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**FINANCIAL HIGHLIGHTS**

Rs. in Crore, except per share data

**CONSOLIDATED PERFORMANCE**

PARTICULARS	Quarter ended		Half year ended		Year ended
	September 30		September 30		March 31
	2007	2006	2007	2006	2007
<b>For the Period</b>					
Revenue from Operations	70.37	55.08	137.02	104.85	221.19
Operating Profit (EBITDA)	17.95	15.99	34.06	30.44	63.28
Profit after Tax (PAT)	16.18	13.86	30.20	27.26	55.15
EBITDA as a % of Revenue from Operations	25.51%	29.03%	24.86%	29.03%	28.61%
PAT as a % of Revenue from Operations	22.99%	25.16%	22.04%	26.00%	24.93%
EPS*	5.00	4.30	9.33	8.46	17.09
Dividend Per Share	-	-	-	-	3.50
Dividend Payout (Rs. Crore)	-	-	-	-	5.64
<b>At the end of the Period</b>					
			<b>As at Sept. 30, 2007</b>	<b>As at Sept. 30, 2006</b>	<b>As at March 31, 2007</b>
Share Capital			32.37	16.12	16.16
Reserves and Surplus			163.01	126.40	149.03
Net Worth			195.38	142.52	165.19
Total Assets			196.54	142.93	166.19
Net Fixed Assets			60.21	41.03	55.07
Investments			81.76	65.20	69.01
Current Assets			127.69	77.16	109.70
Cash and Cash Equivalents			103.20	61.77	81.90
Working Capital			54.56	36.69	42.11
Market Capitalisation			1,025.15	722.74	1,546.38
No. of Shareholders			12,788	6,631	7,954
No. of Shares (Face Value of Rs.10.00)			32,364,624	16,116,312	16,160,312

\* Adjusted for Bonus Shares in the ratio of 1:1 allotted on 8th August 2007 as per Accounting Standard 20 (AS-20) on Earnings per share.

Notes:

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



**YEAR AT A GLANCE**

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

**CONSOLIDATED PERFORMANCE**

	Quarter ended		Half year ended		Year ended
	September 30 2007	2006	September 30 2007	2006	March 31 2007
<b>For the Period</b>					
Revenue from Operations	17,658	11,996	34,385	22,832	50,557
Operating Profit (EBITDA)	4,504	3,482	8,547	6,629	14,464
Profit after Tax (PAT)	4,061	3,019	7,577	5,936	12,605
EBITDA as a % of Revenue from Operations	25.51%	29.03%	24.82%	29.03%	28.61%
PAT as a % of Revenue from Operations	22.99%	25.16%	22.04%	26.00%	24.93%
EPS*	0.13	0.09	0.23	0.18	0.39
Dividend Per Share	-	-	-	-	0.08
Dividend Payout (US\$'000)	-	-	-	-	1,289
<b>At the end of the Period</b>					
			<b>As at Sept. 30, 2007</b>	<b>As at Sept. 30, 2006</b>	<b>As at March 31, 2007</b>
Share Capital			8,122	3,510	3,694
Reserves and Surplus			40,907	27,526	34,064
Net Worth			49,029	31,037	37,758
Total Assets			49,319	31,126	37,986
Net Fixed Assets			15,109	8,935	12,587
Investments			20,517	14,199	15,774
Current Assets			32,041	16,803	25,074
Cash and Cash Equivalents			25,897	13,451	18,720
Working Capital			13,692	7,990	9,625
Market Capitalisation			257,252	157,390	353,458
US\$ Exchange Rate (In Rs.)			39.85	45.92	43.75

\* Adjusted for Bonus Shares in the ratio of 1:1 allotted on 8th August 2007 as per Accounting Standard 20 (AS-20) on Earnings per share.

**Note:**

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



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## Letter to the Shareholders

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Dear Shareholder,

It gives me immense pleasure and satisfaction to share the results of your Company for Q2 and half year of FY 2008. Before I update you on the financial results, I would like to share with you that Nucleus Software has been listed among the "Best 200 under a billion companies in Asia" by Forbes Asia magazine, which is a major milestone for us. This recognition has strengthened our vision of setting new standards and reaching new horizons.

In terms of financial results the Company has posted a y-o-y top line growth of 27.74 % with consolidated revenue from operations at Rs.70.37 crore, against Rs.55.08 crore for the corresponding quarter of the previous year. Net profit for the quarter is Rs.16.18 crore against Rs.13.86 crore for the corresponding quarter of the previous year, a growth of 16.75 %. Earnings per share (adjusted) is Rs.5.00 for the quarter against Rs.4.30 for the corresponding quarter of the previous year.

For the half-year, consolidated revenue from operations is Rs.137.02 crore, against Rs.104.85 crore in half year of FY 07, an increase of 30.69%. Consolidated net profit is Rs. 30.19 crore, against Rs. 27.26 crore in half year of FY 07, an increase of 10.77%..

Operating profit for the quarter is Rs.17.95 crore, 25.51% of revenue, against Rs.15.99 crore, 29.03% of revenue in the corresponding quarter of the previous year. For the half-year, operating profit is Rs.34.06 crore, 24.86% of revenue, against Rs.30.44 crore, 29.03% of revenue in half year of FY 07.

Revenue for the product business is at Rs.49.16 crore, 69.86 % of revenue for the quarter against Rs.28.16 crore, 51.11 % of revenue, in the corresponding quarter of the previous year. This includes Rs. 2.95 crore of product revenue from third party products, which we offer to our customers as a combined solution against Rs.0.18 crore in the corresponding quarter of the previous year. For the half year, product revenue is at Rs.93.33 crore, 68.10% of the half-year revenue, against Rs.52.34 crore, 49.92% of the half-year revenue of the previous year.

Revenue from projects and services for the quarter is at Rs.21.21 crore, 30.14% of revenue against Rs.26.93 crore, 48.89% of revenue in the corresponding quarter of the previous year. For the half year, revenue from projects and services is at Rs.43.70 crore, 31.89% of total revenue, against Rs.52.51 crore, 50 % of total revenue for the half-year of the previous year. Our strategy continues to be Product centric and the continuous growth in the Product Business is a result of our sustained efforts to create Intellectual Property.

Receivables have reduced to Rs.51.05 crore against Rs.65.09 crore as on June 30, 2007, and the DSR has fallen to 67 days against 91 days. Operating cash flow before working capital is positive at Rs.20 crore.

The Company continues to enjoy high level of liquidity. 'Cash and Bank balances' and 'Current Investments' were at Rs.103.20 crore as on September 30, 2007 against Rs.73.38 crore as on June 30, 2007. We continue to invest conservatively in Liquid Plans and Fixed maturity plans of Mutual Funds.

Industry is settling down to the exchange rate scenario and while in the short term, we will hedge aggressively, the medium term solution is to increase value to our customers thereby improving realization.

This quarter we have received 5 new customer orders for products for 13 modules, and for the half- year it is 11 new customers for 36 product modules. These orders are largely from Middle East and African region, which continues to show traction for new business. The Company had a very good participation at SIBOS which is the Premier World Banking Conference held in Boston, during the month of October.

In this quarter, we implemented 28 product sites which include 11 of Customer Acquisition System (CAS), 7 of Loan Management System (LMS), 8 of Collections, 1 for General Ledger (GL), and 1 for BankONet™. We are taking multiple steps to improve operational efficiency. The results are evident, the growth in revenue as well as growth in the number of implementations that were delivered in this quarter without a change in the operational capacity.

Product Management Team has focused on enhancing and stabilizing the products to ensure success of the Company's strategy, to undertake vanilla implementations. As part of our technology upgrade strategy, we had started the migration of our flagship product FinnOne™ Lending to the Java J2EE platform. At the end of the half-year, we have successfully released upgraded versions of FinnOne™ Customer Acquisition System and Collections System. These releases are now being implemented at our new client locations.

We have added 64 associates in the second quarter of FY 2008, taking the global strength of employees to 1,635. One of the major exercise which we have recently undertaken is to drive performance through clearly-defined objectives for each and every Nucleite. There has been emphasis on leadership development during the quarter, especially at the team lead level, for better execution and delivery of our project. The newly-appointed team leaders are undergoing many developmental trainings which are going to help the organization in effective man management.

We look forward to future with confidence and optimism. As the global lending market is evolving, Nucleus finds itself strategically placed with wide array of products to cater to the demand. 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: October 28, 2007



**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 September 2007, the Profit and Loss Account for the quarter and six months ended on that date and also the Cash Flow Statement of the Company for the six months 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 September 2007;
  - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the quarter and six months ended on that date; and
  - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the six months ended on that date.

for **BSR & Co.**  
Chartered Accountants

Sd/-

**Vikram Advani**  
Partner

Membership No.: 091765

Place : Gurgaon  
Date : October 28, 2007



# NUCLEUS SOFTWARE EXPORTS LTD.

## Balance Sheet as at 30 September 2007

All amounts in Rupees

Particulars	Schedule	As at 30 Sept. 2007	As at 30 Sept. 2006	As at 31 March 2007
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Fund</b>				
Share capital	1	323,661,240	161,178,120	161,618,120
Advance pursuant to stock option schemes		6,893,100	4,072,500	7,213,100
Reserves and surplus	2	1,329,071,529	1,036,191,037	1,215,697,193
		1,659,625,869	1,201,441,657	1,384,528,413
<b>Deferred Tax Liability</b> (refer note 3, schedule 16)		2,763,398	-	521,206
		<b>1,662,389,267</b>	<b>1,201,441,657</b>	<b>1,385,049,619</b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross block	3	759,895,460	513,112,169	548,039,427
Less: Accumulated depreciation		(250,305,115)	(191,025,265)	(217,038,659)
Net block		509,590,345	322,086,904	331,000,768
Add: Capital work in progress (including capital advances)		3,552,997	30,155,515	130,458,253
		<b>513,143,342</b>	<b>352,242,419</b>	<b>461,459,021</b>
<b>Investments</b>	4	794,529,123	686,010,978	694,816,097
<b>Deferred tax asset</b> (refer note 3, schedule 16)		-	1,352,255	-
<b>Current assets, loans and advances</b>				
Sundry debtors	5	411,494,678	292,612,677	376,936,553
Cash and bank balances	6	130,936,305	44,346,548	134,345,157
Loans and advances	7	137,480,572	54,319,929	72,482,533
Other current assets	8	211,837,851	105,899,529	155,274,431
		891,749,406	497,178,683	739,038,674
<b>Less: Current liabilities and provisions</b>				
Current liabilities	9	(480,479,626)	(287,527,886)	(464,168,330)
Provisions	10	(56,552,978)	(47,814,792)	(46,095,843)
		(537,032,604)	(335,342,678)	(510,264,173)
<b>Net current assets</b>		354,716,802	161,836,005	228,774,501
<b>Total</b>		<b>1,662,389,267</b>	<b>1,201,441,657</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

Date : October 28, 2007

NOIDA (U.P.)

Date : October 28, 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.

## Profit and Loss Account for the quarter and half year ended 30 September 2007

All amounts in Rupees

Particulars	Schedule	Quarter ended		Half year ended		Year ended
		2007	30 September 2006	2007	30 September 2006	31 March 2007
Sales and services	11	483,123,358	348,363,445	955,390,582	662,021,613	1,465,305,488
Software development expenses	12	277,582,870	187,765,064	548,184,040	345,185,563	735,379,305
<b>Gross profit</b>		<b>205,540,488</b>	<b>160,598,381</b>	<b>407,206,542</b>	<b>316,836,050</b>	<b>729,926,183</b>
Selling and marketing expenses	13	28,835,513	24,590,509	61,922,965	46,174,963	120,702,002
General and administration expenses	14	38,034,503	22,549,231	70,566,368	45,019,289	115,938,659
<b>Operating profit before depreciation and withholding tax</b>		<b>138,670,472</b>	<b>113,458,641</b>	<b>274,717,209</b>	<b>225,641,798</b>	<b>493,285,522</b>
Depreciation	3	20,497,497	12,999,845	36,604,521	24,447,897	51,981,831
Withholding taxes charged off		7,113,572	13,303,070	10,385,044	20,799,967	46,749,630
<b>Operating profit after depreciation and withholding tax</b>		<b>111,059,403</b>	<b>87,155,726</b>	<b>227,727,644</b>	<b>180,393,934</b>	<b>394,554,061</b>
Other income	15	38,357,140	4,544,547	53,541,541	21,358,096	46,617,209
<b>Profit before taxation</b>		<b>149,416,543</b>	<b>91,700,273</b>	<b>281,269,185</b>	<b>201,752,030</b>	<b>441,171,270</b>
Provision for tax - current income tax		17,400,000	(1,600,000)	33,900,000	1,500,000	3,000,000
- MAT credit entitlement (refer note 8, schedule16)		(11,800,000)	-	(24,900,000)	-	-
- fringe benefit tax		1,650,000	1,410,000	3,250,000	2,310,000	6,124,139
- deferred tax charge (refer note 3, schedule16)		1,353,156	417,170	2,242,192	1,006,522	2,879,983
- income tax for earlier years		-	-	-	86,355	86,355
Provision for wealth tax		-	-	-	-	63,952
<b>Profit after taxation</b>		<b>140,813,387</b>	<b>91,473,103</b>	<b>266,776,993</b>	<b>196,849,153</b>	<b>429,016,841</b>
<b>Profit amount available for appropriation</b>						
Profit for the period / year		140,813,387	91,473,103	266,776,993	196,849,153	429,016,841
Add: Balance brought forward		628,209,096	342,922,886	502,245,490	237,546,836	237,546,836
<b>Total amount available for appropriation</b>		<b>769,022,483</b>	<b>434,395,989</b>	<b>769,022,483</b>	<b>434,395,989</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>769,022,483</b>	<b>434,395,989</b>	<b>769,022,483</b>	<b>434,395,989</b>	<b>502,245,490</b>
<b>Earnings per equity share (par value Rs.10 each)</b> (refer note 16, schedule 16)						
Basic		4.35	2.84	8.25	6.11	13.29
Diluted		4.33	2.83	8.18	6.10	13.22
<b>Number of shares used in computing earnings per equity share</b>						
Basic		32,357,450	32,232,624	32,350,078	32,226,905	32,273,966
Diluted		32,515,343	32,318,828	32,630,289	32,296,127	32,453,325

### Significant accounting policies and notes to the accounts

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

As per our report of even date

For BSR & Co.

