

**NUCLEUS
SOFTWARE**

Quarterly Report

June 30, 2014

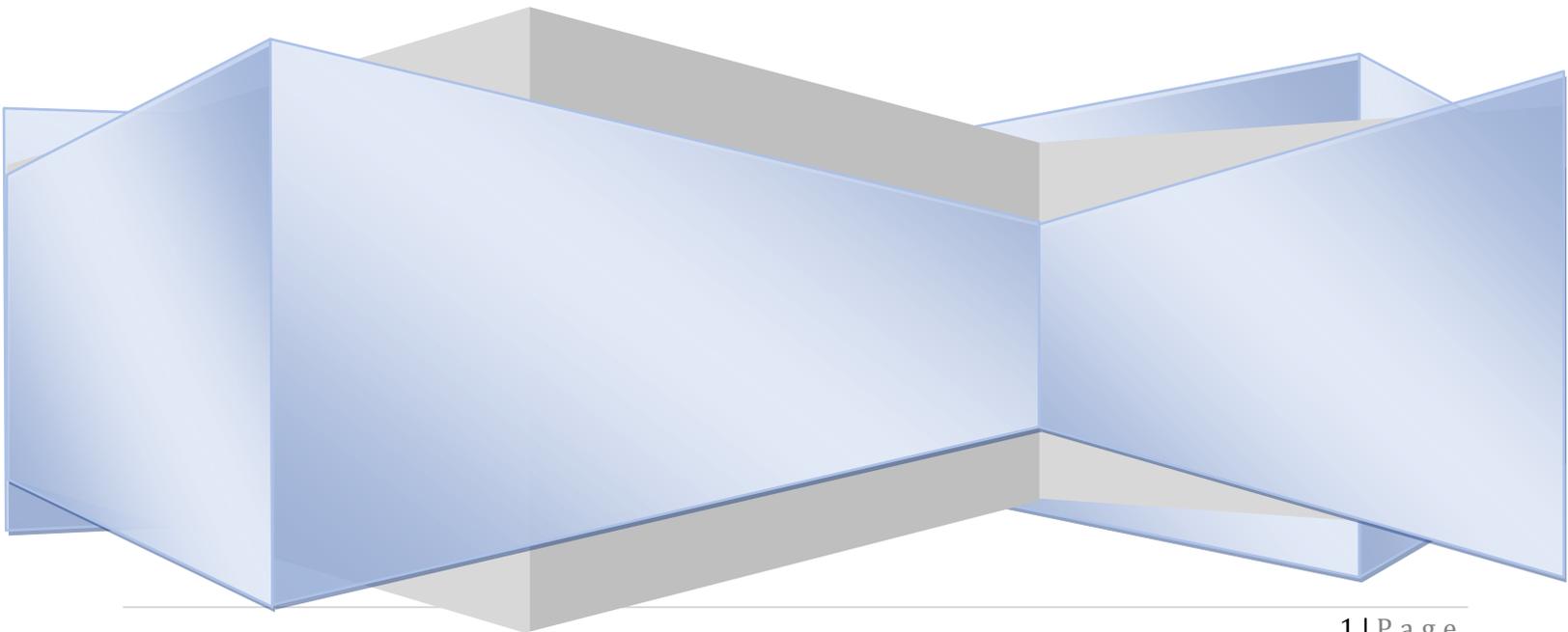


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FINANCIAL HIGHLIGHTS

Rs. in Crore except per share data

Particulars	Consolidated Performance			
	For the Quarter ended			For the Year Ended
	June 30, 2014	March 30, 2014	June 30, 2013	March 31, 2014
Revenue from Operations	79.43	87.69	86.32	346.22
Operating Profit (EBITDA)	10.13	20.10	14.22	66.58
Profit after Tax (PAT)	11.65	18.84	11.17	64.34
EBITDA Margin	13%	23%	16%	19%
PAT Margin	15%	21%	13%	19%
EPS	3.60	5.82	3.45	19.87

At the end of the Period	As at		
	June 30, 2014	March 30, 2014	June 30, 2013
Share Capital	32.39	32.39	32.39
Reserves and Surplus	375.36	364.62	328.46
Net Worth	407.74	397.01	360.85
Total Assets	530.36	513.34	468.46
Net Fixed Assets	63.13	61.90	50.34
Investments	196.51	199.27	179.57
Current Assets	413.20	398.46	392.47
Cash and Cash Equivalents	295.33	298.02	284.07
Working Capital	302.88	293.73	298.04
Market Capitalisation	674.23	705.64	221.02
No. of Shareholders	14,888	15,008	15,794
No. of Shares (Face Value of Rs.10.00)	32,383,724	32,383,724	32,383,534

Notes:

- 1.) Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the quarter which is Rs. 208.20 at June 30, 2014, Rs. 217.90 at March 31, 2014 and Rs. 68.25 at June 30, 2013.
- 2.) While calculating the figures of group, intergroup transactions have been ignored.
- 3.) Previous year figures have been regrouped/ reclassified wherever necessary.

USD million except per share data

Particulars	Consolidated Performance			
	For the Quarter ended			For the Year Ended
	June 30, 2014	December 31, 2013	June 30, 2013	March 31, 2014
Revenue from Operations	12.90	14.89	15.24	63.70
Operating Profit (EBITDA)	1.65	3.22	2.51	12.25
Profit after Tax (PAT)	1.89	3.87	1.97	11.84
EBITDA Margin	13%	22%	16%	19%
PAT Margin	15%	26%	13%	19%
EPS	0.58	1.20	0.61	3.66
US \$/ INR Exchange Rate*	61.55	60.41	56.63	59.56

At the end of the Period	As at		
	June 30, 2014	December 31, 2013	June 30, 2013
Share Capital	5.48	5.24	5.45
Reserves and Surplus	63.51	59.38	55.32
Net Worth	68.99	64.62	60.77
Total Assets	89.74	80.84	78.89
Net Fixed Assets	10.68	10.14	8.48
Investments	33.25	32.77	30.24
Current Assets	69.92	63.14	66.09
Cash and Cash Equivalents	49.97	45.27	47.84
Working Capital	51.25	49.04	50.19
Market Capitalisation	114.08	73.21	37.22
US \$/ INR Exchange Rate*	59.10	61.84	59.38

Note:

- 1.) Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the quarter which is Rs. 208.20 at June 30, 2014, Rs. 217.90 at March 31, 2014 and Rs. 68.25 at June 30, 2013.
- 2.) While Calculating the figures of group, intergroup transactions have been ignored.
- 3.) Previous year figures have been regrouped/ reclassified wherever necessary.
- 4.) * The Revenue and expenditure items have been translated at an average US \$ / INR rate, mentioned here for the respective years.
- 5.) # The Balance Sheet items have been translated at year end US \$ / INR rate, mentioned here for the respective years.

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 2014-15.

First the financial performance, consolidated revenue for the quarter was Rs. 79.43 crore against Rs.86.32 crore in the corresponding quarter of the previous year. The consolidated EBITDA was Rs. 10.13 crore in comparison to Rs. 14.22 crore in the corresponding quarter of the previous year. Consolidated net profit was Rs. 11.65 crore in comparison to Rs.11.17 crore in the corresponding quarter of the previous year. EPS for the quarter was Rs.3.60 against Rs.3.45 in the corresponding quarter of the previous year.

The Product business revenue was Rs. 56.39 crore against Rs. 62.47 crore in the corresponding quarter of the previous year. The Company continues to focus and invest on development of niche Banking Products.

The Company continues to enjoy a high level of liquidity. 'Cash and Bank balances' and 'Current Investments' were at Rs. 319.63 crore against Rs. 322.50 crore as on Mar 31, 2014. We had a hedging position of US\$ 10.20 million, June 30, 2014 at an average rate of Rs. 63.31. There is a mark-to-market gain of Rs.92.10 Lakhs which is taken to hedging reserve in the balance sheet.

We have won 2 new product orders worldwide and 7 product modules have been successfully implemented across geographies. Customer satisfaction through experience in products implementation and customer care remains our primary focus.

The Manpower numbers are at 1,488 as on June 30, 2014. HR focus for the quarter remained on enhancing domain and management competencies in the organization. This quarter has been very important to us as we have been focussing on increasing our organisational capability. We have kept a special focus on increasing the diversity at our workplace in hiring these numbers from different institutes and different academic streams.

Continuing with our focus on building our strong product innovation and R&D capabilities, during the quarter, we launched FinnOne Neo TM, a suite specifically designed to manage end-to-end lending requirements of the banking and financial services industry. We believe that with this introduction, we will further strengthen our global leadership position. We are committed towards providing our existing and potential customers with competitive and cutting edge products and will continue to focus on investments in product innovation and business expansion. Our focus on strategic investments in R&D and product innovation will remain to be one of the top priorities in the coming quarters.

A reflection of Nucleus Software's commitment to product innovation was the recent felicitation by The Asian Banker for "The Best Lending Platform Award". The award is an acknowledgement of Nucleus Software's constant endeavor to exploit new technology capabilities to deliver business value to its existing customers.

Vishnu R Dusad

Managing Director & Chief Executive Officer

Date: August 02, 2014

FINANCIAL STATEMENTS OF NUCLEUS SOFTWARE EXPORTS LTD.

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF NUCLEUS SOFTWARE EXPORTS LIMITED

Report on the Interim Financial Statements

We have audited the accompanying interim financial statements of **Nucleus Software Exports Limited** ("the Company"), which comprise the Balance Sheet as at 30 June, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the quarter then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Interim Financial Statements

The Company's Management is responsible for the preparation of these interim financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the recognition and measurement principles laid down in Accounting Standard (AS) 25 on Interim Financial Reporting specified under the Companies Act, 1956 (which is deemed to be applicable as per Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid interim financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 30 June, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the quarter ended on that date and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the quarter ended on that date.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm Registration No. 015125N)

SAMEER ROHTAGI
Partner
(Membership No. 094039)

Greater Noida,

2 August, 2014

BALANCE SHEET

NUCLEUS SOFTWARE EXPORTS LIMITED
BALANCE SHEET AS AT 30 JUNE, 2014

	Notes Ref.	As at 30 June, 2014	As at 31 March, 2014
		(Rupees)	(Rupees)
<u>EQUITY AND LIABILITIES</u>			
1. SHAREHOLDERS' FUNDS			
a. Share capital	2.1	323,852,240	323,852,240
b. Reserves and surplus	2.2	3,325,439,246	3,232,229,347
		3,649,291,486	3,556,081,587
2. NON-CURRENT LIABILITIES			
Long-term provisions	2.3	111,353,604	106,344,418
3. CURRENT LIABILITIES			
a. Trade payables	2.4	262,430,950	162,061,578
b. Other current liabilities	2.5	524,939,864	512,252,985
c. Short-term provisions	2.6	266,186,528	264,413,311
		1,053,557,342	938,727,874
		4,814,202,432	4,601,153,879
<u>ASSETS</u>			
1. NON-CURRENT ASSETS			
a. Fixed assets			
- Tangible assets	2.7	332,847,386	315,227,041
- Intangible assets	2.7	114,850,399	124,087,871
- Capital work in progress		15,310,000	12,560,000
		463,007,785	451,874,912
b. Non-current investments	2.8	379,063,240	373,562,267
c. Deferred tax assets (net)	2.9	63,232,865	61,385,458
d. Long-term loans and advances	2.10	250,144,780	252,350,976

e.	Other non-current assets	2.11	<u>4,708,731</u>	<u>4,688,330</u>
			1,160,157,401	1,143,861,943
2.	CURRENT ASSETS			
a.	Current investments	2.12	1,888,661,183	1,890,248,637
b.	Trade receivables	2.13	456,768,562	319,335,108
c.	Cash and bank balances	2.14	785,816,457	719,873,578
d.	Short-term loans and advances	2.15	163,275,105	167,158,765
e.	Other current assets	2.16	<u>359,523,724</u>	<u>360,675,848</u>
			3,654,045,031	3,457,291,936
			<u>4,814,202,432</u>	<u>4,601,153,879</u>

See accompanying notes forming part of the financial statements 1 & 2

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

For and on behalf of the Board of Directors

**JANKI
BALLABH**
Chairman

VISHNU R DUSAD
Managing Director
&
Chief Executive
Officer

SAMEER ROHATGI
Partner

Place : Greater Noida

Date : 02 August, 2014

**P K
SANGHI**
President Finance &
Chief Financial Officer

Place : Greater Noida

Date : 02 August, 2014

POONAM BHASIN
AVP (Secretarial) &
Company Secretary

PROFIT & LOSS

NUCLEUS SOFTWARE EXPORTS LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE QUARTER ENDED 30 JUNE, 2014

	Notes Ref.	Quarter ended 30 June, 2014 (Rupees)	Quarter ended 30 June, 2013 (Rupees)
1. REVENUE FROM OPERATIONS			
Income from software product and services	2.17	595,356,295	631,492,848
2. OTHER INCOME	2.18	61,326,434	144,267,241
3. TOTAL REVENUE (1+2)		656,682,729	775,760,089
4. EXPENSES			
a. Changes in inventories of stock of trade		-	49,486,419
b. Employee benefits expense	2.19	342,882,282	313,161,620
c. Operating and other expenses	2.20	161,152,777	163,158,873
d. Finance cost	2.21	1,009,171	929,345
e. Depreciation and amortisation expense	2.7	25,933,712	12,705,008
TOTAL EXPENSES		530,977,942	539,441,265
5. PROFIT BEFORE TAX (3-4)		125,704,787	236,318,824
6. TAX EXPENSE			
a. Current tax expense	2.23	22,500,000	66,400,000
b. Deferred tax credit	2.9	(1,847,407)	(6,161,654)
NET TAX EXPENSE		20,652,593	60,238,346
7. PROFIT FOR THE QUARTER (5-6)		105,052,194	176,080,478
8. EARNINGS PER EQUITY SHARE	2.30		
Equity shares of Rupees 10 each			
a. Basic		3.24	5.44
b. Diluted		3.24	5.44
Number of shares used in computing earnings per share			
a. Basic		32,383,724	32,383,634
b. Diluted		32,383,724	32,383,634
See accompanying notes forming part of the financial statements	1 & 2		
In terms of our report attached			
For DELOITTE HASKINS & SELLS		For and on behalf of the Board of Directors	
Chartered Accountants			
		JANKI BALLABH	VISHNU R DUSAD
		Chairman	Managing Director & Chief Executive Officer
SAMEER ROHATGI			
Partner			
Place : Greater Noida			
Date : 02 August, 2014		P K SANGHI	POONAM BHASIN
		President Finance & Chief Financial Officer	AVP (Secretarial) & Company Secretary
		Place : Greater Noida	
		Date : 02 August, 2014	

