

**NUCLEUS
SOFTWARE**

Quarterly Report

June 30, 2011

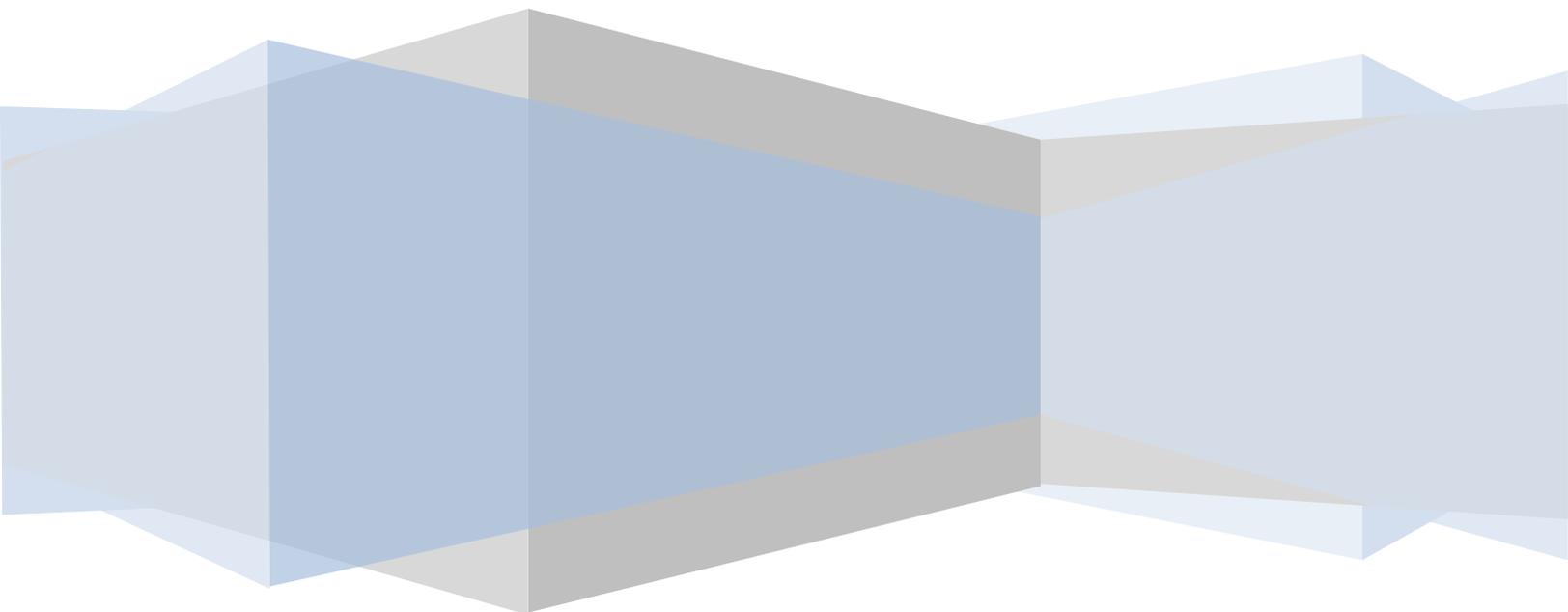


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FINANCIAL HIGHLIGHTS

Rs. in Crore except per share data

Particulars	Consolidated Performance		
	For the Quarter ended		For the Year Ended
	June 30, 2011	June 30, 2010	March 31, 2011
Revenue from Operations	64.27	66.14	270.48
Operating Profit (EBITDA)	5.48	4.71	30.48
Profit after Tax (PAT)	5.03	5.29	26.34
EBITDA as a % of Revenue from Operations	8.53%	7.12%	11.27%
PAT as a % of Revenue from Operations	7.83%	8.00%	9.74%
EPS*	1.55	1.63	8.13
Dividend Per Share	-	-	2.50
Dividend Payout	-	-	8.10
As at			
	June 30, 2011	June 30, 2010	March 31, 2011
Share Capital	32.38	32.38	32.38
Reserves and Surplus	260.93	242.38	255.57
Net Worth	293.31	274.76	287.95
Total Assets	293.44	275.11	288.23
Net Fixed Assets	45.33	52.10	47.07
Investments	147.87	105.39	126.02
Current Assets	152.93	181.51	167.26
Cash and Cash Equivalents	190.36	181.33	187.51
Working Capital	91.26	113.61	106.90
Market Capitalisation	268.45	424.86	277.03
No. of Shareholders	19,240	17,050	19,123
No. of Shares (Face Value of Rs.10.00)	32,382,524	32,382,524	32,382,524

Notes:

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

Financial Highlights

All figures in USD'000 except per share data

Particulars	Consolidated Performance		
	For the Quarter ended		For the Year Ended
	June 30, 2011	June 30, 2010	March 31, 2011
For the Period			
Revenue from Operations	14,097	14,227	58,736
Operating Profit (EBITDA)	1,202	1,013	6,619
Profit after Tax (PAT)	1,103	1,138	5,720
EBITDA as a % of Revenue from Operation	8.53%	7.12%	11.27%
PAT as a % of Revenue from Operations	7.83%	8.00%	9.74%
EPS*	0.03	0.04	0.18
Dividend Per Share	-	-	0.05
Dividend Payout	-	-	1,759
As at			
	June 30, 2011	June 30, 2010	March 31, 2011
Share Capital	7,237	6,934	7,247
Reserves and Surplus	58,321	51,901	57,200
Net Worth	65,559	58,835	64,447
Total Assets	65,588	58,910	64,510
Net Fixed Assets	10,132	11,156	10,535
Investments	33,051	22,567	28,205
Current Assets	34,182	38,867	37,435
Cash and Cash Equivalents	42,548	38,829	41,967
Working Capital	20,398	24,328	23,926
Market Capitalisation	60,002	90,976	62,004

Note:

- 1.) Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the year/quarter.
- 2.) While Calculating the figures of group, intergroup transactions have been ignored.
- 3.) For the year ended June 30, 2011, the revenue and expenditure items have been translated at an average rate of Rs.45.59 /US\$ against Rs. 46.49/ US\$ for June 30, 2010, and balance-sheet items at the quarter end rate of Rs. 44.74/US \$ against Rs. 46.70/ US\$ for June 30 2010

LETTER TO THE SHAREHOLDERS

Dear Shareholder,

I take this opportunity to present to you a brief report on the performance of your Company for the first quarter ended of the financial year 2011-12.

First the financial performance, consolidated revenue for the quarter was Rs. 64.27 crore against Rs.66.14 crore in the corresponding quarter of the previous year. With total expenses at Rs. 58.79 crore in comparison to Rs. 61.42 crore in the corresponding quarter of the previous year, the consolidated EBITDA was Rs. 5.48 crore in comparison to Rs. 4.71 crore in the corresponding quarter of the previous year. Consolidated net profit was Rs. 5.03 crore in comparison to Rs. 5.29 crore in the corresponding quarter of the previous year. EPS for the quarter was Rs. 1.55 against Rs. 1.63 in the corresponding quarter of the previous year.

The Product business revenue was Rs. 47.08 crore against Rs. 42.95 crore in the corresponding quarter of the previous year. This includes Rs.44.61 crore of product revenue from own business against Rs.44.20 crore in the corresponding quarter of the previous year. The Company continues to focus and invest on development of niche Banking Products.

Operating cash flow after working capital changes was Rs. 1.48 crore. Receivables were at Rs. 30.66 crore against Rs. 32.35 crore as on March 31, 2011. The Company continues to enjoy a high level of liquidity. 'Cash and Bank balances' and 'Current Investments' were at Rs. 190.36 crore against Rs. 187.51 crore as on March 31, 2011. We had a hedging position of US \$ 12.75 million, June 30, 2011 at an average rate of Rs. 46.74. There is a mark-to-market gain of Rs. 1.44 crore which is taken to hedging reserve in the balance sheet.

We have been continuously investing in sales and marketing in existing and new markets and have bagged some valuable projects this quarter based on our strength and ability to innovate and customize products. We won 6 new product orders for 11 modules and 2 new customers, during the quarter and successfully implemented 23 product modules across the globe. To expand our reach, we gave more than 49 demonstrations of our products in different markets and total number of RFPs that we received and submitted to the customers is 39.

Forrester recognized Nucleus as a “Global Pursuer” and stated it “regained traction in 2010”. Based on the number of deals and regions covered, Nucleus was ranked among top Banking Platform providers. (Source: Global Banking Platform Deals 2010, Forrester Research, Inc., 31 March 2011). Forrester also accredited Nucleus Software with the highest number of lending deals in 2010. We are glad to have received some acknowledgements for our contributions and value additions from the IT analyst community in this quarter.

We also entered into a strategic partnership with Wipro Technologies, the global Information Technology, Consulting and Outsourcing business of Wipro Limited, to jointly provide product led customized solutions to banking clients. Nucleus's strong lending and cash management product portfolio in conjunction with Wipro's mature system integration, program management and peripheral service offerings will result in a robust proposition to the end customer. This is another big step taken by us to reach out to all other potential customers.

We also made a valuable addition to our Nucleus Family by inducting a seasoned professional as Executive Vice President - Global Delivery who would be spearheading Delivery Operations across the organization. With her strong leadership skills, international working experience and technical expertise, we are confident that she will ensure quality deliverables and increase customer satisfaction.

The Manpower numbers are at 1638 as on June 30, 2011. HR focus for the quarter remained on enhancing domain and management competencies in the organization. Functional and Product Trainings were held in the area of Cash and Liquidity Management, and FinnOne

collections. Project Management and Business Analysis Trainings (BABOK workshops) were the other major focus domain training areas.

Sustained improvement in top line and margins remains a challenge and we believe the business environment is conducive for the same. We have taken a number of steps to improve our operational efficiency and there has been a very strong control and focus on costs. With regard to taxes, with the STPI sunset clause for taxes setting in, we are liable for full tax in India. The construction work for the Jaipur SEZ unit is complete and the development centre with a seating capacity of 250 people is commencing operations in July 2011.

Growth of the Company will lie on how well the Company addresses the challenges of attracting skilled manpower, controlling high attrition and managing technology. With growth strategies led by innovation and intellectual property becoming more mainstream, we believe that the Company is well placed for growth. Greater focus in the coming years will be on processes to improve productivity, creating a performance-oriented culture; adding more goals to the performance-related parameters and making the processes leaner.

We feel grateful and appreciate the hard-work and support of all Nucleites, guidance of our Board Members and well-wishers, support of our customers, business associates and shareholders. We thank all of you and request you to be with us in making this journey of Nucleus Software a very exciting and thrilling one.

Vishnu R Dusad

Chief Executive Officer & Managing Director

Date: July 23, 2011

FINANCIAL STATEMENTS OF NUCLEUS SOFTWARE EXPORTS LTD.

AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS OF
NUCLEUS SOFTWARE EXPORTS LIMITED**

1. We have audited the attached Balance Sheet of **NUCLEUS SOFTWARE EXPORTS LIMITED** ('the Company'), as at 30 June, 2011, the Profit and Loss Account for the quarter ended on that date and the Cash Flow Statement of the Company for the three months ended on that date, both 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.
2. 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 misstatements. 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.
3. We report that:
 - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e. in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. in the case of the Balance Sheet, of the state of affairs of the Company as at 30 June, 2011;and
- ii. in the case of the Profit and Loss Account, of the profit of the Company for the quarter ended on that date.
- iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the three months ended on that date.