Chartered Accountants

Vikram Advani

Partner

Membership No.: 091765

Gurgaon

Date : October 28, 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.

## Cash Flow Statement for the half year ended 30 September 2007

All amounts in Rupees

	30 September 2007	For the half year ended 30 September 2006	For the year ended 31 March 2007
<b>A. Cash flow from operating activities</b>			
Net profit before tax	281,269,185	201,752,030	441,171,270
Adjustment for:			
Depreciation	36,604,521	24,447,897	51,981,831
Exchange difference on translation of foreign currency accounts	(8,158,274)	(424,643)	(3,712,223)
Dividend received from non-trade investments	(5,257,580)	(2,770,118)	(9,914,653)
Interest on fixed deposits and loan to subsidiaries	(392,518)	(2,140,809)	(2,417,759)
Profit on sale of investments	(23,368,919)	(14,086,593)	(23,269,833)
Amortisation of employees stock compensation expenses	3,416,663	3,548,671	8,377,407
Profit on sale of fixed assets	(389,591)	(143,895)	(196,292)
Advances and other current assets written off	-	1,854,736	290,466
Provision for doubtful debts / advances / other current assets	2,601,123	778,245	21,435,709
<b>Operating profit before working capital changes</b>	<b>286,324,610</b>	<b>212,815,521</b>	<b>483,745,923</b>
Increase in debtors	(51,104,846)	(190,177,059)	(297,043,297)
Increase in loans and advances	(28,663,637)	(24,065,197)	(32,171,850)
Increase in other current assets	(68,407,808)	(37,321,027)	(89,210,619)
(Decrease) / increase in current liabilities and provisions	4,295,216	(29,694,727)	150,757,433
	142,443,535	(68,442,489)	216,077,590
Income tax paid	(7,407,655)	(3,938,200)	(9,935,113)
Fringe benefit tax paid	(3,117,865)	(1,045,074)	(6,224,213)
<b>Net cash from / (used in) operating activities (A)</b>	<b>131,918,016</b>	<b>(73,425,763)</b>	<b>199,918,264</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress	(68,319,822)	(65,418,786)	(193,376,191)
Sale of fixed assets	2,292,333	2,020,793	2,206,704
Purchase of current investments	(903,423,760)	(655,426,922)	(1,553,944,465)
Proceeds on sale of current investments	827,079,653	659,651,275	1,558,546,939
Loan to subsidiaries (net)	-	19,018,856	7,936,975
Interest on fixed deposits and loan to subsidiaries	47,970	4,839,122	5,366,347
Income tax paid	(2,618,171)	(2,101,047)	(2,688,257)
Dividend received from non-trade investments	5,257,580	2,770,118	9,914,653
<b>Net cash from / (used in) investing activities (B)</b>	<b>(139,684,217)</b>	<b>(34,646,591)</b>	<b>(166,038,295)</b>
Dividend paid (including corporate dividend tax thereon)	-	(64,008,798)	(126,144,669)
Advance pursuant to employee stock option scheme / proceeds from employee stock option exercised	4,903,800	3,591,000	13,999,520
<b>Net cash from / (used in) financing activities (C)</b>	<b>4,903,800</b>	<b>(60,417,798)</b>	<b>(112,145,149)</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>(2,862,402)</b>	<b>(168,490,152)</b>	<b>(78,265,180)</b>
<b>Opening cash and cash equivalents</b>	<b>134,345,157</b>	<b>213,088,500</b>	<b>213,088,500</b>
Exchange difference on translation of foreign currency bank accounts	(546,450)	(251,800)	(478,163)
<b>Closing cash and cash equivalents*</b>	<b>130,936,305</b>	<b>44,346,548</b>	<b>134,345,157</b>

\*include fixed deposits amounting to Rs. 8,827,856 (Rs. 8,471,826; 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  
Date : October 28, 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 Sept. 2007	As at 30 Sept. 2006	As at 31 March 2007
<b>SCHEDULE—1</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised Capital</b>			
40,000,000 (20,000,000; 20,000,000) equity shares of Rs.10 each	400,000,000	200,000,000	200,000,000
<b>Issued, subscribed and paid up</b>			
<b>Issued</b>			
32,367,424 (16,119,112; 16,163,112) equity shares of Rs.10 each	323,674,240	161,191,120	161,631,120
<b>Subscribed and paid up</b>			
32,364,624 (16,116,312; 16,160,312) equity shares of Rs.10 each, fully paid up	323,646,240	161,163,120	161,603,120
Of the above:			
16,182,312 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of securities premium account during the half year ended 30 September 2007			
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
	<b>323,661,240</b>	<b>161,178,120</b>	<b>161,618,120</b>



# NUCLEUS SOFTWARE EXPORTS LTD.

## Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 Sept. 2007	As at 30 Sept. 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
	<b>531,473,550</b>	<b>431,473,550</b>	<b>531,473,550</b>
<b>Securities premium account</b>			
Balance as at 1 April	173,199,509	162,978,709	162,978,709
Add: Share premium received	4,903,800	-	-
Add : On conversion of stock options issued to employees	3,829,520	1,012,000	10,220,800
Less: Amount utilised for issuance of 16,182,312 bonus shares of Rs. 10 each	161,823,120	-	-
	<b>20,109,709</b>	<b>163,990,709</b>	<b>173,199,509</b>
<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	100,000	-	73,000
	<b>1,673,030</b>	<b>1,500,030</b>	<b>1,573,030</b>
<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	-	164,800	1,761,600
Less: Transferred to securities premium account on exercise of stock options	3,829,520	851,000	3,304,880
	15,404,768	11,251,968	19,234,288
Less: Deferred employee compensation	(8,612,011)	(6,421,209)	(12,028,674)
	<b>6,792,757</b>	<b>4,830,759</b>	<b>7,205,614</b>
<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	266,776,993	196,849,153	429,016,841
Less: Transferred to general reserve	-	-	100,000,000
Less: Interim dividend	-	-	56,407,092
Less: Corporate dividend tax	-	-	7,911,095
	<b>769,022,483</b>	<b>434,395,989</b>	<b>502,245,490</b>
	<b>1,329,071,529</b>	<b>1,036,191,037</b>	<b>1,215,697,193</b>





# NUCLEUS SOFTWARE EXPORTS LTD.

## Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 Sept. 2007	As at 30 Sept. 2006	As at 31 March 2007
<b>SCHEDULE—4</b>			
<b>INVESTMENTS</b>			
<b>Long term investments</b>			
<b>Equity shares - 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 Limited	136,882,640	136,882,640	136,882,640
[Of the above, 80,000 (80,000; 80,000) equity shares are held by nominees on behalf of the Company]			
25,000 (25,000; 25,000) equity shares of Rs.10 each, fully paid up, in Ujjiyan Financial Services Private Limited	2,500,000	2,500,000	2,500,000
	<b>139,382,640</b>	<b>139,382,640</b>	<b>139,382,640</b>
<b>Equity shares in wholly owned subsidiaries - 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 (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
	<b>62,481,202</b>	<b>62,481,202</b>	<b>62,481,202</b>
<b>Current investments</b>			
<b>Investments in bonds and mutual funds - Non trade and unquoted</b>			
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	-
Nil (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



**Schedules forming part of the financial statements**

All amounts in Rupees

	As at 30 Sept. 2007	As at 30 Sept. 2006	As at 31 March 2007
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 ICICI Prudential FMP Series 34-One Year Plan B 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	-
Nil (467,666; Nil) units of face value of Rs.10 each of ING Vysya Liquid Fund Institutional-Growth	-	5,000,000	-
Nil (17,571; Nil) units of face value of Rs.1000 each of UTI Liquid Cash Plan Institutional-Growth	-	19,895,490	-
Nil (1,187,620; Nil) units of face value of Rs.10 each of Prudential ICICI Institutional Liquid Plan-Growth	-	20,000,000	-
Nil (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 (4,080,824; Nil) units of face value of Rs.10 each of LICMF Liquid Fund-Dividend	-	44,744,468	-
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 FTSP5 14 Mths Plan Inst Growth	25,000,000	-	25,000,000
2,500,000 (Nil; Nil) units of face value of Rs.10 each of ABN AMRO Fixed Term Plan-Ser-8-Yly Plan A-Inst.Growth	25,000,000	-	-
Nil (1,000,000; 1,000,000) units of face value of Rs.10 each of HSBC Fixed term Series-4-Growth	-	10,000,000	10,000,000
Nil (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
1,500,000 (Nil; 1,500,000) units of face value of Rs.10 each of HSBC Fixed Term Series-27 Inst. Growth	15,000,000	-	15,000,000
1,000,000 (Nil; Nil) units of face value of Rs.10 each of HSBC Fixed Term Series-28 Inst. 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-(FMP-37) 385 Days-Series IV-Mar 07 Institutional Growth Plan	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



**Schedules forming part of the financial statements**

All amounts in Rupees

	As at 30 Sept. 2007	As at 30 Sept. 2006	As at 31 March 2007
Nil (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
Nil (1,250,000; 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 367D April 2007 (5)-Wholesale Plan Growth	10,911,300	-	-
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
(Nil; 1,500,000) units of face value of Rs 10 each of RelianceFixed Horizon Fund III-Annual Plan Series I-Institutional Growth Plan	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 Growth Plan	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-Growth	25,000,000	-	25,000,000
1,250,000 (1,250,000;1,250,000) units of face value of Rs.10 each of Kotak FMP Series-Growth	12,500,000	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 Option	25,000,000	-	25,000,000
2,000,000 (Nil; Nil) units of face value of Rs.10 each of DWS Fixed Term Fund Series 33-Institutional Growth	20,000,000	-	-
Nil (1,000,000; Nil) units of face value of Rs.10 each of ABN Amro FTP Series 3 -Quarterly Plan A -Dividend	-	10,000,000	-
Nil (9,817; Nil) units of face value of Rs.1000 each of UTI Liquid Cash Plan Institutional-Dividend	-	10,008,163	-
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
6,635,267 (Nil; Nil) units of face value of Rs.10 each of ING Liquid Plus Fund- Institutional Daily Dividend	66,374,564	-	-
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	-	-
25018 (Nil; Nil) units of face value of Rs.1000 each of DSP Merrill Lynch Fixed Term Plan Series 1P-Institutional -Dividend	25,018,292	-	-
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	-	-
1,502,440 (Nil; Nil) units of face value of Rs.10 each of ABN AMRO Flexible Short Term Plan Ser. C -Qly Div-Ren	15,024,458	-	-



# NUCLEUS SOFTWARE EXPORTS LTD.

## Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 Sept. 2007	As at 30 Sept. 2006	As at 31 March 2007
2,000,000 (Nil; Nil) units of face value of Rs.10 each of UTI Fixed Maturity Plan Quarterly Series QFMP 0907/1-Inst. Dividend Plan-Re-investment	20,000,000	-	-
1,999,920 (Nil; Nil) units of face value of Rs.10.0004 each of Reliance Quarterly Interval Fund-Series III-Institutional Dividend Plan	20,000,000	-	-
1,999,680 (Nil; Nil) units of face value of Rs.10.0016 each of Reliance Interval Fund-Quarterly Plan-Series I-Institutional Dividend Plan	20,000,000	-	-
1,500,000 (Nil; Nil) units of face value of Rs.10 each of Sundaram BNP Paribas Interval Fund Qty-Plan-A-Inst Div	15,000,000	-	-
10,000 (Nil; Nil) units of face value of Rs.1000 each of DSP Merrill Lynch Fixed Term Plan Series 3D-Institutional -Growth	10,000,000	-	-
5,029,542 (Nil; Nil) units of face value of Rs.10 each of DWS Money Plus Fund-Institutional Plan -Daily Dividend Option	50,336,667	-	-
2,500,000 (Nil; Nil) units of face value of Rs.10 each of Lotus India FMP 375 Days Series II Inst. Growth	25,000,000	-	-
1,500,000 (Nil; Nil) units of face value of Rs.10 each of SBI Debt Fund Series-90 Days -15-(Sep 07)-Dividend	15,000,000	-	-
1,500,000 (Nil; Nil) units of face value of Rs.10 each of ING Fixed Maturity Fund-XXVI Dividend	15,000,000	-	-
	<b>592,665,281</b>	<b>484,147,136</b>	<b>492,952,255</b>
	<b>794,529,123</b>	<b>686,010,978</b>	<b>694,816,097</b>

### Notes:

1. Net asset value (NAV) of current investments is Rs. 608,649,366 (Rs 499,340,133; Rs. 512,682,896 ) as at 30 September 2007.
2. Refer note 7, schedule 16 for details of investments purchased and sold during the half year ended 30 September 2007.