CASH FLOW STATEMENT

NUCLEUS SOFTWARE EXPORTS LIMITED CASH FLOW STATEMENT FOR THE QUARTER ENDED 30 JUNE, 2014

	Notes Ref.	Quarter ended 30 June, 2014	Quarter ended 30 June, 2013
		(Rupees)	(Rupees)
A. Cash flow from operating activities			
Net profit before tax		125,704,787	236,318,824
Adjustment for:			
Depreciation and amortisation expense		25,933,712	12,705,008
Exchange Loss/(gain) on translation of foreign currency accounts		(1,771,225)	(15,335,137)
Dividend received from non-trade investments		(16,169,122)	(11,201,366)
Dividend received from subsidiary		-	(93,931,921)
Interest on fixed deposits and others		(21,276,791)	(22,120,057)
Interest on loan to subsidiaries		(98,638)	(156,728)
Net Loss/(Profit) on sale of investments		(16,000,507)	(1,054,143)
Net Loss/(Profit) on sale of fixed assets		-	(438,290)
Provision for doubtful debts/advances/other current assets		5,469,856	20,384,764
Provisions written back		(5,753,899)	-
Operating profit before working capital changes		96,038,173	125,170,954
Adjustment for (increase) / decrease in operating assets			
- Trade receivables		(136,627,934)	31,533,313
- Inventories		-	49,486,419
- Short-term loans and advances		(7,610,132)	2,426,254
- Long-term loans and advances		47,371	1,949,631
- Other current assets		11,001,932	(8,638,313)
- Other non-current assets		(20,401)	(94,045)
Adjustment for increase / (decrease) in operating liabilities			
- Trade payables and other current liabilities		108,013,614	(83,237,144)
- Short-term provisions		1,773,217	951,785
- Long-term provisions		5,009,186	2,772,472
		77,625,026	122,321,326
Income tax paid (net)		(20,676,298)	(23,293,905)
Net cash from / (used in) operating activities (A)		56,948,728	99,027,421
B. Cash flow from investing activities			
Purchase of fixed assets		(33,410,384)	(8,352,733)
Sale of fixed assets		-	506,182
Purchase of current investments		(1,086,644,338)	(587,541,659)
Proceeds from sale of current investments		1,088,231,792	352,086,149
Investments in shares of subsidiaries		(5,500,973)	-
Loans and advances to subsidiaries (net)		8,807,153	24,293
Bank balance not considered as cash and cash equivalents -		(655,468,738)	(854,723,761)

placed		
Bank balance not considered as cash and cash equivalents - matured	671,955,211	857,023,761
Interest on fixed deposits and others	9,212,813	5,346,824
Income tax paid	(5,634,841)	(7,518,869)
Dividend received from non-trade investments	16,169,122	11,201,366
Dividend received from subsidiary	-	93,931,921
Profit on sale of long term non trade investment	16,000,507	1,054,143
Net cash from / (used in) investing activities (B)	23,717,324	(136,962,383)
C. Cash flow from financing activities		
Advance pursuant to employee stock option scheme / proceeds from employee stock option exercised	-	10,720
Net cash flow from / (used in) financing activities (C)	-	10,720
Net increase / (decrease) in cash and cash equivalents (A+B+C)	80,666,052	(37,924,242)
Opening cash and cash equivalents	2.14 47,918,367	47,647,333
Exchange difference on translation of foreign currency bank accounts	1,763,300	8,642,489
Closing cash and cash equivalents	2.14 130,347,719	18,365,580

See accompanying notes forming part of the financial statements 1 & 2
In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

For and on behalf of the Board of Directors

JANKI BALLABH

Chairman

**VISHNU R
DUSAD**

Managing Director
&
Chief Executive
Officer

SAMEER ROHATGI

Partner

Place : Greater Noida

Date : 02 August, 2014

**P K
SANGHI**

President Finance &
Chief Financial Officer

POONAM BHASIN

AVP (Secretarial) &
Company
Secretary

Place : Greater Noida

Date : 02 August, 2014

Note 1:

1.1 Company Overview

Nucleus Software Exports Limited ('Nucleus' or 'the Company') was incorporated on 9 January, 1989 in India as a private limited company. It was subsequently converted into a public limited company on 10 October, 1994. The Company made an initial public offer in August 1995. As at 30 June, 2014, the Company is listed on two stock exchanges in India namely National Stock Exchange and Bombay Stock Exchange. The Company has wholly owned subsidiaries in Singapore, USA, Japan, Netherlands, Australia and India. The Company's business consists of software product development and marketing and providing support services mainly for corporate business entities in the banking and financial services sector.

1.2. Significant accounting policies

(i) Basis of preparation

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies Act, 1956 ("the 1956 Act") (which are deemed to be applicable as per Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable and guidelines issued by the Securities and Exchange Board of India ("SEBI"). The interim financial statements have been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard (AS) 25 on "Interim Financial Reporting" specified under the Companies Act, 1956. Accounting policies have been consistently applied except where a newly issued accounting standard, if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

(ii) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Examples of such estimates include estimates of expected contract costs to be incurred to complete contracts, provision for doubtful debts, future obligations under employee retirement benefit plans and estimated useful life of fixed assets. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the year in which the results are known / materialise.

(iii) Inventories

Inventories are valued at the lower of cost and the net realisable value after providing for obsolescence and other losses, where considered necessary. Cost includes all charges in bringing the goods to the point of sale.

(iv) Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

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

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

(vi) Depreciation and amortisation

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

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

Asset category	Useful life (in years)
Tangible asset	
Building	30
Plant and machinery (including office equipment)	5
Computers	4/3
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 II of the Companies Act, 2013.

With effect from 1 April, 2014, the Company has revised the useful life in respect of computers and data processing units (end use devices such as laptops, desktops etc) from 4 years to 3 years. (also see note 2.7 (ii))

(vii) Revenue recognition

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

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

Revenue from fixed price contracts and sale of license and related customisation and implementation is recognised in accordance with the percentage completion method calculated based on output method. Provision for estimated losses, if any, on uncompleted contracts are recorded in the year in which such losses become certain based on the current estimates.

Revenue from sale of licenses, where no customisation is required, are recognised upon delivery of these licenses which constitute transfer of all risks and rewards.

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

Revenue from sale of goods is recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which generally coincides with the delivery of goods to customers. Sales exclude sales tax and value added tax.

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

(viii) Other income

Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sales price and the carrying value of the investment.

Interest income is accounted on accrual basis.

Dividend income is recognised when the right to receive the same is established.

(ix) Expenditure

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

(x) Tangible assets and capital work in progress

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

(xi) Intangible assets

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

(xii) Foreign exchange transactions

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

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

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

(xiii) Investments

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

(xiv) Employee stock option based compensation

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

(xv) Employee benefits

Employee benefits include provident fund, gratuity and compensated absences.

Defined contribution plans

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

Defined benefit plans

For defined benefit plans in the form of gratuity, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each year end. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the year in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the year in which the employee renders the related service. The cost of such compensated absences is accounted as under :

- (a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (b) in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits

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

(xvi) Post Sales client support and warranties

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

(xvii) Operating leases

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

(xviii) Earnings per share

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

(xix) Taxation

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

(xx) Research and development

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

(xxi) Impairment

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

(xxii) Provision and contingencies

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

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

Contingent assets are not recognised in the financial statements.

(xxiii) Hedge accounting

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in "Accounting Standard 30 Financial Instruments: Recognition and Measurement". These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of

future cash flows are recognised directly in "Hedging reserve account" under Reserves and surplus, net of applicable deferred income taxes and the ineffective portion is recognised immediately in the Statement of Profit and Loss. Amounts accumulated in the "Hedging reserve account" are reclassified to the Statement of Profit and Loss in the same periods during which the forecasted transaction affects profit and loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in "Hedging reserve account" is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in "Hedging reserve account" is immediately transferred to the Statement of Profit and Loss.

(xxiv) Derivative contracts

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

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

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

(xxv) Insurance claims

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

(xxvi) Service tax input credit

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

(xxvii) Operating cycle

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

NUCLEUS SOFTWARE EXPORTS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2 NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE, 2014

2.1 SHARE CAPITAL

Particulars	As at 30 June, 2014 (Rupees)	As at 31 March, 2014 (Rupees)
a. Authorised		
Equity shares		
40,000,000 (40,000,000) equity shares of Rs. 10 each	400,000,000	400,000,000
b. Issued, Subscribed and Paid-Up		
Issued		
32,386,524 (32,386,524) equity shares of Rs. 10 each	323,865,240	323,865,240
Subscribed and Paid-Up		
32,383,724 (32,383,724) equity shares of Rs. 10 each, fully paid up	323,837,240	323,837,240
Add: 2,800 (2,800) forfeited equity shares pending reissue (see note (iv) below)	15,000	15,000
	323,852,240	323,852,240

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

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

Particulars	Opening Balance	Allotted under Employee Stock Option Plans during the period	Closing Balance
a. For the quarter ended 30 June, 2014 - Number of shares	32,383,724	-	32,383,724

- Amount	323,837,240	-	323,837,240
b. For the year ended 31 March, 2014			
- Number of shares	32,383,634	90	32,383,724
- Amount	323,836,340	900	323,837,240

(ii) **Rights, preferences and restrictions attached to shares**

The Company has one class of equity shares having a par value of Rs. 10 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(iii) **Number of shares held by shareholders holding more than 5% of the aggregate shares in the Company :-**

Particulars	As at 30 June, 2014		As at 31 March, 2014	
	(Number)	(Percentage)	(Number)	(Percentage)
Karmayogi Holdings Private Limited	9,000,000	27.79%	9,000,000	27.79%
Nucleus Software Engineers Private Limited	2,385,882	7.37%	2,385,882	7.37%
Madhu Dusad	2,045,048	6.32%	2,045,048	6.32%
Vishnu R Dusad	1,603,492	4.95%	1,603,492	4.95%
Fidelity Puritan Trust- Fidelity Low-Priced Stock Fund*	2,100,000	6.48%	2,100,000	6.48%
ICICI Prudential Mutual Fund*	1,634,856	5.05%	1,634,856	5.05%

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

(iv) Details of forfeited shares

Particulars	As at 30 June, 2014		As at 31 March, 2014	
	(Number)	(Rupees)	(Number)	(Rupees)
Equity shares with voting rights	2,800	15,000	2,800	15,000

(v) **Employees Stock Option Plan ("ESOP")**

- a. Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999, issued by the SEBI, is effective for all stock option schemes established after 19 June, 1999. In accordance with these Guidelines, the excess of the market price of the underlying equity shares as of the date of grant of options over the exercise price of the option, including up-front payments, if any, is to be recognized and amortised on graded vesting basis over the vesting period of the options.
- b. The Company currently has ESOP scheme - 2005 (instituted in 2005). The scheme was duly approved by the Board of Directors and Shareholders in their respective meetings. The scheme provides for 600,000 options to eligible employees. The scheme is administered by the Compensation Committee comprising four members, the majority of whom are independent directors.

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

Particulars	Quarted ended 30 June, 2014 (Number)	Weighted Average (Rupees)	Year ended 31 March, 2014 (Number)	Weighted Average (Rupees)
<u>2005 Stock Option Scheme</u>				
Options outstanding at the beginning of the year	-	-	1,320	144
Options granted	-	-	-	-
Options forfeited	-	-	(1,230)	144
Options exercised	-	-	(90)	144
Balance carried forward	-	-	-	-

- d. During the year ended 31 March, 2014, 1230 shares were forfeited and the amount paid up as application money aggregating to Rupees 12,300 has been transferred to the Capital Reserve (Also see note 2.2 (a))

Particulars	As at 30 June, 2014 (Rupees)	As at 31 March, 2014 (Rupees)
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2.2 RESERVES AND SURPLUS

a. Capital reserve

Opening balance	8,900,230	8,887,930
Add : Amount forfeited against employees stock option plan	-	12,300
Closing balance	8,900,230	8,900,230

b. Securities premium account

Opening balance	21,901,489	21,889,429
Add : Premium on conversion of stock options issued to employees	-	-
Closing balance	21,901,489	21,901,489

c. Hedging reserve [see note 2.35]

Opening balance	28,143,036	6,370,074
Add / (Less) : Effect of foreign exchange rate variations on hedging instruments outstanding at the end of the year	(11,842,295)	21,772,962
Closing balance	16,300,741	28,143,036

d. General reserve

Opening balance	822,708,220	767,620,461
Add: Transferred from surplus in Statement of Profit and Loss		
Closing balance	822,708,220	822,708,220

e. Surplus in Statement of Profit and Loss

Opening balance	2,350,576,372	2,066,146,834
Add: Profit for the period	105,052,194	550,877,594
Less : Appropriations		
- Proposed final dividend on equity shares [see note (i) below]	-	(97,151,172)
- Proposed special dividend on equity shares [see note (i) below]	-	(97,151,172)
- Tax on dividend charge [see note 2.40]	-	(17,057,953)
- Transferred to general reserve	-	(55,087,759)
Closing balance	2,455,628,566	2,350,576,372
	3,325,439,246	3,232,229,347

Note :

- (i) The Board of Directors, at their meeting held on 03 May, 2014 had declared a final dividend of Rs. 3 per share (on equity share of par value of Rs. 10 each) and a special dividend of Rs. 3 per share (on equity share of par value of Rs. 10 each) on account of completion of 25 years of the company, which was approved by shareholders through poll in Annual General Meeting held on 08 July 2014.

