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## Nucleus Software Exports Limited

### FINANCIAL HIGHLIGHTS

Rs. in Crore, except per share data

For the Period	Consolidated Performance		
	Quarter Ended		Year Ended March 31, 2008
	June 30, 2008	June 30, 2007	
Revenue from Operations	82.90	66.66	288.72
Operating Profit (EBITDA)	14.19	16.06	73.41
Profit after Tax (PAT)	8.03	14.01	61.74
EBITDA as a % of Revenue from Operations	17.12%	24.09%	25.43%
PAT as a % of Revenue from Operations	9.69%	21.02%	21.38%
EPS*	2.48	4.34	19.08
Dividend Per Share	-	-	3.00
Dividend Payout	-	-	9.71
At the End of the Period	As at		
	June 30, 2008	June 30, 2007	March 31, 2008
Share Capital	32.37	16.16	32.37
Reserves and Surplus	191.26	162.23	182.95
Net Worth	223.63	178.39	215.32
Total Assets	224.30	179.47	216.25
Net Fixed Assets	68.94	61.09	59.16
Investments	66.65	70.86	90.57
Current Assets	179.22	115.35	135.14
Cash and Cash Equivalents	95.93	73.38	94.13
Working Capital	87.86	47.53	66.26
Market Capitalisation	700.26	1,649.81	615.14
No. of Shareholders	12,535	9,527	12,379
No. of Shares (Face Value of Rs.10.00)	32,367,024	16,160,312	32,367,024

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

#### Notes:

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

## Nucleus Software Exports Limited

### FINANCIAL HIGHLIGHTS

All figures in USD'000 except per share data

For the Period	Consolidated Performance		
	Quarter Ended		Year Ended
	June 30, 2008	June 30, 2007	March 31, 2008
Revenue from Operations	19,332	16,322	72,361
Operating Profit (EBITDA)	3,309	3,934	18,398
Profit after Tax (PAT)	1,873	3,430	15,474
EBITDA as a % of Revenue from Operations	17.12%	24.09%	25.43%
PAT as a % of Revenue from Operations	9.69%	21.01%	21.38%
EPS*	0.06	0.21	0.48
Dividend Per Share	-	-	0.08
Dividend Payout	-	-	2,434
At the End of the Period	As at		
	June 30, 2008	June 30, 2007	March 31, 2008
Share Capital	7,548	3,957	8,113
Reserves and Surplus	44,604	39,723	45,852
Net Worth	52,152	43,680	53,965
Total Assets	52,375	43,945	54,198
Net Fixed Assets	16,078	14,958	14,827
Investments	15,543	17,351	22,699
Current Assets	41,795	28,244	33,870
Cash and Cash Equivalents	22,371	17,968	23,591
Working Capital	20,491	11,638	16,607
Market Capitalisation	163,307	403,968	6,151,353
US\$ Exchange Rate (In Rs.)	42.88	40.84	39.90

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

#### Notes:

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

## Letter to the Shareholders

Dear Shareholder,

We present below the performance of your Company for first quarter of the financial year 2008-09.

With revenues of Rs.82.90 crore, your Company posted a y-o-y top line growth of 24.36% against the corresponding quarter previous year. However, the consolidated EBITDA declined by 11.67% to Rs.14.19 crore in comparison to Rs.16.06 crore for the corresponding quarter of the previous year, with total expense rising 35.80%. After accounting for foreign currency loss of Rs.7.48 crore primarily on account of “Mark to Market” losses on Dollar Rupee options, the consolidated Profit after Tax (PAT) at Rs. 8.03 crore is 42.70% lower than recorded in the corresponding quarter of the previous year. Earnings per share for the quarter was Rs. 2.48 against Rs. 4.34.

We are a Product Company and Product companies’ revenues by definition have to be looked at with a long term perspective, as they do depend on the timing of booking of new orders and the start date for implementation. While our markets are not affected significantly by the prevailing economic conditions, we have observed delays in conclusion of order negotiations.

In this quarter, the number of new project starts, has fallen and has also affected the reported numbers. The performance appraisal cycle for the Company is April and a Rs.4.00 crore addition to cost has also happened at the same time. We believe that quarterly figures do not truly represent the long-term potential of the Company and with our constant efforts to deliver quality and price performance, we will continue to grow both revenue and profits in the medium term.