# NUCLEUS SOFTWARE EXPORTS LTD.

## Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 Sept. 2007	As at 30 Sept. 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	34,484,564	5,264,534	8,012,776
- Considered doubtful	10,813,242	19,832,844	9,682,471
	45,297,806	25,097,378	17,695,247
Less: Provision for doubtful debts	(10,813,242)	(19,832,844)	(9,682,471)
	34,484,564	5,264,534	8,012,776
Other debts (considered good)*	377,010,114	287,348,143	368,923,777
	411,494,678	292,612,677	376,936,553

\* includes debt amounting to Rs.10,090,957 (Rs.22,706,099; Rs.9,773,891) from Nucleus Software Inc., USA, Rs.78,857,854 (Rs.57,900,124; Rs.55,137,972) from Nucleus Software Japan kabushiki Kaiga, Rs.56,324,173 (Rs.28,237,432; Rs.43,832,933) Nucleus Software Solutions Pte Ltd., Singapore and Rs. 5,391,205 (Rs. Nil; Rs. Nil) from Virstra-i Technology 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 Rs. Nil (Rs.1,550,000; Rs.708,663)]	181,268	1,848,439	1,002,545
Balances with scheduled banks:			
- in current accounts	48,922,946	29,107,894	114,501,219
- in fixed deposit accounts*	8,827,856	9,337,461	9,654,311
Balance with non scheduled bank:			
- in current account (Citibank, United Kingdom) [Maximum amount outstanding during the period / year Rs.850,270 (Rs.1,106,298; Rs. 1,106,298)]	420,926	843,606	829,963
- in current account (Citibank, U.A.E) [Maximum amount outstanding during the period / year Rs.563,625 (Rs.Nil; Rs. Nil)]	335,969	-	-
Remittance in transit	72,247,340	3,209,148	8,357,119
	130,936,305	44,346,548	134,345,157

\*include fixed deposits amounting to Rs.8,827,856 (Rs.8,471,826; 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	49,939,037	16,899,228	22,303,998
Loans and advances to subsidiaries*	13,724,991	8,335,643	12,758,902
Security deposits	9,257,670	3,158,369	8,448,926
Advance income tax [net of provision Rs 38,446,234 (Rs.31,597,948; Rs.29,446,234)]	9,243,714	3,197,716	8,217,888
MAT credit entitlement (refer note 8, schedule16)	24,900,000	-	-
Prepaid expenses	30,415,160	22,728,979	20,752,819
	137,480,572	54,319,929	72,482,533

\* includes loan amounting to Rs.2,570,325 (Rs.2,961,840; 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 Sept. 2007	As at 30 Sept. 2006	As at 31 March 2007
<b>SCHEDULE—8</b>			
<b>OTHER CURRENT ASSETS</b>			
Service income accrued but not due	210,623,272	104,752,222	154,380,718
Interest accrued but not due	1,214,579	1,147,307	893,713
	<b>211,837,851</b>	<b>105,899,529</b>	<b>155,274,431</b>

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

Sundry creditors *	214,596,900	84,137,971	150,692,621
Withholding tax	18,462,200	16,295,776	9,434,496
Due to subsidiaries	13,316,279	25,983,876	14,243,095
Advances from customers	145,869,256	146,018,751	273,215,853
Unclaimed dividends	1,124,446	698,128	3,435,287
Other liabilities	20,549,713	14,393,384	13,146,978
Book overdraft	66,560,832	-	-
	<b>480,479,626</b>	<b>287,527,886</b>	<b>464,168,330</b>

\* 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	25,302,128	19,113,881	20,377,128
Leave encashment	31,048,715	27,265,911	25,648,715
Fringe benefit tax [Net of advance fringe benefit tax Rs.13,443,469 (Rs. 5,146,391; Rs. 10,325,604)]	202,135	1,435,000	70,000
	<b>56,552,978</b>	<b>47,814,792</b>	<b>46,095,843</b>



# NUCLEUS SOFTWARE EXPORTS LTD.

## Schedules forming part of the financial statements

All amounts in Rupees

	Quarter ended 30 September		Half year ended 30 September		Year ended 31 March
	2007	2006	2007	2006	2007
<b>SCHEDULE—11</b>					
<b>SALES AND SERVICES</b>					
Software development services and products					
- Domestic	71,646,513	49,179,676	172,023,812	110,903,324	254,784,000
- Overseas	411,476,845	295,681,569	783,366,770	547,616,089	1,207,019,288
Consultancy services	-	3,502,200	-	3,502,200	3,502,200
	<b>483,123,358</b>	<b>348,363,445</b>	<b>955,390,582</b>	<b>662,021,613</b>	<b>1,465,305,488</b>

## **SCHEDULE—12** **SOFTWARE DEVELOPMENT EXPENSES**

Salaries and allowances	181,074,943	125,189,927	349,861,410	221,346,700	463,012,124
Contribution to provident and other funds	10,374,628	6,298,730	17,699,640	11,183,026	24,774,730
" Directors' remuneration (including stock compensation expenses "Rs. Nil (Rs.511,369; Rs.125,089; Rs.850,429; Rs.1,396,831) "	2,792,786	2,082,396	5,478,361	4,329,138	9,719,409
Employee's stock compensation expenses	1,291,869	767,057	2,628,375	1,422,599	4,307,968
Staff welfare	2,518,103	2,085,047	5,070,884	4,004,072	10,361,647
Conveyance	2,216,693	1,671,075	4,498,899	2,907,188	7,950,453
Communication	3,146,292	3,187,110	6,195,863	8,630,330	14,145,662
Rent	1,444,949	193,154	2,775,177	931,680	3,422,394
Legal and professional	5,536,748	3,800,881	9,451,678	5,816,196	13,038,471
Repair and maintenance					
- Buildings	282,629	49,834	399,772	81,453	278,462
- Others	1,559,907	951,018	2,541,489	1,657,794	4,268,879
Training and recruitment	6,215,317	5,309,510	8,201,465	10,420,062	18,319,019
Printing and stationery	250,452	137,878	968,063	314,759	713,520
Insurance	878,332	649,278	1,554,954	1,350,131	2,322,658
Software and other development charges	3,051,437	1,871,003	4,161,603	3,269,537	7,288,344
Cost of software purchased for delivery to clients	12,347,751	1,576,953	41,864,051	6,707,520	15,113,102
Travelling	32,633,278	25,551,404	66,908,125	50,212,988	113,069,711
Power and fuel	7,459,904	4,990,247	13,619,079	8,520,964	16,788,645
Conference, exhibition and seminar	-	-	-	61,348	61,348
Information technology expenses	1,246,209	528,632	2,723,043	950,968	3,942,861
Miscellaneous expenses	1,260,643	873,930	1,582,109	1,067,110	2,479,898
	<b>277,582,870</b>	<b>187,765,064</b>	<b>548,184,040</b>	<b>345,185,563</b>	<b>735,379,305</b>



**Schedules forming part of the financial statements**

All amounts in Rupees

	Quarter ended 30 September		Half year ended 30 September		Year ended 31 March
	2007	2006	2007	2006	2007
<b>SCHEDULE—13</b>					
<b>SELLING AND MARKETING EXPENSES</b>					
Salaries and allowances	11,416,553	8,292,573	25,169,199	15,408,077	37,262,729
Contribution to provident and other funds	552,879	443,019	1,164,315	758,761	1,870,399
"Directors' remuneration (including stock compensation expenses "Rs.Nil (Rs.511,369; Rs.125,089; Rs.850,429; Rs.1,396,831) "	2,792,786	2,082,396	5,478,361	4,329,138	9,719,409
Employee's stock compensation expenses	81,775	-	192,261	-	251,224
Staff welfare	220,034	189,556	489,391	380,136	978,984
Conveyance	472,406	367,167	1,333,042	595,219	2,149,413
Communication	456,174	167,395	810,581	340,831	807,280
Rent	930,469	171,422	2,055,811	232,119	1,294,020
Legal and professional	292,833	273,667	563,055	506,999	1,049,284
Repair and maintenance					
- Buildings	14,837	4,182	24,667	7,344	23,876
- Others	81,889	79,806	164,260	150,484	369,596
Training and recruitment	311,745	254,245	485,184	472,376	783,167
Printing and stationery	858,684	81,170	2,671,921	359,232	1,318,845
Insurance	40,383	27,920	71,139	75,036	118,610
Travelling	5,265,579	3,674,935	10,522,577	7,311,073	20,282,614
Advertisement and business promotion	2,543,710	2,854,426	5,517,425	4,267,536	7,835,392
Power and fuel	473,807	256,327	893,029	406,277	913,302
Conference, exhibition and seminar	327,000	536,204	481,828	681,602	8,987,645
Information technology expenses	60,450	24,312	127,852	43,611	177,405
Commission to channel partner	1,467,493	4,692,047	3,502,924	9,680,338	24,188,634
Miscellaneous expenses	174,027	117,740	204,143	168,774	320,174
	<b>28,835,513</b>	<b>24,590,509</b>	<b>61,922,965</b>	<b>46,174,963</b>	<b>120,702,002</b>



# NUCLEUS SOFTWARE EXPORTS LTD.

## Schedules forming part of the financial statements

All amounts in Rupees

	Quarter ended 30 September		Half year ended 30 September		Year ended 31 March
	2007	2006	2007	2006	2007
<b>SCHEDULE—14</b>					
<b>GENERAL AND ADMINISTRATION EXPENSES</b>					
Salaries and allowances	17,718,337	11,676,543	36,839,734	22,280,939	49,440,441
Contribution to provident and other funds	1,059,508	670,481	1,938,510	1,262,398	2,881,983
" Directors' remuneration (including stock compensation expenses "Rs. Nil (Rs.255,684; Rs.62,545; Rs.425,214; Rs.698,414) "	1,846,393	1,426,198	3,489,180	2,834,569	6,204,705
Employee's stock compensation expenses	129,439	-	283,304	-	326,139
Staff welfare	396,605	327,789	833,119	632,573	1,524,886
Conveyance	779,620	514,594	1,380,456	979,877	3,168,617
Communication	576,991	450,830	1,074,110	503,298	1,456,765
Rent	64,800	530,641	129,600	560,641	642,941
Rates and taxes	3,331,119	511,592	3,814,382	830,499	3,259,295
Legal and professional	2,139,750	1,877,697	3,542,610	5,175,160	8,615,483
Repair and maintenance					
- Buildings	73,376	12,197	102,047	23,264	71,483
- Others	404,980	232,767	645,227	480,139	1,119,215
Training and recruitment	677,303	304,162	902,866	335,854	984,536
Printing and stationery	209,121	373,648	481,459	591,280	1,568,079
Loss on sale of fixed assets (net)	103,118	-	-	-	-
Insurance	90,862	48,861	152,373	111,682	193,393
Bank charges	486,119	278,585	743,128	672,380	1,776,281
Travelling	250,388	338,011	1,362,500	351,964	1,886,000
Advertisement	520,550	192,765	2,054,331	220,648	1,015,557
Power and fuel	792,444	379,613	1,380,212	429,127	1,211,226
Conference, exhibition and seminar	14,619	86,191	113,065	388,390	443,880
Information technology expenses	123,779	40,083	261,857	71,500	320,847
Advances and other current assets written off	-	281,510	-	281,510	290,466
Provision for doubtful debts /advances / other current assets *	2,245,824	187,722	2,601,123	2,351,471	21,435,709
Loss on foreign exchange fluctuation (net)	-	92,428	-	451,647	-
Miscellaneous expenses	3,999,458	1,714,323	6,441,175	3,198,479	6,100,732
	<b>38,034,503</b>	<b>22,549,231</b>	<b>70,566,368</b>	<b>45,019,289</b>	<b>115,938,659</b>

\*Includes bad debts written off Rs. 1,470,352 (Rs. Nil; Rs. 1,470,352; Rs. 1,573,226; Rs. 12,546,037)

## SCHEDULE—15

### OTHER INCOME

Dividend received from non-trade investments	3,742,046	1,119,137	5,257,580	2,770,118	9,914,653
Gain on foreign exchange fluctuation (net)	29,613,854	-	22,636,646	-	6,797,263
Interest on fixed deposits and loans to subsidiaries					
[gross of tax deducted at source Rs. 9,253 (Rs 121,668; Rs 10,196; Rs. 872,951 Rs. 913,379)]	196,804	364,100	392,518	2,140,809	2,417,759
Profit on sale of fixed assets (net)	-	-	389,591	143,895	196,292
Profit on sale of investments (net)	3,884,394	2,125,941	23,368,919	14,086,593	23,269,833
Miscellaneous income	920,042	935,369	1,496,287	2,216,681	4,021,409
	<b>38,357,140</b>	<b>4,544,547</b>	<b>53,541,541</b>	<b>21,358,096</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 September 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.



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

In the case of forward contracts:

- a) the premium or discount on all such contracts arising at the inception of each contract is amortised as income or expense over the life of the contract.
- b) the exchange difference is calculated as the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting date, or the settlement date where the transaction is settled during the reporting period, and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognised in the profit and loss account in the reporting period in which the exchange rates change.
- c) any profit or loss arising on the cancellation or renewal of such contracts is recognised as income or as expense for the period.

The company 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.