For **DELOITTE HASKINS & SELLS**

Chartered Accountants

(Registration No. 015125N)

JITENDRA AGARWAL

Partner

(Membership No. 87104)

Gurgaon

23 July, 2011

BALANCE SHEET

NUCLEUS SOFTWARE EXPORTS LIMITED			
BALANCE SHEET AS AT 30 JUNE 2011			
	Notes Ref.	As at 30 June 2011 (Rupees)	As at 31 March 2011 (Rupees)
<u>EQUITY AND LIABILITIES</u>			
1. SHAREHOLDERS' FUNDS			
a. Share capital	2.1	323,840,240	323,840,240
b. Advance pursuant to stock option plan	2.2	785,520	2,182,720
c. Reserves and surplus	2.3	2,434,054,880	2,382,782,277
		2,758,680,640	2,708,805,237
2. NON-CURRENT LIABILITIES			
Long-term provisions	2.4	114,571,796	114,038,545
3. CURRENT LIABILITIES			
a. Trade payables	2.5	183,161,366	163,741,838
b. Other current liabilities	2.6	90,384,952	94,113,449
c. Short-term provisions	2.7	132,612,688	137,506,589
		406,159,006	395,361,876
		3,279,411,442	3,218,205,658
<u>ASSETS</u>			
4. NON-CURRENT ASSETS			
a. Fixed assets			
- Tangible assets	2.8	315,576,360	328,506,588
- Intangible assets	2.8	10,587,993	13,111,259
		326,164,353	341,617,847
b. Non-current investments	2.9	157,154,212	157,154,212
c. Deferred tax assets (net)	2.10	46,548,613	50,345,216
d. Long-term loans and advances	2.11	139,203,073	110,046,911
		669,070,251	659,164,186
5. CURRENT ASSETS			
a. Current investments	2.12	1,429,062,734	1,241,336,569
b. Trade receivables	2.13	230,865,118	261,268,962
c. Cash and cash equivalents	2.14	327,224,485	464,933,173
d. Short-term loans and advances	2.15	199,394,629	249,285,031
e. Other current assets	2.16	423,794,225	342,217,737
		2,610,341,191	2,559,041,472
		3,279,411,442	3,218,205,658
Notes forming part of the accounts	1 & 2		
The schedules referred to above form an integral part of the Balance Sheet			
In terms of our report attached			
For DELOITTE HASKINS & SELLS Chartered Accountants (Registration No. 015125N)		For and on behalf of the Board of Directors NUCLEUS SOFTWARE EXPORTS LIMITED	
JITENDRA AGARWAL Partner (Membership No. 87104)	Janki Ballabh Chairman	Vishnu R Dusad Managing Director	
	P K Sanghi Chief Financial Officer	Poonam Bhasin Company Secretary	
Place: Gurgaon Date: July 23, 2011	Place: Noida Date: July 23, 2011		

PROFIT & LOSS ACCOUNT

NUCLEUS SOFTWARE EXPORTS LIMITED			
STATEMENT OF PROFIT AND LOSS FOR THE QUARTER ENDED 30 JUNE 2011			
	Notes Ref.	Quarter ended 30 June 2011 (Rupee)	Quarter ended 30 June 2010 (Rupee)
1. REVENUE FROM OPERATIONS			
Income from software services and products	2.17	482,617,444	470,684,733
2. OTHER INCOME	2.18	34,333,767	112,571,897
3. TOTAL REVENUE		516,951,211	583,256,630
4. EXPENSES			
a. Employee benefit expenses	2.19	297,234,482	275,196,130
b. Operating and Other Expenses	2.19	138,002,385	165,839,630
c. Finance Cost	2.19	592,147	670,305
d. Depreciation and amortisation expense	2.8	17,630,525	21,265,751
Total Expenses		453,459,539	462,971,816
5. PROFIT BEFORE TAX		63,491,672	120,284,814
6. TAX EXPENSE			
a. Current tax		9,200,000	9,810,577
b. Deferred tax	2.10	3,796,603	(3,520,323)
c. MAT Credit Entitlement		(1,200,000)	-
7. PROFIT FOR THE PERIOD		51,695,069	113,994,560
8. EARNINGS PER EQUITY SHARE			
Equity shares of Rs. 10 each			
a. Basic		1.60	3.52
b. Diluted		1.60	3.52
Number of shares used in computing earnings per share			
a. Basic		32,382,524	32,379,191
b. Diluted		32,382,524	32,387,334
Notes forming part of the accounts	1 & 2		
The schedules referred to above form an integral part of the Profit and Loss Account			
In terms of our report attached			
For DELOITTE HASKINS & SELLS Chartered Accountants (Registration No. 015125N)		For and on behalf of the Board of Directors NUCLEUS SOFTWARE EXPORTS LIMITED	
JITENDRA AGARWAL Partner (Membership No. 87104)		Janki Ballabh Chairman	Vishnu R Dusad Managing Director
		P K Sanghi Chief Financial Officer	Poonam Bhasin Company Secretary
Place: Gurgaon Date: July 23, 2011		Place: Noida Date: July 23, 2011	

STATEMENT OF CASH FLOW

NUCLEUS SOFTWARE EXPORTS LIMITED		
CASH FLOW STATEMENT FOR THE QUARTER ENDED 30 JUNE 2011		
	For the quarter ended 30 June 2011	For the year ended 31 March 2011
	(Rupees)	(Rupees)
A. Cash flow from operating activities		
Net profit before tax	63,491,672	481,934,348
Adjustment for:		
Depreciation	17,630,525	81,000,759
Exchange Loss/(gain) on translation of foreign currency accounts	(1,215,170)	(9,834,009)
Dividend received from non-trade investments	(20,677,558)	(56,384,965)
Dividend received from subsidiary	-	(210,000,000)
Interest on fixed deposits	(11,624,322)	(25,798,546)
Profit on sale of investments	(28,101)	27,625
Amortisation of employees stock compensation expenses	(593,280)	(1,973,593)
Loss / (profit) on sale of fixed assets (net)	382,482	229,281
Advances and other current assets written off	4,499,677	8,031,279
Provision for doubtful debts / advances / other current assets	3,057,097	41,395,249
Provisions written back	-	(1,156,410)
Operating profit before working capital changes	54,923,022	307,471,018
Decrease in sundry debtors	24,816,428	166,329,926
Increase in loans and advances	9,532,165	(22,661,023)
(Increase) / Decrease in other current assets	(81,658,748)	(77,456,881)
Increase / (Decrease) in current liabilities and provisions	(4,991,493)	(7,600,395)
	2,621,374	366,082,645
Income tax paid (net)	30,445,680	(112,052,209)
Wealth tax paid	-	(31,038)
Net cash from operating activities (A)	33,067,054	253,999,398
B. Cash flow from investing activities		
Purchase of fixed assets/capital work in progress	(3,731,885)	(17,767,842)
Sale of fixed assets	-	382,253
Purchase of current investments	(665,342,307)	(4,550,477,202)
Proceeds from sale of current investments	477,644,243	4,161,141,885
Investments in shares of subsidiaries	-	(5,663,000)
Loans and advances to subsidiaries (net)	(8,145,951)	(17,810,968)
Interest on fixed deposits	11,200,267	27,398,126
Income tax paid	(3,960,659)	(8,768,926)
Dividend received from non-trade investments	20,677,558	56,384,965
Dividend received from subsidiary	-	210,000,000
Net cash from / (used in) investing activities (B)	(171,658,734)	(145,180,709)
C. Cash flow from financing activities		
Dividend paid (including corporate dividend tax)	-	(81,117,418)
Advance pursuant to employee stock option scheme / proceeds from employee stock option exercised	-	885,600
Net cash used in financing activities (C)	-	(80,231,818)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(138,591,680)	28,586,871
Opening cash and cash equivalents	464,933,173	437,777,347
Exchange difference on translation of foreign currency bank accounts	882,992	(1,431,045)
Closing cash and cash equivalents*	327,224,485	464,933,173
**include fixed deposits amounting to Rs. 7,608,764 (Rs.7,608,764) under lien with bank on account of guarantees issued on behalf of the Company and other fixed deposits amounting to Rs. 413,100,000 (Rs. 413,100,000)		
Note:		
1. The above cash flow statement has been prepared in accordance with the 'Indirect method' as set out in the Accounting Standard 3 on "Cash Flow Statements" prescribed under Companies (Accounting Standard) Rules, 2006.		
2. Cash and cash equivalents consist of cash in hand, cheques in hand, remittance in transit, balances in current accounts and fixed deposits with scheduled banks / non scheduled banks.		
In terms of our report attached		
For DELOITTE HASKINS & SELLS Chartered Accountants (Registration No. 015125N)	For and on behalf of the Board of Directors NUCLEUS SOFTWARE EXPORTS LIMITED	
JITENDRA AGARWAL Partner (Membership No. 87104)	Janki Ballabh Chairman	Vishnu R Dusad Managing Director
	P K Sanghi Chief Financial Officer	Poonam Bhasin Company Secretary
Place: Gurgaon Date: July 23, 2011	Place: Noida Date: July 23, 2011	

NOTES

Note 1:**Significant accounting policies and notes to the accounts****1.1. Company Overview**

Nucleus Software Exports Ltd. ('Nucleus' or 'the Company') was incorporated on 9 January 1989 in India as a private limited company. It was subsequently converted into a public limited company on 10 October 1994. The Company made an initial public offer in August 1995. As at 31 March 2011, 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, 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.

1.2. Significant accounting policies**(i) Basis of preparation**

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

(ii) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting 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.

(iii) Revenue recognition

Revenue from software development services comprises income from time and material and fixed price contracts. Revenue from time and material contracts is recognised as the services are rendered. Revenue from fixed price contracts and sale of license and related customisation and implementation is recognised in accordance with the percentage completion method calculated based on output method. Provision

for estimated losses, if any, on uncompleted contracts are recorded in the year in which such losses become certain based on the current estimates.

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

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

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

(iv) Expenditure

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

(v) Fixed assets and capital work in progress

Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation. Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not put to use before the 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 year. Assets costing less than Rs. 5,000 are fully depreciated in the year of purchase.

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

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

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

(vii) 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 capitalised as fixed assets and depreciated in accordance with the depreciation policy of the Company.

(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 year are recognised in the Profit and Loss Account. Monetary assets and monetary liabilities that are determined in foreign currency are translated at the exchange rate prevalent at the date of balance sheet. The resulting difference is recorded in the Profit and Loss Account.

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

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

The Company follows hedge accounting in accordance with principles set out in AS 30. The Company records the gain or loss on effective hedges in the hedging reserve until the transactions are complete. On completion, the gain or loss is transferred to the Profit and Loss Account of that period. To designate a forward contract or option as an effective hedge, management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as effective hedge, a gain or loss is recognized in the Profit and Loss Account. (Refer Note 4)

(x) Employee stock option based compensation

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

(xi) Employee benefits***Short-term employee benefits***

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages, and bonus etc. are recognised in the Profit and Loss Account in the period in which the employee renders the related service.

Long-term employee benefits***Defined contribution plans***

The Company deposits the contributions for provident fund to the appropriate government authorities and these contributions are recognised in the Profit and Loss Account in the financial year to which they relate.

Defined benefit plans**Gratuity**

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plan is determined based on an actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. The discount rate used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the valuation date having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

Other employee benefits

Benefits under the Company's leave encashment scheme constitute other employee benefits. The liability in respect of leave encashment is provided on the basis of an actuarial valuation done by an independent actuary at the year end. Actuarial gains and losses are recognized immediately in the Profit and Loss Account.

(xii) Operating leases

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

(xiii) Earnings per share

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

(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 annually based on the tax liability computed after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowance or other matters is probable. Minimum Alternate Tax ("MAT") paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax after the tax holiday period. Accordingly, it is recognised as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

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

(xv) Impairment

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

(xvi) Contingencies

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

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

NUCLUES SOFTWARE EXPORTS LIMITED NOTES FORMING PART OF THE FINANCIAL STATEMENTS		
2 NOTES ON ACCOUNTS FOR THE QUARTER ENDED JUNE 30, 2011		
2.1 SHARE CAPITAL		
		(Amount in Rupees)
a.	Particulars	As at 30 June 2011
		As at 31 March 2011
	Authorized	
	Equity shares	
	40,000,000 (40,000,000) equity shares of Rs.10 each	400,000,000
		400,000,000
	Issued, Subscribed and Paid-Up	
	Issued	
	32,382,524 (32,382,524) equity shares of Rs.10 each	323,853,240
		323,853,240
	Subscribed and paid up	
	32,382,524 (32,382,524) equity shares of Rs.10 each, fully paid up	323,825,240
	Add: 2,800 (2,800) forfeited equity shares pending reissue	15,000
		323,840,240
		323,840,240
	b. Subscribed and paid up Share capital includes 16,185,012 equity shares of Rs.10 each issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2008	
	c. Number of shares held by each Share Holders holding more than 5% shares:	
	Karmayogi Holdings Private Ltd	9,000,000
	Vishnu R Dusad	3,600,000
	Nucleus Software Engineers Pvt Ltd	2,385,882
	Madhu Dusad	2,036,248
		9,000,000
		3,600,000
		2,385,882
		2,036,248
	2.2 Employees Stock Option Plan ("ESOP")	
	a. Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999, issued by the SEBI, which is effective for all stock option schemes established after 19 June 1999. In accordance with these Guidelines, the excess of the market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option, including up front payments, if any, is to be recognised and amortised on graded vesting basis over the vesting period of the options.	
	b. The Company currently has three ESOP schemes, ESOP scheme- 2002 (instituted in 2002), ESOP scheme-2005 (instituted in 2005) and ESOP scheme-2006 (instituted in 2006). These schemes were duly approved by the Board of Directors and Shareholders in their respective meetings. The 2002 scheme provides for the issue of 225,000 options, 2005 scheme for 600,000 options and 2006 scheme for 1,000,000 options to eligible employees. These schemes are administered by the Compensation Committee comprising four members, the majority of whom are independent directors.	
	c. Details of options granted/ exercised and forfeited in the above mentioned scheme are as follows:	
		(number of shares)
	Particulars	As at 30 June 2011
		As at 31 March 2011
	2002 Stock Option Scheme	
	Options outstanding at the beginning of the period	49,550
	Options granted	-
	Options forfeited	(7,200)
	Options exercised	-
	Balance carried forward	42,350
		49,550
	2005 Stock Option Scheme	
	Options outstanding at the beginning of the period	43,920
	Options granted	-
	Options forfeited	(40,130)
	Options exercised	-
	Balance carried forward	3,790
		43,920
	2006 Stock Option Scheme	
	Options outstanding at the beginning of the period	84,002
	Options granted	-
	Options forfeited	(52,390)
	Options exercised	-
	Balance carried forward	31,612
		84,002
	d. During the quarter ended 30 June 2011, 99,720 shares were forfeited and amount paid up as application money aggregating to Rs. 1,397,200 have been transferred to Capital reserve, Also refer note 2.3(a)	
	e. The Share based compensation recorded for the three month ended 30 June 2011 was nil (nil).	

