



CONTENTS

	<i>Page</i>
★ Financial Highlights	2
★ Letter to the Shareholders	4
Financial Statements of Nucleus Software Exports Ltd.	
★ Auditors' Report	6
★ Balance Sheet	7
★ Profit & Loss Account	8
★ Statement of Cash Flow	9
★ Schedules	10
Consolidated Financial Statements of Nucleus Software Exports Ltd. and its Subsidiaries	
★ Consolidated Financial Statements	38
★ Management's Discussion and Analysis of Financial Condition and Results of Consolidated Operations of Nucleus Software Exports Ltd. and its Subsidiary Companies	42
★ Additional Information to Shareholders	53
★ Consolidated Segment Information	58
★ Ratio-Analysis	59



NUCLEUS SOFTWARE EXPORTS LTD.

FINANCIAL HIGHLIGHTS

Rs. in Crore, except per share data

	CONSOLIDATED PERFORMANCE				
	Quarter Ended		Half Year Ended		Year Ended
	Sept. 30, 2006	Sept. 30, 2005	Sept. 30, 2006	Sept. 30, 2005	March 31, 2006
For the Period					
Revenue from Operations	55.09	35.72	104.85	68.56	148.05
Operating Profit (PBIDT)	15.99	10.72	30.44	21.50	45.13
Profit after Tax	13.86	8.78	27.26	17.36	37.08
PBIDT as a % of Revenue from Operations	29.03%	30.01%	29.03%	31.36%	30.48%
PAT as a % of Revenue from Operations	25.16%	24.58%	26.00%	25.32%	25.05%
EPS	8.60	5.45	16.92	10.79	23.04
Dividend Per Share	—	—	—	—	3.50
Dividend Payout	—	—	—	—	5.64
At the end of the Period			As at Sept. 30, 2006	As at Sept. 30, 2005	As at March 31, 2006
Share Capital			16.12	16.09	16.11
Reserves and Surplus			126.40	85.49	99.41
Net Worth			142.52	101.58	115.51
Total Assets			142.93	101.69	115.59
Net Fixed Assets			41.03	28.84	33.70
Investments			65.20	56.92	61.37
Current Assets			77.16	52.32	65.30
Cash and Cash Equivalents			61.77	61.34	77.48
Working Capital			36.69	15.80	20.50
Market Capitalisation			722.74	452.69	587.91
No. of Shareholders			6,631	7,876	7,528
No. of Shares (Face Value of Rs.10.00)			16,116,312	16,092,812	16,104,812

Notes:

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



NUCLEUS SOFTWARE EXPORTS LTD.

FINANCIAL HIGHLIGHTS

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

	CONSOLIDATED PERFORMANCE				
	Quarter Ended		Half Year Ended		Year Ended
	Sept. 30, 2006	Sept. 30, 2005	Sept. 30, 2006	Sept. 30, 2005	March 31, 2006
For the Period					
Revenue from Operations	11,996	8,111	22,832	15,569	33,181
Operating Profit (PBIDT)	3,482	2,434	6,629	4,882	10,114
Profit after Tax	3,019	1,993	5,936	3,942	8,310
PBIDT as a % of Revenue from Operations	29.03%	30.01%	29.03%	31.36%	30.48%
PAT as a % of Revenue from Operations	25.16%	24.58%	26.00%	25.32%	25.05%
EPS	0.18	0.12	0.18	0.23	0.52
Dividend Per Share	—	—	—	—	0.08
Dividend Payout	—	—	—	—	1,264
At the end of the Period			As at Sept. 30, 2006	As at Sept. 30, 2005	As at March 31, 2006
Share Capital			3,510	3,653	3,610
Reserves and Surplus			27,526	19,412	22,278
Net Worth			31,037	23,065	25,888
Total Assets			31,126	23,090	25,905
Net Fixed Assets			8,935	6,549	7,552
Investments			14,199	12,925	13,753
Current Assets			16,803	11,880	14,634
Cash and Cash Equivalents			13,451	13,928	17,365
Working Capital			7,990	3,588	4,594
Market Capitalisation			157,390	102,791	131,758
US\$ Exchange Rate (In Rs.)			45.92	44.04	44.62

Notes:

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



Letter to the Shareholders

Dear Shareholder,

It gives me immense pleasure and satisfaction to share the results of your Company for Q2 and half year of FY 07. This is the ninth consecutive quarter of growth in both top line and bottom line of the Company. Your Company has posted a y-o-y top line growth of 54% with consolidated revenue from operations at Rs.55.09 crore, against Rs.35.72 crore for the corresponding quarter of the previous year. On a y-o-y basis, the bottom line also saw a growth of 58 % with net profit for the quarter at Rs.13.86 crore against Rs.8.78 crore for the corresponding quarter of the previous year. Earnings per share was Rs.8.60 for the quarter against Rs.5.45 for the corresponding quarter of the previous year.

For the half-year, consolidated revenue from operations was Rs.104.85 crore, against Rs.68.56 crore in half year of FY 06, an increase of 53%. Consolidated net profit was Rs.27.26 crore, against Rs.17.36 crore in half year of FY 06, an increase of 57%.

Operating profit for the quarter was Rs.15.99 crore, 29% of revenue, against Rs.10.72 crore, 30% of revenue in the corresponding quarter of the previous year. For the half-year, operating profit was Rs.30.44 crore, 29% of revenue, against Rs.21.50 crore, 31% of revenue in half year of FY 06. We are comfortable with the current operating margin level as we have fully absorbed the increase in personnel cost, which has grown to Rs.26.00 crore for the quarter against Rs.14.93 crore in the corresponding quarter of the previous year. The higher personnel cost has been absorbed with revenue growth in the products business.

Product business continues to lead our growth and this quarter we have also crossed the 50% mark with regard to the Product Revenue. Revenue for the product business was at Rs.28.16 crore, 51% of revenue for the quarter against Rs.12.83 crore, 36% of revenue, in the corresponding quarter of the previous year. For the half year, product revenue was at Rs.52.34 crore, 50% of the half-year revenue, against Rs.24.14 crore, 35% of the half-year revenue of the previous year.

Revenue from projects and services for the quarter has increased by 18% at Rs.26.93 crore against Rs.22.89 crore in the corresponding quarter of the previous year. For the half year, revenue from projects and services was at Rs.52.51 crore, 50% of total revenue, against Rs.44.42 crore, 65% of total revenue for the half-year of the previous year. While revenue from projects and services is not growing at the same speed as products, we continue to provide solutions and value to our large customers.

The Company continues to enjoy high level of liquidity. 'Cash and Bank balances' and 'Current Investments' were at Rs.61.77 crore as on September 30, 2006 against Rs.77.35 crore as on June 30, 2006. While operating cash flow before working capital changes was Rs.15.64 crore, working capital increases of Rs.19.9 crore, capex of Rs.5.37 crore and dividend pay out of Rs.6.40 crore, reduced the liquid funds. With focus on collections, this figure is back to approximately Rs.78 crore as of date. We continue to examine proactively means of increasing the returns on these amounts without taking any risk.

Your Company received 6 new product orders during the quarter and added 10 new clients taking the total client base to 134. Nucleus reinforced its leadership position in the retail banking space with a significant order win from one of the largest retail banks in UAE. Other product wins include orders from a leading bank in Africa and two client acquisitions in the Middle East region in the lending and loan management solution space. Nucleus has also made fresh inroad in the SAARC region with two client wins, for Nucleus Software's flagship product, FinnOne™.

We continue with our focus on 'SME Loan Origination and Servicing' business domain. The FinnOne™ Collections product, which concentrates on debt collections and delinquency management business, is being upgraded functionally to cater to the new requirements for retail lending and credit card business. The new version will focus more on improving management reporting in order to ensure tight control on delinquency. Our new product module, FinnForecaster, a Java-based interactive suite that transforms organizational data to business solution is expected to be launched in the current financial year and will help customers reduce decision-making time line for loan approval.

Infrastructure requirements are increasing and we are on course to commission Phase 2 of our current campus in March 2007, which will add 800 plus seats.



NUCLEUS SOFTWARE EXPORTS LTD.

Our 200 new recruits who were undergoing training in the previous quarter have now been deployed in various delivery teams. This has helped us in scaling up to meet the implementation needs of the new product orders. The total headcount at the end of September 2006 is 1397 and we are planning to add 200 persons in balance FY 07, with experience in Products and relevant Technology .

As a Company, we have received many accolades for our work which have reaffirmed our will to succeed and assume a leadership role. In September 2006 Nucleus was ranked 13th in Dataquest Top 20 Best Employers Survey 2006. This survey is a prestigious and comprehensive IT Industry survey, conducted amongst 200 IT employers across India, and is valued as an essential reference source in the IT Industry.

With product revenues increasing every quarter, our ability to forecast the future revenue streams and plan product investments is improving and we are currently strategizing and structuring the Company to grow at a faster rate. Market acceptance is high and we are confident of sustained growth on a year on year basis.

With persistent hard-work and sincere efforts of Nucleites, enduring guidance of our Board Members and well-wishers, and the support of our customers, business associates and shareholders, we march ahead towards the bright future with confidence and optimism. I take this opportunity to thank you all for your support and wish you all and your family members a Very Happy and Prosperous New Year.

Vishnu R Dusad

Managing Director

Date: October 30, 2006



Auditors' Report

To the Board of Directors of
Nucleus Software Exports Ltd.

As required by you, we have audited the attached Balance Sheet of Nucleus Software Exports Ltd. ("the Company") as at 30 September 2006, the Profit and Loss Account for the quarter and half year ended on that date and also the Cash Flow Statement of the Company for the half year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We report that:

- a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of the books;
- c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable; and
- e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 30 September 2006;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the quarter and half year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the half year ended on that date.

for **BSR & Co.**
Chartered Accountants

Sd/-
(Rakesh Dewan)
Partner
Membership No. 092212

Place : Gurgaon
Date : October 30, 2006



NUCLEUS SOFTWARE EXPORTS LTD.

Balance Sheet as at 30 Sept. 2006

All amounts in Rupees

Particulars	Schedule	As at 30 Sept. 2006	As at 30 Sept. 2005	As at 31 March 2006
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	161,178,120	160,943,120	161,063,120
Share Application Money Pending Allotment		4,072,500	1,055,500	757,500
Reserves & Surplus	2	1,036,191,037	758,171,838	845,613,357
TOTAL		1,201,441,657	920,170,458	1,007,433,977
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	3	513,112,169	420,537,318	442,357,760
Less: Accumulated Depreciation		(191,025,265)	(157,961,481)	(171,405,059)
Net Block		322,086,904	262,575,837	270,952,701
Add : Capital Work in Progress (including capital advances)		30,155,515	2,527,196	35,070,281
		352,242,419	265,103,033	306,022,982
Investments	4	686,010,978	626,321,835	676,148,738
Deferred Tax Asset (Refer note 3, Schedule 16)		1,352,255	1,781,542	1,339,922
Current Assets, Loans & Advances				
Sundry Debtors	5	292,612,677	109,548,400	105,093,296
Cash & Bank Balances	6	44,346,548	129,569,985	213,088,500
Loans & Advances	7	54,319,929	49,251,172	31,305,677
Other Current Assets	8	105,899,529	60,539,629	71,558,325
		497,178,683	348,909,186	421,045,798
Less: Current Liabilities & Provisions				
Current Liabilities	9	(287,527,886)	(298,770,942)	(313,471,499)
Provisions	10	(47,814,792)	(23,174,196)	(83,651,964)
		(335,342,678)	(321,945,138)	(397,123,463)
Net Current Assets/(Liabilities)		161,836,005	26,964,048	23,922,335
TOTAL		1,201,441,657	920,170,458	1,007,433,977

Significant accounting policies and notes to the accounts

16

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

As per our report of even date

For BSR & Co.
Chartered Accountants

Rakesh Dewan
Partner
Membership No. 092212

Gurgaon
October 30, 2006

For and on behalf of the Board of Directors

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

Vishnu R Dusad
Managing Director

NOIDA (U.P.)
October 30, 2006

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary



NUCLEUS SOFTWARE EXPORTS LTD.

Profit and Loss Account for the quarter and half year ended 30 Sept. 2006

All amounts in Rupees

Particulars	Schedule	For the quarter ended 30 Sept. 2006	For the quarter ended 30 Sept. 2005	For the half year ended 30 Sept. 2006	For the half year ended 30 Sept. 2005	For the year ended 31 March 2006
Sales and Services	11	348,363,445	234,591,464	662,021,613	449,954,705	943,678,136
Software Development Expenses	12	187,765,064	110,341,018	345,185,563	201,339,209	433,747,478
Gross profit		160,598,381	124,250,446	316,836,050	248,615,496	509,930,658
Selling and Marketing Expenses	13	24,590,509	19,668,916	46,174,963	37,352,060	73,072,349
General and Administration Expenses	14	22,549,231	16,602,721	45,019,289	34,903,640	78,565,977
Operating Profit Before Depreciation and Withholding Tax		113,458,641	87,978,809	225,641,798	176,359,796	358,292,332
Depreciation	3	12,999,845	11,862,426	24,447,897	22,584,075	39,292,691
Withholding Taxes Charged Off		13,303,070	7,760,494	20,799,967	12,936,928	32,114,267
Operating Profit After Depreciation, and Withholding Tax		87,155,726	68,355,889	180,393,934	140,838,793	286,885,374
Other Income	15	4,544,547	3,214,068	21,358,096	8,912,490	25,255,015
Profit before Taxation		91,700,273	71,569,957	201,752,030	149,751,283	312,140,389
Provision for Tax - current		(1,600,000)	4,800,000	1,500,000	8,900,000	19,200,000
- fringe benefit		1,410,000	825,000	2,310,000	17,00,000	4,271,465
- deferred (refer Note 3, Schedule 16)		417,170	(160,511)	1,006,522	417,458	859,078
- earlier years		—	—	86,355	—	(1,521,305)
Provision for Wealth Tax		—	—	—	—	51,402
Profit after Taxation		91,473,103	66,105,468	196,849,153	138,733,825	289,279,749
Profit Available for Appropriation		91,473,103	66,105,468	196,849,153	138,733,825	289,279,749
Profit for the period/year		91,473,103	66,105,468	196,849,153	138,733,825	289,279,749
Add: Balance Brought Forward		342,922,886	185,167,736	237,546,836	112,539,379	112,539,379
Total Amount Available		434,395,989	251,273,204	434,395,989	251,273,204	401,819,128
Final Dividend		—	—	—	—	56,366,842
Dividend Tax		—	—	—	—	7,905,450
Transferred to General Reserve		—	—	—	—	100,000,000
Balance Carried Forward to the Balance Sheet		434,395,989	251,273,204	434,395,989	251,273,204	237,546,836
Earnings Per Equity Share (par value Rs. 10 each)						
(Refer note 16, Schedule 16)						
Basic		5.68	4.11	12.22	8.62	17.97
Diluted		5.65	4.10	12.17	8.60	17.93
Number of Shares used in Computing Earnings Per Equity Share						
Basic		16,116,312	16,092,638	16,110,593	16,091,730	16,097,694
Diluted		16,202,516	16,137,146	16,179,815	16,136,238	16,137,555

Significant accounting policies and notes to the accounts

16

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

As per our report of even date

For BSR & Co.
Chartered Accountants

For and on behalf of the Board of Directors

Rakesh Dewan
Partner
Membership No. 092212

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

Vishnu R Dusad
Managing Director

Gurgaon
October 30, 2006

NOIDA (U.P.)
October 30, 2006

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary



NUCLEUS SOFTWARE EXPORTS LTD.