**(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 asset/(liability)**

Components of net deferred tax asset/(liability):

*(Amounts in Rupees)*

	As at 30 September 2007	As at 30 September 2006	As at 31 March 2007
<b>Deferred tax asset</b>			
Provision for doubtful debts	614,650	1,049,582	668,865
Provision for retirement benefits	6,697,940	4,303,533	5,362,242
	7,312,590	5,353,115	6,031,107
<b>Deferred tax liability</b>			
Fixed assets	(10,075,988)	(4,000,860)	(6,552,313)
<b>Net deferred tax asset/(liability)</b>	<b>(2,763,398)</b>	<b>1,352,255</b>	<b>(521,206)</b>



**4. Forward contracts and options in foreign currency**

Exchange gain in respect of forward exchange contracts to be recognised in the profit and loss account of the subsequent accounting period is Rs.1,519,156 (Rs.357,664; Rs.230,162). As at 30 September 2007, the Company has outstanding forward contracts for USD 7,898,062 (USD 2,598,006; USD 1,750,000).

Further, the company has option contracts to sell USD 18,400,000 (USD Nil; USD 4,950,000). The gain on mark to market of option contracts is Rs.23,333,617 (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. Nil (Rs.22,811,807; 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. On exercise of Stock Options, Optionholders will be entitled to Bonus Shares in the ratio of 1:1, pursuant to approval of Bonus Issue by the shareholders in the Annual General Meeting held on July 6, 2007.

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

*(Amounts in Rupees)*

**1999 Stock Option Scheme**

	Quarter ended		Half year ended		Year ended
	30 September	30 September	30 September	30 September	31 March
	2007	2006	2007	2006	2007
Options outstanding at the beginning of the period	5,700	21,500	5,700	12,500	12,500
Options granted	-	-	-	9,000	9,000
Options forfeited	-	-	-	-	-
Options exercised	(5,700)	(11,500)	(5,700)	(11,500)	(12,500)
Balance carried forward	-	10,000	-	10,000	5,700



**2002 Stock Option Scheme**

	Quarter ended 30 September		Half year ended 30 September		Year ended 31 March
	2007	2006	2007	2006	2007
Options outstanding at the beginning of the period	159,750	113,250	159,750	63,250	63,250
Options granted	-	-	-	50,000	145,500
Options forfeited	-	(2,000)	-	(2,000)	(6,000)
Options exercised	(16,300)	-	(16,300)	-	(43,000)
Balance carried forward	143,450	111,250	143,450	111,250	159,750

**2005 Stock Option Scheme**

	Quarter ended 30 September		Half year ended 30 September		Year ended 31 March
	2007	2006	2007	2006	2007
Options outstanding at the beginning of the period	142,000	140,000	142,000	-	-
Options granted	-	2,000	-	142,000	142,000
Options forfeited	-	-	-	-	-
Options exercised	-	-	-	-	-
Balance carried forward	142,000	142,000	142,000	142,000	142,000

**2006 Stock Option Scheme**

	Quarter ended 30 September		Half year ended 30 September		Year ended 31 March
	2007	2006	2007	2006	2007
Options outstanding at the beginning of the period	271,860	-	271,860	-	-
Options granted	-	2,000	-	2,000	271,860
Options forfeited	(10,000)	-	(10,000)	-	-
Options exercised	-	-	-	-	-
Balance carried forward	261,860	2,000	261,860	2,000	271,860



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

	<i>(Amounts in Rupees)</i>				
	Quarter ended		Half year ended		Year ended
	30 September	30 September	30 September	30 September	31 March
	2007	2006	2007	2006	2007
Balance brought forward	10,115,094	8,631,489	12,028,674	2,261,081	2,261,081
Add: Recognised during the period	-	-	-	7,873,600	19,906,600
Less: Amortisation expense	1,503,083	2,045,480	3,416,663	3,548,672	8,377,407
Less: Reversal due to forfeiture	-	164,800	-	164,800	1,761,600
Balance carried forward	8,612,011	6,421,209	8,612,011	6,421,209	12,028,674

The Finance Act, 2007 included Fringe benefit Tax ("FBT") on Employees' Stock Option Plan. FBT liability crystallizes on the date of exercise of stock options.

### 6. Managerial Remuneration \*

	<i>(Amounts in Rupees)</i>				
	Quarter ended		Half year ended		Year ended
	30 September	30 September	30 September	30 September	31 March
	2007	2006	2007	2006	2007
<b>A. Managing Director</b>					
Salary and perquisites	1,500,000	540,000	3,000,000	1,080,000	3,120,000
Contribution to provident and other funds	90,000	36,000	180,000	72,000	198,000
Commission	3,927,722	3,351,568	7,922,061	7,544,774	16,838,447
	<b>5,517,722</b>	<b>3,927,568</b>	<b>11,102,061</b>	<b>8,696,774</b>	<b>20,156,447</b>
<b>B. Non Executive Directors</b>					
Stock based compensation	-	1,278,422	312,723	2,126,071	3,492,076
Commission	1,464,243	-	2,281,118	-	650,000
Sitting fees	450,000	385,000	750,000	670,000	1,345,000
	<b>1,914,243</b>	<b>1,663,422</b>	<b>3,343,841</b>	<b>2,796,071</b>	<b>5,487,076</b>

\*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.



**7. Details of investments purchased and sold during the half year ended 30 September 2007**

Name of the investment	Face value Amount (Rupees)	Purchased during the period		Sold during the period	
		Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
Sundaram BNP Paribas Liquid Plus-(Dividend)	10	5,760,997	57,652,997	5,760,997	57,651,795
Reliance Liquid Plus Fund-Institutional-(Dividend)	1,000	65,809	65,897,818	65,809	65,880,851
DWS Money Plus Fund-Regular-(Dividend)	10	1,999,263	20,044,407	1,999,263	20,044,407
Lotus India Liquid Plus Fund-(Dividend)	10	8,538,102	85,515,066	8,538,102	85,515,066
ING Liquid Plus Fund-(Dividend)	10	4,748,433	47,500,000	4,748,433	47,500,000
ABN AMRO Flexible Short Term Plan Ser C-(Dividend)	10	2,035,224	20,352,243	2,035,224	20,352,243
Sundaram BNP Paribas FTP Series XXIX-(Dividend)	10	2,543,718	25,437,175	2,543,718	25,437,175
Birla FTP-Quarterly-Series 14-Dividend-Payout	10	1,000,000	10,000,000	1,000,000	10,210,372
DSP Merrill Lynch FTP Plan Series 1N-(Dividend)	1,000	25,440	25,439,827	25,440	25,445,884
Kotak FMP 3M Series 20-(Dividend)	10	2,035,146	20,351,465	2,035,146	20,351,465
ICICI Prudential Liquid Plan-Super IP-(Dividend)	10	4,016,724	40,167,239	4,016,724	40,167,239
ICICI Prudential Flexible Income Plan-(Dividend)	10	1,901,293	20,103,319	1,901,293	20,103,319
Tata Liquidity Management Fund-(Dividend)	1,000	14,988	15,021,412	14,988	15,021,412
Standard Chartered Liquidity Manager-(Dividend)	1,000	30,104	30,109,551	30,104	30,109,551
HDFC Cash Management-Savin 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.24,900,000 was carried forward and shown under "Loans and advances" in the balance sheet as of 30 September 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.

**Information in respect of primary segment**

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

**For the quarter ended 30 September 2007**

*(Amounts in Rupees)*

<b>Description</b>	<b>India</b>	<b>Far East</b>	<b>Singapore</b>	<b>Europe</b>	<b>USA</b>	<b>Others</b>	<b>Total</b>
Revenue from external customers	71,646,513	188,989,730	39,707,686	54,968,174	3,887,394	123,923,861	483,123,358
Expenses	57,365,004	127,518,104	25,297,593	35,019,984	2,476,642	78,951,351	326,628,678
Segment result	14,281,509	61,471,626	14,410,093	19,948,190	1,410,752	44,972,510	156,494,680
Unallocated corporate expenditure							45,435,277
Operating profit before taxation							111,059,403
Other income							38,357,140
Profit before tax							149,416,543
Provision for taxation							
- current income tax							17,400,000
- MAT credit entitlement							(11,800,000)
- fringe benefit tax							1,650,000
- deferred tax							1,353,156
- income tax for earlier years							-
Provision for wealth tax							-
<b>Net profit after taxation</b>							<b>140,813,387</b>



# NUCLEUS SOFTWARE EXPORTS LTD.

## For the quarter ended 30 September 2006

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	USA	Others	Total
Revenue from external customers	49,179,676	124,691,171	28,553,760	40,034,316	29,819,330	76,085,192	348,363,44
Expenses	53,361,023	82,406,277	15,824,347	22,426,750	16,525,720	42,166,023	232,710,140
Segment result	(4,181,347)	42,284,894	12,729,413	17,607,566	13,293,610	33,919,169	115,653,305
Unallocated corporate expenditure							28,497,579
Operating profit before taxation							87,155,726
Other income							4,544,547
Profit before tax							91,700,273
Provision for taxation							
- current income tax							(1,600,000)
- MAT credit entitlement							-
- fringe benefit tax							1,410,000
- deferred tax							417,170
- income tax for earlier years							-
Provision for wealth tax							-
<b>Net profit after taxation</b>							<b>91,473,103</b>

## For the half year ended 30 September 2007

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	USA	Others	Total
Revenue from external customers	172,023,812	350,073,838	74,916,964	95,145,736	7,069,025	256,161,207	955,390,582
Expenses	154,337,001	225,654,361	46,032,852	58,681,137	4,350,351	156,827,856	645,883,558
Segment result	17,686,811	124,419,477	28,884,112	36,464,599	2,718,674	99,333,351	309,507,024
Unallocated corporate expenditure							81,779,380
Operating profit before taxation							227,727,644
Other income							53,541,541
Profit before tax							281,269,185
Provision for taxation							
- current income tax							33,900,000
- MAT credit entitlement							(24,900,000)
- fringe benefit tax							3,250,000
- deferred tax							2,242,192
- income tax for earlier years							-
Provision for wealth tax							-
<b>Net profit after taxation</b>							<b>266,776,993</b>



# NUCLEUS SOFTWARE EXPORTS LTD.

## For the half year ended 30 September 2006

Description	India	Far East	Singapore	Europe	USA	Others	Total
Revenue from external customers	110,903,324	218,332,532	63,295,391	81,353,482	30,215,600	157,921,284	662,021,613
Expenses	110,006,467	138,318,328	33,786,724	43,911,285	16,730,602	85,717,628	428,471,034
Segment result	896,857	80,014,204	29,508,667	37,442,197	13,484,998	72,203,656	233,550,579
Unallocated corporate expenditure							53,156,645
Operating profit before taxation							180,393,934
Other income							21,358,096
Profit before tax							201,752,030
Provision for taxation							
- current income tax							1,500,000
- MAT credit entitlement							-
- fringe benefit tax							2,310,000
- deferred tax							1,006,522
- income tax for earlier years							86,355
Provision for wealth tax							-
<b>Net profit after taxation</b>							<b>196,849,153</b>

## 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>



## NUCLEUS SOFTWARE EXPORTS LTD.

Assets and liabilities of reportable primary segment are as follows :

### As at 30 September 2007

*(Amounts in Rupees)*

Description	India	Far East	Singapore	Europe	USA	Others	Total
Segment assets	115,559,359	160,191,660	86,867,569	22,602	17,665,090	255,536,661	635,842,941
Unallocated corporate assets							1,563,578,930
<b>Total assets</b>							<b>2,199,421,871</b>
Segment liabilities	88,861,212	107,856,763	14,179,729	130,816,280	2,666,871	58,635,110	403,015,965
Unallocated corporate liabilities							136,780,037
<b>Total liabilities</b>							<b>539,796,002</b>
<b>Capital employed</b>							<b>1,659,625,869</b>

### As at 30 September 2006

*(Amounts in Rupees)*

Description	India	Far East	Singapore	Europe	USA	Others	Total
Segment assets	65,962,056	148,406,262	38,314,863	4,448,036	34,264,770	114,304,555	405,700,542
Unallocated corporate assets							1,131,083,793
<b>Total assets</b>							<b>1,536,784,335</b>
Segment liabilities	24,434,901	76,508,037	3,536,882	111,593,384	3,430,917	16,318,073	235,822,194
Unallocated corporate liabilities							99,520,484
<b>Total liabilities</b>							<b>335,342,678</b>
<b>Capital employed</b>							<b>1,201,441,657</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
<b>Total liabilities</b>							<b>510,785,379</b>
<b>Capital employed</b>							<b>1,384,528,413</b>



## NUCLEUS SOFTWARE EXPORTS LTD.

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 September 2007

Description	India	Far East	Singapore	Europe	USA	Others	Total
Capital expenditure (unallocated)							20,562,656
<b>Total capital expenditure</b>							<b>20,562,656</b>
Depreciation expenditure (unallocated)							20,497,497
<b>Total depreciation</b>							<b>20,497,497</b>
Segment non-cash expense other than depreciation	605,429	448,945	2,356,390	130,577	9,234	198,332	3,748,907
<b>Total non cash expenditure other than depreciation</b>	<b>605,429</b>	<b>448,945</b>	<b>2,356,390</b>	<b>130,577</b>	<b>9,234</b>	<b>198,332</b>	<b>3,748,907</b>

### For the quarter ended 30 September 2006

Description	India	Far East	Singapore	Europe	USA	Others	Total
Capital expenditure (unallocated)							30,988,323
<b>Total capital expenditure</b>							<b>30,988,323</b>
Depreciation expenditure (unallocated)							12,999,845
<b>Total depreciation</b>							<b>12,999,845</b>
Segment non-cash expense other than depreciation	860,615	617,493	1,127,102	319,220	147,671	(557,389)	2,514,712
<b>Total non cash expenditure other than depreciation</b>	<b>860,615</b>	<b>617,493</b>	<b>1,127,102</b>	<b>319,220</b>	<b>147,671</b>	<b>(557,389)</b>	<b>2,514,712</b>

### For the half year ended 30 September 2007

Description	India	Far East	Singapore	Europe	USA	Others	Total
Capital expenditure (unallocated)							90,191,584
<b>Total capital expenditure</b>							<b>90,191,584</b>
Depreciation expenditure (unallocated)							36,604,521
<b>Total depreciation</b>							<b>36,604,521</b>
Segment non-cash expense other than depreciation	1,424,141	988,078	2,474,233	265,047	19,883	846,604	6,017,786
<b>Total non cash expenditure other than depreciation</b>	<b>1,424,141</b>	<b>988,078</b>	<b>2,474,233</b>	<b>265,047</b>	<b>19,883</b>	<b>846,404</b>	<b>6,017,786</b>



**For the half year ended 30 September 2006**

Description	India	Far East	Singapore	Europe	USA	Others	Total
Capital expenditure (unallocated)							72,544,232
<b>Total capital expenditure</b>							<b>72,544,232</b>
Depreciation expenditure (unallocated)							24,447,897
<b>Total depreciation</b>							<b>24,447,897</b>
Segment non-cash expense other than depreciation	911,344	986,335	1,263,945	481,971	1,302,430	1,235,626	6,181,651
<b>Total non cash expenditure other than depreciation</b>	<b>911,344</b>	<b>986,335</b>	<b>1,263,945</b>	<b>481,971</b>	<b>1,302,430</b>	<b>1,235,626</b>	<b>6,181,651</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.