Particulars	(Amount in Rupees)	
	As at 30 June 2011	As at 31 March 2011
2.3 RESERVES AND SURPLUS		
a. Capital reserve		
Opening balance	6,729,510	5,487,390
Add: Amount forfeited against employees stock option plan	1,397,200	1,242,120
Closing balance	<u>8,126,710</u>	<u>6,729,510</u>
b. Securities premium reserve		
Opening balance	21,740,689	20,953,189
Add : On conversion of stock options issued to employees	-	787,500
Closing balance	<u>21,740,689</u>	<u>21,740,689</u>
c. Employee stock options outstanding account		
Opening balance	6,230,635	8,204,228
Less: Reversal on forfeiture of stock options granted	593,280	1,973,593
Closing balance	<u>5,637,355</u>	<u>6,230,635</u>
d. General reserve		
Opening balance	697,890,345	652,128,115
Add: Transferred from Profit and Loss account	-	45,762,230
Closing balance	<u>697,890,345</u>	<u>697,890,345</u>
e. Hedging reserve [see note 2.33]		
Opening balance	14,565,858	11,064,760
Add: Movement during the period	(1,226,386)	3,501,098
Closing balance	<u>13,339,472</u>	<u>14,565,858</u>
f. Profit and Loss Account		
Balance as at 1 April	1,635,625,240	1,304,608,153
Add: Profit for the period	51,695,069	457,622,303
Less: Transferred to general reserve	-	45,762,230
Less: Proposed dividend	-	80,989,444
Less: Corporate dividend tax	-	(146,458)
Closing balance	<u>1,687,320,309</u>	<u>1,635,625,240</u>
	<u>2,434,054,880</u>	<u>2,382,782,277</u>
For the year ended 31 March 2011 the Company has Declared Dividend of Rs. 2.50 per Share (25% of equity share of par value of Rs. 10) which was adopted by shareholder poll in Annual General Meeting held on 08 July 2011		
2.4 LONG-TERM PROVISIONS		
Provision for employee benefits		
a. Leave encashment	37,144,329	38,369,761
b. Gratuity	77,427,467	75,668,784
Total	<u>114,571,796</u>	<u>114,038,545</u>
2.5 TRADE PAYABLES		
a. Trade Payables		
- Micro and small enterprises	-	-
- Others	166,640,057	155,282,368
b. Due to Subsidiaries	16,521,309	8,459,470
Total	<u>183,161,366</u>	<u>163,741,838</u>
c. The Company has no amounts payable to micro, small and medium enterprises as defined in section 7(1) of the Micro, Small and Medium Enterprises Development Act, 2006, to the extent such parties have been identified from the available information.		
2.6 OTHER CURRENT LIABILITIES		
a. Advances from customer	57,374,911	56,430,118
b. Unclaimed dividends	1,744,671	1,771,309
c. Book overdraft	-	5,357,497
d. Other payables	31,265,370	30,554,525
Total	<u>90,384,952</u>	<u>94,113,449</u>
2.7 SHORT-TERM PROVISIONS		
a. Provision for employee benefits	38,521,217	43,415,118
b. Proposed dividend	80,956,310	80,956,310
c. Tax on dividend (see note 2.36)	13,135,161	13,135,161
Total	<u>132,612,688</u>	<u>137,506,589</u>

2.8 Non Current Assets											
	Gross block				Accumulated depreciation				Net block		
	As at 1 April 2011	Additions	Deductions / adjustments	As at 30 June 2011	As at 1 April 2011	Depreciation for the year	Deductions / adjustments	As at 30 June 2011	As at 30 June 2011	As at 30 June 2011	As at 31 March 2011
Tangible assets											
Freehold land	3,360,720	-	-	3,360,720	-	-	-	-	-	3,360,720	3,360,720
Leasehold land	66,395,000	-	-	66,395,000	6,631,849	187,889	-	6,819,738	59,575,262	59,763,151	59,763,151
Leasehold improvements	12,758,283	-	-	12,758,283	11,521,316	485,190	-	12,006,506	751,777	1,236,967	1,236,967
Buildings	242,275,991	-	-	242,275,991	43,376,230	2,000,443	-	45,376,673	196,899,318	198,899,761	198,899,761
Plant and equipment	113,717,275	-	-	113,717,275	91,457,794	3,693,030	-	95,150,824	18,566,451	22,259,481	22,259,481
Office equipment	25,506,875	235,242	173,600	25,568,517	18,957,911	757,299	16,618	19,698,592	5,869,925	6,548,964	6,548,964
Computers	222,661,164	1,440,542	-	224,101,706	196,064,885	5,439,714	-	201,504,599	22,597,107	26,596,279	26,596,279
Vehicles	16,752,729	-	-	16,752,729	11,873,459	656,093	-	12,529,552	4,223,177	4,879,270	4,879,270
Furniture and fixtures	36,608,233	-	262,096	36,346,137	31,646,238	1,003,872	36,596	32,613,514	3,732,623	4,961,995	4,961,995
	740,036,270	1,675,784	435,696	741,276,358	411,529,682	14,223,530	53,214	425,699,998	315,576,360	328,506,588	
Intangible assets											
Softwares	116,229,087	883,729	-	117,112,816	103,117,828	3,406,995	-	106,524,823	10,587,993	13,111,259	13,111,259
	116,229,087	883,729	-	117,112,816	103,117,828	3,406,995	-	106,524,823	10,587,993	13,111,259	
Total	856,265,357	2,559,513	435,696	858,389,174	514,647,510	17,630,525	53,214	532,224,821	326,164,353	341,617,847	
Previous period	899,890,166	17,272,747	50,887,556	856,265,357	483,922,774	81,000,759	50,276,023	514,647,510	341,617,847	488,037,404	

2.12 Current investments - at the lower of cost and fair value

Investments in bonds and mutual funds - Non trade

Name of the Mutual Fund Scheme	No. of units as at 01 April 2011*	Value of units as at 01 April 2011 (Rs.)	No. of units purchased	Purchase value (Rs.)	No. of unit sold	Sale Value (Rs.)	No. of units as at 30 June 2011	Value of units as at 30 June 2011* (Rs.)	Market value of Investment as at 30 June 2011 (Rs.)
Liquid Schemes of Mutual Funds (Quoted)									
a. Axis Liquid Fund- Institutional-Daily Dividend-Reinvestment	86,329	86,331,942	1,421	1,421,496	-	-	87,750	87,753,439	87,756,702
b. Birla Sun Life Cash Plus-Inst. Prem. -Daily Dividend-Reinvestment	5,761,098	57,723,320	13,735,874	137,626,588	11,976,646	120,000,000	7,520,326	75,349,908	75,349,908
c. DSP BlackRock Liquidity Fund-Institutional Plan-Daily Dividend	-	-	70,184	70,206,512	51,066	51,082,328	19,118	19,124,184	19,124,184
d. DSP BlackRock Money Manager Fund-Regular-Daily Dividend	10,975	11,000,000	11	11,043	10,986	11,011,043	-	-	-
e. HDFC Liquid Fund Premium Plan-Dividend-Daily Reinvest	6,434,615	78,887,094	6,234,269	76,430,888	5,220,313	64,000,000	7,448,571	91,317,982	91,317,982
f. ICICI Prudential Liquid Super Institutional Plan-Div-Daily	695,723	69,587,478	1,300,706	130,100,025	1,234,721	123,500,000	761,708	76,187,503	76,188,003
g. JM High Liquidity Fund-Super Institutional Plan -Daily Dividend	2,218,899	22,225,603	4,979,067	49,872,826	1,996,705	20,000,000	5,201,261	52,098,429	52,098,429
h. Kotak Liquid (Institutional Premium)-Daily Dividend	3,722,102	45,514,243	5,455,037	66,704,741	4,088,943	50,000,000	5,088,196	62,218,982	62,218,982
j. UTI Liquid Cash Plan Institutional- Daily Income Option- Re-investment	32,174	32,799,307	128,908	131,414,778	40,708	41,499,999	120,374	122,714,085	122,714,085
Fixed Maturity Plans/Interval Plans (Unquoted)									
a. Axis Fixed Term Plan- Series 13 (370 Days)-Growth Plan	5,000,000	50,000,000	-	-	-	-	5,000,000	50,000,000	51,529,500
b. Birla Sun Life Interval Income Fund-INSTL-Quarterly-Series 1-Dividend-Payout	-	-	1,998,961	20,000,000	-	-	1,998,961	20,000,000	20,177,708
c. Birla Sun Life Short Term FMP Series 14 Dividend-Payout	-	-	10,000,000	100,000,000	-	-	10,000,000	100,000,000	101,586,000
d. Birla Sun Life Short Term FMP Series 4 Dividend-Payout	6,000,000	60,000,000	-	-	6,000,000	60,000,000	-	-	-
e. Birla Sun Life Short Term FMP Series 6 Dividend-Payout	2,165,001	21,650,010	-	-	2,165,001	21,650,010	-	-	-
f. BNP Paribas Fixed Term Fund Ser 211 Dividend	-	-	2,000,000	20,000,000	-	-	2,000,000	20,000,000	20,329,200
g. DSP BlackRock FMP- Series 2 3M-Dividend-Payout	-	-	3,987,614	39,876,141	-	-	3,987,614	39,876,142	39,876,141
h. DSP BlackRock FMP-3M-Series 28-Dividend-Payout	4,000,000	40,000,000	-	-	4,000,000	40,000,000	-	-	-
j. DSP BlackRock FMP-3M-Series 29-Dividend-Payout	6,000,000	60,000,000	-	-	6,000,000	60,000,000	-	-	-
j. DSP BlackRock FMP-3M-Series 33-Dividend-Payout	3,987,614	39,876,142	-	-	3,987,614	39,876,141	-	-	-
k. HDFC FMP 3700 March 2011(4)-Growth-Series XVI	5,000,000	50,000,000	-	-	-	-	5,000,000	50,000,000	51,498,000
l. HDFC FMP 920 May 2011(1)-Dividend-Series XVIII	-	-	2,000,000	20,000,000	-	-	2,000,000	20,000,000	20,184,000
m. ICICI Prudential Interval Fund II Quarterly Interval Plan A Institutional	2,526,200	25,262,000	-	-	2,526,200	25,262,000	-	-	-
n. ICICI Prudential Interval Fund II Quarterly Interval Plan B Institutional	-	-	3,000,000	30,000,000	-	-	3,000,000	30,000,000	30,371,700
o. IDFC FMP 200 Days-Series-1-Dividend	-	-	5,000,000	50,000,000	-	-	5,000,000	50,000,000	50,679,500
p. IDFC FMP Half Yearly-Series-12-Dividend	700,000	7,000,000	-	-	700,000	7,000,000	-	-	-
q. Kotak FMP 6M Series 11-Dividend	4,999,980	49,999,800	-	-	-	-	4,999,980	49,999,800	50,513,298
r. Kotak Quarterly Interval Plan Series 10-Dividend	3,499,055	35,000,000	-	-	-	-	3,499,055	35,000,000	35,268,728
s. Kotak Quarterly Interval Plan Series 5-Dividend	5,000,000	50,000,000	-	-	5,000,000	50,000,000	-	-	-
t. Kotak Quarterly Interval Plan Series 6-Dividend	-	-	2,998,681	30,000,000	-	-	2,998,681	30,000,000	30,360,142
u. Kotak Quarterly Interval Plan Series 7-Dividend	-	-	1,999,020	20,000,000	-	-	1,999,020	20,000,000	20,179,112
v. Reliance Fixed Horizon Fund-XVIII Series- 1-Dividend Plan	3,142,228	31,422,280	-	-	-	-	3,142,228	31,422,280	31,760,698
w. Reliance Fixed Horizon Fund-XVIII Series- 7-Dividend Plan	2,700,000	27,000,000	-	-	-	-	2,700,000	27,000,000	27,325,350
x. Reliance Fixed Horizon Fund-XVIII Series- 9-Dividend Plan	-	-	1,000,000	10,000,000	-	-	1,000,000	10,000,000	10,095,500
y. SBI Debt Fund Series-180 Days-14-Dividend	5,000,000	50,000,000	-	-	5,000,000	50,000,000	-	-	-
z. SBI Debt Fund Series-180 Days-15-Dividend	5,750,000	57,500,000	-	-	-	-	5,750,000	57,500,000	57,966,325
aa. SBI Debt Fund Series-180 Days-17-Dividend	-	-	4,150,000	41,500,000	-	-	4,150,000	41,500,000	42,282,275
ab. SBI Debt Fund Series-90 Days-38-Dividend	4,150,000	41,500,000	-	-	4,150,000	41,500,000	-	-	-
ac. SBI Debt Fund Series-90 Days-42-Dividend	5,000,000	50,000,000	-	-	5,000,000	50,000,000	-	-	-
ad. SBI Debt Fund Series-90 Days-45-Dividend	-	-	10,000,000	100,000,000	-	-	10,000,000	100,000,000	100,000,000
ae. TATA Fixed Income Portfolio Fund Scheme C2 Inst Hal Yearly	2,486,226	25,000,000	-	-	-	-	2,486,226	25,000,000	25,298,844
af. TATA Fixed Maturity Plan Series 28 Scheme A Dividend	1,500,000	15,000,000	-	-	1,500,000	15,000,000	-	-	-
ag. TATA Fixed Maturity Plan Series 33 Scheme A Dividend	-	-	1,500,000	15,000,000	-	-	1,500,000	15,000,000	15,132,450
ah. UTI Fixed Income Interval Fund - Half Yearly Interval Plan-Series 1 - Institutional Dividend Plan	5,105,720	51,057,350	64,207	642,255	5,169,927	51,727,706	-	-	-
ai. UTI Fixed Income Interval Fund- Quarterly Plan Series III-Institutional Dividend Plan-Re-investment	-	-	1,998,901	20,000,000	-	-	1,998,901	20,000,000	20,178,302
Aggregate amount of current investment	102,673,939	1,241,336,569	83,602,861	1,180,807,293	75,818,831	993,109,227	110,457,970	1,429,062,734	1,439,361,048