Cash Flow Statement for the half year ended 30 Sept. 2006

All amounts in Rupees

	For the half year ended 30 Sept. 2006	For the half year ended 30 Sept. 2005	For the year ended 31 March 2006
A. Cash flow from operating activities			
Net profit before tax	201,752,030	149,751,283	312,140,389
<i>Adjustment for:</i>			
Depreciation	24,447,897	22,584,075	39,292,691
Exchange difference on translation of foreign currency accounts	(424,644)	753,879	(4,764,732)
Dividend income from investments	(2,770,118)	(1,445,723)	(2,653,306)
Interest income	(2,140,809)	(3,636,107)	(7,457,597)
Profit on sale of investments	(14,086,593)	(2,615,455)	(12,981,491)
Amortisation of employees stock compensation expenses	3,548,671	982,931	1,972,818
(Profit)/Loss on sale of fixed assets	(143,895)	13,883	(45,470)
Loss on assets discarded	—	67,551	154,659
Bad debts written off	1,573,226	1,523,236	1,523,236
Advances and other current assets written off	281,510	2,813,754	5,904,441
Provision for doubtful debts/advances	778,245	(2,127,219)	(991,223)
Operating profit before working capital changes	212,815,520	168,666,088	332,094,415
Decrease / (increase) in debtors	(190,177,059)	19,239,611	22,780,957
Decrease / (increase) in loans and advances	(24,065,197)	(3,854,468)	(1,369,851)
Decrease / (increase) in other current assets	(37,321,027)	(33,934,951)	(50,674,732)
(Decrease) / increase in current liabilities and provisions	(29,694,727)	(55,010,408)	(48,722,293)
	(68,442,490)	95,105,872	254,108,496
Income Tax paid	(3,938,200)	(3,449,660)	(13,552,386)
Fringe Benefit Tax paid	(1,045,074)	—	(4,101,391)
<i>Net cash (used in) / from operating activities (A)</i>	(73,425,764)	91,656,212	236,454,719
B. Cash flow from investing activities			
Purchase of fixed assets/capital work in progress	(65,418,786)	(21,626,676)	(69,972,264)
Sale of fixed assets	2,020,793	411,315	593,771
Purchase of current investments (net)	4,224,353	(76,972,448)	(111,068,315)
Investment in subsidiaries	—	—	(5,365,000)
Purchase of other long term investments	—	(2,500,000)	(2,500,000)
Loan and advances to subsidiaries (net)	19,018,856	(8,884,505)	14,291,354
Interest received	4,839,122	856,392	7,306,115
Tax paid	(2,101,047)	(892,954)	(4,813,374)
Dividend received from investments	2,770,118	1,445,723	2,653,306
<i>Net cash used in investing activities (B)</i>	(34,646,591)	(108,163,153)	(168,874,407)
C. Cash flow from financing activities			
Dividend paid (including tax thereon)	(64,008,798)	(45,377,084)	(45,596,142)
Proceeds from employee stock option exercised	161,000	28,000	28,000
Receipt of share application money	3,430,000	760,500	760,500
<i>Net cash used in financing activities (C)</i>	(60,417,798)	(44,588,584)	(44,807,642)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(168,490,152)	(61,095,525)	22,772,670
Opening cash and cash equivalents	213,088,500	190,561,641	190,561,641
Exchange difference on translation of foreign currency bank accounts	(251,800)	103,869	(245,811)
Closing cash and cash equivalents*	44,346,548	129,569,985	213,088,500

* Includes fixed deposits amounting to Rs.8,471,826 (Rs.7,496,635 ; Rs.9,152,686) under lien with bank on account of guarantees issued on behalf of the Company.

Notes:

- The above cash flow statement has been prepared in accordance with the 'Indirect method' as set out in the Accounting Standard 3 on "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.
- Cash and cash equivalents consist of cash in hand and balances with scheduled banks / non scheduled banks.
- The previous year's/period's figures have been recast / restated, wherever necessary to confirm to the current period's presentation.

As per our report of even date

For BSR & Co.
Chartered Accountants

Rakesh Dewan
Partner
Membership No. 092212

Gurgaon
October 30, 2006

For and on behalf of the Board of Directors

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

Vishnu R Dusat
Managing Director

NOIDA (U.P.)
October 30, 2006

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 Sept. 2006	As at 30 Sept. 2005	As at 31 March 2006
SCHEDULE—1			
SHARE CAPITAL			
Authorised Capital			
20,000,000 (20,000,000) equity shares of Rs. 10 each	200,000,000	200,000,000	200,000,000
Issued, subscribed and paid up			
Issued			
16,107,612 (16,095,612 ; 16,104,812) equity shares of Rs. 10 each	161,076,120	160,956,120	161,048,120
Subscribed and paid up			
16,116,312 (16,092,812; 16,104,812) equity shares of Rs. 10 each, fully paid up	161,163,120	160,928,120	161,048,120
Of the above:			
8,045,406 equity shares of Rs. 10 each have been issued as bonus shares by capitalisation of securities premium account in the year ended 31 March 2005			
2,637,050 equity shares of Rs. 10 each have been issued as bonus shares by capitalisation of general reserve and securities premium account during the year ended 31 March 2002			
1,452,270 equity shares of Rs. 10 each have been issued as bonus shares by capitalisation of general reserve in the year ended 31 March 1995			
Add: 2,800 (2,800 ; 2,800) forfeited equity shares pending for reissue	15,000	15,000	15,000
	161,178,120	160,943,120	161,063,120



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 Sept. 2006	As at 30 Sept. 2005	As at 31 March 2006
SCHEDULE—2			
RESERVES AND SURPLUS			
General reserve			
Balance as at 1 April	441,454,695	341,454,695	341,454,695
Add: Transferred from Profit and Loss Account	—	—	100,000,000
Less: Gratuity and leave encashment transitional liability (refer note 8, schedule 16)	9,981,145	—	—
	<u>431,473,550</u>	<u>341,454,695</u>	<u>441,454,695</u>
Securities premium account			
Balance as at 1 April	162,978,709	161,702,709	161,702,709
Add : On conversion of stock options issued to employees	1,012,000	220,000	1,276,000
	<u>163,990,709</u>	<u>161,922,709</u>	<u>162,978,709</u>
Capital reserve account			
Balance as at 1 April	1,500,030	1,480,030	1,480,030
Add: Amount forfeited against employees stock option plan	—	10,000	20,000
	<u>1,500,030</u>	<u>1,490,030</u>	<u>1,500,030</u>
Employee stock options			
Balance as at 1 April	4,394,168	2,304,350	2,304,350
Add: Options granted during the period / year	7,873,600	3,288,888	3,288,888
Less: Reversal on forfeiture of stock options granted	164,800	74,000	119,070
Less: Transferred to securities premium on exercise of stock options	851,000	192,000	1,080,000
	<u>11,251,968</u>	<u>5,327,238</u>	<u>4,394,168</u>
Less: Deferred employee compensation	(6,421,209)	(3,296,038)	(2,261,081)
	<u>4,830,759</u>	<u>2,031,200</u>	<u>2,133,087</u>
Profit and Loss Account			
Balance as at 1 April	237,546,836	112,539,379	112,539,379
Add: Profit for the year	196,849,153	138,733,825	289,279,749
Less: Transfer to general reserve	—	—	100,000,000
Less: Final dividend	—	—	56,366,842
Less: Dividend tax	—	—	7,905,450
	<u>434,395,989</u>	<u>251,273,204</u>	<u>237,546,836</u>
	<u>1,036,191,037</u>	<u>758,171,838</u>	<u>845,613,357</u>



Schedules forming part of the financial statements

**SCHEDULE—3
FIXED ASSETS**

All amounts in Rupees

Particulars	GROSS BLOCK		ACCUMULATED DEPRECIATION		NET BLOCK		
	As at 1 April, 2006	Additions Deductions/ Adjustments As at 30 Sept., 2006	As at 1 April, 2006	Deduction/ for the Adjustments half-year As at 30 Sept., 2006	As at 30 Sept., 2006	As at 30 Sept., 2005	As at 31 March, 2006
Freehold land	3,360,720	—	—	—	3,360,720	3,360,720	3,360,720
Leasehold land	64,195,000	2,200,000	2,891,645	359,726	—	63,143,629	61,661,116
Building	111,957,797	35,180,574	7,403,417	2,234,250	—	135,778,772	106,333,842
Office and other equipment	52,118,619	8,108,830	23,639,888	4,911,412	—	31,665,947	32,214,835
Computers	97,242,539	22,057,840	54,692,697	9,752,373	(3,115,357)	54,800,030	36,700,361
Vehicles	14,030,801	1,002,248	6,135,695	1,205,048	(1,712,334)	7,602,821	6,228,701
Furniture and fixtures	25,817,902	3,654,209	17,401,654	1,947,881	—	10,122,576	9,997,298
Software	73,634,382	5,255,297	59,240,063	4,037,207	—	15,612,409	6,078,964
Total	442,357,760	77,458,998	171,405,059	24,447,897	(4,827,691)	322,086,904	262,575,837
Previous period	402,276,461	21,012,405	137,636,205	22,584,075	(2,258,799)	262,575,837	—
Previous year	402,276,461	46,308,096	137,636,205	39,292,691	(5,523,837)	270,952,701	—

**NUCLEUS SOFTWARE EXPORTS LTD.****Schedules forming part of the financial statements**

All amounts in Rupees

	As at 30 Sept. 2006	As at 30 Sept. 2005	As at 31 March 2006
SCHEDULE—4			
INVESTMENTS			
Investments			
Long term investments			
Equity shares - Non trade and unquoted			
10,040,000 (10,040,000; 10,040,000) equity shares of Rs 10 each, fully paid up, in GMAC Financial Services India Limited [Of the above, 80,000 (80,000; 80,000) equity shares are held by nominees on behalf of the Company]	136,882,640	136,882,640	136,882,640
25,000 (25,000; 25,000) equity shares of Rs 10 each, fully paid up, in Ujjivan Financial Services Pvt. Ltd.	2,500,000	2,500,000	2,500,000
	139,382,640	139,382,640	139,382,640
Equity shares in wholly owned subsidiaries - Non-trade and unquoted			
625,000 (625,000; 625,000) equity shares of SGD 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore, a wholly owned subsidiary	16,319,950	16,319,950	16,319,950
1,000,000 (1,000,000; 1,000,000) equity shares of USD 0.35 each, fully paid up, in Nucleus Software Inc., USA, a wholly owned subsidiary	16,293,150	16,293,150	16,293,150
200 (200; 200) equity shares of JPY 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaiga, Japan, a wholly owned subsidiary	4,092,262	4,092,262	4,092,262
316,000 (316,000; 316,000) equity shares of Aus \$ 1 each, fully paid up, in Nucleus Software (Australia) Pty. Ltd., Australia, a wholly owned subsidiary	9,790,955	9,790,955	9,790,955
100,000 (100,000; 100,000) equity shares of HK \$ 1 each, fully paid up, in Nucleus Software (HK) Ltd., Hong Kong, a wholly owned subsidiary	619,885	619,885	619,885
1,000,000 (1,000,000; 1,000,000) equity shares of Rs 10 each, fully paid up, in Virstra i-Technology Services Limited, India, a wholly owned subsidiary [Of the above, 6 (6; 6) equity shares are held by nominees on behalf of the Company]	10,000,000	10,000,000	10,000,000
1,000 (Nil; 1,000) equity shares of Euro 100 each, fully paid up, in Nucleus Software Netherlands B.V., Netherlands, a wholly owned subsidiary	5,365,000	—	5,365,000
	62,481,202	57,116,202	62,481,202
Current investments			
Investments in bonds and mutual funds - Non trade and unquoted			
Nil (4,322,224; 3,659,812) units of face value of Rs. 10 each of HDFC Cash management Fund-Saving Plan-Growth	—	59,742,894	50,742,894
Nil (1,202,390; Nil) units of face value of Rs. 10 each of Kotak Liquid- Institutional Plan -Growth	—	15,800,000	—



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 Sept. 2006	As at 30 Sept. 2005	As at 31 March 2006
Nil (3,605,681; Nil) units of face value of Rs. 10 each of J M High Liquidity Fund -Institutional Plan-Growth	—	39,000,000	—
Nil (254,087; Nil) units of face value of Rs. 10 each of Birla Cash Plus-Institutional Plan-Growth	—	4,500,000	—
Nil (3,635,141; Nil) units of face value of Rs. 10 each of HSBC Cash Fund - Institutional Plan - Growth	—	40,000,000	—
Nil (5,874,919; 62,196) units of face value of Rs. 10 each of Deutsche Insta Cash Plus Fund-Institutional Plan-Growth	—	59,999,972	650,000
Nil (500,000; Nil) units of face value of Rs. 10 each of UTI Fixed Maturity Plan-YFMP 11/2004-Growth	—	5,000,000	—
Nil (1,000,000; 1,000,000) units of face value of Rs. 10 each of UTI Fixed Maturity Plan-YFMP 07/05-Growth	—	10,000,000	10,000,000
2,000,000 (Nil; 2,000,000) units of face value of Rs. 10 each of UTI Fixed Maturity Plan-YFMP 09/05-Growth	20,000,000	—	20,000,000
500,000 (Nil; Nil) units of face value of Rs. 10 each of UTI Fixed Maturity Plan-YFMP 06/06-Growth	5,000,000	—	—
2,000,000 (2,000,000; 2,000,000) units of face value of Rs.10 each of Prudential ICICI FMP Series 5-Institutional-Growth	20,000,000	20,000,000	20,000,000
Nil (1,000,000; 1,000,000) units of face value of Rs. 10 each of Reliance Fixed Maturity Fund-SeriesII-Annual Paln-I-Growth	—	10,000,000	10,000,000
1,185,642 (1,228,350; 2,413,992) units of face value of Rs. 10 each of DSP Merrill Lynch Liquidity Fund-Daily Growth	20,000,000	20,000,000	40,000,000
Nil (2,985,857; 2,985,857) units of face value of Rs. 10 each of SBI Magnum Institutional Income Fund-Saving-Growth	—	32,000,000	32,000,000
Nil (1,229,594; 1,229,594) units of face value of Rs. 10 each of Reliance Liquid Fund-Treasury Plan-Institutional -Growth	—	20,000,000	20,000,000
Nil (1,975,869; 2,972,613) units of face value of Rs. 10 each of ABN Amro Cash Fund-Institutional-Growth	—	31,000,000	31,000,000
467,666 (951,565; 1,419,231) units of face value of Rs. 10 each of ING Vysya Liquid Fund Institutional-Growth	5,000,000	10,000,000	15,000,000
17,571(8,973; 26,544) units of face value of Rs. 1000 each of UTI Liquid Cash Plan Institutional Growth	19,895,490	10,000,000	29,895,490
9,817 (32,225, Nil) units of face value of Rs. 1000 each of UTI Liquid Cash Plan Institutional Dividend	10,008,163	32,717,017	—
1,187,620 (Nil; 1,187,620) units of face value of Rs. 10 each of Prudential ICICI Institutional Liquid Plan-Growth	20,000,000	—	20,000,000
Nil (849,193 Nil) units of face value of Rs. 10 each of Prudential ICICI Institutional Liquid Plan-Dividend	—	10,063,110	—
881,780 (Nil; 881,780) units of face value of Rs. 10 each of Birla Sun Life Cash manager-Institutional Plan-Growth	10,000,000	—	10,000,000
750,000 (Nil; 750,000) units of face value of Rs. 10 each of Magnum Debt Fund Serires-13 Months (Oct 05)-Growth	7,500,000	—	7,500,000
800,000 (Nil; 800,000) units of face value of Rs. 10 each of Grindlays Fixed Maturity-16th Plan A-Growth	8,000,000	—	8,000,000