**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



## NUCLEUS SOFTWARE EXPORTS LTD.

### *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		Half year ended		Year ended
	30 September	30 September	30 September	30 September	31 March
	2007	2006	2007	2006	2007
<b>i Software development, services and products</b>					
-Nucleus Software Japan Kabushiki Kaiga.	137,858,193	41,059,986	242,953,696	134,686,206	257,804,780
-Nucleus Software Solutions Pte Ltd.	24,110,011	24,722,314	50,481,840	57,606,305	105,991,382
-Nucleus Software Inc.	3,255,506	29,407,434	5,541,076	29,407,434	43,811,715
- Others	3,750,000	4,017,392	8,408,118	7,767,392	16,879,145
<b>ii Other income</b>					
Virstra i -Technology Services Limited	511,141	718,476	1,080,436	1,197,816	2,968,730
<b>iii Managerial remuneration</b>					
Vishnu R Dusad (Managing director)	5,517,722	3,927,569	11,102,061	8,696,775	20,156,447
<b>iv Reimbursement of expenses</b>					
From wholly owned subsidiary companies :					
-Virstra i -Technology Services Limited	1,857,717	2,827,703	3,705,621	5,816,633	9,644,251
-Nucleus Software Solutions Pte Ltd	1,842,146	2,630,970	4,229,058	6,490,879	12,681,199
-Others	96,127	153,304	248,829	262,591	1,637,261
To wholly owned subsidiary companies:					
-Nucleus Software Solutions Pte Ltd.	1,161,385	1,570,703	1,713,286	3,743,149	5,320,419
-Nucleus Software Japan Kabushiki Kaiga.	-	5,435,749	-	10,761,350	21,157,010
-Others	187,797	302,383	187,797	332,230	498,123
<b>Cost of services hired</b>					
-Nucleus Software Solutions Pte Ltd.	3,134,942	-	8,449,369	-	-
<b>v Commission paid</b>					
To wholly owned subsidiary company					
-Nucleus Software (Australia) Pty Ltd.	292,061	303,944	560,502	469,427	781,918

**NUCLEUS SOFTWARE EXPORTS LTD.****vi Interest received**

From wholly owned subsidiary companies

- Nucleus Software Solutions

Pte Ltd. - - - 71,559 71,559

- Nucleus Software Inc. 60,322 129,639 120,149 242,692 369,501

**vii Loans and advances**

Repaid by wholly owned subsidiary company

- 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**

Outstanding balances at period/ year-end

**As at  
30 September  
2007  
(Rupees)****As at  
30 September  
2006  
(Rupees)****As at  
31 March  
2007  
(Rupees)****Loans and advances**

To wholly owned subsidiaries

-Nucleus Software Solutions Pte Ltd. 7,927,809 4,238,427 8,842,354

-Virstra i -Technology Services Limited. 2,201,715 - -

-Nucleus Software Inc. 3,499,340 4,097,216 3,916,548

-Nucleus Software Netherlands B.V. 96,127 - -

**Debtors**

Wholly owned subsidiaries

-Nucleus Software Japan Kabushiki Kaiga. 78,857,854 57,900,124 55,137,972

-Nucleus Software Solutions Pte Ltd. 56,324,173 28,237,432 43,832,933

-Nucleus Software Inc. 10,090,957 22,706,099 9,773,801

-Others 5,391,205 - 90

**Service income accrued but not due**

Wholly owned subsidiary Company

-Nucleus Software Japan Kabushiki Kaiga. 5,505,901 8,735,246 7,669,406

-Nucleus Software Inc. 3,804,470 6,701,335 -

**Interest income accrued but not due**

Wholly owned subsidiary Company

-Nucleus Software Inc. 345,856 129,639 249,389

**Sundry creditors**

Due to wholly owned subsidiaries

-Nucleus Software Japan Kabushiki Kaiga. 12,199,109 22,830,543 13,217,345

-Virstra i -Technology Services Limited. - 2,764,611 374,027

-Others 1,117,170 388,722 651,723

*Advances from wholly owned subsidiaries*

-Nucleus Software Japan Kabushiki Kaiga. 97,06,677 - 120,930,844

-Nucleus Software Solutions Pte Ltd. 3,227,850 - -



# NUCLEUS SOFTWARE EXPORTS LTD.

(Amounts in Rupees)

	Quarter ended 30 September		Half ended 30 September		Year ended 31 March
	2007	2006	2007	2006	2007
<b>11. Legal and professional (includes payment to auditors)</b>					
- Audit fees (includes service tax)	425,000	375,000	800,000	709,602	1,643,602
- Other services	176,744	226,234	176,744	226,234	454,532
- Out of pocket expenses	40,000	47,000	80,000	97,000	195,240
<b>Total</b>	<b>641,744</b>	<b>648,234</b>	<b>1,056,744</b>	<b>1,032,836</b>	<b>2,293,374</b>
<b>12. CIF value of imports</b>					
Capital goods	5,210,960	3,906,394	13,963,162	17,536,669	56,834,204
<b>Total</b>	<b>5,210,960</b>	<b>3,906,394</b>	<b>13,963,162</b>	<b>17,536,669</b>	<b>56,834,204</b>
<b>13. Expenditure in foreign</b>					
Travel expenses	28,504,714	23,878,367	58,004,652	45,137,106	101,862,483
Professional charges	2,197,624	-	3,613,078	49,244	808,164
Others	16,248,799	6,931,934	35,593,883	14,144,510	40,634,705
<b>Total</b>	<b>46,951,137</b>	<b>30,810,301</b>	<b>97,211,613</b>	<b>59,330,860</b>	<b>143,305,352</b>
<b>14. Earnings in foreign currency</b>					
Income from software	411,476,845	295,681,569	783,366,770	547,616,089	1,207,019,288
Income from Consultancy	-	3,502,200	-	3,502,200	3,502,200
Interest	62,629	131,449	123,831	317,553	448,326
<b>Total</b>	<b>411,539,474</b>	<b>299,315,218</b>	<b>783,490,601</b>	<b>551,435,842</b>	<b>1,210,969,814</b>
<b>15. Dividend remitted in foreign currency</b>					
<b>Amount remitted (net of tax)</b>					
Interim dividend (2007)	-	-	-	-	-
Final dividend (2006)	-	-*	-	-*	-*
<b>Number of shares held</b>					
Interim dividend (2007)	-	-	-	-	252,020
Final dividend (2006)	-	786,111	-	786,111	786,111
<b>Number of non-resident shareholders</b>					
Interim dividend (2007)	-	-	-	-	178
Final dividend (2006)	-	175	-	175	175

\*Dividend was remitted in Indian Rupees



*(Amounts in Rupees)*

	Quarter ended		Half ended		Year ended
	30 September		30 September		31 March
	2007	2006	2007	2006	2007
<b>16. Earnings per share</b>					
Profit after taxation available to equity shareholders (Rupees)	140,813,387	91,473,103	266,776,993	196,849,153	429,016,841
Weighted average number of equity shares used in calculating basic earnings per share	32,357,450	32,232,624	32,350,078	32,226,905	32,273,966
Add: Effect of dilutive issue of shares	157,893	86,204	280,211	69,222	179,359
Weighted average number of equity shares used in calculating diluted earnings	32,515,343	32,318,828	32,630,289	32,296,127	32,453,325
Basic earnings per share (Rupees)	4.35	2.84	8.25	6.11	13.29
Diluted earnings per share (Rupees)	4.33	2.83	8.18	6.10	13.22

**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.6,216,466 (Rs.33,850,941; 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 half year ended 30 September 2007 is Rs.3,551,460 (Rs. Nil, Rs.1,224,157). The future minimum lease expense in respect of such leases is as follows:

	As at 30 September 2007 (Rupees)
Not later than 1 year	7,102,920
Later than 1 year but not later than 5 years	1,657,865
Later than 5 years	-
<b>Total</b>	<b>8,760,785</b>



## 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

	Quarter ended 30 September		Half year ended 30 September		Year ended 31 March
	2007	2006	2007	2006	2007
Salaries and allowances	210,209,833	145,159,043	411,870,343	259,035,716	549,715,294
Contribution to provident and other funds	11,987,015	7,412,230	20,802,465	13,204,185	29,527,112
Directors' remuneration (including stock compensation expense Rs. Nil; Rs.1,278,422; Rs.312,723; Rs.2,126,072; Rs.3,492,076)	7,431,965	5,590,990	14,445,902	11,492,845	25,643,523
Employee's stock compensation expenses	1,503,083	767,057	3,103,940	1,422,599	4,885,331
Staff welfare	3,134,742	2,602,392	6,393,394	5,016,781	12,865,517
Training and Recruitment	7,204,365	5,867,917	9,589,515	11,228,292	20,086,722
Software and other development charges	3,051,437	1,871,003	4,161,603	3,269,537	7,288,344
Cost of software purchased for delivery to clients	12,347,751	1,576,953	41,864,051	6,707,520	15,113,102
Travelling	38,149,245	29,564,350	78,793,202	57,876,025	135,238,325
Conveyance	3,468,719	2,552,836	7,212,397	4,482,284	13,268,483
Communication	4,179,457	3,805,335	8,080,554	9,474,459	16,409,707
Rent, Rates and Taxes	5,771,337	1,406,808	8,774,970	2,554,938	8,618,650
Legal and professional	7,969,331	5,952,245	13,557,343	11,498,355	22,703,238
Power and fuel	8,726,155	5,626,187	15,892,320	9,356,368	18,913,173
Repair and maintenance					
- Building	370,842	66,213	526,486	112,061	373,821
- Others	2,046,776	1,263,591	3,350,976	2,288,417	5,757,690
Advertisement and business promotion	3,064,260	3,064,879	7,571,756	4,488,184	8,850,949
Conference, exhibition and seminar	341,619	622,395	729,508	1,131,340	9,492,873
Information technology expenses	1,430,438	593,027	3,112,752	1,066,079	4,441,113
Bad debts written off	-	-	-	1,573,226	290,466
Commission on sales	1,467,493	4,692,047	3,502,924	9,680,338	24,188,634
Provision for doubtful debts	2,245,824	469,232	2,601,123	1,059,755	21,435,709
Printing and stationery	1,318,257	592,696	4,121,443	1,265,271	3,600,444
Loss on sale of fixed assets (net)	103,118	-	-	-	-
Insurance	1,009,577	726,059	1,778,466	1,536,849	2,634,661
Bank charges	486,119	278,585	743,128	672,380	1,776,281
Loss on foreign exchange fluctuation	-	92,428	-	451,647	-
Miscellaneous expenses	5,434,128	2,688,305	8,092,812	4,434,363	8,900,804
	<b>344,452,886</b>	<b>234,904,803</b>	<b>680,673,373</b>	<b>436,379,814</b>	<b>972,019,966</b>



- 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 October 2008 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 as on 1 April 2006.
- 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*

Place : Noida  
Date : October 28, 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 September 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 September 30 2007

All amounts in Rupees

Particulars	As at 30 Sept. 2007	As at 30 Sept. 2006	As at 31 March 2007
<b>SOURCES OF FUNDS</b>			
<b>(Audited)</b>			
<b>Shareholders' Funds</b>			
Share capital	323,661,240	161,178,120	161,618,120
Advance pursuant to stock option schemes	6,893,100	4,072,500	7,213,100
Reserves and surplus	1,630,126,824	1,264,023,669	1,490,312,656
	<u>1,960,681,164</u>	<u>1,429,274,289</u>	<u>1,659,143,876</u>
<b>Deferred tax liability</b>	4,688,281	-	2,759,300
	<u>1,965,369,445</u>	<u>1,429,274,289</u>	<u>1,661,903,176</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross block	913,117,724	597,116,347	685,421,855
Less: Accumulated depreciation	(314,559,213)	(229,283,216)	(265,565,579)
Net block	598,558,511	367,833,130	419,856,276
Add: Capital work in progress (including capital advances)	3,552,997	42,470,225	130,833,322
	<u>602,111,508</u>	<u>410,303,355</u>	<u>550,689,598</u>
<b>Investments</b>	<b>817,614,852</b>	<b>652,004,043</b>	<b>690,092,446</b>
<b>Deferred tax asset</b>	-	<b>17,108</b>	-
<b>Current Assets, Loans &amp; Advances</b>			
Sundry debtors	510,507,480	473,520,544	552,623,005
Cash and bank balances	353,745,271	105,033,131	268,251,436
Loans and advances	155,530,843	76,069,216	94,579,553
Other current assets	257,069,130	116,974,849	181,563,104
	<u>1,276,852,724</u>	<u>771,597,740</u>	<u>1,097,017,098</u>
<b>Less : Current Liabilities &amp; Provisions</b>			
Current liabilities	(669,243,644)	(349,059,827)	(625,138,250)
Provisions	(61,965,995)	(55,588,130)	(50,757,716)
	<u>(731,209,639)</u>	<u>(404,647,957)</u>	<u>(675,895,966)</u>
<b>Net current assets</b>	<b>545,643,085</b>	<b>366,949,782</b>	<b>421,121,132</b>
	<u>1,965,369,445</u>	<u>1,429,274,289</u>	<u>1,661,903,176</u>