* All Mutual fund Investment are valued at cost as NAV is equal or higher than cost

Particulars	(Amount in Rupees)	
	As at 30 June 2011	As at 31 March 2011
2.13 TRADE RECEIVABLES *		
Debts outstanding for a period exceeding six months		
a. Unsecured		
- Considered good	13,742,523	1,443,954
- Considered doubtful	24,242,404	49,906,099
	<u>37,984,927</u>	<u>51,350,053</u>
b. Less: Provision for doubtful debts	<u>(24,242,404)</u>	<u>(49,906,099)</u>
	13,742,523	1,443,954
c. Other debts (Unsecured, Considered good)	217,122,595	259,825,008
Total	<u>230,865,118</u>	<u>261,268,962</u>
* includes debt due from companies under the same maangement within the meaning of section 370(1B) of Companies Act, 1956.		
a. Nuclues Software Inc., USA	2,217,270	625,609
b. Nucleus Software Japan Kabushiki Kaisha	59,691,291	59,745,455
c. Nucleus Software Sololutions pte. Ltd., Singapore	13,477,103	7,287,560
d. Nuclues Software Netherlands B.V., Netherlands	13,628,642	22,673,628
e. Virstra i-Technology Services ltd.	-	328,087
2.14 CASH AND CASH EQUIVALENTS		
a. Cash on hand	35,350	-
b. Balances with scheduled banks: - in current accounts	30,026,456	59,247,314
c. Balance with non scheduled banks: - in current account (Citibank, United Kingdom)	851,616	1,011,098
- in current account (Citibank, U.A.E)	1,802,299	1,265,987
d. fixed deposit accounts* - more than 12 month maturity	2,500,000	4,300,000
- less than 12 month maturity	292,008,764	399,108,774
Total	<u>327,224,485</u>	<u>464,933,173</u>
Details of balances as on balance sheet dates with scheduled banks in current accounts:-		
- Canara Bank	1,800	1,800
- Citi Bank	7,946,004	1,075,116
- Citi Bank *	12,542,792	46,308,360
- DBS Bank	94,338	94,338
- HDFC Bank *	1,222,599	2,582,072
- HDFC Bank	5,028,038	5,780,030
- HDFC Bank **	1,410,029	1,436,667
- HSBC Bank **	339,775	339,775
- ICICI Bank	1,045,305	612,290
- State Bank of India	395,776	1,016,866
Total	<u>30,026,456</u>	<u>59,247,314</u>
* EEFC account in US dollar		
** Earmarked for unclaimed dividend		
Details of fixed deposit as on balance sheet dates with scheduled banks :-		
- HDFC Bank	892,764	892,774
- Citi Bank	6,716,000	6,716,000
- Bank of India	200,200,000	200,200,000
- State Bank of Travancore	66,900,000	165,900,000
- State bank of Bikaner and Jaipur	-	9,900,000
- Syndicate Bank	19,800,000	19,800,000
Total	<u>294,508,764</u>	<u>403,408,774</u>
Detail of fixed deposit under lien		
- HDFC Bank	892,764	892,774
- Citi Bank	6,716,000	6,716,000
Total	<u>7,608,764</u>	<u>7,608,774</u>

(Amount in Rupees)		
Particulars	As at 30 June 2011	As at 31 March 2011
2.15 SHORT-TERM LOANS AND ADVANCES		
Unsecured, considered good		
a. Prepaid expenses	22,098,232	9,524,733
b. Supplier advances	4,490,119	13,679,446
c. Advance tax [net of provision of Rs. 148,497,708 (Rs. 148,497,708)]	87,626,589	134,311,194
d. Advance fringe benefit tax [net of provision Rs. 24,915,859 (Rs 24,915,859)]	2,732,275	2,732,275
e. Mat Credit Entitlement (see note 2.23)	48,000,000	48,000,000
f. Security deposit	390,789	730,661
g. Staff loans	7,408,684	16,587,998
h. Employee advances	14,397,509	9,513,491
i. Mark-to-market gain on forward and options contracts (see note 2.33)	12,250,432	14,205,233
Total	199,394,629	249,285,031
2.16 OTHER CURRENT ASSETS		
a. Service Income accrued but not due [net of provision of Rs. 12,806,380 (Rs. 16,799,742)]	410,673,784	329,521,351
b. Interest accrued but not due	13,120,441	12,696,386
Total	423,794,225	342,217,737
(Amount in Rupees)		
Particulars	Quarter ended 30 June 2011	Quarter ended 30 June 2010
2.17 INCOME FROM SOFTWARE SERVICES AND PRODUCTS		
Software development services and Products		
a. Domestic	112,752,926	92,628,397
b. Overseas	369,864,518	378,056,336
Total	482,617,444	470,684,733
2.18 OTHER INCOME		
a. Interest received on deposits with banks and others	11,624,322	7,422,990
b. Dividend received on investment in mutual fund units	20,677,558	9,231,611
c. Dividend received from subsidiary	-	80,000,000
d. Profit on sale of investments	-	-
- Long term trade investment	-	-
- Current non trade investments	28,101	6,808
e. Provisions written back	-	1,040,706
f. Reversal of employee's stock compensation expense (net)	593,280	1,973,593
g. Miscellaneous income	195,336	170,784
h. Losses/ (gain) on foreign currency (net)	-	-
- Loss/ (gain) on exchange fluctuation	2,304,210	12,725,405
- Loss/ (gain) on ineffective hedges (see note 2.33)	(1,089,040)	-
Total	34,333,767	112,571,897

Particulars	(Amount in Rupees)	
	Quarter ended 30 June 2011	Quarter ended 30 June 2010
2.19 EXPENSES		
Employee benefit expenses		
a. Salaries and bonus including overseas staff expenses (see note	277,285,062	259,271,562
b. Contribution to provident and other funds	15,403,887	12,224,592
c. Staff welfare	2,297,898	2,159,109
d. Insurance	2,247,635	1,540,867
Total	297,234,482	275,196,130
Operation and Other Expenses		
a. Software and other development charges	34,377,177	27,294,166
b. Cost of software purchased for delivery to clients	4,171,659	14,126,617
c. Power and fuel	6,676,403	6,818,165
d. Rent (see note 2.22)	5,014,506	5,082,154
e. Repair and maintenance		
- Buildings	395,655	190,215
- Others	4,795,090	4,303,456
f. Insurance	1,001,667	1,359,819
g. Rates & taxes	431,439	727,482
h. Travelling		
- Foreign	33,758,429	37,496,825
- Domestic	2,607,598	2,139,006
i. Advertisement and business promotion	2,160,749	1,404,565
j. Legal and professional (see note 2.25)	10,802,085	13,944,872
k. Directors remuneration (see note 2.21)	1,200,000	1,380,000
l. Conveyance	2,435,223	1,392,637
m. Communication	3,602,970	3,977,434
n. Training and recruitment	4,189,228	4,200,737
o. Loss on sale of fixed assets (net)	382,482	
p. Conference, exhibition and seminar	385,422	2,112,819
q. Information technology expenses	3,124,949	4,553,565
r. Advances and other current assets written off	4,499,677	6,390,709
s. Provision for doubtful debts /advances / other current assets	3,057,097	(7,981,344)
t. Commission to channel partners	2,745,620	2,429,570
u. Customer claim	-	26,533,500
v. Miscellaneous expenses	6,187,260	5,962,661
Total	138,002,385	165,839,630
Finance Cost		
Bank charges	592,147	670,305
2.20 Salary includes		
Managing Director		
a. Salary and perquisites	1,500,000	1,500,000
b. Contribution to provident and other funds	90,000	90,000
c. Commission	-	3,562,250
d. Perquisites	116,133	137,750
Total	1,706,133	5,290,000
2.21 Directors Remuneration includes		
Non Executive Directors		
a. Commission	300,000	1,060,000
b. Sitting fees	900,000	320,000
Total	1,200,000	1,380,000
Notes:		
1. The limits for the purpose of computing managerial remuneration as per Section 349 of the Companies Act, 1956 apply only with reference to the financial year of the Company for the purpose of the Companies Act, 1956, which ends on 31 March 2012.		
2. The above remuneration does not include expense towards retirement benefits since the same is based on actuarial valuations carried out for the Company as a whole.		