**NUCLEUS SOFTWARE EXPORTS LTD.****Schedules forming part of the financial statements**

All amounts in Rupees

	As at 30 Sept. 2006	As at 30 Sept. 2005	As at 31 March 2006
900,000 (Nil; 900,000) units of face value of Rs. 10 each of Grindlays Fixed Maturity-20th Plan -Growth	9,000,000	—	9,000,000
4,080,824 (Nil; 5,136,964) units of face value of Rs. 10 each of LICMF Liquid Fund-Dividend	44,744,468	—	56,179,497
4,522,623 (Nil; 2,224,796) units of face value of Rs. 10 each of Birla Cash Plus-Institutional Premium-Growth	49,999,015	—	24,317,015
2,000,000 (Nil; 2,000,000) units of face value of Rs. 10 each of Chola FMP-14 Months-Cumulative	20,000,000	—	20,000,000
1,000,000 (Nil; 1,000,000) units of face value of Rs. 10 each of ABN Amro FTP Series 2 Thirteen Month Plan-Growth	10,000,000	—	10,000,000
1,000,000 (Nil; 1,000,000) units of face value of Rs. 10 each of HSBC Fixed term Series-4-Growth	10,000,000	—	10,000,000
2,000,000 (Nil; Nil) units of face value of Rs. 10 each of HSBC Fixed term Series-9-Growth	20,000,000	—	—
1,000,000 (Nil; 1,000,000) units of face value of Rs. 10 each of Principal Pnb Fixed Maturity Plan-385 Days-Series I Institutional-Growth	10,000,000	—	10,000,000
1,000,000 (Nil; 1,000,000) units of face value of Rs. 10 each of HDFC FMP 13M March 2006(1)- Institutional Plan-Growth	10,000,000	—	10,000,000
1,000,000 (Nil) units of face value of Rs. 10 each of HDFC FMP 13M June 2006(1)- Institutional Plan-Growth	10,000,000	—	—
1,250,000 (Nil; Nil) units of face value of Rs. 10 each of HDFC FMP 13M July 2006(1)- Institutional Plan-Growth	12,500,000	—	—
3,117,013 (Nil; Nil) units of face value of Rs. 10 each of LICMF Liquid Fund-Growth	40,000,000	—	—
4,826,534 (Nil; Nil) units of face value of Rs. 10 each of Prudential ICICI Super Institutional Plan-Growth	50,000,000	—	—
1,398,093 (Nil; Nil) units of face value of Rs. 10 each of Kotak Liquid- Institutional Plus Plan -Growth	20,000,000	—	—
1,250,000 (Nil; Nil) units of face value of Rs. 10 each of Kotak FMP series-Growth	12,500,000	—	—
1,000,000 (Nil; Nil) units of face value of Rs. 10 each of ABN Amro FTP Series3 quarterly plan A Dividend	10,000,000	—	—
	484,147,136	429,822,993	474,284,896
	686,010,978	626,321,835	676,148,738

Notes:

1. Net asset value (NAV) of current investments Rs. 499,340,133 (Rs.442,073,403; Rs.487,926,419) as at 30 Sept. 2006.
2. Refer note 7, schedule 16 for details of investments purchased and sold during the half-year ended 30 Sept. 2006.



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 Sept. 2006	As at 30 Sept. 2005	As at 31 March 2006
SCHEDULE—5			
SUNDRY DEBTORS (UNSECURED)			
Debts outstanding for a period exceeding six months			
—Considered good	5,264,534	4,141,835	3,149,136
—Considered doubtful	19,832,844	17,743,157	18,879,154
	25,097,378	21,884,992	22,028,290
Less: Provision for doubtful debts	(19,832,844)	(17,743,157)	(18,879,154)
	5,264,534	4,141,835	3,149,136
Other debts (considered good)*	287,348,143	105,406,565	101,944,160
	292,612,677	109,548,400	105,093,296

* includes debt amounting to Rs.108,843,655 (Rs.61,619,711; Rs.46,192,627) due from companies under the same management.

SCHEDULE—6 : CASH AND BANK BALANCES

Cash in hand [including cheques in hand Rs.1,550,000 (Nil; Rs.1,989,242)]	1,848,439	221,825	2,311,320
Balances with scheduled banks:			
—in current accounts	29,107,894	34,040,983	21,798,971
—in fixed deposit accounts*	9,337,461	95,005,740	184,301,711
Balance with non scheduled bank:			
—in current account (Citibank, United Kingdom) [Maximum amount outstanding Rs.1,106,298 (Rs. 1,108,854; Rs. 1,108,854)]	843,606	301,437	660,698
Remittance in transit	3,209,148	—	4,015,800
	44,346,548	129,569,985	213,088,500

*include fixed deposits amounting to Rs.8,471,826 (Rs.7,504,740; Rs.9,152,686) under lien with bank on account of guarantees issued on behalf of the Company.

SCHEDULE—7 LOANS AND ADVANCES (Unsecured, considered good)

Advances recoverable in cash or in kind or for value to be received	16,899,228	11,048,751	9,281,723
Loans and advances to subsidiaries*	8,335,643	28,418,975	13,175,644
Security deposits	3,158,369	4,238,443	2,980,534
Advance income tax [net of provision Rs. 31,597,948]	3,197,716	—	—
Prepaid expenses	22,728,973	5,545,003	5,867,776
	54,319,929	49,251,172	31,305,677

* includes loan amounting to Nil (Rs.5,205,000; Rs.5,516,000) to Nucleus Software Solutions Pte. Ltd., Singapore and Rs.2,961,840 (Rs.5,174,700; Rs.5,242,850) to Nucleus Software Inc., USA, wholly owned subsidiaries of the Company.



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 Sept. 2006	As at 30 Sept. 2005	As at 31 March 2006
SCHEDULE—8			
OTHER CURRENT ASSETS			
Service income accrued but not due	104,752,222	54,063,611	67,712,705
Interest accrued but not due	1,147,307	6,476,018	3,845,620
	<u>105,899,529</u>	<u>60,539,629</u>	<u>71,558,325</u>

SCHEDULE—9

CURRENT LIABILITIES

Sundry creditors *	84,137,971	72,779,692	82,349,937
Withholding tax	16,295,776	7,318,284	8,036,409
Due to subsidiaries	25,983,876	4,275,736	12,253,033
Advances from customers	146,018,751	207,158,621	199,904,318
Unclaimed dividends	698,128	932,160	708,613
Other liabilities	14,393,384	6,306,449	10,219,189
	<u>287,527,886</u>	<u>298,770,942</u>	<u>313,471,499</u>

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

SCHEDULE—10

PROVISIONS

Gratuity	19,113,881	9,161,530	10,885,152
Leave encashment	27,265,911	5,864,442	7,069,271
Income tax [Net of advance tax Rs.22,370,869 (Rs.28,774,091)]	—	7,283,052	1,255,175
Fringe benefit tax	1,435,000	865,172	170,074
Dividend	—	—	56,366,842
Corporate dividend tax	—	—	7,905,450
	<u>47,814,792</u>	<u>23,174,196</u>	<u>83,651,964</u>



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended 30 Sept. 2006	For the quarter ended 30 Sept. 2005	For the half year ended 30 Sept. 2006	For the half year ended 30 Sept. 2005	For the year ended 31 March 2006
SCHEDULE—11					
SALES AND SERVICES					
Software development services and products					
— Domestic	49,179,676	49,370,459	110,903,324	891,173,256	207,937,981
— Overseas	295,681,569	185,221,005	547,616,089	360,781,449	735,740,155
Income from consultancy	3,502,200	—	3,502,200	—	—
	<u>348,363,445</u>	<u>234,591,464</u>	<u>662,021,613</u>	<u>449,954,705</u>	<u>943,678,136</u>

SCHEDULE—12 **SOFTWARE DEVELOPMENT EXPENSES**

Salaries and allowances	125,189,927	60,532,457	221,346,700	103,974,479	223,649,420
Contribution to provident and other funds	6,298,730	3,097,125	11,183,026	5,502,735	11,974,371
Directors' remuneration (including stock compensation expense) Rs. 511,369 (Nil; 850,429; Nil; Nil)	2,082,396	1,740,000	4,329,138	3,500,000	7,002,000
Employee's stock compensation expenses	767,057	361,596	1,422,599	739,407	1,729,294
Staff welfare	2,085,047	1,610,999	4,004,072	3,036,703	7,858,245
Conveyance	1,671,075	1,025,897	2,907,188	1,845,339	4,006,269
Communication	3,187,110	2,061,744	8,630,330	4,553,793	8,893,719
Rent	193,154	644,810	931,680	1,420,587	2,743,719
Legal and professional	3,800,881	1,285,169	5,816,196	2,541,009	4,499,590
Repair and maintenance					
— Building	49,834	121,386	81,453	196,540	430,541
— Others	951,018	686,408	1,657,794	1,551,687	3,285,474
Training and recruitment	5,309,510	1,143,525	10,420,062	2,405,349	8,497,777
Printing and stationery	137,878	143,520	314,759	210,562	315,629
Insurance	649,278	29,583	1,350,131	595,003	1,349,112
Software and other development charges	1,871,003	1,421,725	3,269,537	2,321,734	10,685,838
Cost of software purchased for delivery to clients	1,576,953	2,924,915	6,707,520	4,830,896	12,766,339
Travelling	25,551,404	27,142,660	50,212,988	54,809,089	110,033,698
Power and fuel	4,990,247	2,724,760	8,520,964	5,086,599	9,628,878
Conference, exhibition and seminar	—	—	61,348	—	—
Information technology expenses	528,632	414,244	950,968	763,969	1,794,624
Miscellaneous expenses	873,930	1,228,495	1,067,110	1,453,729	2,602,941
	<u>187,765,064</u>	<u>110,341,018</u>	<u>345,185,563</u>	<u>201,339,209</u>	<u>433,747,478</u>



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended 30 Sept. 2006	For the quarter ended 30 Sept. 2005	For the half year ended 30 Sept. 2006	For the half year ended 30 Sept. 2005	For the year ended 31 March 2006
SCHEDULE—13					
SELLING AND MARKETING EXPENSES					
Salaries and allowances	8,292,573	7,114,197	15,408,077	13,996,672	29,100,756
Contribution to provident and other funds	443,019	317,673	758,761	687,970	1,365,794
Directors' remuneration (including stock compensation expense Rs. 511,369 (Nil; 850,429; Nil; Nil)	2,082,396	1,740,000	4,329,138	3,500,000	7,002,000
Employee's stock compensation expenses	—	91,747	—	145,736	145,736
Staff welfare	189,556	246,677	380,136	546,934	1,233,502
Conveyance	367,167	267,911	595,219	520,453	1,089,742
Communication	167,395	339,066	340,831	717,815	1,624,105
Rent	171,422	316,109	232,119	684,009	1,354,761
Legal and professional	273,667	185,621	506,999	494,234	746,551
Repair and maintenance					
— Building	4,182	12,139	7,344	19,654	43,054
— Others	79,806	68,641	150,484	155,169	328,547
Training and recruitment	254,245	106,395	472,376	192,775	717,917
Printing and stationery	81,170	47,190	359,232	90,913	285,885
Insurance	27,920	3,644	75,036	78,212	125,517
Travelling	3,674,935	4,396,946	7,311,073	7,882,365	14,202,603
Advertisement and business promotion	2,854,426	1,373,949	4,267,536	2,753,987	6,261,146
Power and fuel	256,327	277,239	406,277	505,633	998,473
Conference, exhibition and seminar	536,204	1,076,780	681,602	1,212,848	1,589,902
Information technology expenses	24,312	30,711	43,611	77,147	144,029
Commission on sales	4,692,047	864,321	9,680,338	1,449,977	2,853,673
Market survey expenses	—	588,465	—	1,394,695	1,394,695
Miscellaneous expenses	117,740	203,495	168,774	244,862	463,961
	<u>24,590,509</u>	<u>19,668,916</u>	<u>46,174,963</u>	<u>37,352,060</u>	<u>73,072,349</u>



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended 30 Sept. 2006	For the quarter ended 30 Sept. 2005	For the half year ended 30 Sept. 2006	For the half year ended 30 Sept. 2005	For the year ended 31 March 2006
--	---	---	---	---	--

SCHEDULE—14

GENERAL AND ADMINISTRATION EXPENSES

Salaries and allowances	11,676,543	6,362,642	22,280,939	11,018,149	25,581,060
Contribution to provident and other funds	670,481	381,297	1,262,398	681,011	1,532,069
Directors' remuneration (including stock compensation expense Rs. 255,684 (Nil; 425,214; Nil; Nil])	1,426,198	975,000	2,834,569	1,945,000	3,846,000
Employee's stock compensation expenses	—	57,513	—	97,788	97,788
Staff welfare	327,789	277,184	632,573	524,828	1,349,137
Conveyance	514,594	288,036	979,877	548,933	1,508,263
Communication	450,830	892,997	503,298	1,872,838	4,181,573
Rent	530,641	69,000	560,641	137,500	223,500
Rates and taxes	511,592	392,202	830,499	815,322	1,718,991
Legal and professional	1,877,697	2,675,763	5,175,160	4,642,720	13,759,580
Repair and maintenance					
— Building	12,197	42,485	23,264	68,789	150,689
— Others	232,767	240,242	480,139	543,089	1,149,913
Training and recruitment	304,162	97,817	335,854	152,756	924,886
Printing and stationery	373,648	255,426	591,280	665,953	1,618,650
Loss on discarded assets	—	—	—	67,551	154,659
Insurance	48,861	94,780	111,682	199,586	315,934
Bank charges	278,585	295,495	672,380	711,658	1,618,598
Travelling	338,011	431,901	351,964	1,254,296	1,900,349
Advertisement	192,765	288,820	220,648	516,055	1,097,331
Power and fuel	379,613	846,059	429,127	1,582,068	2,987,602
Conference, exhibition and seminar	86,191,	—	388,390	—	426,060
Information technology expenses	40,083	37,139	71,500	72,692	170,812
Bad debts written off	—	138,236	1,573,226	1,523,236	1,523,236
Advances/ other current assets written off	281,510	—	281,510	2,813,754	5,904,441
Provision for doubtful debts /advances / other current assets	187,722	(2,196,470)	778,245	(2,127,219)	(991,223)
Loss on foreign exchange fluctuation (net)	92,428	2,048,715	451,647	1,519,737	—
Miscellaneous expenses	1,714,323	1,610,442	3,198,479	3,055,550	5,816,079
	<u>22,549,231</u>	<u>16,602,721</u>	<u>45,019,289</u>	<u>34,903,640</u>	<u>78,565,977</u>

SCHEDULE—15

OTHER INCOME

Dividend received from non-trade investments	1,119,137	539,845	2,770,118	1,445,723	2,653,306
Gain on foreign exchange fluctuation (net)	—	—	—	—	40,151
Interest on fixed deposits and loans to subsidiaries [Gross of tax deducted at source Rs.121,668 (Rs.786; Rs. 872,951; Rs.94184; Rs. 70,847)]	364,100	1,602,428	2,140,809	3,636,107	7,457,597
Profit/ (loss) on sale of fixed assets (net)	—	107,884	143,895	(13,883)	45,470
Profit on sale of investments (net)	2,125,941	276,880	14,086,593	2,615,455	12,981,491
Miscellaneous income	935,369	687,031	2,216,681	1,229,088	2,077,000
	<u>4,544,547</u>	<u>3,214,068</u>	<u>21,358,096</u>	<u>8,912,490</u>	<u>25,255,015</u>



Schedules forming part of the financial statements

SCHEDULE—16

Significant accounting policies and notes to the accounts

1. Company Overview

Nucleus Software Exports Ltd. ('Nucleus' or 'the Company') was incorporated on 9 January 1989 in India as a private limited company. It was subsequently converted into a public limited company on 10 October 1994. The Company made an initial public offer (IPO) in August 1995. As at 30 September 2006, the Company is listed on three stock exchanges in India namely National Stock Exchange, Bombay Stock Exchange and Madras Stock Exchange. The Company has wholly owned subsidiaries in Singapore, USA, Japan, Australia, Hong-Kong, Netherlands and India. The Company's business consists of software product development and marketing and providing support services mainly for corporate business entities in the banking and financial services sector.