# NUCLEUS SOFTWARE EXPORTS LTD.

## Consolidated Profit and Loss Account for the quarter and half year ended September 30 2007

All amounts in Rupees

Particulars	For the Quarter ended		For the Half year ended		Year ended
	30 September 2007	30 September 2006	30 September 2007	30 September 2006	31 March 2007
					<b>(Audited)</b>
Sales and services	703,657,497	550,858,420	1,370,224,165	1,048,457,102	2,211,873,274
Software development expenses	433,131,338	321,583,597	848,675,279	612,435,266	1,251,060,641
<b>Gross profit</b>	<b>270,526,159</b>	<b>229,274,823</b>	<b>521,548,886</b>	<b>436,021,836</b>	<b>960,812,633</b>
Selling and marketing expenses	44,543,149	40,105,616	92,743,494	72,213,034	179,296,675
General and administration expenses	46,510,095	29,274,417	88,213,357	59,390,557	148,724,677
<b>Operating profit before depreciation and withholding tax</b>	<b>179,472,915</b>	<b>159,894,790</b>	<b>340,592,035</b>	<b>304,418,245</b>	<b>632,791,281</b>
Depreciation	29,770,279	16,572,397	54,599,294	31,031,208	68,768,476
Withholding taxes charged off	7,598,532	12,678,089	11,000,735	21,699,166	46,806,861
<b>Operating profit after depreciation and withholding tax</b>	<b>142,104,104</b>	<b>130,644,304</b>	<b>274,992,006</b>	<b>251,687,871</b>	<b>517,215,944</b>
Other income	31,825,180	10,379,261	45,748,403	31,834,492	56,211,717
<b>Profit before taxation</b>	<b>173,929,284</b>	<b>141,023,566</b>	<b>320,740,409</b>	<b>283,522,363</b>	<b>573,427,661</b>
Provision for tax - current income tax	19,469,984	576,509	36,768,545	7,337,044	9,513,304
- MAT credit entitlement	(11,800,000)	-	(24,900,000)	-	-
- fringe benefit tax	1,650,000	1,410,000	3,250,000	2,310,000	6,124,139
- deferred tax charge	1,353,156	417,170	2,242,192	1,182,267	3,955,757
- income tax for earlier year	1,418,846	-	1,418,846	86,355	2,298,081
Provision for wealth tax	-	-	-	-	63,952
<b>Profit after taxation</b>	<b>161,846,298</b>	<b>138,625,896</b>	<b>301,960,826</b>	<b>272,606,697</b>	<b>551,472,428</b>
<b>Profit available for appropriation</b>					
Profit for the year	161,846,298	138,625,896	301,960,826	272,606,697	551,472,428
Add: Balance brought forward	908,942,511	515,654,542	768,827,982	381,673,741	381,673,741
<b>Total amount available for appropriation</b>	<b>1,070,788,809</b>	<b>654,280,438</b>	<b>1,070,788,808</b>	<b>654,280,438</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>1,070,788,809</b>	<b>654,280,438</b>	<b>1,070,788,808</b>	<b>654,280,438</b>	<b>768,827,982</b>
Earnings per share ( par value Rs. 10 each)					
Basic	5.00	4.30	9.33	8.46	17.09
Diluted	4.98	4.29	9.25	8.44	16.99
<b>Number of shares used in computing earnings per equity share</b>					
Basic	32,357,450	32,232,624	32,349,957	32,226,905	32,273,966
Diluted	32,515,343	32,318,828	32,630,169	32,296,127	32,453,325



# NUCLEUS SOFTWARE EXPORTS LTD.

## Consolidated Cash Flow Statement for the half year ended September 30 2007

All amounts in Rupees

	For the Half year ended 30 Sept. 2007	For the Half year ended 30 Sept. 2006	For the Year ended 31 March 2007
<b>A. Cash flow from operating activities</b>			
Net profit before tax	320,740,409	283,522,364	573,427,662
Adjustment for:			
Depreciation	54,599,294	31,031,208	68,768,476
Exchange difference on translation of foreign currency accounts	(28,411,328)	5,566,282	6,968,085
Dividend received from non trade investments	(7,186,770)	(3,295,753)	(11,991,342)
Interest on fixed deposits	(498,780)	(1,952,079)	(2,348,378)
Profit on sale of investments	(23,368,919)	(14,086,593)	(23,269,833)
Amortisation of employees compensation expenses	3,416,662	3,548,671	8,377,407
Profit on sale of fixed assets (net)	(389,591)	(143,895)	(196,292)
Loss on assets discarded	-	-	-
Advances and other current assets written off	-	281,510	1,559,120
Provision for doubtful debts / advances	2,804,055	3,275,649	22,657,513
Operating profit before working capital changes	321,705,032	309,320,589	643,952,419
Decrease / (increase) in debtors	25,274,921	(240,578,950)	(347,939,201)
Decrease / (increase) in loans and advances	(22,451,640)	(38,122,146)	(43,915,179)
Decrease / (increase) in other current assets	(75,719,259)	(43,033,747)	(108,824,812)
(Decrease) / increase in current liabilities	32,850,265	11,964,934	273,351,065
	281,659,319	(449,320)	416,624,292
Direct taxes paid	(13,608,742)	(11,104,124)	(23,102,889)
Fringe benefit tax paid	(3,117,865)	(1,045,078)	(6,224,213)
<b>Net cash from operating activities (A)</b>	<b>264,932,712</b>	<b>(12,598,518)</b>	<b>387,297,190</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress	(87,178,322)	(105,791,768)	(268,554,816)
Sale of fixed assets	2,292,333	2,020,793	2,206,704
Purchase of current investments	(1,084,580,048)	(726,952,558)	(1,769,021,154)
Proceeds on sale of current investments	980,426,561	702,702,644	1,715,866,077
Purchase of long term investment	-	-	-
Interest on fixed deposits	712,013	4,506,265	4,411,869
Tax paid	(2,618,171)	(2,101,047)	(2,688,257)
Dividend received from non trade investments	7,186,770	3,295,753	11,991,342
<b>Net cash used in investing activities (B)</b>	<b>(183,758,864)</b>	<b>(122,319,918)</b>	<b>(305,788,235)</b>
<b>C. Cash flow from financing activities</b>			
Dividend paid (including corporate dividend tax thereon)	-	(64,008,798)	(126,144,669)
Advance pursuant to employee stock option scheme	4,903,800	3,591,000	13,999,520
<b>Net cash used in financing activities (C)</b>	<b>4,903,800</b>	<b>(60,417,798)</b>	<b>(112,145,149)</b>
Net (decrease) / increase in cash and cash equivalents	<b>86,077,648</b>	<b>(195,336,233)</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	(583,813)	(155,676)	(1,637,410)
Closing cash and cash equivalents *	<b>353,745,271</b>	<b>105,033,130</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 its 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, Hong Kong, Netherlands and India and a branch office 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:**

- Nucleus Software has been listed among the '**Best 200 Under a Billion Companies in Asia**' (2007) by Forbes Asia magazine.
- The Company's flagship product FinnOne™ was 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
- 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'.
- Nucleus Software was ranked **13<sup>th</sup> in Dataquest Top 20 Best Employers Survey 2006**. Survey was conducted by IDC-Dataquest amongst 200 IT employers across India
- 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. Some 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 69% 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.

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

	Quarter ended	
	Sept. 30, 2007	Sept. 30, 2006
Active clients	154	134
Clients added during the Quarter	5	10
% of Revenue from the top-five clients	69%	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. 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	
	Sept. 30, 2007	Sept. 30, 2006
India	9.65%	8.20%
Far East	48.33%	44.08%
South East Asia	15.18%	20.26%
Europe	7.84%	7.27%
USA and Canada	1.55%	4.01%
Middle East	12.25%	4.68%
Africa	1.83%	3.67%
Rest of the World	3.37%	7.83%

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. 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.

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

RATIO	Quarter Ended	
	Sept. 30, 2007	Sept. 30, 2006
Days of sale receivable	67	79
Cash and Bank Balances as % of assets	18.00%	7.35%
Cash and Bank Balances as % of revenue	50.26%	19.07%
Current investments as % of assets	41.60%	35.87%
Current investments as % of revenue	116.19%	93.06%



**E. FINANCIAL CONDITION**

**Results of Operations**

For the Quarter Ended Sept. 30,	2007	Rev. %	2006	Rev %	Rs. in crore
					Growth %
<b>Income from Software Products and Services</b>	<b>70.37</b>	<b>100.00</b>	<b>55.09</b>	<b>100.00</b>	<b>27.74</b>
Software Development Expenses	43.31	61.55	32.16	58.38	34.67
Gross Profit	27.06	38.45	22.93	41.62	18.01
Selling and Marketing Expenses	4.45	6.32	4.01	7.28	10.97
General and Administration Expenses	4.65	6.61	2.93	5.32	58.70
<b>Operating Profit before Interest, Depreciation and Withholding Taxes</b>	<b>17.96</b>	<b>25.52</b>	<b>15.99</b>	<b>29.03</b>	<b>12.32</b>
Depreciation	2.98	4.23	1.66	3.01	79.52
Withholding Taxes	0.76	1.08	1.27	2.31	-40.16
<b>Operating Profit after Interest, Depreciation and Withholding Taxes</b>	<b>14.22</b>	<b>20.21</b>	<b>13.06</b>	<b>23.71</b>	<b>8.88</b>
Other Income	3.18	4.52	1.04	1.89	205.77
<b>Profit before Tax</b>	<b>17.40</b>	<b>24.73</b>	<b>14.10</b>	<b>25.59</b>	<b>23.40</b>
Provision for Taxation	1.21	1.72	0.24	0.44	404.17
<b>Profit after Tax</b>	<b>16.19</b>	<b>23.01</b>	<b>13.86</b>	<b>25.16</b>	<b>16.81</b>

**Revenue**

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

The Company's consolidated revenue from operations for the quarter ended September 30, 2007 is Rs. 70.37 crore as against Rs. 55.09 crore for the quarter ended September 30, 2006, representing an increase of 27.74 %.

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 43.31 crore at 61.55 % of revenue during the quarter ended September 30, 2007 against Rs.32.16 crore at 58.39% of revenue during the corresponding quarter of the previous year. Software development expenses have increased by 34.67 % in absolute terms, whereas revenue has increased by 27.74 %.

For the Quarter Ended September 30,	2007	Rev. %	2006	Rev %	Rs. in crore
					Growth %
Employee Costs	28.21	40.09	21.99	39.92	28.29
Travel Expenses	4.21	5.98	3.46	6.28	21.68
Rent, Rates and Taxes	2.18	3.10	0.52	0.94	319.23
Cost of Software Purchased for					



## NUCLEUS SOFTWARE EXPORTS LTD.

Delivery to Clients	0.88	1.25	0.16	0.29	450.00
Communication	0.46	0.65	0.47	0.85	-2.13
Consultancy Charges	3.93	5.58	2.99	5.43	31.44
Power and Fuel	0.85	1.21	0.60	1.09	41.67
Software and Other Development Charges	0.32	0.45	0.19	0.34	68.42
Legal and Professional	0.59	0.84	0.39	0.71	51.28
Miscellaneous	0.21	0.30	0.17	0.31	23.53
Conveyance	0.25	0.36	0.20	0.36	25.00
IT Expenses	0.14	0.20	0.09	0.16	55.56
Repairs and Maintenance	0.22	0.31	0.12	0.22	83.33
Training and Recruitment	0.67	0.95	0.69	1.25	-2.90
Insurance	0.14	0.20	0.11	0.20	27.27
Others	0.05	0.07	0.01	0.02	400.00
<b>Total Software Development Expenses</b>	<b>43.31</b>	<b>61.55</b>	<b>32.16</b>	<b>58.39</b>	<b>34.67</b>
<b>Revenue</b>	<b>70.37</b>	<b>100.00</b>	<b>55.08</b>	<b>100.00</b>	<b>27.74</b>

The Gross Margin consequently increased from Rs.22.93 crore to Rs.27.05 crore representing an increase of 18%.

### *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 at 6.32% of revenue during the quarter ended September 30, 2007 against 7.28% of revenue during the corresponding quarter of previous year. In comparison to corresponding quarter of previous year, the selling and marketing expenses have increased by 10.97 % in absolute terms.

