Liabilities

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

The total amount of Sundry Creditors as on June 30, 2007 is Rs.28.07 crore (Rs.14.06 crore as on June 30, 2006). The increase is on account of increase in liabilities related to staff, suppliers and specially for capital work in progress at the campus in NOIDA.

Withholding tax payable represents the amount of liability 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 June 30, 2007 is Rs.1.89 Crore (Rs.1.26 crore as on June 30, 2006).

The amount of Unclaimed Dividend as on June 30, 2007 is Rs.0.11 crore (Rs.0.07 crore as on June 30, 2006).

Advances from customers as on June 30, 2007 is Rs.28.06 crore (Rs.16.45 crore as on June 30, 2006). 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 later date.

Other liabilities represent amounts accrued for statutory dues related to taxes and staff benefits etc. The total amount of other liabilities as on June 30, 2007 is Rs.4.02 crore (Rs.2.79 crore as on June 30, 2006).

### 10. Provisions

Provisions at Rs.5.67 crore as on June 30, 2007 (Rs.12.02 crore as on June 30, 2006) includes provision for taxation, gratuity and leave encashment.

The break-up of provisions at the quarter end is given below:

	<i>(Rs. In crore)</i>	
	As on June 30, 2007	As on June 30, 2006
Provisions		
Gratuity	2.40	1.80
Leave encashment	3.27	2.81
Taxation (Net of advance tax)	-	0.87
Fringe benefit tax	-	0.11
Dividend	-	5.64
Dividend Tax	-	0.79
<b>Total</b>	<b>5.67</b>	<b>12.02</b>



## **Additional Information to Shareholders**

1. Date of Incorporation January 9, 1989
2. Registered Office 33-35, Thyagraj Nagar Market  
New Delhi-110003  
India
3. Corporate Office A-39, Sector 62  
NOIDA, UP-201307  
India
4. Financial Calendar  
Financial reporting for the first quarter ending June 30, 2007. July 25, 2007  
Financial reporting for the second quarter ending September 30, 2007. between 20th to 31st of October 2007  
Financial reporting for the third quarter ending December 31, 2007. between 20th to 31st of January 2008.  
Financial results for the year ending March 31, 2008 between 21st to 30th of April 2008
5. Share Related Data
  - The Shares of Nucleus are listed on The National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Madras Stock Exchange Limited.
  - Scrip Code (NSE) NUCLEUS
  - Scrip Code (BSE) 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) INE096B01018
  - Face value of the Company's equity shares is Rs.10.
  - Shares of the Company are compulsorily traded in demat form.
  - 93.59% of the Company's equity shares are in demat form.
  - The Company had 9,527 shareholders as on June 30, 2007.
  - 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.



## NUCLEUS SOFTWARE EXPORTS LTD.

— The dividend declared and paid in the previous financial years is give below:

<i>Financial Year</i>	<i>Dividend (%)</i>	<i>Dividend Per Share in Rs.</i>	<i>Dividend Pay Out in Rs. Lacs</i>
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 years 2000-2001.

\* The dividend payout in 2004-05 was on the enhanced capital consequent to 1:1 bonus issue made during the year.

— Registrars of Company

Karvy Computershare Private Limited  
 Plot No. 17-24, Vithal Rao Nagar  
 Madhapur, Hyderabad 500081  
 Tel: 040-23312454/23320251/751  
 Fax: 040- 23311968  
 Email: mailmanager@karvy.com

### 6. Locations

Nucleus services its clients through a network of international offices. Nucleus has wholly owned subsidiaries in Singapore, U.S.A, Japan, Hongkong, Australia, India, Netherlands and branch offices in London, U.K and Sharjah, U.A.E.

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 Ltd. operates a Development Centre at Pune under the Software Technology Park Scheme of the Government of India.

### 7. Stock Market Data Relating to Shares Listed in India

A. Monthly high and low quotations as well as the volume of shares traded at Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd.

	BSE					NSE				
	Open	High	Low	Close	Volume	Open	High	Low	Close	Volume
Apr-07	945.00	1,156.00	908.20	1,065.65	268,620	925.25	1,124.40	908.10	1,068.90	495,786
May-07	1,101.00	1,120.25	975.00	1,002.40	208,074	1,115.00	1,130.00	938.50	1,001.35	392,038
Jun-07	1,007.90	1,071.00	985.00	1,020.75	149,896	991.00	1,067.50	980.00	1,020.90	232,950

1. The highest share price of the Nucleus scrip at Bombay Stock Exchange Ltd. was Rs.1,156.00 in April 2007 and the lowest share price was Rs.908.20 in April 2007.
2. The highest share price of the Nucleus scrip at National Stock Exchange was Rs.1,130.00 in May 2007 and the lowest share price was Rs.908.10 in April 2007.