2. Significant accounting policies

(i) Basis of preparation

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") and mandatory accounting standards issued by the Institute of Chartered Accountants of India ("ICAI"), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. All income and expenditure having a material bearing on the financial statements are recognised on the accrual basis. Accounting policies have been consistently applied except where a newly issued accounting standard is 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 standard on an ongoing basis.

(ii) Use of estimates

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

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. An 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.

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

(iii) Revenue recognition

Revenue from software development services comprises income from time and material and fixed price contracts. Revenue from time and material basis is recognised as the services are rendered. Revenue from fixed price contracts and sale of license and related customisation and implementation is



recognised in accordance with the percentage completion method under which the sales value of performance including earnings thereon is recognised on the basis of effort incurred in respect of each contract as a proportion of total effort expected to be incurred. Anticipated losses, if any, upto the completion of contract are recognised immediately.

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

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

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

(iv) Expenditure

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

(v) Fixed assets

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

(vi) Depreciation

Depreciation on fixed assets, except leasehold land, 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. Depreciation is charged on a pro-rata basis for assets purchased/ sold during the period/year. Assets costing less than Rs. 5,000 are fully depreciated in the period/year of purchase.

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

<i>Asset category</i>	<i>Useful life (in years)</i>
Building	30
Office and other equipment	5
Computers	4
Vehicles	5
Furniture and fixtures	5
Software	3
Temporary wooden structures (included in furniture and fixtures)	1

(vii) Investments

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



(viii) Research and development

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

(ix) Foreign exchange transactions

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realised gains and losses on foreign exchange transactions during the period, other than those relating to fixed assets purchased from a country outside India are recognised in the profit and loss account. Foreign currency assets and liabilities are translated at period-end rates and resultant gains/losses on foreign exchange translations, other than those relating to fixed assets purchased from a country outside India are recognised in the profit and loss account. Gains/ losses on the settlement and translation of foreign exchange liabilities incurred to purchase fixed assets from a country outside India are adjusted in the carrying cost of such fixed assets.

In the case of forward contracts:

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

(x) Retirements benefits

Contributions to provident fund are charged to the profit and loss account as incurred. Provisions for gratuity and leave encashment are made on the basis of an actuarial valuation at the year-end and charged off to the profit and loss account.

(xi) Employee stock option based compensation

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

(xii) Operating leases

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

(xiii) Earnings per share

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



(xiv) Taxation

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

3. Deferred tax

Components of net deferred tax asset:

(Amounts in Rupees)

	As at 30 Sept. 2006	As at 30 Sept. 2005	As at 31 March 2006
Deferred tax asset			
Provision for doubtful debts	1,049,582	591,087	786,249
Provision for retirement benefits	4,303,533	1,432,146	2,574,378
	5,353,115	2,023,233	3,360,627
Deferred tax liability			
Fixed Assets	(4,000,860)	(241,691)	(2,020,705)
Net deferred tax asset	1,352,255	1,781,542	1,339,922

4. Forward contracts

Exchange gain in respect of forward exchange contracts to be recognised in the Profit and Loss account of the subsequent accounting period is Rs.357,664 (Rs.482,447; Rs 999,672). As at 30 September 2006, the Company has outstanding forward contracts for USD 2,598,006 (USD 600,000; USD 2,550,000).

5. Employees Stock Option Plan ("ESOP")

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

The Company currently has four ESOP schemes, ESOP scheme-1999 instituted in 2000, ESOP scheme-2002 instituted in 2002, ESOP scheme – 2005 instituted in 2005 and ESOP scheme –2006 instituted in 2006.



NUCLEUS SOFTWARE EXPORTS LTD.

These schemes were duly approved by the Board of Directors and Shareholders in their respective meetings. The 1999 scheme provides for the issue of 170,000 equity shares, 2002 scheme for 225,000 equity shares, 2005 scheme for 600,000 equity shares and 2006 scheme for 1,000,000 equity shares to eligible employees. These schemes are administered by a Compensation Committee comprising of four members, the majority of whom are independent directors.

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

(Amounts in Rupees)

1999 Stock Option Scheme

	Quarter ended		Half year ended		Year ended
	30 Sept. 2006	30 Sept. 2005	30 Sept. 2006	30 Sept. 2005	31 March 2006
Options outstanding at the beginning of the period	21,500	26,500	12,500	27,500	27,500
Options granted	—	—	9,000	—	—
Options forfeited	—	—	—	(1,000)	(1,000)
Options exercised	(11,500)	(2,000)	(11,500)	(2,000)	(14,000)
Balance carried forward	10,000	24,500	10,000	24,500	12,500

2002 Stock Option Scheme

	Quarter ended		Half year ended		Year ended
	30 Sept. 2006	30 Sept. 2005	30 Sept. 2006	30 Sept. 2005	31 March 2006
Options outstanding at the beginning of the period	113,250	6,4250	63,250	5,000	5,000
Options granted	—	—	50,000	59,250	59,250
Options forfeited	(2,000)	—	(2,000)	—	(1,000)
Options exercised	—	—	—	—	—
Balance carried forward	111,250	64,250	111,250	64,250	63,250

2005 Stock Option Scheme

	Quarter ended		Half year ended		Year ended
	30 Sept. 2006	30 Sept. 2005	30 Sept. 2006	30 Sept. 2005	31 March 2006
Options outstanding at the beginning of the period / year	140,000	—	—	—	—
Options granted	2,000	—	142,000	—	—
Options forfeited	—	—	—	—	—
Options exercised	—	—	—	—	—
Balance carried forward	142,000	—	142,000	—	—

2006 Stock Option Scheme

	Quarter ended		Half year ended		Year ended
	30 Sept. 2006	30 Sept. 2005	30 Sept. 2006	30 Sept. 2005	31 March 2006
Options outstanding at the beginning of the period / year	—	—	—	—	—
Options granted	2,000	—	2,000	—	—
Options forfeited	—	—	—	—	—
Options exercised	—	—	—	—	—
Balance carried forward	2,000	—	2,000	—	—



NUCLEUS SOFTWARE EXPORTS LTD.

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

(Amounts in Rupees)

	Quarter ended		Half year ended		Year ended
	30 Sept. 2006	30 Sept. 2005	30 Sept. 2006	30 Sept. 2005	31 March 2006
Balance brought forward	8,631,489	3,806,894	2,261,081	1,064,081	1,064,081
Add: Recognised during the period	—	—	7,873,600	3,288,888	3,288,888
Less: Amortisation expense	2,045,480	510,856	3,548,672	982,931	1,972,818
Less: Reversal due to forfeiture	164,800	—	164,800	74,000	119,070
Balance carried forward	6,421,209	3,296,038	6,421,209	3,296,038	2,261,081

6. Managerial Remuneration *

(Amounts in Rupees)

	Quarter ended		Half year ended		Year ended
	30 Sept. 2006	30 Sept. 2005	30 Sept. 2006	30 Sept. 2005	31 March 2006
A. Managing Director					
Salary and perquisites	540,000	540,000	1,080,000	1,080,000	2,160,000
Contribution to provident and other funds	36,000	36,000	72,000	72,000	144,000
Commission	3,351,568	3,074,000	7,544,774	6,148,000	12,596,000
	3,927,568	3,650,000	8,696,774	7,300,000	14,900,000
B. Non executive Directors					
Stock base compensation	1,278,422	—	2,126,071	—	—
Commission	—	700,000	—	1,450,000	2,950,000
Sitting fees	385,000	105,000	670,000	195,000	345,000
	1,663,422	805,000	2,796,071	1,645,000	3,295,000

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

7. Details of investments purchased and sold during the half year ended 30 September 2006

Name of the investment	Face value	Purchased during the period		Sold during the period	
		Amount (Rupees)	Quantity	Amount (Rupees)	Quantity
Kotak K Liquid-Inst. Prem (Dividend)	10	8,947,007	109,404,902	8,947,007	109,404,902
Prudential ICICI Liquid-IP-(Dividend)	10	1,689,862	20,025,200	1,689,862	20,025,200
ING Vysya Liquid (Dividend)	10	201,148	2,013,556	201,148	2,013,556
Principal Liquid (Dividend)	10	2,002,712	20,031,522	2,002,712	20,031,522
HSBC Cash Fund-HP-(Devidend)	10	6,093,484	69,073,495	6,903,484	69,050,023
Prudential ICICI Super-IP-(Dividend)	10	1,000,890	10,010,898	1,000,890	10,014,501
Birla Cash Plus-Inst. Prem-(Dividend)	10	6,211,746	62,238,592	6,211,746	62,238,592
LIC Liquid - (Dividend)	10	1,883,197	20,677,468	1,883,197	20,677,690



8. Employee Benefit Obligations

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

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

(Amounts in Rupees)

As at 30 September 2006

Obligation at period beginning	12,890,710
Current Service Cost	1,511,552
Interest Cost	431,438
Actuarial Losses / (Gain)	4,637,094
Benefits Paid	(356,913)
Obligation at period end	19,113,881

Change in plan assets

(Amounts in Rupees)

As at 30 September 2006

Plan Assets at period beginning, at fair value	—
Expected Return on Plan Assets	—
Actuarial Gains / (Losses)	—
Contributions by Employer	356,913
Benefits Paid	(356,913)
Plan assets at period end, at fair value	—

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

Gratuity cost for the period:

(Amounts in Rupees)

Half year ended 30
September 2006

Current Service Cost	1,511,552
Interest on Defined Benefit Obligation	431,438
Expected Return on Plan Assets	—
Net Actuarial Losses / (Gains) Recognized in Year	4,637,094
Past Service Cost	—
Losses / (Gains) on "Curtailements & Settlements"	—
Total, included in "Employee Benefit Expense"	6,580,084

Assumptions

(Amounts in Rupees)

As at 30 September 2006

Discount Rate	7.4% p.a.
Expected Rate of Return on Plan Assets	—
Salary Escalation Rate	5.0% p.a.



- a) Discount Rate:
The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.
- b) Salary Escalation Rate:
The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors discount rate.

9. Segment reporting - Basis of preparation

(i) Segment accounting policies

The Segment reporting policy complies with the accounting policies adopted for preparation and presentation of financial statements of the Company and is in conformity with Accounting Standard-17 on "Segment Reporting", issued by the ICAI. The segmentation is based on the Geographies (reportable primary segment) in which the Company operates and internal reporting systems.

(ii) Composition of reportable segments

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

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

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

Information in respect of primary segment

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

For the quarter ended 30 September 2006

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	USA	Others	Total
Revenue from external customers	49,179,676	124,691,171	28,553,760	40,034,316	29,819,330	76,085,192	348,363,445
Expenses	53,361,023	82,406,277	15,824,347	22,426,750	16,525,720	42,166,023	232,710,140
Segment result	(4,181,347)	42,284,894	12,729,413	17,607,566	13,293,610	33,919,169	115,653,305
Unallocated corporate expenditure							28,497,578
Operating profit before taxation							87,155,726
Other income							4,544,547
Profit before tax							91,700,273
Provision for taxation - current							(1,600,000)
Provision for taxation - fringe benefit							1,410,000
Provision for taxation - deferred							417,170
Provision for taxation-earlier period							—
Net profit after taxation							91,473,103



NUCLEUS SOFTWARE EXPORTS LTD.

For the quarter ended 30 Sept. 2005

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	USA	Others	Total
Revenue from external customers	49,370,459	38,222,143	56,689,609	49,157,209	354,973	40,797,071	234,591,464
Expenses	32,272,422	28,572,846	30,593,058	26,724,718	193,286	21,821,062	140,177,392
Segment result	17,098,037	9,649,297	26,096,551	22,432,491	161,687	18,976,009	94,414,072
Unallocated corporate expenditure							26,058,183
Operating profit before taxation							68,355,889
Other income							3,214,068
Profit before tax							71,569,957
Provision for taxation - current							4,800,000
Provision for taxation-fringe benefit							825,000
Provision for taxation-deferred							(160,511)
Net profit after taxation							66,105,468

For the half year ended 30 Sept. 2006

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	USA	Others	Total
Revenue from external customers	110,903,324	218,332,532	63,295,391	81,353,482	30,215,600	157,921,284	662,021,613
Expenses	110,006,467	138,318,328	33,786,724	43,911,285	16,730,602	85,717,628	428,471,033
Segment result	896,857	80,014,204	29,508,667	37,442,197	13,484,998	72,203,656	233,550,579
Unallocated corporate expenditure							53,156,645
Operating profit before taxation							180,393,934
Other income							21,358,096
Profit before tax							201,752,030
Provision for taxation – current							1,500,000
Provision for taxation – fringe benefit							2,310,000
Provision for taxation – deferred							1,006,522
Provision for taxation-earlier period							86,355
Net profit after taxation							196,849,153



NUCLEUS SOFTWARE EXPORTS LTD.

For the half year ended 30 Sept. 2005

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	USA	Others	Total
Revenue from external customers	89,173,256	64,177,115	128,653,414	89,062,407	676,650	78,211,863	449,954,705
Expenses	62,037,872	46,516,962	65,993,248	46,680,956	351,525	40,226,018	261,806,581
Segment result	27,135,384	17,660,153	62,660,166	42,381,451	325,125	37,985,845	188,148,124
Unallocated corporate expenditure							47,309,331
Operating profit before taxation							140,838,793
Other income							8,912,490
Profit before tax							149,751,283
Provision for taxation – current							8,900,000
Provision for taxation – fringe benefit							1,700,000
Provision for taxation-deferred							417,458
Net profit after taxation							138,733,825

For the year ended 31 March 2006

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	USA	Others	Total
Revenue from external customers	207,937,981	162,033,377	241,720,772	160,024,871	1,072,920	170,888,215	943,678,136
Expenses	158,655,612	115,679,509	124,453,558	82,940,282	536,677	88,026,238	570,291,876
Segment result	49,282,369	46,353,868	117,267,214	77,084,589	536,243	82,861,977	373,386,260
Unallocated corporate expenditure							86,500,886
Operating profit before taxation							286,885,374
Other income							25,255,015
Profit before tax							312,140,389
Provision for taxation – current							19,200,000
Provision for taxation – fringe benefit							4,271,465
Provision for taxation-deferred							859,078
Provision for taxation – earlier							(1,521,305)
Provision for wealth tax							51,402
Net profit after taxation							289,279,749



NUCLEUS SOFTWARE EXPORTS LTD.

Assets and liabilities of reportable primary segment are as follows:

As at 30 Sept. 2006

(Amounts in Rupees)

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

As at 30 Sept. 2005

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	USA	Others	Total
Segment assets	27,846,056	35,050,753	52,756,958	2,933,828	7,259,563	66,183,827	192,030,985
Unallocated corporate assets							1,050,084,611
Total assets							1,242,115,596
Segment liabilities	16,489,830	16,494,716	10,651,403	201,142,572	118,112	11,952,568	256,849,201
Unallocated corporate liabilities							65,095,937
Total liabilities							321,945,138
Capital employed							920,170,458

As at 31 March 2006

Description	India	Far East	Singapore	Europe	USA	Others	Total
Segment assets	44,122,673	42,889,359	21,454,760	-	6,541,261	70,973,592	185,981,645
Unallocated corporate assets							1,218,575,795
Total assets							1,404,557,440
Segment liabilities	15,885,668	24,031,850	7,227,246	170,896,465	491,840	28,865,105	247,398,174
Unallocated corporate liabilities							149,725,289
Total liabilities							397,123,463
Capital employed							1,007,433,977



NUCLEUS SOFTWARE EXPORTS LTD.