The Product business revenue at Rs.57.26 crore, accounted for 69.08% of revenue for the quarter against Rs.44.17 crore, 66.26% of revenue, in the corresponding quarter of the previous year. Revenue from projects and services for the quarter was at Rs 25.63 crore against Rs.22.49 crore in the corresponding quarter of the previous year. The Company continues to focus and invest on development of niche Banking Products.

Receivables are at Rs.71.48 crore against Rs.67.81 crore as on March 31 2008. Operating cash flow before working capital changes is Rs.11.30 crore against Rs.24.40 crore as on March 31, 2008.

The Company continues to enjoy high level of liquidity. ‘Cash and Bank balances’ and ‘Current Investments’ were at Rs.95.93 crore as on June 30, 2008 against Rs.94.13 crore as on March 31,2008. We continue to examine proactively means of increasing the returns on these amounts without taking any risk.

Our new subsidiary, Nucleus Software Limited, received approval from the Development Commissioner, SEZ, to set up unit at Mahindra World City, Jaipur. We have subsequently signed the lease deed during the quarter and have taken possession of 17.41 acres of land.

During the quarter, we won 6 product orders for 27 modules of FinnOne™ and Cash@Will™. We procured these orders from leading financial institutions in Africa, India, China and Middle East. This quarter 9 product modules went live in various markets across the globe. Some of the implementations were completed in record time and gave your Company increased visibility in the global markets.

As a result of our Product Development initiatives, FinnOne™ 3.5 was launched during the quarter. Looking at the growing needs of Islamic Banking, FinnOne™ is being further enhanced to meet the specific business requirements of our Islamic Banking customers mainly located in the Middle East.

The manpower number at the end of the quarter increased from 1936 to 1976. We have introduced a new method of training, which is on the lines of Toyota. It is called “Toyota Way” training, and is contributing immensely to skills and product knowledge upgradation of the employees.

I take immense pride in sharing with you that your Company was recognized as the Top Exporter in the IT & ITES sector and was conferred the "D&B - ECGC Indian Exporters' Excellence Award" by D&B India and ECGC India 2007. Recognitions have always strengthened our vision of setting new standards and reaching new horizons.

We appreciate and honour the hard-work and support of all Nucleites, guidance of our Board Members and well-wishers, support of our customers, business associates and shareholders, for making this journey of Nucleus Software a very exciting and thrilling one.

Vishnu R Dusad  
Managing Director & Chief Executive Officer

Date: July 20, 2008

## Nucleus Software Exports Ltd.

### 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 June 2008, the Profit and Loss Account and also the Cash Flow Statement of the Company for the quarter ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of the books;
- c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards prescribed by Companies (Accounting Standards) Rules, 2006, to the extent applicable; and
- e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 30 June 2008;
  - (ii) In the case of the Profit and Loss Account, of the profit of the Company for the quarter ended on that date; and
  - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the quarter ended on that date.