2.22 Operating Lease		
Obligations on long-term, non-cancelable operating leases		
The Company has acquired office premises under cancellable and non-cancelable operating lease. Operating lease rentals paid during the quarter ended 30 June 2011 is Rs. 5,014,506; (Rs. 5,082,154; Rs.19,282,531) respectively. The future minimum lease expense in respect of non-cancelable leases is as follows:		
	(Amount in Rupees)	
Particulars	As at 30 June 2011	As at 31 March 2011
Lease obligations payable		
a. Not later than 1 year	1,740,540	2,900,900
b. Later than 1 year but not later than 5 years	-	-
Total	<u>1,740,540</u>	<u>2,900,900</u>
2.23 Tax Expense		
a. Most of the operations of the company were conducted through units under Software Technology Park ('STP') scheme. Income from STP was exempt from Income tax for 10 years commencing from the fiscal year in which the unit commences software development or 31 March 2011, whichever is earlier. The income tax holiday for all of STP units of the Company expired on 31		
b. 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 liabilities. Accordingly a sum of Rs. 61,898,620; (Rs. 60,698,619) was carried forward and out of the same as per management estimated Rs. 48,000,000 is expected to be set off during financial year ending 31 March 2012 hence appearing under short term loans and advances.		
2.24 Capital commitments and contingent liabilities		
	(Amount in Rupees)	
Particulars	As at 30 June 2011	As at 31 March 2011
account and not provided for in the books of account (net of advances).	<u>3,832,134</u>	<u>1,798,667</u>
	(Amount in Rupees)	
Particulars	Quarter ended 30 June 2011	Quarter ended 30 June 2010
2.25 Auditors Remuneration *		
a. Audit fees	450,000	475,000
b. Other services	-	-
c. Out of pocket expenses	175,000	45,000
Total	<u>625,000</u>	<u>520,000</u>
*excluding service tax		
2.26 CIF value of imports		
Capital goods	<u>1,005,698</u>	<u>310,292</u>
2.27 Earnings in foreign currency		
a. Software development services and products	369,864,518	378,056,336
b. Others	192,078	-
Total	<u>370,056,596</u>	<u>378,056,336</u>

2.28 Expenditure in foreign currency		
a. Travel expenses	22,638,473	28,537,163
b. Professional charges	3,212,386	628,819
c. Cost of software purchased for delivery to clients	1,723,466	6,983,460
d. Conference, exhibition and seminar	375,949	2,006,069
e. Software and Other Development Charges	19,984,913	19,757,599
f. Salary in foreign currency	10,943,506	8,364,691
g. Others	7,020,214	8,041,721
Total	65,898,907	74,319,522
2.29 Earnings per share		
a. Profit after taxation available to equity shareholders (Rupees)	51,695,069	113,994,560
b. Weighted average number of equity shares used in calculating basic earnings per share	32,382,524	32,379,191
c. Effect of dilutive issue of shares	-	8,143
d. Weighted average number of equity shares used in calculating diluted earnings per share	32,382,524	32,387,334
e. Basic earnings per share (Rupees)	1.60	3.52
f. Diluted earnings per share (Rupees)	1.60	3.52
2.30 RELATED PARTY TRANSACTIONS		
List of related parties – where control exists		
a. Wholly owned subsidiary companies		
- Nucleus Software Solutions Pte Ltd, Singapore		
- Nucleus Software Japan Kabushiki Kaisha, Japan		
- Nucleus Software Inc., USA		
- Nucleus Software (Australia) Pty Ltd., Australia (de-registered w.e.f. 5 April 2010)		
- VirStra i -Technology Services Limited, India		
- Nucleus Software Netherlands B.V, Netherlands		
- Nucleus Software Limited, India		
b. Other subsidiary company (wholly owned subsidiary of VirStra i Technology Services Limited)		
- VirStra i -Technology (Singapore) Pte Ltd., Singapore		
c. Other related parties:		
Key managerial personnel:		
- Vishnu R Dusat (Managing director)		

Particulars	(Amount in Rupees)	
	Quarter ended 30 June 2011	Quarter ended 30 June 2010
Transactions with related parties		
a. Software development, services and products		
- Nucleus Software Japan Kabushiki Kaisha	21,732,485	32,074,362
- Nucleus Software Solutions Pte Ltd.	11,354,888	20,230,360
- Nucleus Software Netherlands B.V	24,464,918	-
- Others	2,529,990	3,750,000
b. Other income		
Dividend income		
- VirStra i - Technology Services Limited	-	80,000,000
Others		
- VirStra i - Technology Services Limited	-	40,170
c. Managerial remuneration		
- Vishnu R Dusad (Managing director)	1,706,133	5,290,000
d. Reimbursement of expenses		
From wholly owned subsidiary companies :		
- VirStra i - Technology Services Limited	-	45,472
- Nucleus Software Solutions Pte Ltd	1,442,874	3,243,716
- Nucleus Software Japan Kabushiki Kaisha	37,909	194,411
- Nucleus Software Limited	31,708	-
- Nucleus Software Netherlands B.V	84,297	110,965
To wholly owned subsidiary companies:		
- Nucleus Software Solutions Pte Ltd.	297,780	418,065
- Nucleus Software Japan Kabushiki Kaisha	-	12,145
e. Cost of services hired		
- Nucleus Software Solutions Pte Ltd.	632,465	332,590
f. Software and Other Development Charges		
To wholly owned subsidiary companies:		
- Nucleus Software Solutions Pte Ltd.	10,363,704	2,892,792
g. Commission Paid		
To wholly owned subsidiary company		
- Nucleus Software Inc.	-	-
h. Loans and advances		
Given to wholly owned subsidiary company		
- Nucleus Software Limited	19,700,000	2,000,000
- Nucleus Software Inc.	-	-
i. Investments		
- Nucleus Software Netherlands B.V	-	5,663,000
j. Interest received		
- Nucleus Software Inc.	192,078	-
Outstanding balances as at period/ year end		
	(Amount in Rupees)	
Particulars	As at 30 June 2011	As at 31 March 2011
a. Loans and advances		
To wholly owned subsidiaries		
- Nucleus Software Limited	68,943,404	49,160,356
- Nucleus Software Inc.	22,370,000	22,340,000
b. Debtors		
Wholly owned subsidiaries		
- Nucleus Software Japan Kabushiki Kaisha	59,691,291	59,745,455
- Nucleus Software Solutions Pte Ltd.	13,477,103	7,287,560
- VirStra i - Technology Services Limited	-	328,087
- Nucleus Software Inc.	2,217,270	625,609
- Nucleus Software Netherlands B.V	13,628,642	22,673,628
c. Sundry creditors		
Due to wholly owned subsidiaries		
- Nucleus Software Solutions Pte Ltd.	16,521,309	8,459,470
d. Interest income accrued but not due		
Wholly owned subsidiaries		
- Nucleus Software Inc.	447,916	255,838

CONSOLIDATED FINANCIAL STATEMENTS OF NUCLEUS SOFTWARE EXPORTS LTD. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

Nucleus Software Exports Ltd.			
Consolidated Balance Sheet as at 30 June 2011			
	Schedule	As at 30 June 2011 (Rupees)	As at 31 March 2011 (Rupees)
Sources of funds			
Shareholders' funds			
Share capital	1	323,840,240	323,840,240
Advance pursuant to stock option schemes		785,520	2,182,720
Reserves and surplus	2	2,609,306,645	2,555,690,825
		2,933,932,405	2,881,713,785
Deferred tax liability (refer note 2, schedule 16)		472,971	591,954
		2,934,405,376	2,882,305,739
Application of funds			
Fixed assets			
Gross block	3	1,107,638,290	1,103,242,895
Less: Accumulated depreciation		(654,335,755)	(632,473,401)
Net block		453,302,535	470,769,494
Add: Capital work in progress (including capital advances)		39,365,855	28,164,559
		492,668,390	498,934,053
Investments	4	1,478,714,611	1,260,160,157
Deferred tax asset (refer note 2, schedule 16)		50,397,261	54,193,864
Current assets, loans and advances			
Sundry debtors	5	306,598,608	323,533,411
Cash and bank balances	6	427,392,070	617,467,102
Loans and advances	7	331,352,373	371,715,930
Other current assets	8	464,672,949	359,602,107
		1,530,016,000	1,672,318,550
Less: Current liabilities and provisions			
Current liabilities	9	(400,605,023.22)	387,350,845
Provisions	10	(216,785,862.00)	215,950,040
		(617,390,885)	603,300,885
Net current assets		912,625,114	1,069,017,665
Miscellaneous expenditure	11	-	-
		2,934,405,376	2,882,305,739
Significant accounting policies and notes to the accounts	16		
The schedules referred to above form an integral part of the consolidated financial statements.			
<i>For and on behalf of the Board of directors</i>			
	Janki Ballabh <i>Chairman</i>	Vishnu R Dusad <i>Managing Director</i>	
	P K Sanghi <i>Chief Financial Officer</i>	Poonam Bhasin <i>Company Secretary</i>	
Place: Gurgaon		Place: Noida	
Date: July 23, 2011		Date: July 23, 2011	

Nucleus Software Exports Ltd.			
Consolidated Profit and Loss Account for the year ended 30 June 2011			
	Schedule	For the quarter ended	
		30 June 2011 (Rupees)	30 June 2010 (Rupees)
Sales and services	11	642,745,276	661,395,683
Software development expenses	12	446,060,112	464,805,309
Gross profit		196,685,164	196,590,374
Selling and marketing expenses	13	81,888,604	76,659,193
General and administration expenses	14	59,988,719	72,811,202
Operating profit before depreciation and withholding tax		54,807,841	47,119,979
Finance charges			
Depreciation	3	20,146,489	24,731,318
Withholding taxes charged off		-	-
Operating profit after depreciation and withholding tax		34,661,352	22,388,661
Other income	15	32,768,888	21,920,143
Profit before tax and prior period adjustments		67,430,239	43,098,227
Loss on sale of assets			
Prior period adjustments on account of withholding tax			
Other prior period adjustments (refer note 10, schedule 19)			
Gain / (Loss) on foreign exchange fluctuation (net)		396,285	15,021,338
Profit before taxation		67,826,525	59,330,143
Withholding taxes charged off			1,210,577
Provision for tax - current income tax		14,905,288	12,105,287
- MAT credit entitlement (refer note 8, schedule 16)		(1,200,000)	(3,400,000)
- fringe benefit tax		-	-
- deferred tax credit (refer note 2, schedule 16)		3,796,603	(3,520,323)
- income tax for earlier year		-	-
Provision for wealth tax		-	-
Profit after taxation		50,324,634	52,934,602
Profit available for appropriation			
Profit for the period / year		50,324,634	52,934,602
Add: Balance brought forward		1,602,858,186	1,602,858,186
Total amount available for appropriation		1,653,182,819	1,655,792,787
Proposed dividend		-	33,134
Interim dividend		-	-
Corporate dividend tax		-	5,381
Transferred to general reserve		-	-
Balance carried forward to the Balance Sheet		1,653,182,819	1,655,754,272
Earnings per share (par value Rs. 10 each) (refer note 13, schedule 16)			
Basic		1.55	1.63
Diluted		1.55	1.63
Number of shares used in computing earnings per equity share			
Basic		32,382,524	32,379,191
Diluted		32,382,524	32,387,334
Significant accounting policies and notes to the accounts	16		
The schedules referred to above form an integral part of the consolidated financial statements.			
<i>For and on behalf of the Board of Directors</i>			
	Janki Ballabh <i>Chairman</i>	Vishnu R Dusad <i>Managing Director</i>	
	P K Sanghi <i>Chief Financial Officer</i>	Poonam Bhasin <i>Company Secretary</i>	
Place: Gurgaon Date: July 23, 2011		Place: Noida Date: July 23, 2011	

Nucleus Software Exports Ltd.		
Consolidated Cash Flow Statement for the quarter ended 30 June 2011		
	For the quarter ended 30 June 2011	For the year ended 31 March 2011
A. Cash flow from operating activities		
Net profit before tax	67,826,525	298,651,529
<i>Adjustment for:</i>		
Depreciation	20,146,489	92,806,435
Exchange difference on translation of foreign currency accounts	3,243,713	8,191,442
Dividend received from non trade investments	(21,005,847)	(61,325,014)
Interest on fixed deposits	(11,435,965)	(25,965,711)
Profit on sale of investments	(28,101)	27,625
Amortisation of employees compensation expenses	(593,280)	(1,973,593)
Profit on sale of fixed assets (net)	182,482	229,281
Loss on assets discarded	-	-
Bad debts / advances written off	-	-
Advances and other current assets written off	4,499,677	8,031,279
Provision for doubtful debts / advances	3,219,083	40,236,812
Provision for diminishing in value of investment	-	-
Operating profit before working capital changes	<u>66,254,776</u>	<u>358,910,086</u>
Decrease / (increase) in debtors	11,185,401	216,331,730
Increase in loans and advances	5,720,414	2,031,334
Decrease / (increase) in other current assets	(105,342,552)	(62,912,150)
(Decrease) / increase in current liabilities	12,040,907	(62,653,603)
	<u>(10,141,055)</u>	<u>451,707,416</u>
Direct taxes paid	24,898,514	(134,348,163)
Fringe benefit tax paid	-	-
<i>Net cash from operating activities (A)</i>	<u>14,757,459</u>	<u>317,359,254</u>
B. Cash flow from investing activities		
Purchase of fixed assets/capital work in progress	(15,053,198)	(45,540,104)
Sale of fixed assets	(382,482)	592,508
Purchase of current investments	(218,554,454)	(5,340,842,827)
Proceeds on sale of current investments	78,101	5,019,722,690
Proceeds on sale of non trade investments	-	-
Purchase of fixed deposits	-	-
Interest on fixed deposits	11,201,360	27,825,639
Tax paid	(3,960,659)	(8,759,536)
Dividend received from non trade investments	21,005,847	61,325,014
<i>Net cash from/ (used in) investing activities (B)</i>	<u>(205,715,485)</u>	<u>(265,676,616)</u>
C. Cash flow from financing activities		
Dividend paid (including corporate dividend tax thereon)	-	(102,554,724)
Advance pursuant to employee stock option scheme	-	885,600
<i>Net cash used in financing activities (C)</i>	<u>-</u>	<u>(101,669,124)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(190,958,025)</u>	<u>(49,986,487)</u>
Opening cash and cash equivalents	617,457,102	667,453,589
Effect of exchange rate change	882,992	-
Closing cash and cash equivalents *	<u>427,392,070</u>	<u>617,467,102</u>
Notes:		
1. The above cash flow statement has been prepared in accordance with the 'indirect method' as set out in the Accounting Standard - 3 on 'Cash Flow Statements' prescribed under Companies (Accounting Standard) Rules, 2006.		
2. Cash and cash equivalents consist of cash in hand, remittance in transit, balances in current accounts and fixed deposits with scheduled banks / non scheduled banks.		
<i>For and on behalf of the Board of Directors</i>		
	Janki Ballabh <i>Chairman</i>	Vishnu R Dusad <i>Managing Director</i>
	P K Sanghi <i>Chief Financial Officer</i>	Poonam Bhasin <i>Company Secretary</i>
Place: Gurgaon	Place: Noida	
Date: July 23, 2011	Date: July 23, 2011	