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

For the quarter ended 30 September 2006

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

For the quarter ended 30 September 2005

Description	India	Far East	Singapore	Europe	USA	Others	Total
Capital expenditure (unallocated)							7,796,209
Total capital expenditure							7,796,209
Depreciation expenditure (unallocated)							11,862,426
Total depreciation							11,862,426
Segment non-cash expense other than depreciation	(1,117,021)	75,179	(163,518)	(29,595)	698	(313,121)	(1,547,378)
Total non cash expenditure other than depreciation	(1,117,021)	75,179	(163,518)	(29,595)	698	(313,121)	(1,547,378)

For the half year ended 30 September 2006

Description	India	Far East	Singapore	Europe	USA	Others	Total
Capital expenditure (unallocated)							72,54,232
Total capital expenditure							72,544,232
Depreciation expenditure (unallocated)							24,447,897
Total depreciation							24,447,897
Segment non-cash expense other than depreciation	911,344	986,335	1,263,945	481,971	1,302,430	1,235,626	6,181,651
Total non cash expenditure other than depreciation	911,344	986,335	1,263,945	481,971	1,302,430	1,235,626	6,181,651



NUCLEUS SOFTWARE EXPORTS LTD.

For the half year ended 30 September 2005

Description	India	Far East	Singapore	Europe	USA	Others	Total
Capital expenditure (unallocated)							21,012,405
Total capital expenditure							21,012,405
Depreciation expenditure (unallocated)							22,584,075
Total depreciation							22,584,075
Segment non-cash expense other than depreciation	(263,403)	219,503	253,951	43,172	1,285	2,938,194	3,192,702
Total non cash expenditure other than depreciation	(263,403)	219,503	253,951	43,172	1,285	2,938,194	3,192,702

For the year ended 31 March 2006

Description	India	Far East	Singapore	Europe	USA	Others	Total
Capital expenditure (unallocated)							79,361,014
Total capital expenditure							79,361,014
Depreciation expenditure (unallocated)							39,292,691
Amortization (Unallocated) (miscellaneous expenditure amortized during the year)							-
Total depreciation and amortization							39,292,691
Segment non-cash expense other than depreciation	798,647	372,501	310,743	52,807	1,805	6,872,770	8,409,273
Total non cash expenditure other than depreciation and amortization	798,647	372,501	310,743	52,807	1,805	6,872,770	8,409,273

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

10. Related party disclosures

a) List of related parties

Parties where control exists:

Wholly owned subsidiary companies

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



NUCLEUS SOFTWARE EXPORTS LTD.

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

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

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

Key managerial personnel:

—Vishnu R Dusad (Managing Director)

b) Transactions with related parties

(Amounts in Rupees)

	Quarter ended		Half year ended		Year ended
	30 Sept.	30 Sept.	30 Sept.	30 Sept.	31 March
	2006	2005	2006	2005	2006
i. Software development, services and products					
Wholly owned subsidiary companies	99,207,126	107,275,642	229,467,337	220,364,621	453,282,354
ii. Other income					
Wholly owned subsidiary companies	718,476	359,028	1,197,816	718,056	1,554,585
iii. Managerial remuneration					
Key Managerial Personnel	3,927,569	3,650,000	8,696,775	7,300,000	14,900,000
iv. Reimbursement of expenses					
From wholly owned subsidiary companies	5,611,977	8,965,633	12,570,103	9,038,761	14,286,881
To wholly owned subsidiary companies	7,308,835	4,307,139	14,836,729	15,100,290	27,587,652
v. Commission paid					
To wholly owned subsidiary companies	303,944	391,824	469,427	391,824	653,775
vi. Interest received					
From wholly owned subsidiary companies	129,639	148,483	314,251	272,173	628,348
vii. Loans and advances					
Given to wholly owned subsidiary companies	—	4,700,000	—	8,800,000	8,800,000
Repaid by wholly owned subsidiary companies	—	4,700,000	5,824,000	8,800,000	8,800,000
viii. Investments					
Nucleus Software Netherlands B.V.	—	—	—	—	5,365,000

**NUCLEUS SOFTWARE EXPORTS LTD.****c) Outstanding balances as at period/year end***(Amounts in Rupees)*

	As at 30 Sept. 2006	As at 30 Sept. 2005	As at 31 March 2006
Loans and advances			
To wholly owned subsidiary companies	8,335,643	28,418,975	13,175,644
From wholly owned subsidiary companies	25,983,876	4,275,736	12,253,033
Debtors			
Wholly owned subsidiary companies	108,843,655	61,619,711	46,192,627
Service income accrued but not due			
Wholly owned subsidiary Company	15,436,581	250,119	6,234,209
Interest income accrued but not due			
Wholly owned subsidiary companies	129,639	320,909	684,405

(Amounts in Rupees)

	Quarter ended		Half year ended		Year ended
	30 Sept. 2006	30 Sept. 2005	30 Sept. 2006	30 Sept. 2005	31 March 2006
11. Legal and professional (includes payment to auditors)					
- Audit fees (includes service tax)	375,000	220,400	709,602	771,400	1,661,333
- Other services	226,234	99,180	226,234	99,180	264,480
- Out of pocket expenses	47,000	31,500	97,000	63,900	123,530
Total	648,234	351,080	1,032,836	934,480	2,049,343
12. CIF value of imports					
Capital goods	3,906,394	1,747,304	17,536,669	12,134,750	24,206,256
Total	3,906,394	1,747,304	17,536,669	12,134,750	24,206,256
13. Expenditure in foreign currency					
Travel expenses	23,878,367	25,227,996	45,137,106	50,588,768	101,474,758
Professional charges	-	588,465	49,244	1,613,595	1,948,035
Others	6,931,934	3,264,139	14,144,510	5,585,045	14,971,587
Total	30,810,301	29,080,600	59,330,860	57,787,408	118,394,380

**NUCLEUS SOFTWARE EXPORTS LTD.****14. Earnings in foreign currency**

Income from software development	295,681,569	185,221,005	547,616,089	360,381,449	735,740,155
Income from Consultancy	3,502,200	-	3,502,200	-	-
Interest	131,449	149,942	317,553	273,632	630,694
Total	299,315,218	185,370,947	551,435,842	360,055,081	736,370,849

15. Dividend remitted in foreign currency**Amount remitted (net of tax)**

Final dividend (2006)	-*	-*	-*	-*	-
Final dividend (2005)	-*	-*	-*	-*	-

Number of shares held

Final dividend (2006)	786,111	-	786,111	-	-
Final dividend (2005)		303,884		303,884	303,884

Number of non-resident

Final dividend (2006)	175	-	175	-	-
Final dividend (2005)	-	61	-	61	61

*Dividend was remitted in Indian Rupees

(Amounts in Rupees)

	Quarter ended		Half year ended		Year ended
	30 Sept.	30 Sept.	30 Sept.	30 Sept.	31 March
	2006	2005	2006	2005	2006
16. Earnings per share					
Profit after taxation available to equity shareholders (Rupees)	91,473,103	66,105,468	196,849,153	138,733,825	289,279,749
Weighted average number of equity shares used in calculating basic earnings per share	16,116,312	16,092,638	16,110,593	16,091,730	16,097,694
Add: Effect of dilutive issue of shares	71,359	44,508	63,513	44,508	39,861
Weighted average number of equity shares used in calculating diluted earnings per share	16,202,506	16,137,146	16,179,815	16,136,238	16,137,555
Basic earnings per share (Rupees)	5.68	4.11	12.22	8.62	17.97
Diluted earnings per share (Rupees)	5.65	4.10	12.17	8.59	17.93

17. Capital commitments and contingent liabilities

- Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances) Rs. 33,850,941 (Rs. 21,770,166; Rs. 12,281,986).
- Claim against the Company not acknowledged as debt Rs. 324,000 (Rs.324,000, Rs.324,000).



NUCLEUS SOFTWARE EXPORTS LTD.

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

	(Amounts in Rupees)				
	Quarter ended		Half year ended		Year ended
	30 Sept. 2006	30 Sept. 2005	30 Sept. 2006	30 Sept. 2005	31 March 2006
Salaries and allowances	145,159,043	74,009,296	259,035,716	128,989,300	278,331,236
Contribution to provident and other funds	7,412,230	3,796,095	13,204,185	6,871,716	14,872,234
Directors' remuneration (including stock compensation expense Rs. 1,278,422; Nil, Rs. 2,126,071; Nil; Nil)	5,590,990	4,455,000	11,492,845	8,945,000	17,850,000
Employee's stock compensation expenses	767,057	510,856	1,422,599	982,931	1,972,818
Staff welfare	2,602,392	2,134,860	5,016,781	4,108,465	10,440,884
Training and Recruitment	5,867,917	1,347,737	11,228,292	2,750,880	10,140,580
Software and other development charges	1,871,003	1,421,725	3,269,537	2,321,734	10,685,838
Cost of software purchased for delivery to clients	1,576,953	2,924,915	6,707,520	4,830,896	12,766,339
Travelling	29,564,350	31,971,507	57,876,025	63,945,750	126,136,650
Conveyance	2,552,836	1,581,844	4,482,284	2,914,725	6,604,274
Communication	3,805,335	3,293,807	9,474,459	7,144,446	14,699,397
Rent, Rates and Taxes	1,406,808	1,422,121	2,554,938	3,057,418	6,040,971
Legal and professional	5,952,245	4,146,553	11,498,355	7,677,963	19,005,721
Consultancy charges	-	130,878	-	-	-
Power and fuel	5,626,187	3,848,058	9,356,368	7,174,300	13,614,953
Repair and maintenance					
- Building	66,213	176,010	112,061	284,983	624,284
- Others	1,263,591	995,291	2,288,417	2,249,945	4,763,934
Advertisement and business promotion	3,064,879	1,665,926	4,488,184	3,270,042	7,358,477
Conference, exhibition and seminar	622,395	1,076,780	1,131,340	1,212,848	2,015,962
Information technology expenses	593,027	482,094	1,066,079	913,808	2,109,465
Bad debts written off	-	138,236	1,573,226	4,336,990	7,427,677
Commission on sales	4,692,047	864,321	9,680,338	1,449,977	2,853,673
Provision for doubtful debts	469,232	(2,196,470)	1,059,755	(2,127,219)	(991,223)
Printing and stationery	592,696	446,136	1,265,271	967,428	2,220,164
Loss on discarded assets	-	-	-	67,551	154,659
Loss on sale of fixed assets (net)	-	-	-	-	-
Insurance	726,059	128,007	1,536,849	872,801	1,790,563
Bank charges	278,585	295,495	672,380	711,658	1,618,598
Marketing Survey	-	588,465	-	1,394,695	1,394,695
Loss on foreign exchange fluctuation	92,428	2,048,715	451,647	1,519,737	-
Miscellaneous expenses	2,688,305	2,908,397	4,434,363	4,754,141	8,882,981
	234,904,803	146,612,655	436,379,814	273,594,909	585,385,804

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

For and on behalf of the Board of Directors

Lt. Gen T P Singh (Retd.)
Chairman

Vishnu R Dusat
Managing Director

NOIDA (U.P.)
October 30, 2006

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary



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

Basis of Preparation of the Financial Statements

The accompanying financial statements for the quarter ended September 30, 2006 have been prepared incorporating Accounting Policies of the parent Company under the historical cost convention, in compliance with Indian Generally Accepted Accounting Practices ("GAAP") in accordance with mandatory and relevant Accounting Standards issued by the Institute of Chartered Accountants of India and in compliance with the provisions of The Companies Act, 1956.

Use of Estimates

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



NUCLEUS SOFTWARE EXPORTS LTD.

Consolidated Balance Sheet as at 30 Sept. 2006 (Unaudited)

All amounts in Rupees

Particulars	As at 30 Sept. 2006	As at 30 Sept. 2005	As at 31 March 2006
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	161,178,120	160,943,120	161,063,120
Share Application Money Pending Allotment	4,072,500	1,055,500	757,500
Reserves & Surplus	1,264,023,669	854,889,189	994,061,141
TOTAL	1,429,274,289	1,016,887,809	1,155,881,761
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	579,116,375	468,387,960	501,422,509
Less: Accumulated Depreciation	(229,283,261)	(182,711,847)	(201,902,924)
Net Block	367,833,130	285,676,113	299,519,585
Add: Capital Work in Progress (including capital advances)	42,470,225	2,685,418	37,487,576
	410,303,355	288,361,531	337,007,161
Investments	652,004,043	569,205,633	613,667,536
Deferred Tax Asset	17,108	1,300,409	234,543
Current Assets, Loans & Advances			
Sundry Debtors	473,520,544	232,859,405	238,307,655
Cash & Bank Balances	105,033,131	183,569,959	300,525,040
Loans & Advances	76,069,215	41,749,902	37,771,624
Other Current Assets	116,974,849	65,037,251	76,360,903
	771,597,739	523,216,518	652,965,222
Less : Current Liabilities & Provisions			
Current Liabilities	(349,059,827)	(333,293,490)	(353,968,289)
Provisions	(55,588,130)	(31,902,792)	(94,024,412)
	(404,647,957)	(365,196,282)	(447,992,701)
Net Current Assets	366,949,782	158,020,235	204,972,521
TOTAL	1,429,274,289	1,016,887,809	1,155,881,761



NUCLEUS SOFTWARE EXPORTS LTD.

Consolidated Profit and Loss Account for the Quarter & Half Ended 30 Sept. 2006 (Unaudited)

All amounts in Rupees

Particulars	For the quarter ended 30 Sept. 2006	For the quarter ended 30 Sept. 2005	For the half year ended 30 Sept. 2006	For the half year ended 30 Sept. 2005	For the year ended 31 March 2006
					(Audited)
Sales and Services	550,858,420	357,209,536	1,048,457,102	685,643,517	1,480,518,319
Software Development Expenses	321,583,597	200,028,134	612,390,556	368,087,812	805,005,109
Gross profit	229,274,823	157,181,402	436,021,836	317,555,705	675,513,210
Selling and Marketing Expenses	40,105,616	29,976,306	72,213,034	59,201,489	117,459,678
General and Administration Expenses	29,274,418	20,027,999	59,390,556	43,332,344	106,761,548
Operating Profit Before Depreciation and Withholding Tax	159,894,790	107,177,097	304,418,246	215,021,872	451,291,984
Depreciation	16,572,397	13,977,384	31,031,208	26,484,017	47,589,862
Withholding Taxes Charged Off	12,678,089	6,283,814	21,699,166	13,231,349	32,376,266
Operating Profit After Depreciation and Withholding Tax	130,644,304	86,915,899	251,687,873	175,306,506	371,325,856
Other Income	10,379,261	7,059,528	31,834,492	13,267,233	30,666,043
Profit before Taxation	141,023,566	93,975,427	283,522,364	188,573,739	401,991,899
Provision for Tax - current	570,500	5,736,360	7,337,044	12,807,960	26,920,302
- fringe benefit	1,410,000	625,000	2,310,000	1,700,000	4,271,465
- deferred	417,170	(160,511)	1,182,267	417,458	1,433,780
- earlier year tax	—	—	86,355	—	(1,521,305)
Provision for Wealth Tax	—	—	—	—	51,402
Profit after Taxation	138,625,896	87,774,578	272,606,698	173,648,321	370,836,255
Profit Available for Appropriation	138,625,896	87,774,578	272,606,698	173,648,321	370,836,255
Profit for the year	138,625,896	87,774,578	272,606,698	173,648,321	370,836,255
Add: Balance Brought Forward	515,654,542	269,983,521	381,673,741	175,109,779	175,109,778
Total Amount Available	654,280,438	348,758,099	654,280,439	348,758,100	545,946,033
Final Dividend	—	—	—	—	56,366,842
Dividend Tax	—	—	—	—	7,905,450
Transferred to General Reserve	—	—	—	—	100,000,000
Balance Carried Forward to Balance Sheet	654,280,438	348,758,099	654,280,439	348,758,100	381,673,741
Earnings Per Equity Share (par value Rs. 10 each)					
Basic	8.60	5.45	16.92	10.79	23.04
Diluted	8.56	5.44	16.85	10.76	22.98
Number of Shares used in Computing Earning Per Share					
Basic	16,116,312	16,092,638	16,110,593	16,091,730	16,097,694
Diluted	16,202,516	16,137,146	16,179,815	16,136,238	16,137,555



NUCLEUS SOFTWARE EXPORTS LTD.