*for B S R & Co.*  
*Chartered Accountants*

Place: Gurgaon  
Date: 20 July 2008

**Vikram Aggarwal**  
*Partner*  
Membership No.: 089826

**Nucleus Software Exports Ltd.**

**Balance Sheet as at 30 June 2008**

	Schedule	As at 30 June 2008 (Rupees)	As at 30 June 2007 (Rupees)	As at 31 March 2008 (Rupees)
<b>Sources of funds</b>				
<b>Shareholders' funds</b>				
Share capital	1	323,685,240	161,618,120	323,685,240
Advance pursuant to stock option schemes		6,754,100	7,213,100	6,754,100
Reserves and surplus	2	1,595,048,184	1,343,574,379	1,559,362,156
		<u>1,925,487,524</u>	<u>1,512,405,599</u>	<u>1,889,801,496</u>
<b>Deferred tax liability</b> (refer note 3, schedule 16)		-	1,410,242	-
		<u><b>1,925,487,524</b></u>	<u><b>1,513,815,841</b></u>	<u><b>1,889,801,496</b></u>
<b>Application of funds</b>				
<b>Fixed assets</b>				
Gross block	3	803,710,659	738,199,865	788,863,849
Less: Accumulated depreciation		<u>(315,673,255)</u>	<u>(230,768,239)</u>	<u>(292,612,908)</u>
Net block		488,037,404	507,431,626	496,250,941
Add: Capital work in progress (including capital advances)		<u>13,320,343</u>	<u>7,459,153</u>	<u>20,487,398</u>
		<u>501,357,747</u>	<u>514,890,779</u>	<u>516,738,339</u>
<b>Investments</b>	4	686,366,026	721,118,820	955,144,959
<b>Deferred tax asset</b> (refer note 3, schedule 16)		10,175,165	-	1,620,506
<b>Current assets, loans and advances</b>				
Sundry debtors	5	559,738,573	440,741,226	449,823,371
Cash and bank balances	6	121,997,479	60,640,017	57,191,639
Loans and advances	7	417,444,457	110,094,994	120,937,936
Other current assets	8	359,565,143	176,315,568	328,920,411
		<u>1,458,745,652</u>	<u>787,791,805</u>	<u>956,873,357</u>
<b>Less: Current liabilities and provisions</b>				
Current liabilities	9	(535,319,575)	(458,234,720)	(354,422,319)
Provisions	10	<u>(195,837,491)</u>	<u>(51,750,843)</u>	<u>(186,153,346)</u>
		<u>(731,157,066)</u>	<u>(509,985,563)</u>	<u>(540,575,665)</u>
<b>Net current assets</b>		<u>727,588,586</u>	<u>277,806,242</u>	<u>416,297,692</u>
		<u><b>1,925,487,524</b></u>	<u><b>1,513,815,841</b></u>	<u><b>1,889,801,496</b></u>

**Significant accounting policies and notes to the accounts** 16

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

**As per our report of even date**

For B S R & Co.  
Chartered Accountants

For and on behalf of the Board of Directors

Vikram Aggarwal  
Partner  
Membership No.: 089826

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

Vishnu R Dusad  
Managing Director

P K Sanghi  
Chief Financial Officer

Poonam Bhasin  
Company Secretary

Gurgaon  
July 20, 2008

NOIDA (UP)  
July 20, 2008

**Profit and Loss Account for the quarter ended 30 June 2008**

	Schedule	For the quarter ended 30 June 2008 (Rupees)	30 June 2007 (Rupees)	For the year ended 31 March 2008 (Rupees)
Sales and services	11	522,535,597	472,267,224	1,969,518,038
Software development expenses	12	329,647,057	270,601,170	1,099,283,881
<b>Gross profit</b>		<b>192,888,540</b>	<b>201,666,054</b>	<b>870,234,157</b>
Selling and marketing expenses	13	44,046,931	33,087,452	141,183,940
General and administration expenses	14	45,058,962	32,634,983	156,096,021
<b>Operating profit before depreciation and withholding tax</b>		<b>103,782,647</b>	<b>135,943,619</b>	<b>572,954,196</b>
Depreciation	3	23,060,347	16,107,024	81,017,846
Withholding taxes charged off		21,801,368	3,271,472	41,497,730
<b>Operating profit after depreciation and withholding tax</b>		<b>58,920,932</b>	<b>116,565,123</b>	<b>450,438,620</b>
Other income	15	61,049,837	22,264,727	148,773,509
(Loss)/gain on foreign exchange fluctuation (net)		(79,525,100)	(6,977,208)	21,378,027
<b>Profit before taxation</b>		<b>40,445,669</b>	<b>131,852,642</b>	<b>620,590,156</b>
Provision for tax - current income tax		6,000,000	16,500,000	61,900,000
- MAT credit entitlement (refer note 8, schedule 16)		(5,000,000)	(13,100,000)	(54,100,000)
- fringe benefit tax		1,870,000	1,600,000	7,167,414
- deferred tax (credit) / charge (refer note 3, schedule 16)		(8,554,659)	889,036	(2,141,712)
Provision for wealth tax		-	-	70,040
<b>Profit after taxation</b>		<b>46,130,328</b>	<b>125,963,606</b>	<b>607,694,414</b>
<b>Profit amount available for appropriation</b>				
Profit for the period / year		46,130,328	125,963,606	607,694,414
Add: Balance brought forward		935,567,064	502,245,490	502,245,490
<b>Total amount available for appropriation</b>		<b>981,697,392</b>	<b>628,209,096</b>	<b>1,109,939,904</b>
Proposed dividend		-	-	97,101,072
Corporate dividend tax		-	-	16,502,327
Transferred to general reserve		-	-	60,769,441
<b>Balance carried forward to the Balance Sheet</b>		<b>981,697,392</b>	<b>628,209,096</b>	<b>935,567,064</b>
<b>Earnings per equity share (par value Rs. 10 each)</b> (refer note 15, schedule 16)				
Basic		1.43	3.90	18.78
Diluted		1.41	3.82	18.63
<b>Number of shares used in computing earnings per equity share</b>				
Basic		32,367,024	32,320,624	32,358,999
Diluted		32,641,019	33,017,917	32,615,059