MANAGEMENT DISCUSSION AND ANALYSIS- CONSOLIDATED

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

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

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

Overview

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

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

Company Strengths

The Company's business broadly consists of Development and Marketing of Software Products and Software Services for business entities in the Banking and Financial Services (BFS) vertical. With a single point focus on the banking and financial industry, the Company has chosen the product route to bring value to customers not only with the domain expertise acquired over the years with relentless hard-work, but also by following the best operational practices. Today Nucleus is renowned as 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 flagship product has been rated as the world's number 1 selling lending product by IBS Publishing consecutively for the past three years, and this affirms the faith that over one hundred and fifty of our esteemed customers both banks and financial institution, across hundred countries have shown in us. We have with us today, dedicated associates with expert domain knowledge and thorough leadership on trends. Our single-minded focus on products helps us translating our vision in the form of innovative features in our products. We not only believe in installation of our product, but also ensure that customers are able to reap the benefits of their investment with us, at the earliest. Risk, operational excellence, flexibility and cost are some of the challenges the industry is facing these days.

With increased salaries in India and with cost pressures worldwide, the cost differential as an advantage to Indian IT is evaporating quickly. Now, the mantra to excel is 'Value for each Penny Spent'. Nucleus believes that the only way to survive and bring value in this context to the customers is to deliver quality and innovative solutions. We believe growth in terms of numbers is a by-product of doing right things and contributing to the society and through our customers, changing the lives of billions of people. Abiding by a futuristic approach with innovative solutions, has been our ethos, and with this in mind, Nucleus chose the path of investing heavily in product, which positioned us globally as a "Product Company" and a 'Leader' in the global lending landscape.

Various accolades have been won by us, a few of them are:

- **Forrester recognized Nucleus as a "Global Pursuer" and stated it "regained traction in 2010"**. Based on the number of deals and regions covered, Nucleus was ranked among top Banking Platform providers. Source: Global Banking Platform Deals 2010, Forrester Research, Inc., 31 March 2011.
- **FinnOne™ was ranked for the third consecutive year as the 'World's No 1 Selling Lending Software Product' (for year 2010) by IBS Publishing, UK | 2011 & ranked third in global sales across all banking products.**
- **Annual Report and Accounts of the Company for year ended March 31, 2010 were adjudged as the BEST** under the Category VIII – Service Sector (Other Than Banking & Insurance) (Turnover Less Than Rs. 500 Crore) of the 'ICAI Awards for Excellence in Financial Reporting'. A GOLD SHIELD was awarded to the Company, for the third consecutive year.
- **South Asian Federation of Accountants (SAFA) adjudged Annual Report of the Company as the recipient of the joint first runner's up position** for the Best Presented Accounts Award for the year 2009 under the Communication and Information Technology Sector Category.
- HDFC Bank, Nucleus Software customer, won the prestigious Celent 2010 Model Bank Award for its loan origination system, FinnOne™.
- Nucleus Software ranked among the Top 25 companies adopting "Good Corporate Governance Practices" by ICSI for fourth consecutive year in 2009.

- South Asian Federation of Accountants (SAFA) adjudged Nucleus' Annual Report as the recipient of the Merit Position for the Best Presented Accounts and Corporate Governance Disclosures Award 2008 under the category of Corporate Governance Disclosure.
- Forrester Research, a leading independent analyst firm, recognized Nucleus Software as an industry vertical specialist in their recent report "Working With Tier Two Offshore Providers".
- Nucleus Software Ranked Amongst India's Top 15 Exciting Emerging Companies to Work For by Nasscom.
- Nucleus Software recognized under "Best Practices" for Performance Management System by NASSCOM, 2008.
- Nucleus selected as one of Forbes ASIA's 200 Best Under A Billion companies, for the second consecutive year, list released in September 2008.
- Nucleus Software was conferred the Best Independent Software Vendor (ISV) Partner (North India for 2008) award by IBM.
- Nucleus Software awarded the "D&B - ECGC Indian Exporters' Excellence Award" by Dun & Bradstreet India (D&B India) and Export Credit Guarantee Corporation of India Ltd (ECGC) for the year 2007.
- Nucleus Software adjudged as one of the fastest growing companies in Asia Pacific under Deloitte Technology Fast 500 - 2007.
- Nucleus Software conferred with Oracle Partner of the Year Award in Fusion Middleware category at an APAC level.
- Nucleus Software awarded for being the Fastest Growing ISV in 2007 by Oracle Corporation.
- Nucleus Software ranked 13th in Dataquest Top 20 Best Employers Survey 2006. Survey was conducted by IDC-Dataquest amongst 200 IT employers across India.

FINANCIAL PERFORMANCE

Financial statements of the Company are prepared in compliance with the Companies Act, 1956 and generally accepted accounting principles in India (Indian GAAP). The Company has six subsidiary companies, all over the world, all of which are wholly-owned subsidiaries.

The consolidated financial results are as below:

(Rs. in crore)

Quarter Ended June 30th					
	2011	% of Revenue	2010	% of Revenue	Growth %
Income from Software Services and Products	64.27	100.00	66.14	100.00	(2.82)
Software Development Expenses	44.61	69.40	46.48	70.28	(4.03)
Gross Profit	19.67	30.60	19.66	29.72	0.05
Selling and Marketing Expenses	8.19	12.74	7.67	11.59	6.82
General and Administration Expenses	6.00	9.33	7.28	11.01	(17.61)
Operating Profit before Interest, Depreciation and Withholding Taxes	5.48	8.53	4.71	7.12	16.32
Depreciation	2.01	3.13	2.47	3.74	(18.54)
Operating Profit after Interest, Depreciation and Withholding Taxes	3.47	5.39	2.24	3.39	54.82
Other Income	3.28	5.10	2.19	3.31	49.49
Foreign Exchange Gain/ (Loss)	0.04	0.06	1.50	2.27	(97.36)
Profit before Tax	6.78	10.55	5.93	8.97	14.32
Provision for Taxation					
Withholding Taxes	-	0.00	0.12	0.18	NA
-Current	1.49	2.32	1.21	1.83	23.14
- MAT credit entitlement	(0.12)	(0.19)	(0.34)	(0.51)	(64.71)
- Fringe Benefit	-	-	-	-	-
-Deferred	0.38	0.59	(0.35)	(0.53)	NA
Profit after Tax	5.03	7.83	5.29	8.00	(4.90)

Revenue from Operations

We derive our revenue from the following business segments:

- Products
- Projects and Services

During the quarter the total revenue is Rs.64.27 crore against Rs.66.14 crore for the corresponding quarter previous year, representing a decline of 2.82%.

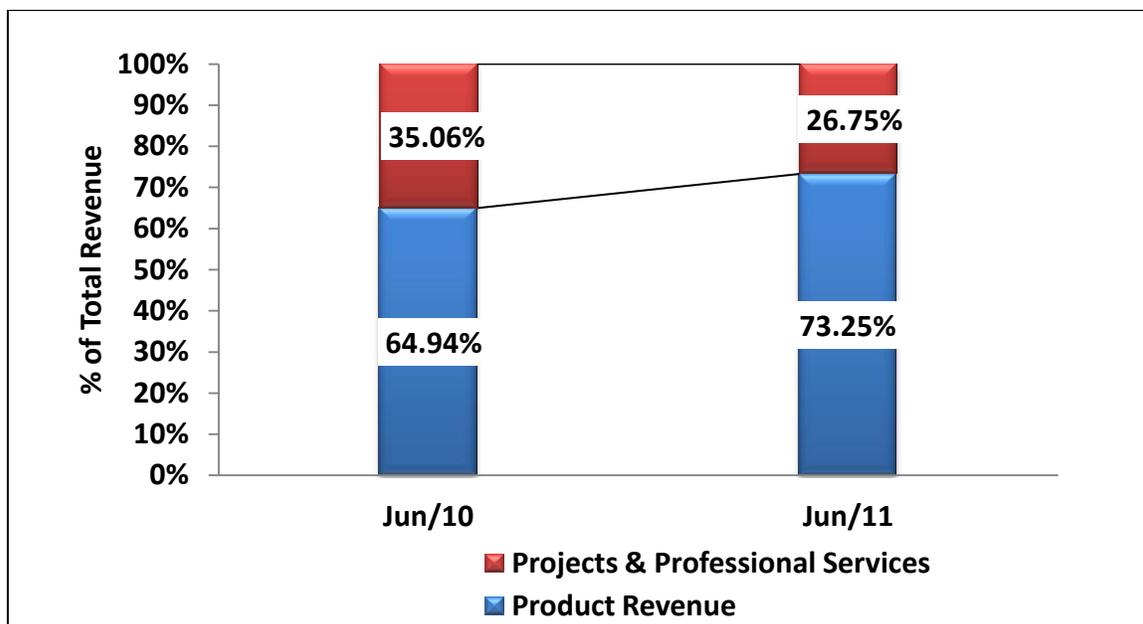
Revenue from Products

Product revenue arises from Products and related services comprising of license fees, revenue from customization and implementation of products and postproduction and maintenance support. Product revenue is Rs.47.08 crore during the quarter, constituting 73.25% of the total revenue against Rs.42.95 crore, 64.94% of total revenue, in the corresponding quarter previous year. This has grown by 9.63 % during the quarter and demonstrates our focus on 'Products'.

Revenue from Projects and Services

Software services rendered by the Company, classified under this segment, typically consist of development of software to meet specific customer requirements consisting of application development & maintenance, testing services, consulting and infrastructure management services with a strong banking domain focus.

Revenue from software projects and services segment during the quarter is Rs.17.19 crore constituting 26.75% of the total revenue against Rs.23.19 crore, constituting 35.06% of total revenue in the corresponding quarter previous year. This has declined by 25.87%.



EXPENDITURE

Software Development Expenses

Software development expenses primarily consist of compensation to our software professionals, expenses on travel to execute work at client site, direct consultancy charges, cost of software purchased for delivery to clients, bandwidth and communication expense and proportionate infrastructure charges.

During the quarter, our software development expenses are Rs.44.61 crore, 69.40% of revenue against Rs.46.48 crore, 70.28% of revenue in the corresponding quarter previous year.

(Rs. in crore)

Quarter Ended June 30th					
	2011	% of Revenue	2010	% of Revenue	Growth %
Employee Costs	31.83	49.52	31.12	47.05	2.29
Travel Expenses	3.10	4.82	3.25	4.92	(4.77)
Cost of Software Purchased for Delivery to Clients	0.70	1.09	1.85	2.79	(62.18)
Communication	0.43	0.67	0.42	0.64	2.05
Power and Fuel	0.59	0.92	0.61	0.92	(3.27)
Rent, Rates and Taxes	1.23	1.92	2.05	3.09	(39.73)
Software and Other Development Charges	4.33	6.74	2.44	3.69	77.43
Legal and Professional	0.72	1.13	1.32	1.99	(44.93)
Conveyance	0.24	0.37	0.16	0.24	47.95
IT Expenses	0.30	0.47	0.42	0.63	(27.60)
Repairs and Maintenance	0.42	0.66	0.37	0.56	13.91
Training and Recruitment	0.39	0.60	0.34	0.51	14.93
Insurance	0.12	0.19	0.16	0.25	(25.05)
Consultancy Charges	0.00	0.00	1.81	2.74	(100.00)
Others	0.20	0.31	0.17	0.25	18.83
Total Software Development Expenses	44.61	69.40	46.48	70.28	(4.03)
Revenue	64.27	100.00	66.14	100.00	(2.82)

Overall despite loss of revenue, delivery cost has been maintained at a similar percentage level as we have endeavored to make our costs variable.