Particulars	As at 30 June, 2014 (Rupees)	As at 31 March, 2014 (Rupees)
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2.3 LONG-TERM PROVISIONS

Provision for employee benefits		
- Provision for compensated absences	31,832,226	30,055,646
- Provision for gratuity (See note 2.34)	79,521,378	76,288,772
	111,353,604	106,344,418

2.4 TRADE PAYABLES

a. Trade Payables		
- Micro and small enterprises (See note below)	-	-
- Others	257,833,295	160,287,186
b. Due to subsidiaries (see note 2.31)	4,597,655	1,774,392
	262,430,950	162,061,578

Note :

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

2.5 OTHER CURRENT LIABILITIES

a. Advance from customers	191,361,362	184,632,621
b. Deferred revenue	222,839,623	197,237,246
c. Unpaid dividends	2,105,058	2,264,961
d. Payable for purchase of fixed assets	3,656,201	-
d. Other payables - statutory liabilities	24,240,091	37,290,760
e. Book overdraft	1,811,318	11,901,186
f. Due to subsidiary (see note 2.31 & 2.37)	78,926,211	78,926,211
	524,939,864	512,252,985

2.6 SHORT-TERM PROVISIONS

a. Provision for employee benefits		
- Provision for compensated absences	12,759,001	12,046,912
- Provision for gratuity (See note 2.34)	26,103,500	25,042,372
b. Provision for proposed equity dividend	194,302,344	194,302,344
c. Provision for tax on proposed dividend (see note 2.40)		
	266,186,528	264,413,311

NUCLEUS SOFTWARE EXPORTS LIMITED NOTES FORMING PART OF THE FINANCIAL STATEMENTS										
2.7 Fixed Assets (At Cost)										
PARTICULARS	GROSS BLOCK		ACCUMULATED DEPRECIATION		NET BLOCK		(Amount in Rupees)			
	As at 1 April, 2014	Additions	Deductions / adjustments	As at 30 June, 2014	As at 1 April, 2014	Depreciation for the period	Deductions / adjustments (See note (ii))	As at 30 June, 2014	As at 30 June, 2014	As at 31 March, 2014
Tangible assets										
Freehold land	3,360,720 (3,360,720)	- (-)	- (-)	3,360,720 (3,360,720)	- (-)	- (-)	- (-)	- (-)	3,360,720 (3,360,720)	3,360,720 (3,360,720)
Leasehold land	66,395,000 (66,395,000)	- (-)	- (-)	66,395,000 (66,395,000)	8,886,523 (8,134,965)	188,060 (751,558)	- (-)	9,074,583 (8,886,523)	57,320,417 (57,508,477)	57,508,477 (58,260,035)
Leasehold improvements	7,148,689 (7,583,420)	- (-)	- (434,731)	7,148,689 (7,148,689)	7,148,689 (7,583,420)	- (-)	- (434,731)	7,148,689 (7,148,689)	- (-)	- (-)
Buildings	241,471,493 (242,275,991)	- (-)	- (804,498)	241,471,493 (241,471,493)	67,370,584 (59,438,363)	2,012,504 (7,932,221)	- (-)	69,383,088 (67,370,584)	172,088,405 (174,100,909)	174,100,909 (182,837,628)
Plant and equipment	115,799,872 (114,674,612)	(2,989,515)	- (1,864,255)	115,799,872 (115,799,872)	109,457,894 (108,206,471)	410,645 (3,862,655)	- (2,611,232)	109,868,539 (109,457,894)	5,931,333 (6,341,978)	6,341,978 (6,468,141)
Office equipment	29,886,632 (28,529,271)	31,500 (2,117,544)	- (760,183)	29,918,132 (29,886,632)	26,064,859 (24,440,982)	361,412 (2,384,060)	- (760,183)	26,426,271 (26,064,859)	3,491,861 (3,821,773)	3,821,773 (4,088,289)
Computer equipment	261,022,979 (234,752,030)	25,253,245 (41,986,599)	3,282,336 (15,715,650)	282,993,888 (261,022,979)	205,925,429 (205,692,115)	8,057,418 (15,635,357)	3,282,336 (15,402,043)	210,700,511 (205,925,429)	72,293,377 (55,097,550)	55,097,550 (29,059,915)
Vehicles	19,428,067 (14,427,706)	4,384,140 (13,721,527)	1,840,405 (8,721,166)	21,971,802 (19,428,067)	5,104,721 (11,548,094)	964,028 (1,852,422)	1,840,405 (8,295,795)	4,228,344 (5,104,721)	17,743,458 (14,323,346)	14,323,346 (2,879,612)
Furniture and fixtures	36,211,435 (36,670,113)	- (106,732)	- (565,410)	36,211,435 (36,211,435)	35,539,147 (35,816,114)	54,473 (288,443)	- (565,410)	35,593,620 (35,539,147)	617,815 (672,288)	672,288 (853,999)
Intangible assets										
Software	780,724,887 (748,668,863)	29,668,885 (60,921,917)	5,122,741 (28,865,893)	805,271,031 (780,724,887)	465,497,846 (460,860,524)	12,048,540 (32,706,716)	5,122,741 (28,069,394)	472,423,645 (465,497,846)	332,847,386 (315,227,041)	315,227,041 (287,808,339)
	287,223,881 (171,727,503)	4,647,700 (115,496,378)	- (-)	291,871,581 (287,223,881)	163,136,010 (128,239,727)	13,885,172 (34,896,283)	- (-)	177,021,182 (163,136,010)	114,850,399 (124,087,871)	124,087,871 (43,487,776)
	1,067,948,768 (920,396,366)	34,316,585 (176,418,295)	5,122,741 (28,865,893)	1,097,142,612 (1,067,948,768)	628,633,856 (589,100,251)	25,933,712 (67,602,999)	5,122,741 (28,069,394)	649,444,827 (628,633,856)	447,697,785 (439,314,912)	439,314,912 (331,296,115)
Notes :										
(i) Figures in bracket pertains to previous year ended 31 March 2014.										
(ii) Pursuant to the Companies Act, 2013, ("The Act"), being effective from April 1, 2014, the Company has revised depreciation rates in respect of computers and data processing unit (end user devices such as desktop, laptops etc.) as per the useful life specified in Part "C" of Schedule II of the Act. As a result of this change, the depreciation charge for the quarter ended June 30, 2014 is higher by Rs. 1,817,662.										

Particulars	As at 30 June, 2014 (Rupees)	As at 31 March, 2014 (Rupees)
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2.8 NON-CURRENT INVESTMENTS (at cost)

- Trade

Investments in equity instruments of wholly owned subsidiaries (unquoted)

a. 625,000 (625,000) equity shares of Singapore Dollar 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore	16,319,950	16,319,950
b. 1,000,000 (1,000,000) equity shares of US Dollar 0.35 each, fully paid up, in Nucleus Software Inc., USA	16,293,150	16,293,150
Less: Provision for diminution in value of investment in Nucleus Software Inc., USA	(16,293,150)	(16,293,150)
c. 200 (200) equity shares of Japanese Yen 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaisha	4,092,262	4,092,262
d. 1,000,000 (1,000,000) equity shares of Rs 10 each, fully paid up, in VirStra i-Technology Services Limited, India [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company]	10,000,000	10,000,000
e. 4,000 (4,000) equity shares of Euro 100 each, fully paid up, in Nucleus Software Netherlands B.V., Netherlands	24,242,000	24,242,000
Less: Provision for diminution in value of investment in Nucleus Software Netherlands B.V., Netherlands	(24,242,000)	(24,242,000)
f. 10,000,000 (10,000,000) equity shares of Rs. 10 each, fully paid up, in Nucleus Software Limited, India [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company]	100,000,000	100,000,000
g. 100,000 (1) equity shares 1 AUD each, fully paid in Nucleus Software Australia Pty. Ltd., Australia	5,501,028	55
	135,913,240	130,412,267

- Other investments

Investment in equity instruments (Unquoted)

250,000 (250,000) equity shares of Rs. 10 each, fully paid up, in Ujjivan Financial Services Private Limited	2,500,000	2,500,000
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Investment in bonds (quoted)

a. Indian Railway Finance Corporation Limited - Tranche 1 Series IA (see note 2.38) (Net of adjustment to the carrying amount of investments amounting to Rs. 9,350,000)	90,650,000	90,650,000
b. Indian Infrastructure Finance Company Limited - Tranche 1 Series 1A	50,000,000	50,000,000

c. Indian Railway Finance Corporation Limited - Tranche 1 Series IB

100,000,000 100,000,000

240,650,000 240,650,000

Aggregate amount of non-current investments

379,063,240 373,562,267

Aggregate amount of quoted investments

240,650,000 240,650,000

Aggregate market value of quoted investments

251,227,893 261,365,000

Aggregate amount of unquoted investments

138,413,240 132,912,267

2.9 DEFERRED TAX ASSET (Net)

Particular	Opening as at 1 April, 2014	(Credited)/ Charge during the quarter	Closing as at 30 June, 2014
	(Rupees)	(Rupees)	(Rupees)
a. Deferred tax assets			
Provision for compensated absences, gratuity and other employee benefits	48,753,115	(2,305,339)	51,058,454
Provision for doubtful debts / service income accrued but not due	24,699,844	(1,705,024)	26,404,868
	73,452,959	(4,010,363)	77,463,322
b. Deferred tax liabilities			
On difference between book balance and tax balance of fixed assets	12,067,501	2,162,956	14,230,457
c. Net deferred tax asset	61,385,458	(1,847,407)	63,232,865

Particulars	As at 30 June, 2014	As at 31 March, 2014
	(Rupees)	(Rupees)

2.10 LONG-TERM LOANS AND ADVANCES

(Unsecured, considered good)

a. Loans to subsidiaries (see note 2.31) (also see note (i) and (ii) below)

85,968,634 91,938,634

b. Security deposits	12,757,955	11,770,815
c. Loans and advances to employees - Staff Loans	422,159	595,890
d. Prepaid expenses	6,846,254	7,707,034
e. Balances with government authorities - Advance tax [net of provision of Rs. 377,975,203 (Rs. 354,675,203)] (see note 2.24)	144,149,778	140,338,603
	250,144,780	252,350,976

Note (i) : Disclosure under Section 370 (1B) of the Companies Act, 1956 is given below :-

Amount outstanding at the end of year

- Long Term

a. Nucleus Software Limited, India	79,950,634	85,950,634
b. Nucleus Software Inc., USA	6,018,000	5,988,000

- Short Term (See note 2.15)

a. Nucleus Software Inc., USA	6,018,000	5,988,000
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Maximum amount outstanding during the year

a. Nucleus Software Limited, India	85,950,634	90,946,898
b. Nucleus Software Inc., USA	12,066,000	20,196,000

Note (ii) : Disclosure as per Clause 32 of the Listing Agreements with the Stock Exchanges is given below :-

Loans and advances in the nature of loans given to subsidiaries :

Name of the party	Interest Rate	Repayment Schedule	Amount outstanding as at 30 June, 2014	Maximum balance outstanding during the period
			(Rupees)	(Rupees)
a. Nucleus Software Limited, India	Interest free	Payable on demand after 31 March 2018.	79,950,634 (85,950,634)	85,950,634 (90,946,898)

b. Nucleus Software Inc., USA	3% over six months LIBOR	5 yearly installments (December 2011 to December 2015)	12,036,000 (11,976,000)	12,066,000 (20,196,000)
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Note : Figures in bracket pertains to previous year ended 31 March, 2014.

Particulars	As at 30 June, 2014 (Rupees)	As at 31 March, 2014 (Rupees)
2.11 OTHER NON CURRENT ASSETS		
(Unsecured, considered good)		
a. Long-term bank deposits (See note below)	4,175,000	4,175,000
b. Interest accrued but not due on bank deposits	533,731	513,330
	4,708,731	4,688,330

Note :-

Long-term bank deposits represent deposits under lien with bank and are restricted from being settled for more than 12 months from the Balance Sheet Date.

NUCLEUS SOFTWARE EXPORTS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2.1 Current investments - Non trade (At the lower of cost and fair value)

2

a. Investment in mutual funds

Name	Units as at 30 June, 2014	Value of units as at 30 June, 2014	Units as at 31 March, 2014	Value of units as at 31 March, 2014
	(Numbers)	(Rupees)	(Numbers)	(Rupees)
- Liquid Schemes of Mutual Funds (Quoted)				
a. Birla Sun Life Cash Plus - Daily Dividend-Regular Plan	2,410	241,483	2,369	237,319
b. Birla Sun Life Cash Plus - Daily Dividend-Direct Plan	1,259,981	126,243,777	740,078	74,152,137
c. JP Morgan India Liquid Fund- Daily Dividend-Direct Plan	-	-	3,585,782	35,894,039
d. ICICI Prudential Liquid Fund- Daily Dividend-Direct Plan	148,942	14,902,653	633,625	63,395,982
e. Kotak Floater Short Term Fund- Daily Dividend-Direct Plan	198,289	200,593,372	75,724	76,604,051
f. Kotak Floater Short Term Fund - Regular Plan-Daily Dividend	3,192	3,229,339	17,150	17,349,318
g. HDFC Liquid Fund- Daily Dividend-Direct Plan	99,513	1,014,856	9,320,303	95,050,316
h. Reliance Liquid Fund-Treasury Plan- Daily Dividend-Direct Plan	154,980	236,923,853	137,968	210,916,791
i. UTI Money market Fund-Institutional Plan- Direct Plan- Daily Dividend	14,652	14,701,337	42,399	42,542,194
j. Templeton India Treasury Management Account Super Institutional Plan - Direct Plan- Daily Dividend	-	-	11,317	11,328,734
k. SBI Liquid Fund- Direct Plan- Daily Dividend	-	-	8,033	8,059,292
l. Axis Liquid Fund- Direct Plan- Daily Dividend	142,818	142,862,651	193,497	193,519,815
m. IDFC Banking Debt Fund Regular Plan- Dividend	2,163,842	22,000,000	2,163,842	22,000,000
n. IDFC Cash Fund Direct Plan- Daily Dividend Reinvestment	67,129	67,165,082	-	-
- Fixed Maturity Plans / Interval Plans (Quoted)				
a. Kotak FMP Series 102 Direct - Growth	-	-	5,000,000	50,000,000
b. SBI Debt Fund Series - 366 days 25 - Direct Plan-Growth	-	-	10,000,000	100,000,000
c. DSP BlackRock FMP-Series 93-12M-Dividend-				