For the Quarter Ended September 30,	Rs. in crore				
	2007	Rev. %	2006	Rev. %	Growth %
Employee Costs	2.51	3.57	2.28	4.14	10.09
Travel Expenses	0.69	0.98	0.50	0.91	38.00
Rent, Rates and Taxes	0.23	0.33	0.13	0.24	76.92
Advertisement and Business Promotion	0.29	0.41	0.30	0.54	-3.33
Communication	0.13	0.18	0.10	0.18	30.00
Conference, Exhibition and Seminar	0.04	0.06	0.06	0.11	-33.33
Commission on Sales	0.12	0.17	0.44	0.80	-72.73
<b>Others</b>	<b>0.44</b>	<b>0.63</b>	<b>0.20</b>	<b>0.36</b>	<b>120.00</b>
<b>Total Selling and Marketing Expenses</b>	<b>4.45</b>	<b>6.32</b>	<b>4.01</b>	<b>7.28</b>	<b>10.97</b>
<b>Revenue</b>	<b>70.37</b>	<b>100.00</b>	<b>55.08</b>	<b>100.00</b>	<b>27.74</b>



**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.4.65 crore, 6.61 % of revenue during the quarter ended September 30, 2007 against Rs.2.93 crore, 5.32 % of revenue during the corresponding quarter of previous year.

Employee costs has increased by 46.82% due to compensation revision and recruitment of additional manpower. '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 58.70 %.

For the Quarter Ended September 30,	2007	Rev. %	2006	Rev. %	Rs. in crore
					Growth %
Employee Costs	2.54	3.61	1.73	3.14	46.82
Travel Expenses	0.04	0.06	0.04	0.07	0.00
Legal and Professional	0.34	0.48	0.28	0.51	21.43
Communication	0.08	0.11	0.09	0.16	(11.11)
Rent, Rates and Taxes	0.38	0.54	0.16	0.29	137.50
Loss/(Gain) on Foreign Exchanges					
Fluctuation on Consolidation	0.00	0.00	0.00	0.00	0.00
Provision for Doubtful Debts	0.27	0.38	0.02	0.04	1250.00
Printing and Stationery	0.04	0.06	0.05	0.09	(20.00)
Conveyance	0.08	0.11	0.06	0.11	33.33
Power and Fuel	0.08	0.11	0.04	0.07	100.00
Bad Debts/Advances/Other Current					
Assets written off	0.00	0.00	0.03	0.05	N.A.
Advertisement	0.05	0.07	0.02	0.04	150.00
Bank Charges	0.10	0.14	0.06	0.11	66.67
Consultancy Charges	0.02	0.03	0.02	0.04	0.00
Others	0.63	0.90	0.33	0.60	90.91
<b>Total General and Administrative Expenses</b>	<b>4.65</b>	<b>6.61</b>	<b>2.93</b>	<b>5.32</b>	<b>58.70</b>
<b>Revenue</b>	<b>70.37</b>	<b>100</b>	<b>55.08</b>	<b>100.00</b>	<b>27.74</b>

**Operating Profit**

During the quarter ended September 30, 2007 the Company earned consolidated operating profit (profit before interest, depreciation and withholding tax) of Rs.17.95 crore representing 25.51% of revenue as compared with Rs.15.98 crore representing 29.03% of revenue for the quarter ended September 30, 2006

**Depreciation**

Depreciation at Rs.2.98 crore on fixed assets is 4.23% of the revenue for the quarter ended September 30, 2007 as against Rs.1.66 crore, 3.01 % of the revenue for the quarter ended September 30, 2006.

**Withholding Taxes**

Withholding taxes charged off represent withholding taxes charged to Profit and Loss Account during the quarter ended September 30, 2007, of Rs.0.76 crore (Rs.1.26 crore for the quarter ended September 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 September 30,	2007	2006
On Investments:		
-Capital Gain	0.39	0.21
-Dividend	0.47	0.15
Interest Income	0.03	0.03
Foreign Exchange	1.71	0.22
Others	0.58	0.43
<b>Total</b>	<b>3.18</b>	<b>1.04</b>

Other income for the quarter ended September 30, 2007 is Rs.3.18 crore against Rs.1.04 crore for the quarter ended September 30, 2006.

**Provision for Income Tax**

The Company has made a provision for current tax of Rs.1.95 crore (Rs.0.06 crore for the quarter ended September 30, 2006), 2.77% of revenue, deferred tax expense of Rs.0.14 crore (Rs.0.04 crore expense for the quarter ended September 30, 2006), fringe benefit tax of Rs.0.17 crore (Rs.0.14 crore for the quarter ended September 30, 2006) and earlier year tax is Rs.0.14 crore (NIL for the quarter ended September 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) credit entitlement. A sum of Rs.1.18 crore has been set off against current tax liability and has been carried forward and shown under Loans & Advances in the Balance Sheet as at September 30, 2007 to be set off against future tax liabilities.

**Net Income**

During the quarter ended September 30, 2007, Company has earned a net profit of Rs.16.18 crore (Rs. 13.86 crore for the quarter ended September 30, 2006). The net profit represents 23% of revenue for the quarter ended September 30, 2007 as compared to 25.17% of revenue for the quarter ended September 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 16,119,112 Equity Shares of Rs. 10/- each as on September 30, 2006 to 32,367,424 Equity Shares of Rs.10/- each as on September 30, 2007. Consequently, the paid up Share Capital increased from Rs.16.12 crore as on September 30, 2006 to Rs.32.37 crore as on September 30, 2007, including the amount in share forfeiture account

The increase is consequent to:

- Allotment of 66,000 fully paid up Equity Shares of Rs. 10/- each to employees and Non-Executive Directors of the Company in pursuance of stock options exercised in March 2007 and July 2007.
- Allotment of 16,182,312 Equity Shares of Rs.10 each to the Equity shareholders of the Company in the ratio of 1:1 consequent to the Bonus Issue in August 2007.



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Paid-up Share Capital of the Subsidiaries as on September 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 Sept. 30, 2007		As at Sept. 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 Limited. India. 1,000,000 equity shares of Rs.10 each	INR	-	1.00	-	1.00
Nucleus Software Netherlands BV. 1000 equity shares of Euro 100 each	Euro	100,000	0.54	100,000	0.54
Step down Subsidiary of Nucleus Software Exports Ltd. Virstra (Singapore) Pte Limited. 200,000 equity shares of S\$ 1 each	SGD	200,000	0.56	200,000	0.58

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	(Rs. in crore)		
	Balance as on July 1, 2007	Additions/ (Deletions) during the quarter	Closing Balance as on Sept.30, 2007
General Reserve	53.01	0.00	53.01
Securities Premium	17.32	(15.31)	2.01
Capital Reserve	0.16	0.01	0.17
Employee Stock Options (net of deferred employee compensation)	0.91	(0.23)	0.68
Foreign Currency Translation Reserve	(0.06)	(0.13)	0.07
Profit and Loss Account Balance	90.89	16.19	107.08
Total	162.23	0.79	163.02



### **3. Fixed Assets**

As at September 30, 2007, gross block of fixed assets including investment in technology assets was Rs.91.31 crore (Rs.59.71 crore as on September 30, 2006). The increase in gross block of fixed assets is primarily on account of investment in technology assets, building, leasehold improvements, office equipments and furnitures and fittings.

The net fixed assets after depreciation are Rs. 59.86 crore as on September 30, 2007 compared to Rs.36.78 crore as on September 30, 2006.

### **4. Current Investments**

Current Investments of the Company as on September 30, 2007 was Rs. 67.82 crore against Rs. 51.26 crore as on September 30, 2006. All of them are in low risk liquid mutual funds in India.

- Rs. 2.50 crore in Prudential ICICI FMP Series 34- One Year Plan B 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-Inst. Growth
- Rs. 1.50 crore in HSBC Fixed term Series-27-Inst. Growth
- Rs. 1.00 crore in HSBC Fixed term Series-28- Inst. Growth
- Rs. 2.50 crore in Principal PNB Fixed Maturity Plan-385 Days-Series 1 Institutional-Growth
- Rs. 1.09 crore in HDFC FMP 367 days April 2007 (5) 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 Option
- Rs. 2.00 crore in DWS fixed term fund series 33-Institutional Plan-Growth
- Rs. 6.64 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. 2.50 crore in DSP Merrill Lynch Fixed term plan series 1P-Institutional -Dividend
- Rs. 4.00 crore in Templeton Fixed horizon Fund series II-plan B-Institutional -Growth
- Rs. 1.50 crore in ABN AMRO Flexible Short Term Plan Ser. C -Qly Div-Ren
- Rs. 2.00 crore in UTI Fixed Maturity Plan Quarterly Series QFMP 0907/1-Inst. Dividend Plan-Re-investment
- Rs. 2.00 crore in Reliance Quarterly Interval Fund-Series III-Institutional Dividend Plan
- Rs. 2.00 crore in Reliance Interval Fund-Quarterly Plan-Series I-Institutional Dividend Plan
- Rs. 1.50 crore in Sundaram BNP Paribas Interval Fund Qty-Plan-A-Inst Div
- Rs. 1.00 crore in Merrill Lynch Fixed Term Plan Series 3D-Institutional -Growth
- Rs. 5.03 crore in DWS Money Plus Fund-Institutional Plan -Daily Dividend Option
- Rs. 2.50 crore in Lotus India FMP 375 Days Series II Inst. Growth
- Rs. 1.50 crore in SBI Debt Fund Series-90 Days -15-(Sep 07)-Dividend
- Rs. 1.50 crore in ING Fixed Maturity Fund-XXVI Dividend
- Rs. 4.79 crore in Lotus liquid plus
- Rs. 3.76 crore in Reliance liquid plus



**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. Similarly GMAC has the option to ask the Company to divest the shareholding 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 September 30,2007 the cash and bank balances stood at Rs.35.37 crore (Rs.10.50 crore as on September 30,2006) and current investments in Liquid Schemes and Fixed Maturity Plans of mutual funds were Rs.67.82 crore (Rs.51.26 crore on September 30,2006). As part of our financial policies, the Company believes in maintaining high level of liquidity as it provides immense support against contingencies, uncertainties and future expansion plans.

Cash and bank balance represent 18.00% and 7.35% of the total assets as on September 30, 2007 and September 30, 2006 respectively.

	<i>(Rs. in crore)</i>	
As at	September 30, 2007	September 30, 2006
Cash and cheques in hand	0.02	0.19
Balances with Bank		
-In Current Accounts	27.22	9.03
-In Fixed Deposit Account	0.91	0.96
Remittance in transit	7.22	0.32
<b>Total</b>	<b>35.37</b>	<b>10.50</b>

**7. Trade Receivables**

Sundry Debtors amount to Rs. 51.05 crore (net of provision for bad and doubtful debts) as on September 30, 2007 (Rs.47.35 crore, net of provision for bad and doubtful debts as on September 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	September 30, 2007	September 30, 2006
Less than 6 months	91.22%	98.87%
More than 6 months	8.77%	1.13%
Days of sale receivable	67	79

**8. Loans and Advances**

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.5.93 crore as on September 30, 2007 (Rs.3.09 crore as on September 30, 2006).



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Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs. 2.82 crore as on September 30, 2007 (Rs.1.72 crore as on September 30, 2006)

Prepaid expenses stood at Rs.3.43 crore as on September 30, 2007 (Rs. 2.79 crore as on September 30, 2006). The increase in prepaid expenses is attributable to prepayments under the heads: Commission, Lease rent, Insurance, Subscription, Training and Recruitment.

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.1.18 crore is carried forward and shown under Loans & Advances in the Balance Sheet as at September 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 September 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, payable to employees and provisions for expenses.

The total amount of Sundry Creditors as on September 30, 2007 is Rs.29.41 crore (Rs. 13.45 crore as on September 30, 2006).

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 September 30, 2007 is Rs.1.85 Crore (Rs.1.72 crore as on September 30, 2006).

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

Advances from customers as on September 30, 2007 is Rs.23.58 crore (Rs.16.08 crore as on September 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 September 30, 2007 is Rs 5.32 crore (Rs.3.59 crore as on September 30, 2006).

### 10. Provisions

Provisions at Rs. 6.20 crore as on September 30, 2007 (Rs.5.56 crore as on September 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 Septemer 30, 2007	As on Septemer 30, 2006
Provisions		
Gratuity	2.67	2.01
Leave encashment	3.51	3.19
Taxation (Net of advance tax)	0.00	0.20
Fringe benefit tax	0.02	0.16
Dividend	0	0
Dividend Tax	0	0
<b>Total</b>	<b>6.20</b>	<b>5.56</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 -201301  
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. October 28, 2007  
(tentative and subject to change)  
Financial reporting for the third quarter ending December 31, 2007. between 20<sup>th</sup> to 31<sup>st</sup> of January 2008.  
Financial results for the year ending between 21<sup>st</sup> to 30<sup>th</sup> 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.
  - 96.57% of the Company's equity shares are in demat form.
  - The Company had 12,788 shareholders as on September 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.



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- The dividend declared and paid in the previous financial years is given below

<i>Financial Year</i>	<i>Divided (%)</i>	<i>Dividend Per Share in Rs.</i>	<i>Dividend Pay Out in Rs. Crore</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 year 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 500 081  
Tel: 040-23420815-28  
Fax: 040- 23420814/23420857  
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.

	BSE					NSE				
	Open	High	Low	Close	Volume	Open	High	Low	Close	Volume
Jul-07 *	505.00	533.50	407.50	431.53	435,816	512.50	532.00	404.78	430.83	838,832
Aug-07	432.50	444.00	335.00	345.90	420,105	427.50	447.00	326.05	347.90	637,837
Sep-07	352.70	389.80	314.00	316.95	647,613	351.05	389.80	309.00	316.75	1,886,749

1. The highest share price of the Nucleus scrip at Bombay Stock Exchange Ltd. was Rs 533.50 in July 2007 and the lowest share price was Rs. 314.00 in September 2007.
2. The highest share price of the Nucleus scrip at National Stock Exchange was Rs. 532.00 in July 2007 and the lowest share price was Rs. 309.00 in September 2007.