- Employee costs include salaries which have fixed and variable components, contribution to provident fund, leave encashment and expense on staff welfare activities. They are at Rs.31.83 crore, 71.35% of total development expense for the quarter, against Rs.31.12 crore, 66.95% of total development expense of the corresponding quarter previous year. Employee costs have increased by 2.29% over the corresponding quarter previous year in absolute amount, due to effective wage increments.
- Rent has decreased to Rs.1.23 crore against Rs.2.05 crore in the corresponding quarter previous year due to vacation of space at an overseas location.
- Software and Other Development Charges have increased to Rs. 4.33 crore from Rs. 2.44 crore in the corresponding quarter previous year due to contracting of development work.
- Consultancy expenses have reduced to NIL against Rs.1.81 crore in the corresponding quarter corresponding quarter previous year due to reduction in number of consultants hired at overseas locations, especially in Japan.

The Gross margin for the first quarter ended 30th June 2011 is Rs.19.67 crore at 30.60% of revenue, against Rs.19.66 crore at 29.72% of revenue in the corresponding quarter previous year.

Selling and Marketing Expenses

Our selling and marketing expenses comprise of compensation to sales and marketing personnel, travel, brand building activities which include advertisement, conference, seminar, etc., communication, training and recruitment and other allocated infrastructure costs.

During the Quarter selling and marketing expenses are Rs.8.19 crore, 12.74% of revenue, against Rs.7.67 crore, 11.59% of revenue in the corresponding quarter previous year representing an increase of 6.83%. We continue to spread our reach across the globe thereby creating high visibility and brand equity. This necessitates higher spend on sales and marketing, which is reflected in increased numbers reported for sales and marketing expense.
(Rs. in crore)

Quarter Ended June 30th					
	2011	% of Revenue	2010	% of Revenue	Growth %
Employee Costs	4.50	7.00	4.42	6.68	1.79
Travel Expenses	0.91	1.41	1.02	1.55	(11.40)
Rent, Rates and Taxes	0.43	0.68	0.37	0.56	16.66
Advertisement and Business Promotion	0.20	0.31	0.18	0.27	10.41
Communication	0.13	0.20	0.16	0.24	(17.52)
Conference, Exhibition and Seminar	0.07	0.11	0.22	0.34	(68.78)
Commission on Sales	0.80	1.24	0.24	0.37	NA
Legal and professional charges	0.82	1.28	0.70	1.06	17.63
Printing and stationary	0.01	0.01	0.01	0.01	NA
Others	0.32	0.50	0.34	0.52	(6.18)
Total Selling and Marketing Expenses	8.19	12.74	7.67	11.59	6.83
Revenue	64.27	100.00	66.14	100.00	(2.82)

Employee costs have increased to Rs. 4.50 crore against Rs. 4.42 crore in the corresponding quarter previous year due to increase in persons hired globally in sales and marketing function to expand our footprint and achieve higher order booking.

General and Administrative Expenses

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

During the quarter our general and administrative expenses are Rs. 6.00 crore, 9.33% of revenue, against Rs. 7.28 crore, 11.01% of revenue in the corresponding quarter previous year, representing an decrease of 17.61%.

(Rs. in crore)

Quarter Ended June 30th					
	2011	% of Revenue	2010	% of Revenue	Growth %
Employee Costs	3.73	5.81	3.39	5.13	10.10
Travel Expenses	0.07	0.11	0.10	0.15	(25.34)
Legal and Professional Charges	0.43	0.67	0.33	0.49	32.49
Communication	0.10	0.16	0.10	0.15	3.81
Provision for Doubtful Debts	0.32	0.50	(0.88)	(1.33)	NA
Rent, Rates and Taxes	0.12	0.19	0.14	0.21	(11.91)
Conveyance	0.04	0.07	0.02	0.03	99.94
Printing and Stationery	0.02	0.04	0.08	0.13	(71.98)
Power and Fuel	0.07	0.12	0.05	0.08	42.90
Advertisement	0.06	0.10	0.02	0.03	NA
Advances and current assets written off	0.45	0.70	0.64	0.97	(29.59)
Miscellaneous expenses	0.56	0.87	3.30	4.99	(83.05)
Total General and Administrative Expenses	6.00	9.33	7.28	11.01	(17.61)
Revenue	64.27	100.00	66.14	100.00	(2.82)

Operating Profit (EBITDA)

Though revenue is lower, EBITDA has improved, but continues to be in single digit. We continue investing in new markets for growth and this increase in sales and marketing expenditure is as planned. At the same time there is continued pressure on employee remuneration due to industry opening up post-recession and increased attrition rates.

During the quarter our operating profit is Rs.5.48 crore, 8.53% of revenue against Rs.4.71 crore, 7.12% of revenue in the corresponding quarter previous year.

Depreciation

Depreciation on fixed assets was Rs.2.01 crore, 3.13% of revenue for the quarter against Rs.2.47 crore, 3.74% of revenue in the corresponding quarter previous year.

Other Income

Other Income primarily consists of interest and dividend income, capital gains on sale of current investments .

(Rs. in crore)

For the Quarter ended June 30,	2011	2010
On Investments		
Dividend	2.10	1.07
Interest Income	1.14	0.78
Others	0.14	0.49
Foreign Exchange Gain/ (Loss)	(0.10)	(0.15)
Total	3.28	2.19

Other income for the quarter is Rs.3.28 crore, against Rs.2.19 crore in the corresponding quarter previous year.

Foreign Exchange Gain / (Loss)

Foreign Exchange Gain (Loss) includes gain (loss) from cancellation of options and forward contracts, translation of current assets and liabilities at quarter end rates and those arising from realization/payments of receivables/payables respectively. During the quarter, the Company had a foreign exchange gain of Rs. 4 lakhs against Rs. 1.50 crore for the corresponding quarter previous year.

Withholding Taxes

Withholding taxes charged off represent withholding taxes charged to Profit and Loss Account. During the quarter, withholding taxed net of credits available are at, NIL, against Rs.12 lakhs in the corresponding quarter previous year. These relate to taxes withheld by customers/subsidiaries on overseas transactions.

Taxes withheld by customer are available to be adjusted with tax liability as per applicable law and thus are not charged to expenses.

Provision for Taxation

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

(Rs. in crore)

For the Quarter ended June 30,	2011	2010
Provision for Taxation		
- Current Tax	1.49	1.21
- MAT Credit Entitlement	(0.12)	(0.34)
- Deferred Tax Expense	0.38	(0.35)
Total	1.75	0.52

Profit after Tax

Our profit after tax for the quarter is Rs. 5.03 crore, 7.83% of revenue, against Rs.5.29 crore, 8% of revenue, during the corresponding quarter previous year.

Sustained improvement in top line and margins remains a challenge and we believe the business environment is conducive for the same. We have taken a number of steps to improve our operational efficiency and there has been a very strong control and focus on costs. With regard to taxes, with the STPI sunset clause for taxes setting in, we are liable for full tax in India. The construction work for the Jaipur SEZ unit is complete and the development centre with a seating capacity of 250 people will commence operations shortly.

Share Capital

Share Capital of the Company consists of Equity Share Capital. The paid-up Share Capital as on June 30, 2011 is 32,382,524 equity shares of Rs. 10 each, similar as on June 30 2010.

Subsidiaries

Paid-up Share Capital of the Subsidiaries as on June 30, 2011 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 amounts in the accounts of the Parent Company.

Name of Subsidiary Company	Currency	As at June 30, 2011		As at June 30, 2010	
		In foreign Currency	Eqv. Rupees (in crore)	In foreign Currency	Eqv. Rupees (in crore)
Nucleus Software Solutions Pte. Ltd. Singapore. 625,000 equity shares of S\$ 1 each.	SGD	625,000	1.63	625,000	1.63
Nucleus Software Inc., USA. 1,000,000 shares of US\$ 0.35 cents each (After provision for diminution)	USD	-	-	-	-
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
Nucleus Software (Australia) Pty Ltd., Australia. 316,000 equity shares of Aus \$ 1 each	Aus \$			316,000	0.98
Virstra I-Technology Services Ltd., India. 1,000,000 equity shares of Rs. 10 each	INR	-	1.00	-	1.00
Nucleus Software Netherlands B.V., Netherlands. 3000 equity shares of Euro 100 each	Euro	400,000	2.42	400,000	2.42
Nucleus Software Limited, India 10,000,000 equity shares of Rs.10/- each	INR	-	10	-	10
Step down Subsidiary of Nucleus Software Exports Ltd.					
Virstra (Singapore) Pte. Ltd., Singapore. 200,000 equity shares of S\$ 1 each	SGD	200,000	0.56	200,000	0.56

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

Reserves and Surplus

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

(Rs. in crore)

Particulars	Balance as on April 1, 2011	Additions/ (Deletions) during the quarter	Closing Balance as on June 30, 2011
General Reserve	75.68	0	75.68
Securities Premium	2.17	0	2.17
Capital Reserve	0.67	0.14	0.81
Employee Stock Options (net of deferred employee compensation)	0.62	-0.06	0.56
Foreign Currency Translation Reserve	5.39	0.43	5.82
Hedging Reserve	1.62	-0.18	1.44
Profit and Loss Account Balance	169.41	5.03	174.43
Total	255.56	5.76	260.93

Other Long-Term Investments

Other long term investments comprise of investment in 25,000 Equity Shares of face value of Rs.100/- each in Ujjivan Financial Services Private Ltd., a Company promoted in the area of micro finance by a group of experienced professionals with banking and technology background.

Current Investments and Bank Balances

Our capital requirements are completely financed by internal accruals. Your Company continues to remain debt-free and we believe that cash generated from operations and reserves and surplus are sufficient to meet our obligations and requirements towards capital expenditure and working capital requirements

As of June 30, 2011 the cash and bank balances stood at Rs.42.73 crore (Rs.76.18 crore on June 30, 2010) and current investments in liquid schemes and Fixed Maturity Plans of mutual funds were Rs.147.62 crore (Rs.105.14 crore on June 30, 2010).

Total cash and cash equivalents are thus at Rs 190.36 crore on June 30, 2011 against Rs. 181.33 crore as on June 30, 2010.

(Rs. in crore)

For the Quarter ended June 30,	2011	2010
Cash and cheque in hand	0.01	0.01
Balances with Bank		
In Current Accounts	13.25	34.08
In Fixed Deposit Account	29.48	42.10
Remittance in transit	-	-
Investments in Mutual Funds	147.62	105.14
Total	190.36	181.33

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

Our net cash flow from operating activities before working capital changes is Rs.6.63 crore for the quarter against Rs.6.33 crore in the corresponding quarter previous year. After considering working capital changes, operating cash flow is Rs. 1.48 crore against Rs.27.19 crore. Operating cash flow is today considered a better measure of operations of the Company than the net profits as it measures the cash generated by the operations.

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

For the Quarter ended June 30,	2011	2010
Days of sale receivable	43	59
Cash and cash equivalents as % of assets	64.87%	65.91%
Cash and cash equivalents as % of revenue	296.19%	274.17%
Current investments as % of assets	50.31%	38.22%
Current investments as % of revenue	229.67%	158.96%

Trade Receivables

Our trade receivables (net of provision) as on June 30, 2011 are Rs. 30.66 crore, against Rs. 42.69 crore as on June 30, 2010. All the trade receivables are recoverable as per the Management.

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

For the Quarter ended June 30,	2011	2010
Less than 6 months	89.69%	75.35%
More than 6 months	10.31%	24.65%
Days of sales receivables (DSR)	43	59

The Company has a policy of providing for all invoices outstanding for a period of 365 days or more and for those invoices which are otherwise considered doubtful based on the Management's perception of risk of collection. As per our commitment to reduce the Debtor days, our concentrated efforts have yielded good results with the number being brought down to 43 from 59 in the corresponding quarter previous year.

Loans and Advances

Loans and Advances as on June 30, 2011 are Rs. 33.06 crore against Rs. 30.85 crore as on June 30, 2010.

(Rs. in crore)

For the Quarter ended June 30,	2011	2010
Advances recoverable in cash or in kind or for value to be received	3.10	3.32
Mark to Market Options on Forward Contract	1.32	0
Security deposits	2.75	3.10
Advance income tax	9.65	11.84
Prepaid expenses	3.83	3.49
Advance fringe benefit tax	0.27	0.27
MAT credit entitlement	12.14	8.83
Total	33.06	30.85

Advances recoverable in cash or in kind or for value to be received are primarily towards amounts paid in advance for value and services to be received in future, and staff advances. The amount is Rs. 3.10 crore as on June 30, 2011 (Rs. 3.32 crore as on June 30, 2010). Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs. 2.75 crore as on June 30, 2011 (Rs. 3.10 crore as on June 30, 2010).