**Significant accounting policies and notes to the accounts** 16

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

**As per our report of even date**

For B S R & Co.  
Chartered Accountants

**For and on behalf of the Board of Directors**

**Vikram Aggarwal**  
Partner  
Membership No.: 089826

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

**Vishnu R Dusat**  
Managing Director

**P K Sanghi**  
Chief Financial Officer

**Poonam Bhasin**  
Company Secretary

Gurgaon  
July 20, 2008

NOIDA (UP)  
July 20, 2008



**Nucleus Software Exports Ltd.**  
**Cash Flow Statement for the quarter ended 30 June 2008**

	For the quarter ended 30 June 2008 (Rupees)	For the quarter ended 30 June 2007 (Rupees)	For the year ended 31 March 2008 (Rupees)
<b>A. Cash flow from operating activities</b>			
Net profit before tax	40,445,669	131,852,642	620,590,156
Adjustment for:			
Depreciation	23,060,347	16,107,024	81,017,846
Exchange difference on translation of foreign currency accounts	58,193,313	(20,867,597)	(285,402)
Dividend received from non-trade investments	(3,671,163)	(1,515,534)	(16,430,650)
Dividend received from subsidiary	-	-	(100,000,000)
Interest on fixed deposits and loan to subsidiaries	(253,509)	(195,714)	(929,240)
Profit on sale of investments	(51,051,725)	(19,484,525)	(24,833,708)
Amortisation of employees stock compensation expenses	1,665,763	1,913,580	5,990,268
Profit on sale of fixed assets (net)	-	(492,709)	(907,591)
Advances and other current assets written off	-	-	6,609,696
Provision for doubtful debts / advances / other current assets	943,031	355,299	5,866,055
Provision written back	(5,300,000)	-	-
Provision for diminution in the value of investments	-	-	4,895,477
Operating profit before working capital changes	64,031,726	107,672,466	581,582,907
Increase in sundry debtors	(96,798,394)	(64,372,977)	(77,133,518)
Increase in loans and advances	(10,064,913)	(11,999,456)	(32,363,816)
Increase in other current assets	(15,591,197)	(20,850,198)	(181,227,207)
(Decrease) / increase in current liabilities and provisions	102,036,637	(20,900,462)	(85,230,921)
Income tax paid (net)	43,613,859	(10,450,627)	205,627,446
Fringe benefit tax paid	(6,830,420)	(2,961,747)	(22,651,128)
	(1,800,000)	(1,995,000)	(9,969,688)
<b>Net cash from / (used in) operating activities (A)</b>	<b>34,983,439</b>	<b>(15,407,374)</b>	<b>173,006,630</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress	(12,179,915)	(51,371,903)	(135,233,054)
Sale of fixed assets	-	582,855	2,810,333
Purchase of current investments	(499,720,495)	(437,238,271)	(2,263,695,055)
Proceeds on sale of current investments	663,318,753	430,420,073	2,023,304,424
Investments in shares of subsidiary	(2,500,000)	-	-
Advance towards investment in shares of subsidiary	(97,500,000)	-	-
Advances to subsidiaries (net)	(25,899,018)	-	2,821,875
Interest on fixed deposits and loan to subsidiaries	76,909	4,775	739,397
Income tax paid	(137,568)	(1,545,851)	(2,067,602)
Dividend received from non-trade investments	3,671,163	1,515,534	16,430,650
Dividend received from subsidiary	-	-	100,000,000
<b>Net cash from / (used in) investing activities (B)</b>	<b>29,129,829</b>	<b>(57,632,788)</b>	<b>(254,889,032)</b>
<b>C. Cash flow from financing activities</b>			
Advance pursuant to employee stock option scheme / proceeds from employee stock option exercised	-	-	5,191,800
<b>Net cash from / (used in) financing activities (C)</b>	<b>-</b>	<b>-</b>	<b>5,191,800</b>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>64,113,268</b>	<b>(73,040,162)</b>	<b>(76,690,603)</b>
Opening cash and cash equivalents	57,191,639	134,345,157	134,345,157
Exchange difference on translation of foreign currency bank accounts	692,572	(664,978)	(462,915)
Closing cash and cash equivalents*	121,997,479	60,640,017	57,191,639