**Note:** \* Share prices have been adjusted consequent to issue of Bonus Shares in August 2007.



B. Quarterly high -low price history of the share for last 4 quarters

During Quarter Ended	BSE		NSE	
	<i>High (Rs.)</i>	<i>Low (Rs.)</i>	<i>High (Rs.)</i>	<i>Low (Rs.)</i>
December 31, 2006	748.80	421.20	749.00	436.50
March 31, 2007	1198.75	642.00	1200.95	655.00
June 30, 2007	1156.00	908.20	1124.40	908.10
September 30, 2007 *	533.50	314.00	532.00	309.00

**Note:** \*Share prices have been adjusted consequent to issue of Bonus Shares in August 2007

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 3,12,56,053 shares (96.57 % of the paid up share capital) as at September 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 originally provided for the issue of 170,000 Equity Shares, 2002 scheme for 225,000 Equity Shares, 2005 scheme for 625,000 Equity Shares and 2006 scheme for 10,00,000 to eligible employees and Directors. A Compensation Committee of Board of Directors administers these schemes.

The Company has allotted Bonus shares in the ratio of 1:1 to the existing equity shareholders of the Company in August 2007. Consequently, the Company has applied and received in-principal approval from stock exchanges for allotment of additional shares in the ratio of 1:1 (pursuant to Bonus Issue), which are likely to arise out of exercise of options as and when exercised under the abovementioned schemes.



10. Investors' Services

Details of request/complaints received during the quarter.

<i>S. No.</i>	<i>Nature of Requests</i>	<i>Received</i>	<i>Attended</i>	<i>Pending</i>
1.	Revalidation of Dividend Warrants	8	8	0
2.	Issue of Duplicate Share Certificates	2	2	0
3.	Request for Stop Transfer	0	0	0
4.	Non receipt of Securities / Share Certificates	15	15	0
5.	Demat Queries	1	1	0

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.

11. Legal Proceedings

There are two legal proceedings pending against the Company Court, relating to termination of employment and stamp duty.

12. Distribution of Shareholding

*As on September 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- 500	10913	85.32	1,088,254	3.36
501 - 1000	932	7.29	684,421	2.11
1001 - 2000	422	3.30	641,704	1.98
2001 - 3000	155	1.21	399,525	1.24
3001 - 4000	79	0.63	292,629	0.90
4001 - 5000	43	0.34	201,430	0.62
5001 - 10000	115	0.90	817,357	2.53
10001 & Above	129	1.02	28,239,304	87.26
<b>Total</b>	<b>12,788</b>	<b>100.00</b>	<b>32,364,624</b>	<b>100.00</b>

13. Categories of Shareholders

*As on September 30, 2007*

<i>Category</i>	<i>No. of shareholders</i>	<i>Voting Strength (%)</i>	<i>No. of shares held</i>
Promoter and Promoter Group	11	59.55	19,274,190
Individuals	11,756	19.01	6,152,209
Bodies Corporate	638	6.05	1,959,589
Overseas Corporate Bodies & Non-Resident Indians	347	2.35	760,152
Foreign Institutional Investors	20	6.47	2,094,476
Mutual Funds	13	6.49	2,101,808
Fis/Banks	3	0.07	22,200
<b>Total</b>	<b>12,788</b>	<b>100.00</b>	<b>32,364,624</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 1,657 people as on September 30, 2007 as compared to 1,396 people on September 30, 2006.

Distribution of the employees is:

As at	September 30, 2007		September 30, 2006	
Technical Staff	1,416	85.46%	1,165	83.45%
Non-Technical Staff including Business Development Group	241	14.54%	231	16.55%
The gender classification of employees is:				
Male	1,293	78.03%	1,053	75.43%
Female	364	21.97%	343	24.57%
Total	1,657	100.00%	1,396	100.00%

The age profile of employees is:

As at	September 30, 2007		September 30, 2006	
Between 20 and 25 years	404	24.38%	492	35.24%
Between 26 and 30 years	701	42.31%	519	37.18%
Between 31 and 40 years	490	29.57%	334	23.93%
Between 41 and 50 years	46	2.78%	41	2.94%
51 years and above	16	0.97%	10	0.72%
Total	1,657	100.00%	1,396	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
P K Sanghi Chief Financial Officer	Tel:++91 (120) 2404036 E Mail: pksanghi@nucleussoftware.com
Prakash Pai Head Product Management	Tel:++91 (120) 2404046 E Mail: pai@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



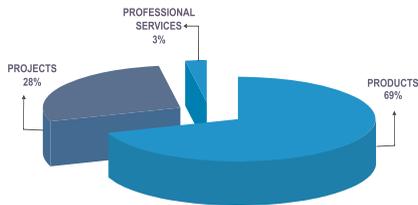
# NUCLEUS SOFTWARE EXPORTS LTD.

## Consolidated Segment Information of Nucleus Software Group

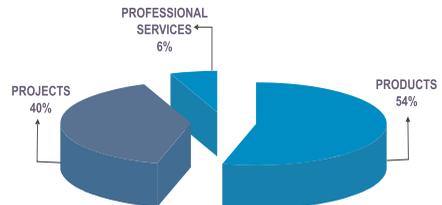
(Rs. in Crore)

REVENUE BY	Quarter Ended		Half-Year Ended		Year Ended	
	Sept. 30, 2007	% of Revenue	Sept. 30, 2007	% of Revenue	March 31, 2007	% of Revenue
<b>GEOGRAPHICAL SEGMENTS</b>						
India	6.79	9.65	16.36	11.94	23.81	10.76
Far East	34.01	48.33	64.07	46.76	95.52	43.18
South East Asia	10.68	15.18	21.54	15.72	46.46	21.00
Europe/UK	5.52	7.84	9.59	7.00	13.87	6.27
USA & Canada	1.09	1.55	2.15	1.57	6.84	3.09
Middle East	8.62	12.25	16.65	12.15	15.31	6.92
Africa	1.29	1.83	2.97	2.17	12.41	5.61
Rest of the World	2.37	3.37	3.69	2.69	6.97	3.15
<b>TOTAL</b>	<b>70.37</b>	<b>100.00</b>	<b>137.02</b>	<b>100.00</b>	<b>221.19</b>	<b>100.00</b>
<b>CURRENCY SEGMENTS</b>						
Indian Rupee	6.79	9.65	16.36	11.94	23.81	10.76
Japanese Yen	3.57	5.07	6.94	5.07	12.82	5.80
Singapore \$	6.66	9.46	13.43	9.80	31.14	14.08
US \$	53.29	75.73	100.05	73.01	151.35	68.43
Malaysian Ringgit	0.06	0.09	0.24	0.18	1.70	0.77
Australian \$	-	-	-	-	0.02	0.01
Euro	-	-	-	-	0.35	0.15
<b>TOTAL</b>	<b>70.37</b>	<b>100.00</b>	<b>137.02</b>	<b>100.00</b>	<b>221.19</b>	<b>100.00</b>
<b>BUSINESS SEGMENTS</b>						
Product	49.16	69.86	93.33	68.11	119.76	54.14
Projects	19.41	27.58	39.94	29.15	88.55	40.03
Professional Services	1.80	2.56	3.75	2.74	12.88	5.82
<b>TOTAL</b>	<b>70.37</b>	<b>100.00</b>	<b>137.02</b>	<b>100.00</b>	<b>221.19</b>	<b>100.00</b>

## BUSINESS SEGMENT



QUARTER ENDED SEPTEMBER 30, 2007



YEAR ENDED MARCH 31, 2007



**Ratio-Analysis**

Particulars	CONSOLIDATED PERFORMANCE				
	For the Quarter ended		For the Half year ended		Year ended
	30 September	30 September	30 September	30 September	31 March
	2007	2006	2007	2006	2007
<b>Ratios-Financial Performance</b>					
Export Revenue/ Revenue (%)	90.35%	91.80%	88.06%	90.16%	89.24%
Domestic Revenue/ Revenue (%)	9.65%	8.20%	11.94%	9.84%	10.76%
Gross Profit/ Revenue (%)	38.45%	41.62%	38.06%	41.59%	43.44%
Software Development Expenses/ Revenue (%)	61.55%	58.38%	61.94%	58.41%	56.56%
Selling and Marketing Expenses/ Revenue (%)	6.33%	7.28%	6.77%	6.89%	8.11%
General and Administrative Expenses/ Revenue (%)	6.61%	5.31%	6.44%	5.66%	6.72%
Total Operating Expenses/ Revenue (%)	74.49%	70.97%	75.14%	70.97%	71.39%
Operating Profit/ Revenue (%)	25.51%	29.03%	24.86%	29.03%	28.61%
Depreciation/ Revenue (%)	4.23%	3.01%	3.98%	2.96%	3.11%
Other Income/ Revenue (%)	4.52%	1.88%	3.34%	3.04%	2.54%
Tax/ Revenue (%)	1.72%	0.44%	1.37%	1.04%	0.99%
Tax/ PBT (%)	6.95%	1.70%	5.86%	3.85%	3.83%
PAT from Ordinary Activities/ Revenue	18.48%	23.28%	18.70%	22.96%	22.39%
PAT from Ordinary Activities/ Net Worth	6.65%	9.00%	13.11%	16.89%	29.98%
ROCE(PBIT/Average Capital Employed) (%)	9.26%	10.37%	17.08%	21.93%	40.74%
RONW (PAT/Average Net Worth) (%)	8.66%	10.22%	16.16%	21.13%	39.29%
<b>Ratios Balance Sheet</b>					
Debtors Turnover (Days)	67	79	68	83	91
Asset Turnover Ratio	0.36	0.39	0.70	0.73	1.33
Current Ratio	1.91	1.91	1.91	1.91	1.62
Cash and Equivalents/Total Assets (%)	52.51%	43.21%	52.51%	43.21%	49.28%
Cash and Equivalents/ Revenue (%)	146.66%	112.13%	75.31%	58.91%	37.02%
Depreciation/Average Gross Block(%)	1.97%	2.82%	3.62%	5.65%	11.59%
Technology Investment/ Revenue (%)	1.97%	2.15%	4.24%	4.09%	3.02%
<b>Ratios - Growth</b>					
Growth in Export Revenue (%)	25.72%	56.64%	27.64%	50.90%	48.12%
Growth in Revenue (%)	27.74%	54.21%	30.69%	52.92%	49.40%
Operating Expenses Growth (%)	34.07%	56.37%	38.38%	58.10%	53.42%
Operating Profit Growth (%)	12.24%	49.19%	11.88%	41.58%	40.22%
PAT Growth (%)	16.75%	57.93%	10.77%	56.99%	48.71%
EPS Growth (%)	16.28%	57.80%	10.28%	56.81%	48.52%
<b>Per- Share Data (Period End)*</b>					
Earning Per Share from Ordinary Activities (Rs.)	4.02	3.98	7.92	7.47	15.32
Earning Per Share (Including Other Income) (Rs.)	5.00	4.30	9.33	8.46	17.06
Cash Earning Per Share from Ordinary Activities (Rs.)	4.25	4.49	8.26	8.43	17.45
Cash Earning Per Share (Including Other Income)(Rs.)	5.24	4.81	9.67	9.42	19.19
Book Value (Rs.)	60.37	44.22	60.37	44.22	51.11
Price/Earning (Annualized)	15.83	13.03	16.97	13.25	28.04
Price/ Cash Earning (Annualized)	15.12	11.64	16.37	11.90	24.93
Price/Book Value	5.25	5.07	5.25	5.07	9.36

\* Adjusted for Bonus Shares in the ratio of 1:1 allotted on 8th August 2007

**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.

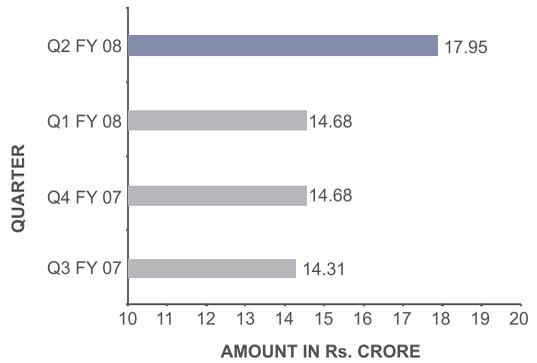
3) Per Share Data has been calculated using closing price of the share on NSE as Rs.316.75 for the quarter/six months ended September 30, 2007, Rs. 448.45 for the quarter/six months ended September 30, 2006 and Rs.956.90 for the year ended March 31, 2007.



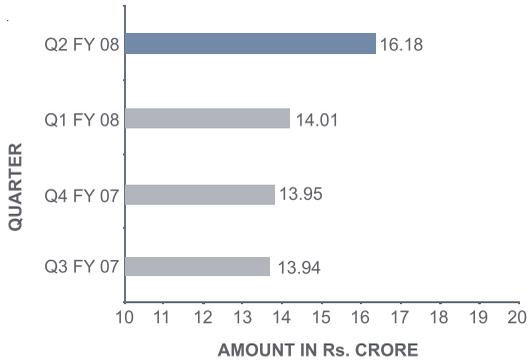
**REVENUE FROM OPERATIONS**



**PROFIT BEFORE TAX**



**PROFIT AFTER TAX**



**EARNING PER SHARE**