	Payout	-	-	3,041,587	30,415,869
d.	ICICI Prudential Interval Fund-Annual Interval Plan IV -Regular Plan - Growth	1,442,814	20,000,000	1,442,814	20,000,000
e.	ICICI Prudential FMP Series 69 -366 Days Plan G Growth	5,000,000	50,000,000	5,000,000	50,000,000
f.	ICICI Prudential FMP Series 68 -369 Days Plan I Growth	1,000,000	10,000,000	1,000,000	10,000,000
g.	Kotak FMP Series 105 Direct - Growth	3,100,000	31,000,000	3,100,000	31,000,000
h.	HDFC FMP 371D July 2013 (1) Series 26 – Growth Option	4,772,153	47,721,530	4,772,153	47,721,530
i.	DSP BlackRock FMP-Series 129-12M-Growth Option	5,000,000	50,000,000	5,000,000	50,000,000
j.	DSP BlackRock FMP-Series 130-12M-Growth Option	5,000,000	50,000,000	5,000,000	50,000,000
k.	DSP BlackRock FMP-Series 126-12M-Growth Option	950,000	9,500,000	950,000	9,500,000
l.	Birla SunLife Fixed Term Plan-Series IV-Growth-368 Days	5,000,000	50,000,000	5,000,000	50,000,000
m.	Birla SunLife Fixed Term Plan-Series JL-Growth-368 Days	3,000,000	30,000,000	3,000,000	30,000,000
n.	Birla SunLife Fixed Term Plan-Series IH-Growth-368 Days	2,000,000	20,000,000	2,000,000	20,000,000
o.	Birla SunLife Fixed Term Plan-Series JI-Growth-368 Days	2,000,000	20,000,000	2,000,000	20,000,000
p.	Kotak FMP Series 129 - Growth	5,000,000	50,000,000	5,000,000	50,000,000
q.	HDFC FMP 370D October 2013(1)-Series 28-Growth Option	2,000,000	20,000,000	2,000,000	20,000,000
r.	HDFC FMP 371D December 2013(2)- Series 29 - Growth Option	2,500,000	25,000,000	2,500,000	25,000,000
s.	HDFC FMP 371D November 2013(2)- Series 28 – Growth Option	1,089,800	10,898,000	1,089,800	10,898,000
t.	HDFC FMP 372D October 2013(1) Series 28-Growth Option	3,797,996	37,979,960	3,797,996	37,979,960
u.	SBI Debt Fund Series-366 Days-45-Growth Option	2,168,329	21,683,290	2,168,329	21,683,290
v.	SBI Debt Fund Series-366 Days-46-Growth Option	5,500,000	55,000,000	5,500,000	55,000,000
w.	SBI Debt Fund Series-366 Days-48-Growth Option	5,000,000	50,000,000	5,000,000	50,000,000
x.	DSP BlackRock FMP-Series 144-12M-Growth Option	5,000,000	50,000,000	5,000,000	50,000,000
y.	Birla SunLife Fixed Term Plan-Series JO-Growth-368 Days	5,000,000	50,000,000	5,000,000	50,000,000
z.	ICICI Prudential FMP Series 72 -368 Days Plan A Growth	5,000,000	50,000,000	5,000,000	50,000,000
aa	ICICI Prudential FMP Series 72 -368 Days Plan K Growth	5,000,000	50,000,000	5,000,000	50,000,000
ab	ICICI Prudential FMP Series 74 -369 Days Plan T Growth	10,000,000	100,000,000	-	-
ac	HDFC FMP 370D June 2014 (2) Series 31 – Growth Option	1,000,000	10,000,000	-	-
ad	HDFC FMP 371D June 2014 (1) Series 31 – Growth Option	3,000,000	30,000,000	-	-
ae	Reliance Fixed Horizon Fund- XXVI- Series 31- Growth Option	5,000,000	50,000,000	-	-
af.	UTI Fixed Term Income Fund-Series XIX-VIII (368 Days) Growth	1,000,000	10,000,000	-	-

Aggregate amount of investment

109,576,840	1,888,661,183	120,294,766	1,890,248,637
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Aggregate market value of quoted investment

1,941,309,345	1,937,469,517
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Particulars

As at 30 June, 2014 (Rupees)	As at 31 March, 2014 (Rupees)
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2.13 TRADE RECEIVABLES (see note below)
(Unsecured)

a. Debts outstanding for a period exceeding six months from the date they were due for payment

- Considered good	18,726,537	10,165,542
- Considered doubtful	25,830,540	19,590,209
	44,557,077	29,755,751
Less: Provision for doubtful trade receivables	(25,830,540)	(19,590,209)
	18,726,537	10,165,542

b. Other debts (Unsecured, Considered good)

- Considered good	438,042,025	309,169,566
- Considered doubtful	11,002,262	14,085,547
	449,044,287	323,255,113
Less: Provision for doubtful trade receivables	(11,002,262)	(14,085,547)
	438,042,025	309,169,566

Total

456,768,562	319,335,108
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Trade receivables include debt due from companies under the same management within the meaning of Section 370(1B) of Companies Act, 1956.

a.	Nucleus Software Solutions Pte Ltd, Singapore	22,949,794	7,410,290
b.	Nucleus Software Japan Kabushiki Kaisha, Japan	10,071,644	7,053,967
c.	Nucleus Software Inc., USA	-	6,940,955
d.	Nucleus Software Netherlands B.V., Netherlands	24,641,017	29,720,291
e.	VirStrai -Technology Services Limited, India	361,426	45,630
f.	Nucleus Software Limited, India	-	13,000

2.14 CASH AND BANK BALANCES

Cash and cash equivalents

a.	Cash on hand	18,489	132,933
b.	Balances with scheduled banks:		
	- in current accounts	84,759,372	2,296,066
	- in EEFC accounts	38,175,568	24,637,011
c.	Balance with non scheduled banks in current accounts:		
	- Citibank, United Kingdom	860,888	827,432
	- Citibank, United Arab Emirates	1,133,401	824,925
d.	Balances with scheduled banks in deposit accounts with original maturity of less than 3 months	5,400,000	19,200,000
		130,347,719	47,918,367

Other bank balances

a.	Balances with scheduled banks in earmarked accounts:		
	- unclaimed dividend accounts	2,109,045	2,269,925
b.	Balances with scheduled banks in deposit accounts with original maturity of more than 3 months :	653,359,693	669,685,286
		655,468,738	671,955,211
		785,816,457	719,873,578

Particulars		As at 30 June, 2014 (Rupees)	As at 31 March, 2014 (Rupees)
Details of balances as on balance sheet dates with scheduled banks in current accounts:-			
- HDFC Bank		39,860,373	554,279
- Citi Bank		1,052,910	699,392
- DBS Bank		61,497	61,497
- ICICI Bank		43,548,497	744,151
- State Bank of India		236,095	236,747
- Citi Bank *		37,815,292	22,915,528
- HDFC Bank *		360,277	1,721,483
- HDFC Bank **		2,109,045	2,269,925
	0		
	125,043,986	125,043,986	29,203,002
	(0)		
* EEFC account			
** Earmarked for unclaimed dividend			

Details of balances as on balance sheet dates with scheduled banks in deposit accounts:-

- HDFC Bank		10,000,000	10,000,000
- Citi Bank		5,400,000	19,200,000
- Bank of India		122,274,407	148,500,000
- State Bank of Travancore		99,300,000	89,400,000
- ICICI Bank		110,000,000	110,000,000
- Corporation Bank		202,204,156	202,204,156
- Punjab national Bank		108,457,298	108,457,298
	(1,123,832)	658,759,693	657,635,861
		657,635,861	687,761,454

Detail of fixed deposit under lien

- HDFC Bank		1,123,832	1,123,832
Total	-	5,298,832	1,123,832

2.15 SHORT-TERM LOANS AND ADVANCES

(Unsecured, considered good)

a.	Loans to subsidiaries (see note 2.31)	6,018,000	5,988,000
b.	Security deposit	2,392,689	2,330,312
c.	Loans and advances to employees		
	- Staff loans	2,751,482	1,730,614
	- Employee advances	12,004,749	5,060,123
d.	Prepaid expenses	55,310,135	46,524,177
e.	Balances with government authorities		
	- Advance fringe benefit tax [net of provision Rs. 24,915,859 (Rs. 24,915,859)]	2,732,275	2,732,275
	- Service tax credit receivable	51,720,509	50,344,989
f.	Others		
	- Supplier advances	3,475,271	19,027,480
	- Mark-to-market gain on forward contracts (see note 2.35)	16,429,714	28,216,253
	- Expenses recoverable from customers	10,440,281	5,204,542
		163,275,105	167,158,765

2.16 OTHER CURRENT ASSETS

(Unsecured)

a.	Service income accrued but not due		
	- Considered good	234,239,831	247,554,571
	- Considered doubtful	41,305,023	38,992,214
		275,544,854	286,546,785
	Less : Provision for service income accrued but not due	(41,305,023)	(38,992,214)
		234,239,831	247,554,571
b.	Interest accrued but not due on		
	- Fixed deposits with banks	35,125,425	27,231,858
	- Loan to subsidiary	274,805	176,167
	- Current, non trade investments	10,957,452	6,787,041
c.	Insurance claim recoverable (see note 2.37)	78,926,211	78,926,211

359,523,724 360,675,848

Particulars

**Quarter
ended
30 June, 2014
(Rupees)**

**Quarter
ended
30 June, 2013
(Rupees)**

2.17 INCOME FROM SOFTWARE PRODUCTS AND SERVICES

a. Software development services and products

- Domestic

136,993,365 161,024,582

- Overseas

458,362,930 413,125,540

b. Sale of goods

-
57,342,726

595,356,295 631,492,848

2.18 OTHER INCOME

a. Interest income on

- Deposits with banks

16,475,038 20,329,975

- Loan to subsidiary

98,638 156,728

- Current, non trade investments

4,801,753 1,790,082

b. Dividend income from

- Current, non trade investments

16,169,122 11,201,366

- Subsidiary company (see note 2.31)

-
93,931,921

c. Net gain on sale of investments

- Current, non trade investments

16,000,507 1,054,143

d. Net Gain / (Loss) on foreign currency

- Gain / (Loss) on exchange fluctuation

1,642,251 14,195,323

- Gain / (Loss) on ineffective hedges (see note 2.35)

128,973 1,133,572

e. Other non-operating income

- Liabilities written back

5,753,899

-

- Net profit on sale of fixed assets/discarded assets

-
438,290

- Miscellaneous income	256,253	35,841
-		
	61,326,434	144,267,241

2.19 EMPLOYEE BENEFITS EXPENSES

a. Salaries and wages	308,381,225	285,486,249
b. Contribution to provident and other funds	16,269,957	13,708,955
c. Gratuity expense (see note 2.34)	6,691,767	5,547,165
d. Staff welfare expenses	11,539,333	8,419,251
	342,882,282	313,161,620

Employee benefit expenses include Managing Director remuneration as follows :

a. Salary	1,500,000	1,500,000
b. Contribution to provident fund	90,000	90,000
	1,590,000	1,590,000

Notes:

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

Particulars	Quarter ended 30 June, 2014 (Rupees)	Quarter ended 30 June, 2013 (Rupees)
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2.20 OPERATING AND OTHER EXPENSES

a. Outsourced technical service expense	10,908,685	9,505,331
b. Cost of software purchased for delivery to clients	18,476,486	28,016,136
c. Power and fuel	11,405,848	11,140,994
d. Rent (see note 2.22)	9,142,856	6,702,598
e. Repair and maintenance		
- Buildings	576,946	1,108,534
- Others	5,146,082	4,698,329
f. Insurance	2,451,497	1,010,836
g. Rates and taxes	482,271	471,854

h.	Travel expenses		
	- Foreign	29,067,064	35,949,789
	- Domestic	6,114,910	5,928,301
i.	Advertisement and business promotion	4,674,615	2,087,837
j.	Legal and professional (see note 2.26)	17,922,531	8,408,016
k.	Directors remuneration	1,340,000	3,340,000
l.	Conveyance	3,826,670	3,136,792
m.	Communication	3,374,137	3,163,012
n.	Training and recruitment	6,883,094	2,763,117
o.	Conference, exhibition and seminar	5,346,171	1,282,423
p.	Information technology expenses	9,177,235	3,448,617
q.	Provision for doubtful debts/advances/other current assets	5,401,006	20,384,764
r.	Commission to channel partners	615,991	2,968,361
s.	Miscellaneous expenses	8,818,682	7,643,232
		161,152,777	163,158,873

**Directors Remuneration includes :
Non Executive Directors**

a.	Commission	900,000	3,000,000
b.	Sitting fees	440,000	340,000
		1,340,000	3,340,000

2.21 FINANCE COST

Bank Charges

1,009,171 **929,345**

2.22 OPERATING LEASE

Obligations on long-term, non-cancelable operating leases

The Company has acquired office premises under cancellable and non-cancellable operating lease. Operating lease rentals paid during the quarter ended 30 June, 2014 is Rs. 9,142,856 (Quarter ended 30 June, 2013 : Rs. 6,702,598). The future minimum lease expense in respect of non-cancellable leases as at 30 June, 2014 is Rs. Nil (As at 31 March, 2014, Rs. Nil).

2.23 Tax Expense

The Company has been accorded initial recognition for the in-house R&D unit by the Department of Scientific and Industrial Research (DSIR) for its R&D center at Noida effective 31 December, 2012 which is valid till 31 March, 2015. The Company has thereafter applied to DSIR for the approval of weighted deduction under section 35(2AB) of the Income Tax Act, 1961, which has been received by the Company in the year ended 31 March, 2014. Accordingly, the Company has during the current quarter availed and recognised tax benefit under section 35 (2AB) aggregating to Rs. 10,069,538 for the quarter ended 30 June, 2014. This has resulted in decrease in income tax liability of the Company for the quarter ended 30 June, 2014.

2.24 Advance Tax (Net of provision)

Advance Tax (Net of provision) aggregating to Rs. 144,149,779 (As at 31 March, 2014 : Rs. 140,338,603) has been classified as Long-Term Loans and Advances as the same represents amount recoverable from Income Tax Department after the completion of Income Tax Assessments.

2.25 Commitments

Particulars	As at 30 June, 2014 (Rupees)	As at 31 March, 2014 (Rupees)
a. Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances).	7,694,664	22,725,415

b. Other Commitments

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

As at 30 June, 2014, the Company has given an undertaking to repay the amounts due to Nucleus Software Solutions Pte Limited, Singapore (subsidiary company) by Nucleus Software Japan Kabushiki Kaisha, Japan (subsidiary company), in the event that the latter party is unable to repay the same, as and when it falls due. (Also see note 2.31)

As on 30 June, 2014, the Company has outstanding bank guarantee and letter of credits of Rs. 35,808,328 (As at 31 March, 2014 Rs. 13,617,899). These are secured to the extent of Rs. 15 crores against all present and future receivables and inventories of the Company.