Consolidated Cash Flow Statement for the half year ended 30 September 2006

All amounts in Rupees

	For the half year ended 30 Sept. 2006	For the half year ended 30 Sept. 2005	For the year ended 31 March 2006
A. Cash flow from operating activities			
Net profit before tax	283,522,364	188,573,737	401,991,899
<i>Adjustment for:</i>			
Depreciation	31,031,208	26,484,017	47,589,862
Exchange difference on translation of foreign currency accounts	5,566,282	(3,081,657)	1,953,614
Dividend income from investments	(3,295,753)	(1,462,606)	(2,717,457)
Interest income	(1,952,079)	(3,416,800)	(7,112,658)
Profit on sale of investments	(14,086,593)	(2,617,978)	(12,981,491)
Amortisation of employees compensation expenses	3,548,671	982,931	1,972,818
Loss on sale of fixed assets (net)	(143,895)	13,883	(45,470)
Loss on assets discarded	—	67,551	154,659
Bad debts/advances written off	1,573,226	1,523,236	2,039,965
Advances and other current assets written off	281,510	2,918,754	5,904,441
Provision for doubtful debts/advances	3,275,649	(1,730,820)	(991,223)
Operating profit before working capital changes	309,320,590	208,254,249	437,758,959
Decrease / (increase) in debtors	(240,578,950)	(37,803,074)	(46,539,022)
Decrease / (increase) in loans and advances	(38,122,146)	(5,330,764)	(1,352,486)
Decrease / (increase) in other current assets	(43,033,747)	(37,909,851)	(55,203,069)
(Decrease) / increase in current liabilities	11,964,934	(48,763,465)	(29,655,908)
	(449,320)	78,447,095	305,008,474
Direct taxes paid	(12,149,198)	(7,158,937)	(24,115,515)
Net cash from operating activities (A)	(12,598,518)	71,288,158	280,892,959
B. Cash flow from investing activities			
Purchase of fixed assets/capital work in progress	(105,791,768)	(31,546,969)	(91,469,344)
Sale of fixed assets	2,020,793	411,315	593,771
Sale/(Purchase) of current investments (net)	(24,294,914)	(76,969,925)	(111,068,315)
Purchase of Long Term Investment	—	(2,500,000)	(2,500,000)
Interest received	4,506,265	855,992	7,318,182
Tax paid	(2,101,047)	(892,954)	(4,813,374)
Dividend received from investments	3,295,753	1,462,606	2,717,457
Net cash used in investing activities (B)	(122,319,918)	(109,179,936)	(199,221,623)
C. Cash flow from financing activities			
Dividend paid	(64,008,798)	(45,377,084)	(45,596,142)
Proceeds from employee stock option exercised	161,000	28,000	28,000
Receipt from share application money	3,430,000	760,500	760,500
Net cash used in financing activities (C)	(60,417,798)	(44,588,584)	(44,807,642)
Net increase in cash and cash equivalents	(195,336,233)	(82,480,362)	36,863,694
Cash and cash equivalents opening balance	300,525,040	266,461,406	266,461,406
Effect of exchange rate change	(155,676)	(411,085)	(2,800,060)
Cash and cash equivalent closing balance	105,033,131	183,569,959	300,525,040



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

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

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

A. COMPANY BACKGROUND

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

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

Over the last seventeen years Nucleus has built a distinguished reputation of providing innovative and comprehensive software solutions and products in the BFSI Vertical. The geographical spectrum of 134 clients is spread over 30 countries. Multi-product, multi-service, multi-currency and multi-lingual implementation has led to worldwide acceptability and customer satisfaction. Nucleus operates through integrated and well-networked subsidiaries in Singapore, Japan, USA, Australia, Hongkong, Netherlands and India and a branch office in UK. Since 1995, the Company has deliberately chosen to develop software products and invested heavily in creation of intellectual property. The product offerings have been well received and Nucleus has carved out a special niche in Products for retail Lending Solutions and Cash Management.

B. COMPANY STRENGTHS

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

Nucleus is a multi-product, multi-service Company with customers in more than 30 countries. Nucleus has 250+ product installations and has delivered projects which have been implemented and supported successfully for leading banks and financial institutions in India, Canada, USA, China, Norway, Oman, Jordan, Saudi Arabia, Thailand, Singapore, Philippines, Taiwan, Australia, Malaysia, UK, Indonesia, Mauritius, Bangladesh and Mongolia.

Nucleus’ basket of products stand out in the marketplace due to its customization, which takes into consideration the unique legal frameworks within which financial service providers have to operate in different countries. The Company has meticulously perfected the various modules individually and then compiled into one consolidated package, ensuring that specific configuration needs are addressed with the highest operational efficiency.



NUCLEUS SOFTWARE EXPORTS LTD.

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

Some of the notable accolades won by Nucleus are:

- Nucleus received Institute of Chartered Accountants of India's award for excellence in financial reporting for the year 2004-2005. The Company has been awarded the silver shield for the second best annual reporting in the category of Information Technology, Communication and Entertainment Enterprises.
- Ranked 13th in Dataquest Top 20 Indian IT Best Employers Survey 2006.
- Nucleus Software received Asia Pacific Level Technology Award from Oracle for developing Outstanding Oracle Fusion Middleware Solution"(2005)
- The Company's flagship product FinnOne™ has been ranked as India's No # 3 selling universal banking solution for 2002 and 2004 by International Banking Systems (IBS), UK. Nucleus' FinnOne has been ranked No.10 and No. 8 in 2004 and 2005 respectively in the overall worldwide listing in the same report.
- The Parent Company Nucleus Software Exports Ltd, and wholly owned Subsidiary Nucleus Software Pte, Singapore have been assessed at SW-CMM Level 5 based on the Capability Maturity Model (CMM) developed by Carnegie Mellon University's Software Engineering Institute.
- Deloitte Touche Tohmatsu has, in 2004, rated Nucleus for the third consecutive year as one of the fastest growing Companies in its "Deloitte Touche Tohmatsu Asia Pacific Technology Fast 500" program.
- Nucleus has received the best Partner award for "Most Innovative ISV" by Oracle Corporation in 2004.
- Nucleus has received the best Partner award for "Building World Class Loan Management Solution on 9iAS technology" by Oracle Corporation in 2003.
- Nasscom ranked Nucleus as one of the Top 5 Indian Product Companies in its annual software and services industry performance report for the financial year 2002.

C. RISKS AND CONCERNS

1. Market Risks

The IT services market presents a tough competition and the list of competitors is growing at a fast pace day by day. Nucleus is committed to mitigate the risks arising due to macro level uncertainties. Your Company continues to focus on rapidly increasing its market share and take marketing initiatives that help clients and prospects make better informed decisions based on our competitive strengths.

The Company has a robust budgeting mechanism and control measures, whereby the likely impact of the changes in the fundamentals of economy and software industry are already discounted in the financial budgets.

2. Concentration of Revenues

a) Client Concentration

The Company is offering products and services to large international clients in the banking space. With increasing penetration of accounts and value added services for existing customers, revenues from individual clients become large. Increased revenue from individual clients have an advantage of lower marketing costs, predictability of revenue, easier resource planning and focused relationships, which deliver customer satisfaction. At the same time, we are exposed to risks of the client reducing IT expenditure, reducing man month rates, reducing the size of engagement due to external factors etc. These advantages and risks have to be balanced and we believe the solution is to increase the number of large clients, as business with existing clients is the backbone of our platform for providing complete product and services solutions.



NUCLEUS SOFTWARE EXPORTS LTD.

The Company has added 10 new clients during the quarter and earned 72% of its revenues from top five clients.

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

	Quarter ended	
	Sept. 30, 2006	Sept. 30, 2005
Active clients	134	106
Clients added during the quarter	10	5
% of Revenue from the top-five clients	72%	73%
Clients accounting for > 10% of revenues	2	4

b) Geographical Risks

Geographical risk is attributable to all the factors, which are peculiar or sensitive to a region. The Company's business is largely spread across India, South East Asia and Far East Asia, with these regions accounting for more than 75% of revenues. This increases the susceptibility of the revenue to events that take place in these geographies. Besides political risk, there are other risks of changes in taxation policy, regulations regarding deputation of skilled manpower, civil unrest, and wars.

The Company has entered into sizeable business for Europe for the next few years and plans to invest heavily in new developed economies in future. As the Company's products find greater acceptance, we are confident that this risk will not be a constraint in the future. The Company has also incorporated a wholly owned Subsidiary "Nucleus Software Netherlands BV" in Netherlands to address business opportunities in Netherlands and other European countries.

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

GEOGRAPHICAL AREA	Quarter ended	
	Sept. 30, 2006	Sept. 30, 2005
India	8.20%	9.62%
Far East	44.08%	37.59%
South East Asia	20.26%	29.97%
Europe	7.27%	14.64%
USA and Canada	4.01%	5.08%
Middle East	4.69%	2.73%
Africa	3.67%	NIL
Rest of the World	7.82%	0.37%

3. Exchange Rate Risk

The Company derives its revenue from more than thirty countries around the world. This exposes the Company to currency fluctuations and volatility. Significant appreciation of rupee would have adverse impact on our earnings and vice-versa.

During the quarter, the movement of the Indian Rupee against the major currencies of billing by the Company is as below:

As on	Sept. 30, 2006	Sept. 30, 2005	% Change
USD	46.09	43.52	5.91
Japanese Yen	0.4011	0.3956	1.39
GBP	84.48	79.09	6.82
SGD	29.02	25.84	12.31



NUCLEUS SOFTWARE EXPORTS LTD.

We seek to reduce the effect of exchange rate fluctuations on operating results by taking foreign exchange forward contracts to cover a portion of outstanding accounts receivable and limited hedging against appreciation of the Rupee. We are also considering “options” for reducing the risk.

D. LIQUIDITY AND CAPITAL RESOURCES

Our capital requirements are completely financed by internal accruals. Your Company is a zero-debt Company 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 September 30, 2006 the cash and bank balances stood at Rs.10.50 crore (Rs.18.36 crore on September 30, 2005) and current investments in liquid schemes of mutual funds were Rs.51.26 crore (Rs.42.98 crore on September 30, 2005).

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

RATIO	Quarter ended	
	Sept. 30, 2006	Sept. 30, 2005
Days of sale receivable	79	74
Cash and Bank balances as % of assets	7.35%	18.05%
Cash and Bank balances as % of revenue	19.07%	51.39%
Current investments as % of assets	35.87%	42.26%
Current investments as % of revenue	93.06%	120.32%

E. FINANCIALS

1. Share Capital

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

Share Capital of the Parent Company consists of 16,116,312 Equity Shares of Rs. 10/- each as on September 30, 2006. The Share Capital increased from 16,092,812 Equity Shares of Rs. 10/- each as on September 30, 2005 to 16,116,312 Equity Shares of Rs. 10/- each as on September 30, 2006. Consequently the paid up Share Capital increased from Rs. 16.09 crore as on September 30, 2005 to Rs. 16.12 crore as on September 30, 2006, including the amount in share forfeiture account

The increase is consequent to:

— Allotment of 23,500 fully paid up Equity Shares of Rs. 10/- each to employees in pursuance of stock options exercised.

Paid-up Share Capital of the Subsidiaries as on September 30, 2006 is given below. As 100% of the Share Capital of the Subsidiaries is held by Nucleus Software Exports Limited and nominees, on consolidation of accounts these amounts are contra with investments in Subsidiaries amount in the account of the Parent Company.



NUCLEUS SOFTWARE EXPORTS LTD.

Name of Subsidiary Company	Currency	As at Sept. 30, 2006		As at Sept. 30, 2005	
		In foreign Currency	Eqv. Rupees (in crores)	In foreign Currency	Eqv. Rupees (in crores)
Nucleus Software Solutions Pte. Ltd. Singapore. 625,000 equity shares of S\$ 1 each.	SGD	625,000	1.63	625,000	1.63
Nucleus Software Inc., USA. 1,000,000 shares of US\$ 0.35 cents each	USD	350,000	1.63	350,000	1.63
Nucleus Software Japan Kabushiki Kaiga, Japan. 200 equity shares of JPY 50,000 each	JPY	10,000,000	0.41	10,000,000	0.41
Nucleus Software (HK) Ltd., Hong Kong. 100,000 equity shares of HK\$ 1 each.	HKD	100,000	0.06	100,000	0.06
Nucleus Software (Australia) Pty Ltd., 316,000 equity shares of Aus \$ 1 each	Aus \$	316,000	0.98	316,000	0.98
VirStra I-Technology Services Ltd. India. 1,000,000 equity shares of Rs. 10 each	INR	—	1.00	—	1.00
Nucleus Software Netherlands B.V. 1000 equity shares of Euro 100 each	Euro	100,000	0.54	—	—
Step down Subsidiary of Nucleus Software Exports Ltd. Virstra (Singapore) Pte Limited. 200,000 equity shares of S\$ 1 each	SGD	200,000	0.58	100,000	0.27

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

2. Retained Earnings

During the quarter ended September 30, 2006, the Company earned consolidated net profit of Rs.13.86 crore on a consolidated turnover of Rs.55.09 crore as against consolidated net profit of Rs.8.78 crore on a consolidated turnover of Rs.35.72 crore for the quarter ended September 30, 2005.

The Reserves and Surplus of the Company including balance in the Profit and Loss account is Rs.126.40 crore as on September 30, 2006 (Rs.85.49 crore as on September 30, 2005.)

3. Fixed Assets

As at September 30, 2006, gross block of fixed assets including investment in technology assets was Rs.59.71 crore (Rs.46.84 crore as on September 30, 2005). The increase in gross block of fixed assets is primarily on account of investment in technology assets.

The net fixed assets after depreciation are Rs.36.78 crore as on September 30, 2006 compared to Rs.28.57 crore as on September 30, 2005.



4. Current Investments

Current Investments of the Company as on September 30, 2006 was Rs.51.26 crore against Rs.42.98 crore as on September 30, 2005. All of them are in low risk liquid mutual funds in India.