## NUCLEUS SOFTWARE EXPORTS LTD.

### B. Quarterly High-Low Price History of the Share for the Past Year

During Quarter Ended	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
September 30, 2006	465.95	295.05	468.00	295.00
December 31, 2006	748.80	421.20	749.00	436.50
March 31, 2007	1,198.75	642.00	1,200.95	655.00
June 30, 2007	1,156.00	908.20	1,130.00	908.10

### 8. 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 15,125,181 shares (93.59 % of the paid up share capital) as at June 30, 2007.

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.

### 9. Employee Stock Option Schemes

The Company earlier instituted an ESOP scheme 1999 in year 2000, ESOP scheme 2002 was instituted in 2002, ESOP scheme 2005 was instituted in 2005 and ESOP scheme 2006 was 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 Equity Shares, 2002 scheme for 225,000 Equity Shares, 2005 scheme for 600,000 Equity Shares and 2006 scheme for 1,000,000 to eligible employees and Directors. These schemes are administered by a Compensation Committee of Board of Directors.

### 10. Investors' Services

Details of request/complaints received during the quarter.

S. No.	Nature of Requests	Received	Attended	Pending
1.	Revalidation of Dividend Warrants	3	3	Nil
2.	Issue of Duplicate Share Certificates	5	5	Nil
3.	Request for Stop Transfer	—	—	—
4.	Non receipt of Share Certificate	2	2	—
5.	Demat Queries	—	—	—

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 quarter.



## NUCLEUS SOFTWARE EXPORTS LTD.

### 11. Legal Proceedings

There are three legal proceedings pending against the Company Court with two of them relating to termination of employment and one relating to stamp duty.

### 12. Distribution of Shareholding

*As on June 30, 2007*

<i>No. of equity shares held</i>	<i>No. of shareholders</i>	<i>% of share holders</i>	<i>No. of shares</i>	<i>% of share holding</i>
1-5000	8,600	90.23	771,750	4.78
5001 - 10000	409	4.29	314,004	1.94
10001 - 20000	226	2.37	332,779	2.06
20001 - 30000	94	1.01	250,607	1.55
30001 - 40000	41	0.43	149,747	0.93
40001 - 50000	23	0.24	105,359	0.65
50001 - 100000	51	0.56	367,580	2.27
100001 & Above	83	0.87	13,868,486	85.82
<b>Total</b>	<b>9,527</b>	<b>100.00</b>	<b>16,160,312</b>	<b>100.00</b>

### 13. Categories of Shareholders

*As on June 30, 2007*

<i>Category</i>	<i>No. of shareholders</i>	<i>Voting Strength (%)</i>	<i>No. of shares held</i>
Promoter and Promoter Group	12	59.66	9,641,720
Individuals	8,832	18.69	3,020,232
Bodies Corporate	451	6.63	1,071,360
OCB & NRIs	199	1.67	269,978
FII's	20	5.09	822,298
Mutual Funds	13	8.26	1,334,724
<b>Total</b>	<b>9,527</b>	<b>100.00</b>	<b>16,160,312</b>

### 14. Investors' 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



15. Employee Strength of Nucleus

Nucleus employed 1,571 people as on June 30, 2007 as compared to 1,420 people on June 30, 2006.

The distribution of the employees is:

As at	June 30, 2007		June 30, 2006	
Technical Staff	1,307	83.20%	1,180	83.10%
Non-Technical Staff including Business Development Group	264	16.80%	240	16.90%
The gender classification of employees is:				
Male	1,197	76.19%	1,076	75.77%
Female	374	23.81%	344	24.23%
Total	1,571	100.00%	1,420	100.00%

The age profile of employees is:

As at	June 30, 2007		June 30, 2006	
Between 20 and 25 years	417	26.54%	532	37.46%
Between 26 and 30 years	626	39.85%	520	36.62%
Between 31 and 40 years	460	29.28%	322	22.68%
Between 41 and 50 years	49	3.12%	37	2.61%
51 years and above	19	1.21%	9	0.63%
Total	1,571	100.00%	1,420	100.00%

16. How do I contact Nucleus by telephone, mail or in person?

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 and Head, Global Delivery	Tel:++91 (120) 2403981 E Mail: rp@nucleussoftware.com
Prakash Pai Head Product Management	Tel:++91 (120) 2404046 E Mail: pai@nucleussoftware.com
P K Sanghi Chief Financial Officer	Tel:++91 (120) 2404036 E Mail: pksanghi@nucleussoftware.com
Niraj Vedwa Head-Global Sales & Marketing	Tel:++91 (120) 2403979 E Mail: niraj@nucleussoftware.com
Poonam Bhasin Company Secretary	Tel:++91 (120) 2403960 E Mail: poonam@nucleussoftware.com



## NUCLEUS SOFTWARE EXPORTS LTD.

### Consolidated Segment Information of Nucleus Software Group

(Rs. in Crore)