A sum of Rs. 12.14 crore against MAT Credit Entitlement is carried forward and shown under Loans and Advances as at June 30, 2011 to be set off against future tax liabilities (Rs.8.83 crore as on June 30, 2010).

Current Liabilities

(Rs. in crore)

For the Quarter ended June 30,	2011	2010
Sundry Creditors	26.30	36.79
Advances from customers	9.22	12.51
Book overdraft	0	0.88
Unclaimed dividend	0.17	0.14
Other liabilities	4.30	5.31
Total	39.99	55.63

The total amount of Sundry Creditors as on June 30, 2011 is Rs.26.30 crore (Rs.36.79 crore as on June 30, 2010)

Advances from customers as on June 30, 2011 is Rs.9.22 crore (Rs.12.51 crore as on June 30, 2010). The amount of Unclaimed Dividend as on June 30, 2011 is Rs.0.17 crore (Rs.0.14 crore as on June 30, 2010).

Other liabilities represent amounts accrued for statutory dues related to taxes and staff benefits etc. The total amount of other liabilities as on June 30, 2011 is Rs. 4.30 crore (Rs. 5.31 crore as on June 30, 2010).

Provisions

Provisions as on June 30, 2011 are Rs.21.68 crore (Rs.21.67 crore as on June 30, 2010) . The break up of provisions at the quarter end is given below.

(Rs. in crore)

For the Quarter ended June 30,	2011	2010
Gratuity	8.21	8.21
Leave encashment	4.06	4.06
Net of Advance Tax		-
Dividend	8.10	8.09
Corporate dividend tax	1.31	1.31
Total	21.68	21.67

Provisions for Gratuity and Leave encashment represent provision made by the Company based on valuation reports from actuaries. The increase in gratuity provision is mainly on account of the increase in salaries.

Provision for Dividend as on June 30, 2011 is Rs.8.10 crore (against Rs. 8.09 crore as on June 30, 2011), with a provision for corporate dividend tax of Rs.1.31 crore (Rs.1.31 crore as on June 30, 2010).

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
(tentative and subject to change)
 - Financial reporting for the second quarter ending September 30, 2011. between 21st to 31st of October 2011
 - Financial reporting for the third quarter ending December 31, 2011. between 21st to 31st of January 2012
 - Financial results for the year ending March 31, 2012 between 21st to 30th of April 2012
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.
 - 96.88 % of the Company's equity shares are in demat form.

- The Company has 17,050 shareholders as on June 30, 2011.
- The Company has not issued any GDRs / ADRs. The Company has granted options to employees under ESOP (1999), ESOP (2002), ESOP (2005) and ESOP (2006) scheme. The options if exercised at the end of the vesting period shall be converted into equity shares.
- The dividend declared and paid in the previous financial years is given below:

Financial Year	Dividend (%)	Dividend Per Share in Rs.	Dividend Pay Out in Rs. Crore
2010-11	25%	2.50	8.09
2009-10	25%	2.50	8.09
2008-09	25%	2.50	8.09
2007-08	30%	3.00	9.71
2006-07	35%	3.50	5.64
2005-06	35%	3.50	5.64
2004-05	25%	2.50	4.02*
2003-04	25%	2.50	2.01
2002-03	20%	2.00	1.58
2001-02	20%	2.00	1.58
2000-01	20%	2.00	0.68

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

The Board had not recommended any dividend prior to financial year 2000-2001.

- The Dividend Policy of the Company is to maintain the dividend payout, in the range of 15-30% of the profits available for distribution, subject to:
 - a) Provisions of Companies Act and other applicable laws.
 - b) Availability of funds in the Company
- The Board of Directors reviews the Dividend Policy periodically.
- 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 India, Japan, Singapore, U.S.A, Netherlands and branch offices in Dubai (UAE) and London (U.K).

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 (Maharashtra) under the Software Technology Park Scheme of the Government of India.

7. Share Transfer System

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

The Shareholders/Investor Grievance Committee is authorised to approve transfer of shares, which are received in physical form, and the said Committee approves transfer of shares on a fortnightly basis.

All requests for dematerialisation of shares are processed and confirmation is given to the respective Depositories i.e. National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL) within 15 days.

The Company has De-materialised 31,377,713 shares (96.88% of the paid up share capital) as at June 30, 2011.

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.

8. 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.

9. Investors' Services

i. Details of request /complaints received during the quarter.

S.No.	Nature of Requests	Received	Attended	Pending
1.	Revalidation of Dividend Warrants	6	6	Nil
2.	Non-receipt of Dividend Warrant	3	3	Nil
3.	Non-Receipt of Shares after transfer	2	2	Nil
3.	Non-Receipt of Annual Report	2	2	Nil

The Company has attended to most of the investors' grievances/correspondence within a period of 10 days from the date of receipt of the same, during the quarter.

ii. Designated e-mail Address for Investor Services

In terms of clause 47(f) of the Listing Agreement, the designated e-mail address for investor complaints is investorrelations@nucleussoftware.com.

10. Legal Proceedings

There is one legal proceeding pending against the Company in the Court as on June 30, 2011.

11. Distribution of Shareholding

DISTRIBUTION SCHEDULE AS ON 30.06.2011						
No	No of Equity Shares Held		Number of Share Holders	Percentage of Share Holders	No of Shares	Percentage of Shares
	From	To				
1	1 -	500	14,956	87.72	1,704,938	5.26
2	501	1000	1,192	6.99	871,580	2.69
3	1001	2000	435	2.55	635,310	1.96
4	2001	3000	135	0.79	345,554	1.07
5	3001	4000	78	0.46	277,870	0.86
6	4001	5000	44	0.26	205,058	0.63
7	5001	10000	100	0.59	700,791	2.16
7	10001 and above.		110	0.65	27,641,423	85.36
TOTAL			17,050	100.00	32,382,524	100.00

12. Categories of Shareholders

Category	As on June 30, 2011		
	No. of Share Holders	Voting Strength (%)	No. of Shares Held
Promoter and Promoter Group	10	59.53	19,276,990
Individuals	16,075	19.17	6,206,719
Bodies Corporate	588	3.76	1,218,545
Non-Resident Indians	309	1.63	527,007
Foreign Institutional Investors	10	8.50	2,753,593
Mutual Funds	13	7.37	2,385,900
Clearing Members and Trusts	45	0.04	13,770
Total	17,050	100.00	32,382,524

13. Investors' Correspondence may be addressed to:

The Company Secretary

Nucleus Software Exports Ltd.,

33-35, Thyagraj Nagar Market

New Delhi-110003

India

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

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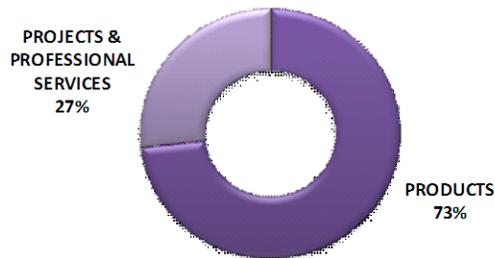
RATIO ANALYSIS

Particulars	CONSOLIDATED PERFORMANCE		
	For the Year ended March 31	June 30, 2011	June 30, 2010
Ratios- Financial Performance			
Export Revenue/ Revenue (%)	82.46%	86.56%	84.89%
Domestic Revenue/ Revenue (%)	17.54%	13.44%	15.11%
Gross Profit/ Revenue (%)	30.60%	29.72%	32.19%
Software Development Expenses/ Revenue (%)	69.40%	70.28%	67.81%
Selling and Marketing Expenses/ Revenue (%)	12.74%	11.59%	11.17%
General and Administrative Expenses/ Revenue (%)	9.33%	11.01%	9.76%
Total Operating Expenses/ Revenue (%)	91.47%	92.88%	88.73%
Operating Profit/ Revenue (%)	8.53%	7.12%	11.27%
Depreciation/ Revenue (%)	3.13%	3.74%	3.43%
Other Income/ Revenue (%)	5.16%	5.59%	3.20%
Tax/ Revenue (%)	2.72%	0.97%	1.30%
Tax/ PBT (%)	25.80%	10.78%	11.79%
PAT from Ordinary Activities/ Revenue (%)	2.67%	2.42%	6.26%
PAT from Ordinary Activities/Net Worth (%)	0.59%	0.58%	5.88%
ROCE(PBIT/Capital Employed) (%)	2.33%	2.13%	10.68%
ROANW (PAT/Average Net Worth) (%)	1.73%	1.94%	9.42%
Ratios Balance Sheet			
Debt-Equity Ratio	-	-	-
Debtors Turnover (Days)	43	59	44
Asset Turnover Ratio	0.22	0.24	0.94
Current Ratio	2.48	2.67	2.77
Cash and Equivalents/Total Assets (%)	64.87%	65.91%	65.06%
Cash and Equivalents/ Revenue (%)	296.16%	274.17%	69.32%
Depreciation/Average Gross Block (%)	1.82%	2.19%	8.32%
Ratios - Growth			
Growth in Export Revenue (%)	-7.43%	-18.36%	-9.95%
Growth in Revenue (%)	-2.82%	-17.88%	-7.30%
Operating Expenses Growth (%)	-4.29%	-4.80%	0.96%
Operating Profit Growth (%)	16.32%	-70.58%	-43.64%
PAT Growth (%)	-4.93%	-47.78%	-31.41%
EPS Growth (%)	-4.91%	-47.92%	-31.45%
Per- Share Data (Period End) *			
Earning Per Share from Ordinary Activities (Rs.)	0.53	0.49	5.23
Earning Per Share (Including Other Income) (Rs.)	1.55	1.63	8.13
Cash Earning Per Share from Ordinary Activities (Rs.)	1.15	1.26	8.10
Cash Earning Per Share (Including Other Income)(Rs.)	2.18	2.40	11.00
Book Value (Rs.)	90.59	84.85	88.92
Price/Earning (Annualized)	13.33	20.08	10.52
Price/ Cash Earning (Annualized)	9.52	13.69	7.78
Price/Book Value	0.92	1.55	0.96
* Adjusted for the issue of Bonus Shares in ratio 1:1 in 2007 and 2004			
Note: 1) While calculating the consolidated figures of group, inter group transactions have been ignored.			
2) Cash and Equivalents includes cash and bank balances and current investments.			

CONSOLIDATED SEGMENT INFORMATION

REVENUE BY	(Rs. in Crore)					
	Quarter Ended				Year ended	
	30 June 2011	% of Revenue	30 June 2010	% of Revenue	31 March 2011	% of Revenue
GEOGRAPHICAL SEGMENTS						
INDIA	11.28	17.54	8.89	13.44	40.87	15.11
FAR EAST	17.51	27.24	27.63	41.78	97.76	36.14
SOUTH EAST ASIA	13.09	20.37	13.13	19.84	55.17	20.40
EUROPE /U.K.	8.73	13.58	4.77	7.21	31.14	11.52
AMERICAS	1.87	2.90	0.25	0.37	1.38	0.51
MIDDLE EAST	8.55	13.30	7.27	10.99	30.35	11.22
AFRICA	1.23	1.91	2.49	3.76	6.06	2.24
REST OF THE WORLD	2.02	3.14	1.73	2.61	7.75	2.86
TOTAL	64.27	100.00	66.14	100.00	270.48	100.00
CURRENCY SEGMENTS						
INDIAN RUPEE	11.28	17.55	8.89	13.44	40.87	15.11
JAPANESE YEN	2.24	3.48	4.19	6.34	17.30	6.40
SING \$	5.44	8.46	8.26	12.49	24.30	8.98
US \$	41.54	64.63	43.52	65.80	174.18	64.40
MYR	1.52	2.36	0.30	0.45	5.53	2.04
DHR	-	-	-	-	3.20	1.18
AED	-	0.00	0.31	0.47	0.67	0.25
KRW	0.82	1.27	0.67	1.01	-	-
EURO	1.45	2.26	-	-	4.43	1.64
TOTAL	64.27	100.00	66.14	100.00	270.48	100.00
BUSINESS SEGMENTS						
PRODUCTS	47.08	73.25	42.95	64.94	193.57	71.57
Own	44.61	69.41	39.52	59.75	181.33	67.05
Traded	2.47	3.84	3.43	5.19	12.24	4.53
PROJECTS & PROFESSIONAL SERVICES	17.19	26.75	23.19	35.06	76.91	28.43
TOTAL	64.27	100.00	66.14	100.00	270.48	100.00

June 30 2011



June 30 2010