Particulars	Quarter ended 30 June, 2014 (Rupees)	Quarter ended 30 June, 2013 (Rupees)
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2.26 Auditors Remuneration (excluding service tax)

a. As auditors - statutory audit, including quarterly audits	550,000	450,000
b. For other services	350,000	175,000
	900,000	625,000

2.27 CIF value of imports

Capital goods	21,536,645	2,869,823
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2.28 Earnings in foreign currency

a. Software development services and products	458,362,930	413,125,540
b. Dividend income from subsidiary company	-	93,931,921
c. Interest income on loan to subsidiary	98,638	156,728
	458,461,568	507,214,189

2.29 Expenditure in foreign currency

a. Travel expenses	19,525,427	26,246,142
b. Legal and professional	7,536,959	942,320
c. Cost of software purchased for delivery to clients	8,637,190	3,175,321
d. Conference, exhibition and seminar	4,006,663	917,742
e. Outsourced technical service expense	4,569,771	3,187,150
f. Salaries and wages	11,365,507	11,486,330
g. Commission to channel partners	608,876	2,968,361
h. Rent	3,179,526	2,145,269
i. Others	10,593,795	5,017,025
	70,023,714	56,085,660

2.30 Earnings per share

a. Profit after taxation available to equity shareholders (Rupees)	105,052,194	176,080,478
b. Weighted average number of equity shares used in calculating basic earnings per share	32,383,724	32,383,534
c. Effect of dilutive issue of shares	-	-
d. Weighted average number of equity shares used in calculating diluted earnings per share	32,383,724	32,383,534
e. Basic earnings per share (Rupees)	3.24	5.44

f. Diluted earnings per share (Rupees)	3.24	5.44
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2.31 RELATED PARTY TRANSACTIONS

List of related parties – where control exists

a. Wholly owned subsidiary companies

- Nucleus Software Solutions Pte Ltd, Singapore
- Nucleus Software Japan Kabushiki Kaisha, Japan
- Nucleus Software Inc., USA
- Nucleus Software Netherlands B.V., Netherlands
- VirStra i-Technology Services Limited, India
- Nucleus Software Limited, India
- Nucleus Software Australia Pty. Ltd., Australia (incorporated on 3 February, 2014)

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

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

c. Other related parties:

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

Transactions with related parties

Particulars	Quarter ended 30 June, 2014 (Rupees)	Quarter ended 30 June, 2013 (Rupees)
a. Software development services and products		
- Nucleus Software Japan Kabushiki Kaisha, Japan	23,710,907	37,806,990
- Nucleus Software Solutions Pte Ltd, Singapore	20,283,793	16,356,493
- Nucleus Software Inc., USA	2,295,076	4,613,368
- Nucleus Software Netherlands B.V., Netherlands	1,586,765	2,387,645
b. Other income		
Dividend income		
- Nucleus Software Solutions Pte Ltd, Singapore	-	93,931,921
Interest income		
- Nucleus Software Inc., USA	98,638	156,728

c. Managerial remuneration [including perquisite value of Rs. 219,993 (previous quarter Rs. 21,048)]		
- Vishnu R Dusad (Managing Director & Chief Executive Officer)	1,809,993	1,611,048
d.		
- Nucleus Software Solutions Pte Ltd, Singapore	645,068	575,634
e. Outsourced technical service expense		
- Nucleus Software Solutions Pte Ltd, Singapore	849,002	1,345,176
f. Lease rent paid		
- Nucleus Software Limited, India	2,374,074	2,064,414
g. Reimbursement of expenses from		
- Nucleus Software Solutions Pte Ltd, Singapore	3,475,727	282,684
- Nucleus Software Japan Kabushiki Kaisha, Japan	260,222	100,301
- Nucleus Software Inc., USA		-
		1,283,755
- Nucleus Software Netherlands B.V., Netherlands		-
		167,953
- VirStra i-Technology Services Limited, India	15,796	25,616
- Nucleus Software Limited, India		-
		8,826
h. Reimbursement of expenses to		
- Nucleus Software Solutions Pte Ltd, Singapore	340,177	107,086
- Nucleus Software Australia Pty Ltd.	640,320	-
i. Repayment of loans		
- Nucleus Software Limited, India	6,000,000	-
j. Investment in subsidiary		
- Nucleus Software Australia Pty. Ltd., Australia	5,500,973	-

Outstanding balances as at period end

Particulars	As at 30 June, 2014 (Rupees)	As at 31 March, 2014 (Rupees)
a. Trade receivables		
- Nucleus Software Solutions Pte Ltd, Singapore	22,949,794	7,410,290
- Nucleus Software Japan Kabushiki Kaisha, Japan		

		10,071,644	7,053,967
- Nucleus Software Inc., USA			-
			6,940,955
- Nucleus Software Netherlands B.V., Netherlands		24,641,017	29,720,291
- VirStra i -Technology Services Limited, India		361,426	45,630
- Nucleus Software Limited, India			-
			13,000
b. Provision for doubtful trade receivables			
- Nucleus Software Netherlands B.V., Netherlands		21,991,600	21,991,600
c. Trade payables			
- Nucleus Software Japan Kabushiki Kaisha, Japan		1,803,919	1,787,392
- Nucleus Software Australia Pty Ltd.		658,126	-
- Nucleus Software Limited, India		2,123,667	-
d. Other current liabilities			
- Nucleus Software Inc., USA (See note 2.37)		78,926,211	78,926,211
e. Loans to subsidiaries			
- Nucleus Software Inc., USA		12,036,000	11,976,000
- Nucleus Software Limited, India		79,950,634	85,950,634
f. Interest income accrued but not due			
- Nucleus Software Inc., USA		274,805	176,167
g. Service income accrued but not due			
- Nucleus Software Netherlands B.V., Netherlands		1,586,764	-
- Nucleus Software Inc., USA		2,589,661	732,836
- Nucleus Software Japan Kabushiki Kaisha, Japan			-
			96,005
h. Deferred revenue			
- Nucleus Software Japan Kabushiki Kaisha, Japan		495,306	-
- Nucleus Software Solutions Pte Ltd, Singapore		455,856	1,382,466
- Nucleus Software Inc., USA			-
			438,252
i. Guarantees on behalf of (see note 2.25 b)			
- Nucleus Software Japan Kabushiki Kaisha, Japan		7,092,000	21,594,478
j. Investments in subsidiary companies (net of provision) (see note 2.8)		135,913,240	130,412,267

Particulars	Quarter ended 30 June, 2014 (Rupees)	Quarter ended 30 June, 2013 (Rupees)
2.32 Research and development expenditure		
Expenditure on research and development as per Accounting Standard 26		
Revenue	45,169,134	43,496,566

The Company has been accorded initial recognition for the in-house R&D unit by the Department of Scientific and Industrial Research (DSIR) for its R&D center at Noida effective 31 December, 2012 which is valid till 31 March, 2015. The Company has thereafter applied to DSIR for the approval of weighted deduction under section 35(2AB) of the Income Tax Act, 1961, which has been received by the Company in the year ended 31 March, 2014. (Also see note 2.23)

NUCLEUS SOFTWARE EXPORTS LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2.3 Segment reporting – Basis of preparation

a Segment accounting policies

The Segment reporting policy complies with the accounting policies adopted for preparation and presentation of financial statements of the Company and is in conformity with Accounting Standard-17 on "Segment Reporting" notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable. The segmentation is based on the Geographies (reportable primary segment) in which the Company operates and internal reporting systems. The secondary segmentation is based on the nature and type of services rendered.

b Composition of reportable segments

The Company operates in six main geographical segments: India, Far East, South East Asia, Europe, Middle East and Africa which individually contribute 10% or more of the Company's revenue and segment assets.

Income and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while the remainder of the costs are categorised in relation to the associated turnover and/or man months. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably across geographies. The Company believes that it is not practicable to provide segment disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocated" and directly charged against total income.

Segment assets and liabilities represent the net assets and liabilities of that segment. All the fixed assets of the Company are located in India. These have not been identified to any of the reportable segments, as these are used interchangeably between segments and across geographies. Other items which are not directly attributable to any particular segment and which cannot be reasonably allocated to various segments are consolidated under "Unallocated" head.

The secondary segmentation is based on the nature and type of services rendered. Accordingly, Secondary Segmentation has been classified under Products and Software Projects and Services. Products revenue includes Income from sale of licenses and all other related customization, implementation, time and material contracts, fixed price contracts and annual technical service for these licenses. Software projects and services includes other time and material contracts and fixed price contracts, whereby no license sale is made by the Company.

Information in respect of primary segment

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

a For the quarter ended 30 June, 2014

Description								(Amount in Rupees)
	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Revenue from operations	136,993,365	57,501,394	82,506,487	69,388,313	157,140,856	42,511,181	49,314,699	595,356,295
Expenses	104,183,844	24,785,410	49,466,092	28,903,363	56,527,755	13,031,680	14,699,868	291,598,012
Segment result	32,809,521	32,715,984	33,040,395	40,484,950	100,613,101	29,479,501	34,614,831	303,758,283
Unallocated corporate expenditure								239,379,930
Operating profit before taxation								64,378,353
Other income								61,326,434
Profit before taxation								125,704,787
Tax Expense								
Net current tax expense								22,500,000
Net deferred tax credit								(1,847,407)
								20,652,593
Profit for the quarter								105,052,194

b For the quarter ended 30

June, 2013

Description								(Amount in Rupees)
	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Revenue from operations	218,367,308	87,903,114	81,628,451	38,097,963	150,222,345	33,592,812	21,680,855	631,492,848
Expenses	162,164,219	37,205,461	65,157,011	20,573,393	54,614,427	17,068,973	13,271,849	370,055,333
Segment result	56,203,089	50,697,653	16,471,440	17,524,570	95,607,918	16,523,839	8,409,006	261,437,515
Unallocated corporate expenditure								169,385,932
Operating profit before taxation								92,051,583
Other income								144,267,241
Profit before taxation								236,318,824
Tax Expense								
Net current tax expense								66,400,000
Net deferred tax credit								(6,161,654)
								60,238,346
Profit for the quarter								176,080,478

Assets and liabilities of reportable primary segment are as follows:

a As at 30 June, 2014

Description								(Amount in Rupees)
	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Segment assets	379,753,650	29,253,169	109,295,938	89,021,392	137,604,542	62,163,131	131,753,119	938,844,941
Unallocated corporate assets								3,874,699,365
Total assets								4,813,544,306
Segment liabilities	228,556,139	29,125,079	188,396,175	85,595,953	173,138,756	81,532,266	102,485,334	888,829,702
Unallocated corporate liabilities								275,423,118
Total liabilities								1,164,252,820
Capital employed								3,649,291,486

b As at 31
. March, 2014

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

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

a For the quarter ended 30
. June, 2014

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Others	(Amount in Rupees)
								Total
Capital expenditure (unallocated)								37,066,585
Total capital expenditure								37,066,585
Depreciation expenditure (unallocated)								25,933,712
Total depreciation								25,933,712
Segment non-cash expense other than depreciation	984,716	-	-	-	1,670,469	2,745,821	-	5,401,006
Total non cash expenditure other than depreciation	984,716	-	-	-	1,670,469	2,745,821	-	5,401,006

b For the quarter ended 30
. June, 2013

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Others	(Amount in Rupees)
								Total
Capital expenditure (unallocated)								10,253,720
Total capital expenditure								10,253,720

Depreciation expenditure (unallocated)							12,705,008
Total depreciation							12,705,008
Segment non-cash expense other than depreciation	7,348,158	-	10,896,811	-	2,139,795	-	20,384,764
Total non cash expenditure other than depreciation	7,348,158	-	10,896,811	-	2,139,795	-	20,384,764

Information in respect of secondary segment

Information for business segments

Description	Products	Software projects and services	(Amounts in Rupees)
			Total
a For the quarter ended 30 June, 2014			
Revenue	542,865,563	52,490,732	595,356,295
Carrying amount of segment assets	856,069,872	82,775,069	938,844,941
b For the quarter ended 30 June, 2013			
Revenue	600,549,787	30,943,061	631,492,848
Carrying amount of segment assets	897,573,654	46,247,084	943,820,738

Note : The carrying amount of segment assets has been allocated proportionately in ratio of revenue in the related secondary segment.

NUCLEUS SOFTWARE EXPORTS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2.34 Employee Benefit Obligations

Defined contribution plans

An amount of Rs. 16,269,957 for the quarter ended 30 June, 2014 (Quarter ended 30 June, 2013 : Rs. 13,708,955), have been recognized as an expense in respect of Company's contribution for Provident Fund and Employee State Insurance Fund deposited with the government authorities and has been shown under employee benefit expenses in the Statement of Profit and Loss.

Defined benefit plans

The Gratuity scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service or part thereof in excess of 6 months subject to a maximum limit of Rs 1,000,000 in terms of the provisions of the Payment of Gratuity Act, 1972. Vesting occurs upon completion of 5 years of service.

Provision in respect of gratuity and leave encashment for an interim period are calculated on year to date basis by using actuarially determined rates at the end of prior financial year, adjusted, by the Management's estimates after keeping only material events occurring during the interim period.

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

a. Particulars	As at 31 March, 2014	As at 31 March, 2013
	(Rupees)	(Rupees)
Obligation at beginning of the year	91,032,223	83,557,616
Current service cost	14,436,138	14,043,237
Interest cost	7,404,558	7,280,939
Actuarial losses/(gains)	2,415,963	(781,645)
Benefits paid	(13,957,738)	(13,067,924)

Obligation at year end	101,331,144	91,032,223
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b. Change in plan assets

Plan Assets at year beginning, at fair value	-	-
Contributions by employer	13,957,738	13,067,924
Benefits paid	(13,957,738)	(13,067,924)
Plan assets at year end, at fair value	-	-

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

Expected employer's contribution next year	25,042,372	22,285,555
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c. Gratuity cost for the year:

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

d. Experience adjustment

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

Actuarial assumptions for gratuity and long-term compensated absences

e. **Economic assumptions :**

	As at 31 March, 2014	As at 31 March, 2013
Discount rate	8.90%	7.85%
Salary escalation rate	8.00%	7.00%
Expected return on plan assets	-	-

Discount rate:

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

Salary escalation rate:

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

f. **Demographic assumptions**

Retirement age	58 years	58 years
Mortality table	IALM Mortality (2006-08)	LIC (1994-96) duly modified

g. **Withdrawal rates**

Ages - Withdrawal Rate (%)

21-50 years - 20%

51-54 years - 2%

55-57 years - 1%

2.35 Forward contract and option in foreign currency

a. Forward contract outstanding	Buy/Sell	As at	As at
		30 June, 2014	31 March, 2014
In USD	Sell	9,050,000	9,000,000
Equivalent amount in Rupees	Sell	544,629,000	538,920,000

- b. Short term loans and advances include net marked to market gain of Rs. 16,429,714 (Previous year ended 31 March, 2014 : Rs. 28,216,253) relating to forward contracts which are outstanding as at year end. The gain on such forward contract which are designated as effective, aggregating to Rs. 16,300,741 (Previous year ended 31 March 2014 : gain of Rs. 28,143,036) have been credited to Hedging Reserve. The gain on ineffective contracts aggregating to Rs 128,973 (Previous year ended 31 March 2014 : Gain of Rs. 73,217) has been credited to Statement of Profit and Loss.