\*include fixed deposits amounting to Rs. 6,412,120 (Rs. 9,025,288; Rs. 6,412,120) under lien with bank on account of guarantees issued on behalf of the Company

**Note:**

1. The above cash flow statement has been prepared in accordance with the 'Indirect method' as set out in the Accounting Standard 3 on "Cash Flow Statements" prescribed under Companies (Accounting Standard) Rules, 2006.

2. Cash and cash equivalents consist of cash in hand and balances with scheduled banks / non scheduled banks.

**As per our report of even date**

For **B S R & Co.**  
Chartered Accountants

For and on behalf of the **Board of Directors**

**Vikram Aggarwal**  
Partner  
Membership No.: 089826

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

**Vishnu R Dusat**  
Managing Director

**P K Sanghi**  
Chief Financial Officer

**Poonam Bhasin**  
Company Secretary

Gurgaon  
July 20, 2008

NOIDA (UP)  
July 20, 2008



Nucleus Software Exports Ltd.

Schedules forming part of the financial statements

	As at 30 June 2008 (Rupees)	As at 30 June 2007 (Rupees)	As at 31 March 2008 (Rupees)
<b>SCHEDULE 1:</b>			
<b>Share capital</b>			
<b>Authorised capital</b>			
40,000,000 (20,000,000; 40,000,000) equity shares of Rs.10 each	400,000,000	200,000,000	400,000,000
<b>Issued, subscribed and paid up</b>			
<b>Issued</b>			
32,369,824 (16,163,112; 32,369,824) equity shares of Rs.10 each	323,698,240	161,631,120	323,698,240
<b>Subscribed and paid up</b>			
32,367,024 (16,160,312; 32,367,024) equity shares of Rs.10 each, fully paid up	323,670,240	161,603,120	323,670,240
Of the above:			
16,183,512 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2008			
8,045,406 equity shares of Rs. 10 each have been issued as bonus shares by capitalisation of securities premium during the year ended 31 March 2005			
2,637,050 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of general reserve and securities premium account during the year ended 31 March 2002			
1,452,270 equity shares of Rs.10 each have been issued as bonus shares by capitalisation of general reserve during the year ended 31 March 1995			
Add: 2,800 (2,800; 2,800) forfeited equity shares pending for reissue	15,000	15,000	15,000
	323,685,240	161,618,120	323,685,240
<b>SCHEDULE 2:</b>			
<b>Reserves and surplus</b>			
<b>General reserve</b>			
Balance as at 1 April	592,242,991	531,473,550	531,473,550
Add: Transferred from Profit and Loss Account	-	-	60,769,441
	592,242,991	531,473,550	592,242,991
<b>Securities premium account</b>			
Balance as at 1 April	20,484,589	173,199,509	173,199,509
Add: Securities premium received	-	-	5,191,800
Add : On conversion of stock options issued to employees	-	-	3,928,400
Less: Amount utilised for issuance of bonus shares	-	-	161,835,120
	20,484,589	173,199,509	20,484,589
<b>Capital reserve account</b>			
Balance as at 1 April	1,800,030	1,573,030	1,573,030
Add: Amount forfeited against employees stock option plan	-	-	227,000
	1,800,030	1,573,030	1,800,030
<b>Employee stock options</b>			
Balance as at 1 April	15,248,208	19,234,288	19,234,288
Less: Reversal on forfeiture of stock options granted	-	-	57,680
Less: Transferred to securities premium account on exercise of stock options	-	-	3,928,400
	15,248,208	19,234,288	15,248,208
Less: Deferred employee compensation	(4,314,963)	(10,115,094)	(5,980,726)
	10,933,245	9,119,194	9,267,482
<b>Hedging reserve (refer note 4, schedule16)</b>			
	(12,110,063)	-	-
	(12,110,063)	-	-
<b>Profit and Loss Account</b>			
Balance as at 1 April	935,567,064	502,245,490	502,245,490
Add: Profit for the period / year	46,130,328	125,963,606	607,694,414
Less: Transferred to general reserve	-	-	60,769,441
Less: Proposed dividend	-	-	97,101,072
Less: Corporate dividend tax	-	-	16,502,327
	981,697,392	628,209,096	935,567,064
	1,595,048,184	1,343,574,379	1,559,362,156