- Rs. 2.00 crore in UTI Fixed Maturity Plan-YFMP 09/05- Growth
- Rs. 0.50 crore in UTI Fixed Maturity Plan-YFMP 06/06- Growth
- Rs. 2.00 crore in Prudential ICICI FMP Series 5- Institutional- Growth
- Rs. 2.00 crore in DSP Merrill Lynch Liquidity Fund- Growth
- Rs. 0.50 crore in ING Vysya Liquid Fund Institutional-Growth
- Rs. 1.99 crore in UTI Liquid Cash Plan Institutional-Growth
- Rs. 1.00 crore in UTI Liquid Cash Plan Institutional-Dividend
- Rs. 2.00 crore in Prudential ICICI Institutional Liquid Plan-Growth
- Rs. 1.00 crore in Birla Sun Life Cash Manager-Institutional Plan-Growth
- Rs. 0.75 crore in Magnum Debt Fund Series-13 Months (Oct 05)-Growth
- Rs. 0.80 crore in Grindlays Fixed Maturity-16th Plan A-Growth
- Rs. 0.90 crore in Grindlays Fixed Maturity-20th Plan-Growth
- Rs. 7.32 crore in LICMF Liquid Fund-Dividend
- Rs. 5.00 crore in Birla Cash Plus-Institutional Premium-Growth
- Rs. 2.00 crore in Chola FMP-14 Months-Cumulative
- Rs. 1.00 crore in ABN Amro FTP series 2 Thirteen Month Plan-Growth
- Rs. 1.00 crore in HSBC Fixed term Series-4-Growth
- Rs. 2.00 crore in HSBC Fixed term Series-9-Growth
- Rs. 1.00 crore in Principal Pnb Fixed Maturity Plan-385 Days-Series I Institutional Plan-Growth
- Rs. 1.00 crore in HDFC FMP 13M March 2006(1)-Institutional Plan-Growth
- Rs. 1.00 crore in HDFC FMP 13M June 2006(1)-Institutional Plan-Growth
- Rs. 1.25 crore in HDFC FMP 13M July 2006(1)- Institutional Plan-Growth
- Rs. 4.00 crore in LICMF Liquid Fund-Growth
- Rs. 5.00 crore in Prudential ICICI Super Institutional Plan-Growth
- Rs. 2.00 crore in Kotak Liquid- Institutional Plus Plan –Growth
- Rs. 1.25 crore in Kotak FMP series -Growth
- Rs. 1.00 crore in ABN Amro FTP Series3 quarterly plan A Dividend

Investment in mutual funds are in low risk liquid funds.

5. Other Long-Term Investment

Other Long Term investment comprise of:

- a) Investment in 10,040,000 Equity Shares of face value of Rs. 10 each in GMAC Financial Services India Limited made by the Company (together with its nominees), representing 25.1 % of the total Equity Share capital of the said Company.

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

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

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



6. Sundry Debtors

Sundry Debtors amount to Rs.47.35 crore (net of provision for bad and doubtful debts) as on September 30, 2006 (Rs.23.29 crore, net of provision for bad and doubtful debts as on September 30, 2005).

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

As at	Sept 30, 2006	Sept. 30, 2005
Less than 6 months	98.87%	90.37%
More than 6 months	1.13%	9.63%
Days of sales receivables	79	74

7. Cash and Bank Balances

Cash and bank balance represent 7.35% and 18.05% of the total assets as on September 30, 2006 and September 30, 2005 respectively.

As at	Sept. 30, 2006	Sept. 30, 2005
Cash and cheques in hand	0.19	0.03
Balances with Bank	9.03	0.97
-In Current Accounts	8.81	9.52
-In Fixed Deposit Account	0.31	0.00
Total	10.50	18.36

(Rs. in crore)

8. Loans and Advances

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

The amount is Rs.3.09 crore as on September 30, 2006 (Rs.1.94 crore as on September 30, 2005).

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs.1.72 crore as on September 30, 2006 (Rs.1.28 crore as on September 30, 2005)

Prepaid expenses stood at Rs.2.79 crore as on September 30, 2006 (Rs.0.95 crore as on September 30, 2005)

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

- Loan of US\$ 117,500 equivalent to Rs.0.54 crore, is outstanding on September 30, 2006 from the wholly owned Subsidiary, Nucleus Software Inc. The total loan disbursed in installments in financial year 2003-04 was US \$ 157,500, at an interest rate of 3 % over LIBOR, with a repayment schedule of 5 equal installments starting from financial year 2004-05. The subsidiary has repaid US \$ 40,000 in one installment

9. Current Liabilities

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



NUCLEUS SOFTWARE EXPORTS LTD.

The total amount of Sundry Creditors as on September 30, 2006 is Rs.13.45 crore (Rs.9.74 crore as on September 30, 2005).

Withholding tax payable represents the amount of liability of withholding taxes to be deducted/deductible by overseas clients/ Subsidiaries on income billed to them by the Parent Company. The total amount of withholding tax liability as on September 30, 2006 is Rs.1.72 crore (Rs.0.73 crore as on September 30, 2005).

The amount of Unclaimed Dividend as on September 30, 2006 is Rs.0.07 crore (Rs.0.09 crore as on September 30, 2005).

Advances from customers as on September 30, 2006 is Rs.16.08 crore (Rs.21.20 crore as on September 30, 2005). These consist of advance payments received from customers and "Unearned Revenue"; Unearned Revenue is defined as client billing for which related costs have not been incurred or product license delivery is at later date.

Other liabilities represent amounts accrued for statutory dues related to taxes and staff benefits etc. The total amount of other liabilities as on September 30, 2006 is Rs. 3.59 crore (Rs.1.57 crore as on September 30, 2005).

10. Provisions

Provisions at Rs.5.56 crore as on September 30, 2006 (Rs.3.19 crore as on September 30, 2005) includes provision for taxation, gratuity and leave encashment.

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

	<i>(Rs. In crore)</i>	
Provisions	As on Sept. 30, 2006	As on Sept. 30, 2005
Gratuity	2.01	0.96
Leave encashment	3.19	0.85
Taxation (Net of advance tax)	0.20	1.27
Fringe benefit tax	0.16	0.11
Total	5.56	3.19

A sharp increase in Gratuity and Leave Encashment is due to the adoption of revised Accounting Standard 15 'Employee Benefits' issued by the Institute of Chartered Accountants of India (effective April 01, 2006).

F. RESULTS OF OPERATIONS

1. Income

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

The Company's consolidated revenue from operations for the quarter ended September 30, 2006 is Rs.55.09 crore as against Rs.35.72 crore for the quarter ended September 30, 2005, representing an increase of 54.22 %.

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



2. Expenditure

2.1 Software Development Expenses:

Quarter Ended Sept. 30, (Rs. In Crore)

Particulars	2006	% of Revenue	2005	% of Revenue	Growth %
Employee Costs	21.99	39.92	12.21	34.19	80.10
Conveyance	0.20	0.36	0.12	0.35	62.64
Communication`	0.47	0.85	0.28	0.77	69.84
Rent, Rates and Taxes	0.52	0.95	0.48	1.35	8.13
Legal & Professional	0.39	0.71	0.13	0.36	201.69
Repair & Maintenance	0.12	0.21	0.10	0.29	11.84
Training & Recruitment	0.69	1.26	0.14	0.40	386.41
Cost of Software Purchased for Delivery to Clients	0.16	0.29	0.29	0.82	-46.09
Software development	0.19	0.34	0.14	0.40	31.58
Travelling	3.46	6.28	3.10	8.69	11.50
Consultancy charges	2.99	5.42	2.42	6.77	23.54
Power & Fuel	0.60	1.08	0.30	0.83	100.37
Printing and Stationery	0.01	0.03	0.01	0.04	0.00
Insurance	0.11	0.20	0.04	0.10	205.67
Advertisement	-	-	0.01	0.02	-34.48
IT expenses	0.09	0.16	0.06	0.16	54.92
Conference, exhibition and seminar	-	-	0.01	0.01	-
Others	0.17	0.31	0.16	0.45	4.08
Revenue	32.16	58.37	20.00	56.00	60.77

The Company incurred total software development expenses of Rs.32.16 crore at 58.37 % of revenue during the quarter ended September 30, 2006 against Rs.20.00 crore at 56.00% of revenue during the corresponding quarter of the previous year. In comparison to the corresponding quarter of previous year, the software development expenses have increased by 60.77 % in absolute terms, whereas revenue has increased by 54.22%.

The Gross Margin consequently increased from Rs.15.72 crore to Rs.22.93 crore representing an increase of 45.87 %.

2.2 Selling and Marketing Expenses

Quarter Ended Sept. 30, (Rs. In Crore)

Particulars	2006	% of Revenue	2005	% of Revenue	Growth %
Employee Costs	2.28	4.14	1.69	4.73	34.91
Conveyance	0.06	0.10	0.03	0.10	64.91
Communication	0.10	0.18	0.10	0.29	-3.19
Rent, Rates and Taxes	0.13	0.24	0.14	0.40	-8.54
Legal & Professional	0.03	0.06	0.02	0.05	66.13
Training & Recruitment	0.03	0.05	0.01	0.03	135.19
Adv. & Business Promotion	0.30	0.54	0.14	0.40	109.21
Travelling	0.50	0.91	0.54	1.50	-6.38
Commission on Sale	0.44	0.80	0.05	0.14	748.74
Power & Fuel	0.03	0.05	0.03	0.09	-16.47
Insurance	0.01	0.02	-	-	-
Conference, exhibition and seminar	0.06	0.11	0.13	0.36	-54.29
Others	0.05	0.09	0.10	0.29	-50.10
Total	4.01	7.28	3.00	8.39	33.79



NUCLEUS SOFTWARE EXPORTS LTD.

The Company incurred selling and marketing expenses of Rs. 4.01 crore at 7.28 % of revenue during the quarter ended September 30, 2006 against Rs. 3.00 crore at 8.39% of revenue during the corresponding quarter of the previous year. In comparison to corresponding quarter of previous year, the selling and marketing expenses have increased by 33.79% in absolute terms.

2.3 General and Administrative Expenses

Particulars	(Rs. In Crore)				
	2006	% of Revenue	2005	% of Revenue	Growth %
Employee Cost	1.73	3.14%	1.03	2.88%	67.96%
Conveyance	0.06	0.10%	0.03	0.09%	67.57%
Communication	0.09	0.17%	0.11	0.30%	-10.56%
Rent, Rates & Taxes	0.16	0.30%	0.07	0.20%	123.12%
Legal & Professional	0.28	0.52%	0.45	1.25%	-36.29%
Repair & Maintenance	0.05	0.08%	0.03	0.08%	54.64%
Training & Recruitment	0.04	0.07%	0.02	0.07%	68.85%
Adv & Business Promotion	0.02	0.04%	0.03	0.08%	-32.87%
Travelling	0.04	0.08%	0.05	0.14%	-14.76%
Consultancy charges	0.02	0.03%	0.03	0.09%	-49.39%
Power & Fuel	0.04	0.07%	0.09	0.24%	-53.66%
Printing and stationery	0.05	0.10%	0.04	0.12%	19.14%
Insurance	0.01	0.01%	0.01	0.03%	-37.84%
Bank Charges	0.06	0.10%	0.05	0.14%	13.75%
IT Expenses	0.01	0.01%	-	0.01%	26.53%
Bad Debts written off	-	-	0.01	0.04%	-100.00%
Advances/ other current assets written off	0.03	0.05%	0.01	0.03%	168.57%
Provision for doubtful debts/advances/other current assets	0.02	0.03%	(0.23)	-0.64%	-108.17%
Others	0.23	0.41%	0.16	0.44%	43.70%
Total	2.93	5.32%	2.00	5.61%	46.25%

The Company incurred general and administrative expenses amounting to Rs. 2.93 crore, 5.32 % of revenue during the quarter ended September 30, 2006 against Rs. 2.00 crore, 5.61 % of revenue during the corresponding quarter of previous year.

In comparison to the corresponding quarter of previous year administrative and other expenses have increased by 46.25 %.

3. Operating Profit

During the quarter ended September 30, 2006 the Company earned consolidated operating profit (profit before interest, depreciation and withholding tax) of Rs. 15.99 crore representing 29.03 % of revenue as compared with Rs. 10.72 crore representing 30.00 % of revenue for the quarter ended September 30, 2005.

4. Depreciation

Depreciation at Rs. 1.66 crore on fixed assets is 3.01 % of the revenue for the quarter ended September 30, 2006 as against Rs. 1.40 crore, 3.91% of the revenue for the quarter ended September 30, 2005.



5. Withholding Taxes

Withholding taxes charged off represent withholding taxes charged to Profit and Loss Account during the quarter ended September 30, 2006, of Rs.1.27 crore (Rs.0.63 crore for the quarter ended September 30, 2005). These relate to the Parent Company and Subsidiary in Japan.

6. Other Income

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

Other income for the quarter ended September 30, 2006 is Rs.1.04 crore against Rs.0.71 crore for the quarter ended September 30, 2005.

7. Provision for Income Tax

The Company has made a provision for current tax of Rs.0.06 crore (Rs.0.57 crore for the quarter ended September 30, 2005), 0.10 % of revenue, deferred tax expense of Rs.0.04 crore (Rs.0.02 crore expense for the quarter ended September 30, 2005), fringe benefit tax of Rs.0.14 crore (0.06 crore for the quarter ended September 30, 2005)

8. Net Income

During the quarter ended September 30, 2006, Company has earned a net profit of Rs.13.86 crore (Rs.8.78 crore for the quarter ended September 30, 2005). The net profit represents 25.17 % of revenue for the quarter ended September 30, 2006 as compared to 24.57% of revenue for the quarter ended September 30, 2005.



Additional Information to Shareholders

1. Date of Incorporation January 9, 1989
2. Registered Office 33-35, Thyagraj Nagar Market
New Delhi-110003
India
3. Corporate Office A-39, Sector 62
NOIDA, UP-201307
India
4. Financial Calendar
Financial reporting for the first quarter ending June 30, 2006. July 24, 2006
Financial reporting for the second quarter ending September 30, 2006. October 30, 2006
Financial reporting for the third quarter ending December 31, 2006. between 20th to 31st of January, 2007*
Financial results for the year ending March 31, 2007. between 21st to 30th of April, 2007*
(*tentative and subject to change)
5. Share Related Data
 - The Shares of Nucleus are listed on The National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Madras Stock Exchange Limited.
 - Scrip Code (NSE) NUCLEUS
 - Scrip Code (BSE) 531209
 - The Company's shares are traded in "Group B-1" category at the Bombay Stock Exchange Ltd.
 - International Securities Identification Number (ISIN code-NSDL and CDSL) INE096B01018
 - Face value of the Company's equity shares is Rs.10.
 - Shares of the Company are compulsorily traded in demat form.
 - 93.35% of the Company's equity shares are in demat form.
 - The Company had 6,631 shareholders as on September 30, 2006.
 - The Company has not issued any GDRs/ADRs. The Company has granted options to employees under ESOP (1999), ESOP (2002), ESOP (2005) and ESOP (2006) scheme. The options if exercised at the end of the vesting period shall be converted into equity shares.



NUCLEUS SOFTWARE EXPORTS LTD.

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

<i>Financial Year</i>	<i>Dividend (%)</i>	<i>Dividend Per Share in Rs.</i>	<i>Dividend Pay Out in Rs. Lacs</i>
2005-06	35%	3.50	563.67
2004-05	25%	2.50	402.27*
2003-04	25%	2.50	200.79
2002-03	20%	2.00	158.22
2001-02	20%	2.00	158.22
2000-01	20%	2.00	68.03

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

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

- Registrars of Company
- Karvy Computer Share Private Limited
"Karvy House" 46, Avenue 4,
Street No.1 Banjara Hills,
Hyderabad 500034
Tel: 040-23312454/23320251/751
Fax: 040- 23311968
Email: mailmanager@karvy.com

6. Locations

Nucleus services its clients through a network of international offices. At the quarter-end Nucleus had wholly owned subsidiaries in Singapore, U.S.A, Japan, Hongkong, Australia, India, Netherlands and a Branch Office in London, U.K.