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

NUCLEUS SOFTWARE EXPORTS LIMITED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE, 2014

	Notes Ref.	As at 30, June, 2014 (Rupees)	As at 31 Mar 2014 (Rupees)
<u>EQUITY AND LIABILITIES</u>			
1. SHAREHOLDERS' FUNDS			
a. Share capital	2.1	323,852,240	323,852,240
b. Advance pursuant to stock option plan	2.2	-	-
c. Reserves and surplus	2.3	3,753,575,298	3,646,217,622
		4,077,427,538	3,970,069,862
2. NON-CURRENT LIABILITIES			
Long-term provisions	2.4	122,975,632	115,990,177
3. CURRENT LIABILITIES			
a. Trade payables	2.5	320,763,847	241,321,372
b. Other current liabilities	2.6	496,720,075	492,436,343
c. Short-term provisions	2.7	285,679,936	313,569,175
		1,103,163,858	1,047,326,890
		5,303,567,028	5,133,386,929
<u>ASSETS</u>			
1. NON-CURRENT ASSETS			
a. Fixed assets			
- Tangible assets	2.8	494,856,923	479,736,934
- Intangible assets	2.8	117,410,340	126,713,081
- Capital work in progress		19,013,584	12,560,000
		631,280,847	619,010,015
b. Non-current investments	2.9	243,173,000	243,173,000
c. Deferred tax assets (net)	2.10	69,349,949	67,480,087
d. Long-term loans and advances	2.11	223,064,262	214,408,882
e. Other non-current assets	2.12	4,708,731	4,688,330
		1,171,576,789	1,148,760,314
2. CURRENT ASSETS			
a. Current investments	2.13	1,965,099,883	1,992,659,193
b. Trade receivables	2.14	588,897,576	417,165,994
c. Cash and bank balances	2.15	988,196,420	987,526,757
d. Short-term loans and advances	2.16	181,298,352	188,988,355
e. Other current assets	2.17	408,498,008	398,286,316
f. Preoperative expenses		-	-
		4,131,990,239	3,984,626,615
		5,303,567,028	5,133,386,929

NUCLEUS SOFTWARE EXPORTS LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER ENDED 30 JUNE, 2014

	Notes Ref.	Quarter ended 30 June, 2014 (Rupees)	Quarter ended 30 June, 2013 (Rupees)
1. REVENUE FROM OPERATIONS			
Income from software products and services	2.18	794,264,840	863,230,754
2. OTHER INCOME	2.19	67,516,533	53,363,382
3. TOTAL REVENUE (1+2)		861,781,373	916,594,136
4. EXPENSES			
a. Changes in inventories of stock of trade			49,486,419
b. Employee benefits expense	2.20	482,976,391	446,537,408
c. Operating and other expenses	2.21	208,653,702	223,662,195
d. Finance cost	2.22	1,364,104	1,354,933
e. Depreciation and amortisation expense	2.8	28,618,825	15,655,944
TOTAL EXPENSES		721,613,023	736,696,899
5. PROFIT BEFORE TAX (3-4)		140,168,350	179,897,237
6. TAX EXPENSE			
a. Current tax expense for current year		28,181,025	73,781,382
b. MAT Credit Entitlement		(800,000)	-
c. Net tax credit relating to prior year		(1,905,905)	-
d. Provision for wealth tax		-	-
d. Withholding taxes charged off		-	-
e. Net current tax expense		25,475,120	74,804,198
f. Net deferred tax credit		(1,847,406)	(6,564,807)
NET TAX EXPENSE		23,627,714	68,239,391
7. PROFIT FOR THE QUARTER (5-6)		116,540,636	111,657,846
8. EARNINGS PER EQUITY SHARE	2.26		
Equity shares of Rs. 10 each			
a. Basic		3.60	3.45
b. Diluted		3.60	3.45
Number of shares used in computing earnings per share			
a. Basic		32,383,724	32,383,534
b. Diluted		32,383,724	32,383,534

NUCLEUS SOFTWARE EXPORTS LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER ENDED 30 JUNE, 2014

	Notes Ref.	Quarter Ended 30 June, 2014 (Rupees)	Quarter Ended 31 March 2014 (Rupees)
A. Cash flow from operating activities			
Net profit before tax		140,168,350	249,247,981
<i>Adjustment for:</i>			-
Depreciation and amortisation expense		28,618,825	26,550,576
Exchange loss/(gain) on translation of foreign currency accounts		(1,358,630)	1,838,657
Dividend received from non trade investments		(17,662,084)	(16,556,160)
Dividend on long term trade investment		-	-
Interest on fixed deposits		(21,530,311)	(16,879,454)
Net (Profit)/Loss on sale of investments		(16,000,507)	(4,325,009)
Adjustment to the carrying amount of investments			-
Profit on sale of fixed assets (net)		-	(1,024,894)
Provisions written back		(10,332,790)	(37,016,212)
Advances and other current assets written off		-	-
Provision for doubtful debts / advances		5,342,970	(8,467,770)
Operating profit before working capital changes		107,245,823	193,367,715
Adjustment for (increase) / decrease in operating assets			
Trade receivable		(175,440,346)	247,576,590
Short-term loans and advances		3,288,932	8,917,520
Inventories		-	-
Long-term loans and advances		(320,364)	1,133,935
Other current assets		(570,457)	(146,994,049)
Other non-current assets		(20,401)	(76,449)
Adjustment for increase / (decrease) in operating liabilities			
Trade payables and other current liabilities		100,973,275	(32,776,702)
Short-term provisions		-	(3,786,429)
Long-term provisions		6,985,455	(4,285,829)
Direct taxes paid		42,141,917	263,076,302
		(70,577,063)	(46,799,636)

Net cash from / (used in) operating activities (A)		(28,435,146)	216,276,666
B. Cash flow from investing activities			
Purchase of fixed assets/capital work in progress		(37,176,775)	(38,248,077)
Sale of fixed assets		(56,683)	305,227
Purchase of current investments		(1,090,435,900)	(416,432,448)
Sale of current investments		1,117,995,210	
Adjustment to the carrying amount of non trade investments		-	
Bank balance not considered as cash and cash equivalents - placed		(728,868,993)	(240,821,482)
Bank balance not considered as cash and cash equivalents - matured		780,122,072	-
Interest on fixed deposits		9,576,268	21,043,672
Income tax paid		(5,634,841)	11,746,512
Dividend received from non trade investments		17,662,084	16,556,160
Dividend on long term trade investment		-	-
Profit on sale of long term non trade investment		16,000,507	4,325,009
Net cash from / (used in) investing activities (B)		79,182,949	(641,525,427)
C. Cash flow from financing activities			
Dividend paid (including corporate dividend tax)			
Advance pursuant to employee stock option scheme / proceeds from employee stock option exercised		-	
Net cash from / (used in) in financing activities (C)		-	-
Net increase / (decrease) in cash and cash equivalents (A+B+C)		50,747,803	(425,248,761)
Opening cash and cash equivalents	2.15	207,404,685	634,136,868
Exchange difference on translation of foreign currency bank accounts		1,174,939	(1,483,422)
Closing cash and cash equivalents	2.15	<u><u>259,327,427</u></u>	<u><u>207,404,685</u></u>

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

Financial statements of the Company are prepared under the historical cost convention in compliance with the requirements of the Companies Act, 1956, Generally Accepted Accounting Principles (GAAP) in India and mandatory accounting standards as prescribed in Companies (Accounting Standard) Rules, 2006. All income and expenditure items 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.

Overview

The Company was incorporated on January 9, 1989 as Nucleus Software Exports Private Limited with its registered office at 33–35 Thyagraj Nagar Market, New Delhi 110 003. Subsequently in October 1994, it was converted into a Public Limited Company. In August 1995, Nucleus made an Initial Public Offer and is currently listed at National Stock Exchange of India Ltd., and BSE Ltd. Nucleus 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. FinnOne Neo™, 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 branch offices in Chennai and Mumbai in India and in London, UK and Dubai. The Singapore subsidiary has branch offices in Seoul in Korea and Manila in Philippines. These Subsidiaries/branch offices help the Company in providing front–end support to clients and explore new opportunities.

Since 1995, product development has been our forte and the Company has chosen to exclusively develop products and further add value through dedicated research and development initiatives.

Company Strengths

The Company’s business broadly consists of Development and Marketing of Software Products and Software Services for business entities in the Banking and Financial Services (BFS) vertical. With a single point focus on the banking and financial industry, the Company’s focus on product development is to build products on latest architecture & technology stack. They will have advanced feature & functionalities to support growing need of business. At Nucleus our strategy is to ultimately touch and improve lives of more and more people across the world by equipping Banks with superior technology products for managing lending operations. Our key strengths include:

- Robust functionality of products
- A satisfied and widely spread customer base
- Commitment to deliver quality and Value through our portfolio of products
- Strong and rich BFS domain expertise
- Reputation of being a 'Leader' / Niche player
- Following Best practices of Corporate Governance
- A pool of technically qualified skilled resources
- Highly competent and geared up Leadership team
- Industry recognitions and accolades from all across the globe

Nucleus Software is embarking on a makeover which will take it to the next level. This endeavor demonstrates our passion for perfection and relentless commitment to deliver world class products to our customers. In this journey, we have been honoured and feel grateful for having received various accolades, a few of them to list would be:

- Nucleus Software won The Asian Banker Award for “Best Lending Platform Implementation” during the The Asian banker Summit 2014.
- FinnOne™ has been ranked as the **Global No. 1 Lending Software solution** for the sixth consecutive year by IBS Publishing, UK in their Sales League Table 2014 for Banking Product Sales.
- Nucleus Software won Corporate Affairs Forum & Awards for 2nd consecutive year under the category Financial & Investor Relations Award – 2013 organised by World CSR Congress.
- Online Annual Report of the Company for the year ended March 31, 2013 has won the Platinum award for excellence within the Industry Technology–Software category and has been ranked 15 worldwide in the Top 50 Annual Reports in the Vision Awards by the League of American Communications Professionals (LACP).
- Annual Report of the Company for the year ended March 31, 2013, was inducted into the coveted Hall of Fame by the Institute of Chartered Accountants of India, in the category, Service sector (other than financial services) with turnover less than Rs. 500 crore, of the 'ICAI Awards for Excellence in Financial Reporting' for the year 2012–13.
- NASSCOM Corporate Award for Excellence in Diversity and Inclusion 2013 for the category **Best IT services & Product Company – Special recognition (less than 5000 employees)**
- '**Best Online Annual Report**' globally in the technology sector & the Best in '**Most Improved Financial Disclosure Procedures**' in the regional rankings for India for the year 2012 by IR Global Rankings (IRGR).
- Nucleus Software wins the prestigious **IR Global Ranking Awards**, 2013 for the second consecutive year. Adjudged as the **3rd Best Ranked Company – IR Website by Region**.
- Social and Corporate Governance Award 2013 in the category '**Best Overall Corporate Governance**'

- Nucleus Software has won the Titanium Award for Investor Relations, Corporate Governance, Social Responsibility, Environment Responsibility and Investor Relations in the Asset Triple A Corporate Awards 2013.
- CIMB Malaysia, our customer, powered by Nucleus Software's FinnOne™ implementation, has received the Process Excellence Award for Collection and Debt Management at the prestigious BPA Trailblazer Awards.
- Vietnam Prosperity Bank's Loan Origination system, powered by Nucleus Software's FinnOne CAS, LMS and Collections was recognized with Model Bank Award by Celent (March 2013).
- Forrester recognized Nucleus as a "Global Pursuer" and stated it "regained traction in 2010". Based on the number of deals and regions covered, Nucleus was ranked among top Banking Platform providers Source: Global Banking Platform Deals 2010, Forrester Research, Inc., 31 March 2011.
- HDFC Bank, Nucleus Software customer, won the prestigious Celent 2010 Model Bank Award for its loan origination system, FinnOne™.
- Ranked amongst the Top 25 companies adopting "Good Corporate Governance Practices" by ICSI for fourth consecutive year in 2009.

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)

For the Quarter Ended June 30,	2014	% of Revenue	2013	% of Revenue	Growth (%)
Revenue From Operations	79.43	100.00	86.32	100.00	(7.99)
Expenses					
a) Changes in inventories of stock-in-trade	-	-	4.95	5.73	-
b) Employee benefits expense	48.30	60.81	44.65	51.73	8.16
c) Travel expenditure	4.29	5.40	4.71	5.46	(8.92)
d) Finance costs	0.14	0.17	0.14	0.16	0.66
e) Other expenses	16.58	20.87	17.66	20.45	(6.12)
Total Expenses	69.30	87.25	72.10	83.53	(3.89)
Operating Profit (EBITDA)	10.13	12.75	14.22	16.47	(28.78)
Depreciation	2.86	3.60	1.57	1.81	82.80
Operating Profit after Interest and Depreciation	7.27	9.15	12.65	14.66	(42.58)
Other Income	6.62	8.33	3.41	3.95	94.00
Foreign Exchange Gain/ (Loss)	0.14	0.17	1.93	2.23	(92.95)
Profit Before Tax	14.02	17.65	17.99	20.84	(22.08)
Taxation					
- Withholding taxes	-	-	0.10	0.12	(100.00)
- Income / Wealth Tax	2.82	3.55	7.38	8.55	(61.80)
- MAT credit entitlement	(0.08)	(0.10)	-	-	-
- Deferred Taxation	(0.18)	(0.23)	(0.66)	(0.76)	(71.86)
- Earlier year tax	(0.19)	(0.24)	-	-	-
Profit After Tax	11.66	14.68	11.17	12.93	4.39

Revenue from Operations

We derive our revenue from the following business segments:

- Products
- Projects and Services

During the quarter the total revenue is Rs. 79.43 crore against Rs. 86.32 crore for the corresponding quarter previous year, representing a decrease of 7.99%.

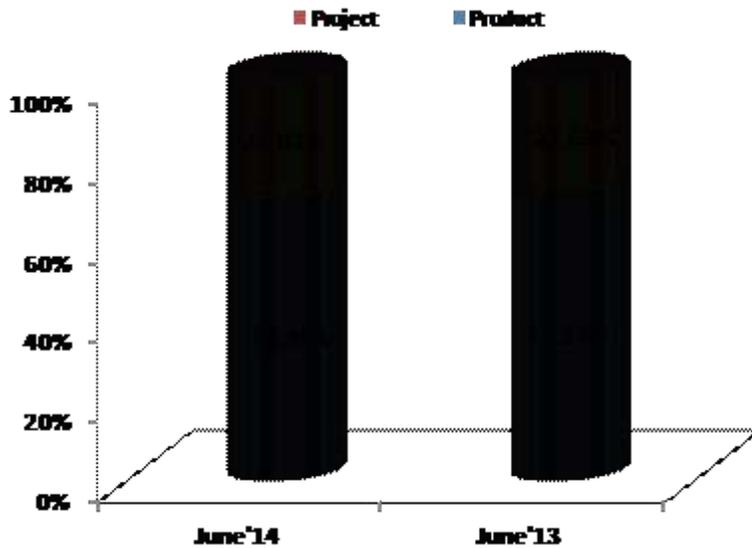
Revenue from Products

Product revenue arises from Products and related services comprising of license fees, revenue from customization and implementation of products and post production and maintenance support. Product revenue is Rs.56.39 crore during the quarter, constituting 70.99% of the total revenue against Rs. 62.47 crore, 72.37% of total revenue, in the corresponding quarter previous year. This has declined by 9.74%. We are a Company focused on Product business.