REVENUE BY	Quarter ended				Year ended	
	June 30, 2007	% of Revenue	June 30, 2006	% of Revenue	March 31, 2007	% of Revenue
<b>GEOGRAPHICAL SEGMENTS</b>						
India	9.57	14.36	5.80	11.66	23.81	10.76
Far East	30.06	45.09	20.80	41.80	95.52	43.18
South East Asia	10.86	16.29	11.04	22.19	46.46	21.00
Europe/UK	4.07	6.11	4.13	8.30	13.87	6.28
USA & Canada	1.07	1.61	2.24	4.50	6.84	3.09
Middle East	8.03	12.05	2.60	5.23	15.31	6.92
Africa	1.68	2.52	2.90	5.82	12.41	5.62
Rest of the World	1.32	1.97	0.25	0.50	6.97	3.15
<b>TOTAL</b>	<b>66.66</b>	<b>100.00</b>	<b>49.76</b>	<b>100.00</b>	<b>221.19</b>	<b>100.00</b>
<b>CURRENCY SEGMENTS</b>						
Indian Rupee	9.57	14.36	5.80	11.66	23.81	10.76
Japanese Yen	3.38	5.07	2.98	6.00	12.82	5.80
Singapore \$	6.77	10.16	7.98	16.03	31.14	14.08
US \$	46.77	70.16	32.95	66.21	151.35	68.43
Malaysian Ringgit	0.17	0.25	0.05	0.10	1.70	0.77
Australian \$	—	—	—	—	0.02	0.01
Euro	—	—	—	—	0.35	0.15
<b>TOTAL</b>	<b>66.66</b>	<b>100.00</b>	<b>49.76</b>	<b>100.00</b>	<b>221.19</b>	<b>100.00</b>
<b>BUSINESS SEGMENTS</b>						
Product	44.17	66.26	24.18	48.58	119.76	54.14
Projects	20.54	30.81	21.66	43.54	88.55	40.04
Professional Services	1.95	2.93	3.92	7.88	12.88	5.82
<b>TOTAL</b>	<b>66.66</b>	<b>100.00</b>	<b>49.76</b>	<b>100.00</b>	<b>221.19</b>	<b>100.00</b>



**Ratio-Analysis**

Particulars	CONSOLIDATED PERFORMANCE		
	For the Quarter Ended		Year Ended
	June 30, 2007	June 30, 2006	March 31, 2007
<b>Ratios-Financial Performance</b>			
Export Revenue/ Revenue	85.64	88.35	89.24
Domestic Revenue/ Revenue	14.36	11.65	10.76
Gross Profit/ Revenue	37.66	41.55	43.44
Software Development Expenses/ Revenue	62.34	58.45	56.56
Selling and Marketing Expenses/ Revenue	7.23	6.45	8.11
General and Administrative Expenses/ Revenue	8.18	6.13	6.72
Total Operating Expenses/ Revenue	77.76	71.03	71.39
Operating Profit/ Revenue	22.24	28.97	28.61
Depreciation/ Revenue	3.72	2.91	3.11
Other Income/ Revenue	4.02	4.39	2.54
Tax/ Revenue	1.00	1.71	0.99
Tax/ PBT	4.56	5.98	3.83
PAT from Ordinary Activities/ Revenue	17.00	22.54	22.39
PAT from Ordinary Activities/ Net Worth	6.35	8.71	29.98
ROCE(PBIT/Average Capital Employed)	8.51	11.65	40.74
RONW (PAT/Average Net Worth)	8.16	10.97	39.29
<b>Ratios Balance Sheet</b>			
Debtors Turnover (Days)	89	59	91
Asset Turnover Ratio	0.37	0.39	1.33
Current Ratio	1.70	1.29	1.62
Cash and Equivalents/Total Assets (%)	40.89	59.96	49.28
Cash and Equivalents/ Revenue (%)	110.09	155.44	37.02
Depreciation/Average Gross Block(%)	3.15	2.68	11.59
Technology Investment/ Revenue (%)	6.88	6.24	3.02
<b>Ratios - Growth</b>			
Growth in Export Revenue (%)	29.85	44.79	48.12
Growth in Revenue (%)	33.96	51.51	49.40
Operating Expenses Growth (%)	46.64	58.44	53.42
Operating Profit Growth (%)	2.85	36.83	40.22
PAT Growth (%)	4.58	56.02	48.71
EPS Growth (%)	4.21	55.81	48.52
<b>Per- Share Data (Period End)</b>			
Earning Per Share from Ordinary Activities (Rs.)	7.01	6.96	30.65
Earning Per Share (Including Other Income) (Rs.)	8.67	8.32	34.13
Cash Earning Per Share from Ordinary Activities (Rs.)	8.55	7.86	34.90
Cash Earning Per Share (Including Other Income)(Rs.)	10.21	9.22	38.38
Book Value (Rs.)	110.39	79.97	102.22
Price/Earning (Annualized)	29.44	9.10	28.04
Price/ Cash Earning (Annualized)	25.01	8.21	24.93
Price/Book Value	9.25	3.79	9.36

**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.



**NUCLEUS SOFTWARE EXPORTS LTD.**

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