Nucleus operates state-of-the-art Software Development Centers at NOIDA and Chennai under the Software Technology Park scheme of the Government of India. Nucleus Software Solutions Pte. Ltd., Singapore operates a Development Center at Singapore and Virstra I- Technology Services Ltd., India operates a Development Center at Pune, India.

7. Stock Market Data Relating to Shares Listed in India

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

	BSE					NSE				
	Open	High	Low	Close	Volume	Open	High	Low	Close	Volume
July-06	300.00	388.00	295.05	379.05	98,220	310.50	383.00	295.00	378.05	212,187
August-06	395.00	414.00	340.00	379.80	128,121	382.00	411.00	351.10	381.90	315,240
Sept.-06	380.00	465.95	379.95	449.90	190,635	384.90	468.00	324.70	448.45	363,072

1. The highest share price of the Nucleus scrip at Bombay Stock Exchange Ltd. was Rs.465.95 in Sept. 2006 and the lowest share price was Rs.295.05 in July 2006.
2. The highest share price of the Nucleus scrip at National Stock Exchange was Rs.468.00 in Sept. 2006 and the lowest share price was Rs.295.00 in July 2006.



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

During Quarter Ended	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
December 31, 2005	414.40	257.10	417.00	256.70
March 31, 2006	400.00	325.00	385.00	335.00
June 30, 2006	439.95	245.00	437.50	245.25
September 30, 2006	465.95	295.05	468.00	295.00

8. Share Transfer System

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

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

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

The Company has De-materialised 15,044,090 shares (93.35% of the paid up share capital) as at September 30, 2006.

The Company obtains from a Company Secretary in practice half-yearly certificate of compliance with the share transfer formalities as required under Clause 47 (c) of the Listing Agreement and files a copy of the certificate with the Stock Exchanges.

9. Employee Stock Option Schemes

The Company has instituted an ESOP scheme 1999 in year 2000, ESOP scheme 2002 was instituted in 2002, ESOP scheme 2005 was instituted in 2005 and ESOP scheme 2006 was instituted in 2006. These schemes were duly approved by the Board of Directors and Shareholders in their respective meetings. The 1999 scheme provides for the issue of 170,000 Equity Shares, 2002 scheme for 225,000 Equity Shares, 2005 scheme for 625,000 Equity Shares and 2006 scheme for 1,000,000 to eligible employees and Directors. These schemes are administered by a Compensation Committee of Board of Directors.

10. Investors' Services

Details of request/complaints received during the quarter.

S. No.	Nature of Requests	Received	Attended	Pending
1.	Revalidation of Dividend Warrants	8	8	NIL
2.	Issue of Duplicate Share Certificates	1	1	NIL
3.	Request for Stop Transfer	1	1	NIL
4.	Non receipt of Share Certificate	2	2	NIL
5.	Demat Queries	NIL	NIL	NIL

The Company has attended to most of the investors' grievances/correspondence within a period of 15 days from the date of receipt of the same, during the quarter.



NUCLEUS SOFTWARE EXPORTS LTD.

11. Legal Proceedings

There is one legal proceeding pending against the Company in Labour Court, relating to termination of employment.

12. Distribution of Shareholding

<i>As on September 30, 2006</i>				
<i>No. of equity shares held</i>	<i>No. of share-holders</i>	<i>% of share holders</i>	<i>No. of shares</i>	<i>% of share holding</i>
1-5,000	5,674	85.57	731,386	4.54%
5,001 – 10,000	437	6.59	332,972	2.07%
10,001 – 20,000	227	3.42	338,874	2.10%
20,001 – 30,000	93	1.40	247,569	1.54%
30,001 – 40,000	50	0.75	180,195	1.12%
40,001 – 50,000	28	0.42	132,888	0.82%
50,001 – 100,000	52	0.78	376,678	2.34%
100,001 & Above	70	1.06	13,775,750	85.48%
Total	6,631	100.00	16,116,312	100.00

13. Categories of Shareholders

<i>Category</i>	<i>As on Sept. 30, 2006</i>			<i>As on Sept. 30, 2005</i>		
	<i>No. of share-holders</i>	<i>Voting Strength (%)</i>	<i>No. of shares held</i>	<i>No. of share-holders</i>	<i>Voting Strength (%)</i>	<i>No. of shares held</i>
Individuals	6,114	21.79	3,511,789	7,384	26.32	4,235,580
Companies	326	43.79	7,056,529	433	48.00	7,723,837
OCBs and NRIs	167	1.68	270,238	134	1.63	260,034
FII's	5	3.81	614,633	4	0.31	50,003
Directors/relatives	10	19.96	3,217,544	12	20.04	3,224,384
Mutual Funds	9	8.97	1,445,579	9	3.70	598,974
Total	6,631	100.00	16,116,312	7,876	100.00	16,092,812

14. Investors' Correspondence May be Addressed to:

The Company Secretary
Nucleus Software Exports Ltd.,
33-35, Thyagraj Nagar Market
New Delhi-110003 (India)
Tel: ++91-(120)-2404050 Fax: ++91-(120)-2403972
Email: investorrelations@nucleussoftware.com



NUCLEUS SOFTWARE EXPORTS LTD.

15. Employee Strength of Nucleus

Nucleus employed 1,396 people as on Sept. 30, 2006 as compared to 989 people on Sept. 30, 2005.

The distribution of the employees is:

As at	Sept. 30, 2006		Sept. 30, 2005	
Technical Staff	1,165	83.45%	819	82.82%
Non-Technical Staff including Business Development Group	231	16.55%	170	17.18%

The gender classification of employees is:

Male	1,053	75.43%	784	79.27%
Female	343	24.57%	205	20.73%
Total	1,396	100.00%	989	100.00%

The age profile of employees is:

As at	Sept. 30, 2006		Sept. 30, 2005	
Between 20 and 25 years	492	35.24%	230	22.35%
Between 26 and 30 years	519	37.18%	451	45.60%
Between 31 and 40 years	334	23.93%	272	27.50%
Between 41 and 50 years	41	2.94%	28	2.83%
51 years and above	10	0.72%	8	0.82%
Total	1,396	100.00%	989	100.00%

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

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

Vishnu R Dusad
Managing Director
Tel:++91 (120) 2404033
E Mail: vishnu@nucleussoftware.com

R P Singh
President and Head,
Global Delivery
Tel:++91 (120) 2403981
E Mail: rp@nucleussoftware.com

Prakash Pai
Head Global Account and
Product Management
Tel:++91 (120) 2404046
E Mail: pai@nucleussoftware.com

P K Sanghi
Chief Financial Officer
Tel:++91 (120) 2404036
E Mail: pksanghi@nucleussoftware.com

Niraj Vedwa
Head-Global Sales
& Marketing
Tel:++91 (120) 2403979
E Mail: niraj@nucleussoftware.com

Poonam Bhasin
Company Secretary
Tel:++91 (120) 2403960
E Mail: poonam@nucleussoftware.com



NUCLEUS SOFTWARE EXPORTS LTD.

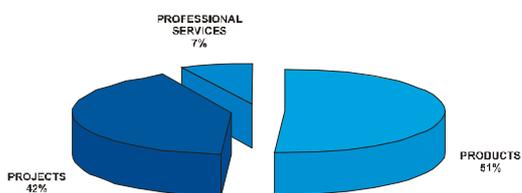
Consolidated Segment Information of Nucleus Software Group

(Rs. in Crore)

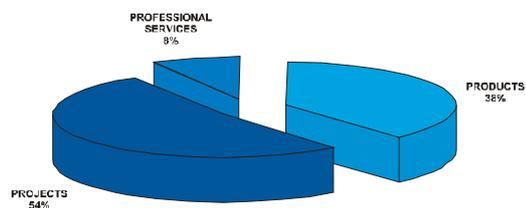
REVENUE BY	Quarter Ended		Half Year Ended		Year Ended	
	Sept. 30, 2006	% of Revenue	Sept. 30, 2006	% of Revenue	March 31, 2006	% of Revenue
GEOGRAPHICAL SEGMENTS						
India	4.52	8.20	10.31	9.84	14.78	9.99
Far East	24.28	44.07	45.08	43.00	63.74	43.05
South East Asia	11.16	20.26	22.20	21.17	38.66	26.11
Europe/UK	4.00	7.26	8.13	7.75	16.44	11.10
USA & Canada	2.21	4.01	4.45	4.24	6.65	4.50
Middle East	2.59	4.70	5.18	4.94	6.45	4.36
Africa	2.02	3.67	4.93	4.70	0.60	0.40
Rest of the World	4.31	7.83	4.57	4.36	0.73	0.49
Total	55.09	100.00	104.85	100.00	148.05	100.00
CURRENCY SEGMENTS						
US\$	37.94	68.87	70.89	67.61	89.36	60.36
Sing\$	8.16	14.81	16.14	15.39	25.03	16.90
Japanese Yen	3.51	6.37	6.50	6.20	16.50	11.15
Great Britain Pound	-	-	-	-	0.00	0.00
Indian Rupee	4.52	8.20	10.31	9.84	14.75	9.96
Oman Riyal	-	-	-	-	-	-
Malaysian Ringet	0.61	1.11	0.66	0.63	2.41	1.63
Euro	0.35	0.64	0.35	0.33	-	-
TOTAL	55.09	100.00	104.85	100.00	148.05	100.00
BUSINESS SEGMENTS						
Products	28.16	51.11	52.34	49.92	56.83	38.39
Projects	23.01	41.77	44.67	42.60	78.65	53.12
Professional Services	3.92	7.12	7.84	7.48	12.57	8.49
TOTAL	55.09	100.00	104.85	100.00	148.05	100.00

BUSINESS SEGMENT

QUARTER ENDED SEPTEMBER 30, 2006



YEAR ENDED MARCH 31, 2006





Ratio-Analysis

Particulars	CONSOLIDATED PERFORMANCE				
	Quarter Ended		Half Year Ended		Year Ended
	Sept. 30, 2006	Sept. 30, 2005	Sept. 30, 2006	Sept. 30, 2005	March 31 2006
Ratios-Financial Performance					
Export Revenue/ Revenue (%)	91.80%	90.38%	90.16%	91.37%	90.01%
Domestic Revenue/ Revenue (%)	8.20%	9.62%	9.84%	8.63%	9.99%
Gross Profit/ Revenue (%)	41.62%	44.00%	41.59%	46.31%	45.63%
Software Development Expenses/ Revenue (%)	58.38%	56.00%	58.41%	53.68%	54.37%
Selling and Marketing Expenses/ Revenue (%)	7.28%	8.39%	6.89%	8.63%	7.93%
General and Administrative Expenses/ Revenue (%)	5.31%	5.61%	5.66%	6.32%	7.21%
Total Operating Expenses/ Revenue (%)	70.97%	70.00%	70.97%	68.64%	69.52%
Operating Profit/ Revenue (%)	29.03%	30.00%	29.03%	31.36%	30.48%
Depreciation/ Revenue (%)	3.01%	3.91%	2.96%	3.86%	3.21%
Other Income/ Revenue (%)	1.88%	1.98%	3.04%	1.93%	2.07%
Tax/ Revenue (%)	0.44%	1.74%	1.04%	2.18%	2.10%
Tax/ PBT (%)	1.70%	6.60%	3.85%	7.91%	7.75%
PAT from Ordinary Activities/ Revenue	23.28%	22.60%	22.96%	23.39%	22.98%
PAT from Ordinary Activities/ Net Worth	9.00%	7.95%	16.89%	15.79%	29.45%
ROCE(PBIT/Average Capital Employed) (%)	10.37%	9.66%	21.93%	20.28%	40.23%
RONW (PAT/Average Net Worth) (%)	10.22%	9.03%	21.13%	18.69%	37.13%
Ratios Balance Sheet					
Debtors Turnover (Days)	79	60	83	62	59
Asset Turnover Ratio	0.39	0.35	0.73	0.67	1.28
Current Ratio	1.91	1.43	1.91	1.43	1.46
Cash and Equivalents/Total Assets (%)	43.21%	60.32%	43.21%	60.32%	67.03%
Cash and Equivalents/ Revenue (%)	112.13%	171.72%	58.91%	89.46%	52.33%
Depreciation/Average Gross Block(%)	2.82%	3.02%	5.65%	5.86%	10.15%
Technology Investment/ Revenue (%)		2.72%		3.28%	3.85%
Ratios - Growth					
Growth in Export Revenue (%)	56.64%	47.88%	50.90%	54.20%	40.95%
Growth in Revenue (%)	54.21%	48.11%	52.92%	52.22%	43.54%
Operating Expenses Growth (%)	56.37%	28.87%	58.10%	30.86%	26.09%
Operating Profit Growth (%)	49.19%	127.21%	41.58%	136.80%	66.72%
PAT Growth (%)	57.93%	159.19%	56.99%	174.50%	78.72
EPS Growth (%)	57.80%	158.29%	56.81%	173.86%	78.60
Per-Share Data (Period End)					
Earning Per Share from Ordinary Activities (Rs.)	7.96	5.02	14.94	9.97	21.12
Earning Per Share (Including Other Income) (Rs.)	8.60	5.45	16.92	10.79	23.03
Cash Earning Per Share from Ordinary Activities (Rs.)	8.99	5.88	16.87	11.61	24.08
Cash Earning Per Share (Including Other Income)(Rs.)	9.63	6.32	18.84	12.44	25.98
Book Value (Rs.)	88.43	63.12	88.43	63.12	71.73
Price/Earning (Annualized)	13.03	12.89	13.25	13.03	15.85
Price/ Cash Earning (Annualized)	11.64	11.12	11.90	11.31	14.05
Price/Book Value	5.07	4.46	5.07	4.46	5.09

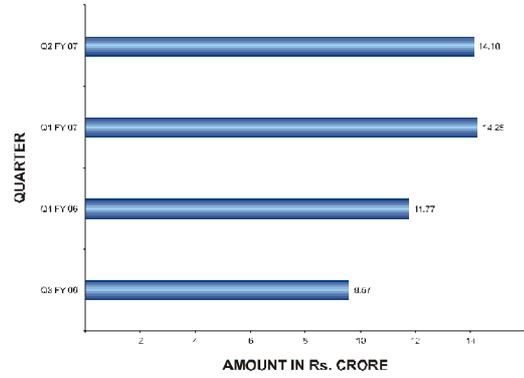
- Note:** 1) While calculating the consolidated figures of group, inter group transactions have been ignored.
 2) Cash and Equivalents includes cash and bank balances and current investments.
 3) Per Share Data has been calculated using closing price of the share on NSE as Rs. 448.45 for the quarter/six months ended September 30, 2006, Rs. 281.30 for the quarter/six months ended September 30, 2005 and Rs.365.05 for the year ended March 31, 2006.



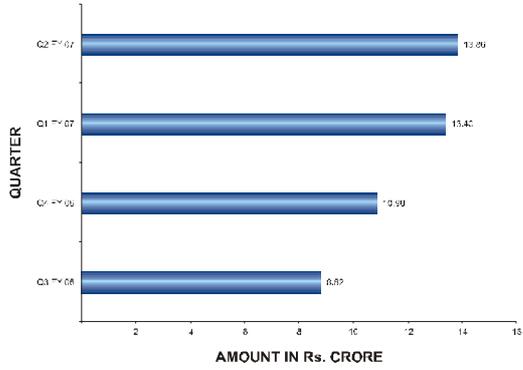
REVENUE FROM OPERATIONS



PROFIT BEFORE TAX



PROFIT AFTER TAX



EARNING PER SHARE