Revenue from Projects and Services

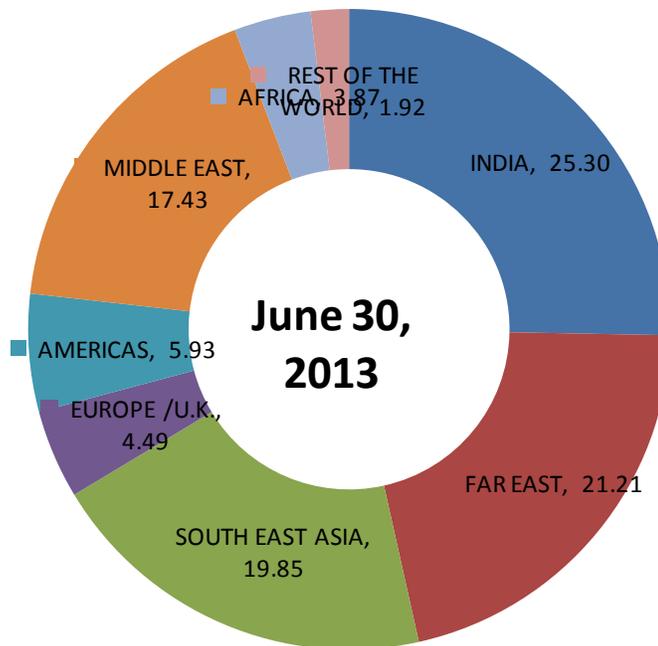
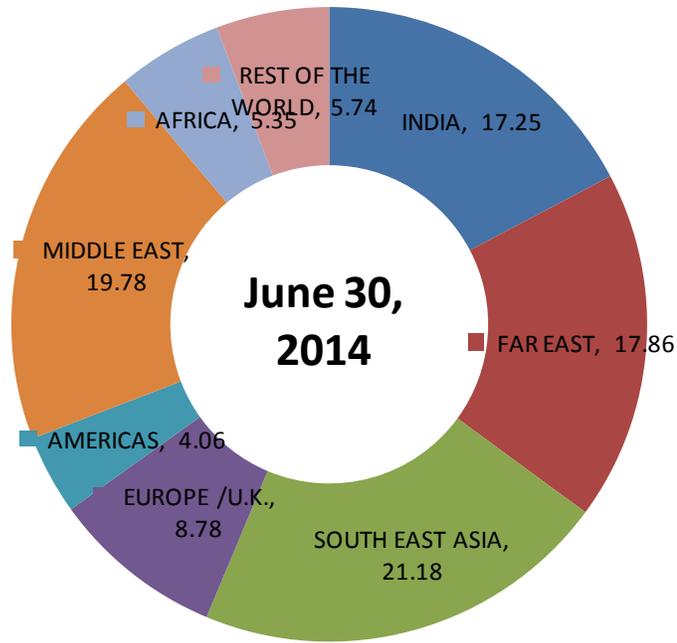
Software services rendered by the Company, classified under this segment, typically consist of development of software to meet specific customer requirements consisting of application development & maintenance, testing services, consulting and infrastructure management services with a strong banking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

Revenue from software projects and services segment during the quarter is Rs. 23.04 crore constituting 29.01% of the total revenue against Rs. 23.85 crore, constituting 23.63% of total revenue in the corresponding quarter previous year. This has decreased by 3.40%.



Revenue from Various Geographies

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



EXPENDITURE

Employee Benefit Expense

Employee benefit expenses include salaries paid to employees globally which have fixed and variable components; provision for retirement benefits, contribution to provident fund and expense on staff welfare activities. The

employee benefit expenses have increased by 8.16% to Rs. 48.3 crore, 60.81% of total revenue. For the corresponding quarter previous year, they were at Rs. 44.65 crore, 51.73% of total revenue.

(Rs. in crore)

For the Quarter Ended June 30,	2014	% of Revenue	2013	% of Revenue	Growth (%)
Salaries and bonus	44.12	55.55	41.13	47.64	7.29
Contribution to provident and other funds	2.19	2.76	1.94	2.24	13.07
Gratuity expense	0.72	0.91	0.62	0.72	16.45
Staff welfare	1.26	1.59	0.97	1.12	30.14
Total Employee Benefit Expenses	48.30	60.81	44.65	51.73	8.16
Revenue	79.43	100.00	86.32	100.00	(7.99)

Employee costs have risen and we are taking steps to optimize utilization and productivity.

Operating and Other Expenses

Operating and other expenses primarily consist of expenses on travel to execute work at client site and for other related activities, consultancy charges, cost of software purchased for delivery to clients, bandwidth and communication expense, infrastructure charges and expenses on account of brand building activities. Other expenses included here are training and recruitment costs, legal and professional charges, repairs and maintenance charges, insurance, provision for doubtful debts, bad debts, finance costs and other miscellaneous charges. Operating and other expenses are at Rs. 21.00 crore, 26.44% of revenue for the quarter, with decrease of 6.67% against Rs. 22.50 crore, 26.07% of revenue in the corresponding quarter previous year.

(Rs. in crore)

For the Quarter Ended June 30,	2014	% of Revenue	2013	% of Revenue	Growth (%)
Software and other development charges	1.52	1.91	2.57	2.98	(40.89)
Cost of software purchased for delivery to clients	1.93	2.43	2.79	3.23	(30.73)
Power and fuel	1.29	1.63	1.28	1.49	0.71
Rent	2.49	3.14	2.24	2.59	11.37
Repair and maintenance	0.93	1.17	0.73	0.85	27.09
Insurance	0.25	0.31	0.17	0.19	48.95
Rates & Taxes	0.05	0.06	0.05	0.06	(4.38)
Travelling	4.29	5.40	4.71	5.46	(8.92)
Advertisement and business promotion	0.50	0.63	0.23	0.26	121.66
Legal and professional	2.06	2.59	1.89	2.19	9.20
Directors remuneration	0.13	0.17	0.35	0.40	(61.54)
Conveyance	0.50	0.63	0.46	0.53	9.49
Communication	0.64	0.80	0.60	0.69	6.31
Training and recruitment	1.18	1.48	0.30	0.34	296.04

Net loss on sale of fixed assets/discarded assets	-	0.00	-	0.00	-
Loss on Current non trade investments	-	0.00	-	0.00	-
Loss on reclassification of investments	-	0.00	-	0.00	-
Conference, exhibition and seminar	0.53	0.67	0.24	0.28	121.62
Information technology expenses	0.97	1.23	0.39	0.45	150.46
Advances and other current assets written off	-	0.00	-	0.00	-
Provision for doubtful debts/advances/other current assets	0.53	0.67	2.07	2.40	(74.21)
Commission to channel partners	0.06	0.08	0.30	0.34	(79.25)
Customer claim	-	0.00	-	0.00	-
FINANCE COST	0.14	0.17	0.14	0.16	0.68
Miscellaneous expenses	1.00	1.26	1.01	1.17	(1.34)
Total Operating and Other Expenses	21.00	26.44	22.50	26.07	(6.67)
Revenue	79.43	100.00	86.32	100.00	(7.99)

- Software and other development charges relate to outsourced work for software development and is lower than corresponding quarter previous year by 40.89%.
- Cost of software purchased for delivery to clients has decreased by 30.73% for the quarter against the corresponding quarter previous year.
- Provisions for doubtful debts include bad debts written off and provision for all invoices outstanding for a period of 365 days or more and those invoices which are considered doubtful based on the management's perception of risk of collection as per the Company's policies. This figure is Rs. 0.53 crore against Rs. 2.07 crore in the corresponding quarter previous year.
- Finance cost includes bank charges and fee for issuance of bank guarantees to customers.

We have taken a number of steps to improve our operational efficiency and there has been a very strong control and focus on costs.

Operating Profit (EBITDA)

Operating Profit improved to Rs. 10.13 crore, 12.75% of revenue against Rs. 14.22 crore, 16.47% of revenue in the corresponding quarter previous year.

Depreciation

Depreciation on fixed assets was Rs. 2.86 crore, 3.60% of revenue for the quarter against Rs.1.57 crore, 1.81% 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,	2014	2013
On Investments		
Capital Gain- Mutual Funds	1.60	0.11
Dividend on investment in Mutual fund units	1.77	1.18
Interest Income	2.16	2.23
Foreign Exchange differences on consolidation	(0.04)	(0.16)
Profit on sale of assets	-	0.04
Provisions written back	1.03	-
Others	0.10	0.00
Total	6.62	3.41

Other income for the quarter is Rs. 6.62 crore, against Rs. 3.41 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. 0.14 crore against a gains of Rs. 1.93 crore for the corresponding quarter previous year.

Taxation

It represents provision for corporate & income taxes in various countries where the Company and subsidiaries operate.

(Rs. in crore)

For the Quarter Ended June 30,	2014	2013
- Withholding taxes charged off	-	0.10
- Current Tax	2.82	7.38
- Net tax credit relating to prior year	(0.19)	
- MAT Credit Entitlement	(0.08)	-
- Deferred Tax Credit (net)	(0.18)	(0.66)
Total	2.36	6.82

Profit after Tax

Our profit after tax for the quarter is Rs. 11.66 crore, 14.68% of revenue, against Rs. 11.17 crore, 12.93% of revenue, during the corresponding quarter previous year.

Share Capital

Share Capital of the Company consists of Equity Share Capital. The paid-up Share Capital as on June 30, 2014 is 32,383,724 equity shares of Rs. 10 each, against 32,383,534 as on June 30, 2013.

Subsidiaries

The Company has six wholly owned subsidiary companies, all over the world. There is also a step down subsidiary at Singapore. 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. Paid-up Share Capital of the Subsidiaries as on June 30, 2014 is as per the below table:

Name of Subsidiary Company	Currency	As at June 30, 2014		As at March 31, 2014	
		In foreign Currency	Eqv. Rupees (in crore)	In foreign Currency	Eqv. Rupees (in crore)
625,000 (625,000) equity shares of Singapore Dollar 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore	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	350,000	1.63	350,000	1.63
Nucleus Software Japan Kabushiki Kaiga, Japan. 200 equity shares of JPY 50,000 each	JPY	10,000,000	0.41	10,000,000	0.41
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. 4000 equity shares of Euro 100 each	Euro	400000	2.42	400000	2.42
Nucleus Software Limited, India 10,000,000 equity shares of Rs.10/- each	INR	-	10.00	-	10.00
100,000 (1) equity shares 1 AUD each, fully paid in Nucleus Software Australia Pty. Ltd., Australia	AUD	100,000	0.55	1	0.00

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

Reserves and Surplus

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

(Rs. in crore)

Particulars	Opening Balance as on Apr 1, 2015	Additions/ (Deletions) during the period	Closing Balance as on Jun 30, 2014
General Reserve	88.88	-	88.88
Securities Premium	2.19	-	2.19
Capital Reserve	0.89	-	0.89
Employee Stock Options	-	-	-
Foreign Currency Translation Reserve	10.70	0.25	10.95
Hedging Reserve	2.82	(1.17)	1.65
Profit and Loss Account Balance	259.15	11.65	270.80
Total	364.62	10.74	375.36

Fixed Assets

As at June 30, 2014, gross block of fixed assets including investment in technology assets is Rs. 139.87 crore (Rs. 136.97 crore Mar 31, 2014)

(Rs. in crore)

As at	30-Jun-14	31-Mar-14	Inc/Dec (%)
Gross Block			
Freehold land	0.34	0.34	-
Leasehold land	18.78	18.78	-
Leasehold improvement	0.71	0.71	-
Building	28.09	28.09	-
Office and other equipment	19.68	19.64	0.21
Computers	35.10	32.98	6.42
Vehicles	2.20	1.94	13.09
Furniture and fixtures	5.21	5.20	0.26
Software	29.75	29.28	1.60
Total	139.87	136.97	2.11
Less: Accumulated Depreciation	78.64	86.28	(8.85)
Net Block	61.23	50.69	20.78
Add: Capital Work In Progress			NA
Net Fixed Assets	61.23	50.69	20.78

Other Long-Term Investments

Other long term investments comprise of investment in 250,000 Equity Shares of face value of Rs.10/- 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, 2014 the cash and bank balances stood at Rs.99.05crore (Rs. 99.17 crore on Mar 31, 2014) and current investments in liquid schemes and Fixed Maturity Plans of mutual funds were Rs. 210.58 crore (Rs. 212.33 crore on Mar 31, 2014).

Total cash and cash equivalents are thus at Rs. 319.63 crore on June 30, 2014 against Rs. 322.50 crore as on Mar 31, 2014.

(Rs. in crore)

Cash & Cash Equivalents as at	30-Jun-14	31-Mar-14
Balances with Bank		
In Current Accounts	25.42	20.97
In Fixed Deposit Account	73.63	78.20
Investments in Mutual Funds	210.58	212.33
Investments in tax free PSU Bonds	10.00	11.00
Total	319.63	322.50

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. 10.72 crore for the quarter against Rs. 19.34 crore in the previous quarter. After considering working capital changes, operating cash flow is Rs.-2.08 crore against Rs. 21.63 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 summarize the Company's liquidity position, given below are few ratios based on consolidated figures:

As at	30-Jun-14	31-Mar-14
Operating cash flow as % of revenue	13.50%	-40.16%
Days of sale receivable	67	43
Cash and Equivalents as % of assets	60.27%	62.82%
Cash and Equivalents as % of revenue (LTM)	94.20%	93.10%
Current investments as % of assets	39.70%	41.36%
Current investments as % of revenue (LTM)	62.06%	61.33%

Days of sales receivables (DSR) are at 67 days as on June 30, 2014 against 43 days as on Mar 31, 2014.

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.

Loans and Advances

Loans and Advances as on June 30, 2014 are Rs. 40.44 crore against Rs. 40.34 crore as on Mar 31, 2014.

(Rs. in crore)

As at	30-Jun-14	31-Mar-14
Long term Loans and advances		
Security deposits	3.19	3.06
Advance income tax	12.29	14.34
Prepaid expenses	0.68	0.77
MAT credit entitlement	6.09	3.22
Staff Loans	0.04	0.06
Capital advances		
Total	22.31	21.44
Short term Loans and advances		
Prepaid expenses	6.46	6.21
Supplier advances	0.88	2.17
MAT credit entitlement	2.07	0.70
Employee advances	1.57	0.84
Others	7.15	8.98
Total	18.13	18.90
Total Loans and Advances	40.44	40.34

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs. 3.19 crore as on June 30, 2014 (Rs. 3.06 crore as on Mar 31, 2014).

Advance income tax is Rs. 12.29 crore as on June 30, 2014 (Rs. 14.34 crore as on Mar 31, 2014).

Current Liabilities

(Rs. in crore)

As at	30-Jun-14	31-Mar-14
Trade Payables	32.08	24.13
Advance from customers	-	22.08
Deferred Revenue	44.41	19.72
Advance rent	-	0.05
Security deposits received	-	0.32
Mark-to-market loss on forward and options contracts	-	-
Unclaimed dividend	0.21	0.23
Book Overdraft	0.18	1.20
Payable for purchase of fixed assets	0.37	-
Retention Money	-	-
Other Payables- statutory remittances	4.51	5.63

Short term provisions

Compensated absences	2.52	2.52
Gratuity	2.68	2.68
Proposed dividend	19.43	19.43
Tax on dividend	3.94	6.73
Total	110.32	104.73

Trade payables represent the amount payable for providing goods and services and are Rs. 32.08 crore as on June 30, 2014 (Rs. 24.13 crore as on Mar 31, 2014)

Advances from customers as on June 30, 2014 is Nil (Rs. 22.08 crore as on Mar 31, 2014). These consist of advance payments received from customers for which related costs have not been yet incurred or product license delivery is at later date.

Short term provisions for leave encashment and gratuity are those for which liability is expected to arise in near future. A sum total of all these short-term provisions as on June 30, 2014 is Rs. 28.57 crore (Rs. 31.36 crore as on Mar 31, 2014).

Long Term Provisions

Provisions as on June 30, 2014 are Rs. 12.30 crore (Rs. 11.60 crore as on Mar 31, 2014). The breakup of provisions at the quarter end is given below.

(Rs. in crore)

As at	30-Jun-14	31-Mar-14
Gratuity	8.73	8.28
Compensated Absences	3.57	3.32
Total	12.30	11.60

Provisions for Gratuity and Leave encashment represent provision made by the Company based on valuation reports from actuaries.

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, 2014.	between 21 st to 31 st of October 2014
Financial reporting for the third quarter ending December 31, 2014.	between 21 st to 31 st of January 2015
Financial results for the year ending ending March 31, 2015	between 21 st to 31 st of April 2015
Financial reporting for the first quarter ending June 30, 2015	between 21 st to 31 st of July 2015

5. Share Related Data
 - The Shares of Nucleus are listed on The National Stock Exchange of India limited, and Bombay Stock Exchange Limited
 - Scrip Code (NSE) NUCLEUS

- Scrip Code (BSE) 531209
- The Company's shares are traded in "Group B" 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.
- 98.87 % of the Company's equity shares are in demat form.
- The Company has 14,888 shareholders as on June 30, 2014.
- 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
2013-14	60%	6.00	19.43
2012-13	30%	3.00	9.71
2011-12	25%	2.50	8.09
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

- Financial Results of Nucleus Software Exports Limited for the Quarter Ended June 30, 2014. (Consolidated)



CONSOLIDATED PROFIT AND LOSS FOR THE QUARTER ENDED 30th JUNE, 2014

₹ In Lakhs

Particulars	Quarter Ended			Year Ended
	June 30, 2014	March 31, 2014	June 30, 2013	March 31, 2014
	Unaudited	Unaudited	Unaudited	Audited
1. INCOME FROM OPERATIONS				
Income from Software Products and Services	7,942.65	8,768.59	8,632.31	34,622.21
Total Income from operations (net)	7,942.65	8,768.59	8,632.31	34,622.21
2. EXPENSES				
a) Changes in inventories of stock-in-trade	-	-	494.86	494.86
b) Employee benefit expense	4,829.76	4,601.87	4,465.37	18,077.51
c) Travel expense	428.94	517.81	470.95	1,990.08
d) Finance cost (Bank Charges)	13.64	12.49	13.55	51.48
e) Other expenses	1,657.60	1,626.88	1,765.68	7,349.84
Total Expenses	6,929.94	6,759.05	7,210.41	27,963.77
3. PROFIT FROM OPERATIONS BEFORE DEPRECIATION (1-2)	1,012.71	2,009.54	1,421.90	6,658.44
4. Depreciation and amortisation expense	286.19	265.51	156.56	793.56
5. PROFIT FROM OPERATIONS AFTER DEPRECIATION (3-4)	726.52	1,744.03	1,265.34	5,864.88
6. Other Income	675.17	748.45	533.63	2,455.34
7. PROFIT BEFORE TAXES (5+6)	1,401.69	2,492.48	1,798.97	8,320.22
8. Tax expense	236.28	608.24	682.39	1,886.34
9. PROFIT AFTER TAXES (7-8)	1,165.41	1,884.24	1,116.58	6,433.88
10. Earnings Per Share (Rs.) (Par value Rs.10 each) (not annualised)				
Basic	3.60	5.82	3.45	19.87
Diluted	3.60	5.82	3.45	19.87

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-materialized 32,019,450 shares (98.87% of the paid up share capital) as at June 30, 2014

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	4	4	Nil

	Warrants			
2.	Non-receipt of Dividend Warrant	0	0	Nil
3.	Non-Receipt of Securities	0	0	Nil
4.	Non-Receipt of Shares after transfer	-	-	Nil
5.	Non-Receipt of Annual Report	0	0	Nil
6.	SEBI/Stock Exchange/Legal	0	0	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 no legal proceeding pending against the Company in the Court.

11. Distribution of Shareholding

Distribution Schedule As On 30/06/2014					
Sno	Category	No. of Cases	% of Cases	No. of Shares	% To Equity
1	1-5000	14694	98.69	3,555,754	10.98
2	5001- 10000	87	0.58	618,205	1.91
3	10001- 20000	47	0.32	656,385	2.03
4	20001- 30000	17	0.11	426389	1.32
5	30001- 40000	5	0.03	186452	0.58
6	40001- 50000	6	0.04	279627	0.86
7	50001- 100000	10	0.07	678886	2.10

8	100001& Above	23	0.15	25982026	80.23
	Total:	14889	100.00	32383724	100.00

12. Categories of Shareholders

	<i>As on June 30,2014</i>		
<i>Category</i>	<i>No. of Share Holders</i>	<i>Voting Strength (%)</i>	<i>No. of Shares Held</i>
Promoter and Promoter Group	11	57.47	1,86,10,666
Individuals	13,984	21.14	6,846,818
Bodies Corporate	441	5.46	1,768,146
Non-Resident Indians	343	1.77	574,356
Foreign Institutional Investors	16	8.53	2,760,973
Mutual Funds	5	5.25	1,701,433
Financial Institutions/ Banks	2	0.13	41,011
Clearing Members and Trusts	86	0.25	80,321
Total	14,888	100.00	32,383,724

13. Investors' Correspondence may be addressed to:

The Company Secretary

Nucleus Software Exports Ltd.,

33-35, Thyagraj Nagar Market

New Delhi-110003

India

Tel: ++91-(120)-2404050 Fax: ++91-(120)-2403972

Email: investorrelations@nucleussoftware.com

14. Employee Strength of Nucleus

Nucleus employed 1,488 people as on June 30, 2014 as compared to 1,516 people as on March 31, 2014.

Distribution of the employees is:

A. Distribution of the Employees:

	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014
Technical Employee's	1,202	1,438	1,268	1,247	1,190
Non-Technical Employee's including Business Development Group	284	212	264	269	298
TOTAL	1,486	1,650	1,532	1,516	1,488
	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014
Male	1,162	1,225	1,136	1,128	1,109
Female	324	425	396	388	379
TOTAL	1,486	1,650	1,532	1,516	1,488

B. The Age Profile Of The Employees Is:

	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014
Between 20 and 25 years	292	467	416	412	375
Between 26 and 30 years	432	419	357	352	346
Between 31 and 40 years	660	662	647	632	641
Between 41 and 50 years	87	88	99	109	114
51 years and above	15	14	13	11	12
Total	1,486	1,650	1,532	1,516	1,488

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

You can contact the following Nucleus personnel for any information:-

Vishnu R Dusad - CEO & Managing Director

Tel: +91 (120) 4031500

E Mail: vishnu@nucleussoftware.com

Pramod K Sanghi - President - Finance & CFO

Tel: +91 (120) 4031800

E Mail: pksanghi@nucleussoftware.com

Poonam Bhasin - Company Secretary

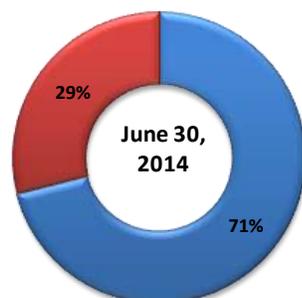
Tel: +91 (120) 4031400

E Mail: poonam@nucleussoftware.com

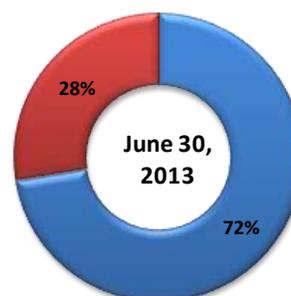
CONSOLIDATED SEGMENT INFORMATION

CONSOLIDATED SEGMENT INFORMATION								
								In Lakhs
REVENUE BY	Quarter Ended				Year Ended			
	June 30, 2014	% of Revenue	March 31, 2014	% of Revenue	June 30, 2013	% of Revenue	March 31, 2014	% of Revenue
	Unaudited		Unaudited		Unaudited		Audited	
GEOGRAPHICAL SEGMENTS								
INDIA	1,369.93	17.25	1,659.78	18.93	2,183.67	25.30	6,985.31	20.18
FAR EAST	1,418.30	17.86	1,586.81	18.10	1,831.08	21.21	6,929.99	20.02
SOUTH EAST ASIA	1,682.23	21.18	2,106.67	24.03	1,713.67	19.85	7,799.46	22.53
EUROPE /U.K.	697.14	8.78	594.57	6.78	387.34	4.49	2,179.61	6.30
AMERICAS	322.31	4.06	744.52	8.49	512.31	5.93	2,550.80	7.37
MIDDLE EAST	1,571.41	19.78	1,338.67	15.27	1,504.33	17.43	4,978.71	14.38
AFRICA	425.11	5.35	319.85	3.65	333.82	3.87	2,028.22	5.86
REST OF THE WORLD	456.22	5.74	417.72	4.75	166.09	1.92	1,170.11	3.36
TOTAL	7,942.65	100.00	8,768.59	100.00	8,632.31	100.00	34,622.21	100.00
BUSINESS SEGMENTS								
PRODUCTS	5,638.82	70.99	5,912.16	67.42	6,247.22	72.37	23,795.98	68.73
Own	5,394.53	67.91	5,677.95	64.75	5,347.96	61.95	22,139.03	63.94
Traded	244.29	3.08	234.21	2.67	899.26	10.42	1,656.95	4.79
PROJECTS & SERVICES	2,303.83	29.01	2,856.43	32.58	2,385.09	27.63	10,826.23	31.27
TOTAL	7,942.65	100.00	8,768.59	100.00	8,632.31	100.00	34,622.21	100.00

■ PRODUCTS ■ PROJECTS & SERVICES



■ PRODUCTS ■ PROJECTS & SERVICES



RATIO ANALYSIS

Consolidated Performance					
Particulars	Quarter Ended				
	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13
Ratios- Financial Performance					
Export Revenue/ Revenue (%)	82.75%	81.07%	83.47%	79.88%	74.70%
Domestic Revenue/ Revenue (%)	17.25%	18.93%	16.53%	20.12%	25.30%
Total Operating Expenses/ Revenue (%)	87.25%	77.08%	78.38%	84.41%	83.53%
Operating Profit/ Revenue (%)	12.75%	22.92%	21.62%	15.59%	16.47%
Depreciation/ Revenue (%)	3.60%	3.03%	2.15%	2.17%	1.81%
Other Income/ Revenue (%)	8.33%	9.27%	8.83%	4.52%	3.95%
Tax/ Revenue (%)	2.97%	6.94%	1.98%	5.08%	7.91%
Effective Tax Rate - Tax/ PBT (%)	16.86%	24.40%	7.07%	27.63%	37.93%
PAT from Ordinary Activities/ Revenue(%)	6.34%	12.21%	17.16%	8.79%	8.98%
PAT from Ordinary Activities/Net Worth(%) (LTM)	8.19%	9.10%	8.98%	7.67%	7.51%
Ratios - Growth (YoY)					
Growth in Export Revenue (%)	1.92%	18.84%	19.75%	11.37%	9.48%
Growth in Total Revenue (%)	-7.99%	19.41%	20.54%	14.64%	16.74%
Operating Expenses Growth (%)	-3.89%	10.49%	13.52%	16.12%	11.30%
Operating Profit Growth (%)	-28.78%	63.88%	55.42%	7.26%	55.16%
PAT Growth (%)	4.37%	80.32%	89.68%	8.41%	-9.19%
EPS Growth (%)	4.37%	80.37%	89.68%	8.41%	6.86%
Per- Share Data (Period End)					
Earning Per Share from Ordinary Activities (Rs.)	1.56	3.31	4.77	2.23	2.39
Earning Per Share (Including Other Income) (Rs.)	3.60	5.82	7.22	3.38	3.45
Cash Earning Per Share from Ordinary Activities (Rs.)	2.44	4.13	5.36	2.78	2.88
Cash Earning Per Share (Including Other Income)(Rs.)	4.48	6.64	7.82	3.93	3.93
Book Value Per Share (Rs.)	125.91	122.59	123.39	115.13	111.43
Price/Earning (Annualized)	14.46	9.36	4.84	6.86	4.95
Price/ Cash Earning (Annualized)	11.61	8.21	4.47	5.90	4.34
Price/Book Value	1.65	1.78	1.13	0.81	0.61
Ratios- Return					
ROCE(PBIT/ Average Capital Employed) (%) (LTM)	18.86%	20.36%	17.73%	16.55%	16.57%
ROANW (PAT/Average Net Worth) (%) (LTM)	16.11%	16.15%	14.49%	12.24%	12.39%
Ratios - Balance Sheet					
Debt-Equity Ratio	-	-	-	-	-
Debtors Turnover (Days)	67	43	69	69	76
Asset Turnover Ratio (LTM)	0.65	0.68	0.69	0.68	0.70
Current Ratio	3.75	3.80	4.48	4.80	4.16
Cash and Equivalents/Total Assets (%)	61.25%	63.62%	61.91%	61.97%	64.66%
Cash and Equivalents/ Revenue (%) (LTM)	94.20%	93.10%	90.20%	91.59%	92.84%
Depreciation/Average Gross Block(%) (LTM)	6.67%	6.45%	5.13%	5.18%	4.88%
Technology Investment/ Revenue (%)	3.78%	1.33%	13.30%	2.61%	