**Nucleus Software Exports Ltd.**  
**Schedules forming part of the financial statements**

**SCHEDULE 3:**

**Fixed assets**

(Rupees)

	Gross block				Accumulated depreciation			Net block		
	As at 1 April 2008	Additions	Deductions / adjustments	As at 30 June 2008	As at 1 April 2008	Depreciation for the year	Deductions / adjustments	As at 30 June 2008	As at 30 June 2007	As at 31 March 2008
<b>Tangible assets</b>										
Freehold land	3,360,720	-	-	3,360,720	-	-	-	3,360,720	3,360,720	3,360,720
Leasehold land	66,395,000	-	-	66,395,000	4,377,181	187,889	-	61,829,930	62,583,551	62,017,819
Leasehold improvement	9,105,792	-	-	9,105,792	1,831,870	466,980	-	6,806,942	8,694,422	7,273,922
Building	242,917,825	-	-	242,917,825	19,462,875	2,032,290	-	221,422,660	229,615,286	223,454,950
Plant and machinery (including Office equipments)	114,916,615	701,352	-	115,617,967	50,839,976	5,256,171	-	59,521,820	67,812,151	64,076,639
Computers	188,098,858	9,738,262	-	197,837,120	103,632,897	9,325,749	-	84,878,474	85,238,317	84,465,961
Vehicles	16,554,013	724,351	-	17,278,364	6,249,336	825,442	-	10,203,586	12,695,856	10,304,677
Furniture and fixtures	45,281,071	18,000	-	45,299,071	26,260,934	1,543,983	-	17,494,154	20,556,416	19,020,137
<b>Intangible assets</b>										
Softwares	102,233,955	3,664,845	-	105,898,800	79,957,839	3,421,843	-	22,519,118	16,854,907	22,276,116
<b>Total</b>	<b>788,863,849</b>	<b>14,846,810</b>	<b>-</b>	<b>803,710,659</b>	<b>292,612,908</b>	<b>23,060,347</b>	<b>-</b>	<b>488,037,404</b>	<b>507,431,626</b>	<b>496,250,941</b>
Previous period	548,039,427	192,628,028	(2,467,590)	738,199,865	217,038,659	16,107,024	(2,377,444)	507,431,626	-	-
Previous year	548,039,427	248,170,761	(7,346,339)	788,863,849	217,038,659	81,017,846	(5,443,597)	496,250,941	-	-

**Nucleus Software Exports Ltd.**
**Schedules forming part of the financial statements**

	As at 30 June 2008 (Rupees)	As at 30 June 2007 (Rupees)	As at 31 March 2008 (Rupees)
<b>SCHEDULE 4:</b>			
<b>Investments</b>			
<b>Long term investments</b>			
<b>Equity shares - Trade and unquoted</b>			
Nil (10,040,000; 10,040,000) equity shares of Rs 10 each, fully paid up, in GMAC Financial Services India Limited [Of the above, Nil (80,000; 80,000) equity shares are held by nominees on behalf of the Company]	-	136,882,640	136,882,640
25,000 (25,000; 25,000) equity shares of Rs 10 each, fully paid up, in Ujivan Financial Services Private Limited	2,500,000	2,500,000	2,500,000
	<b>2,500,000</b>	<b>139,382,640</b>	<b>139,382,640</b>
<b>Equity shares in wholly owned subsidiaries - Unquoted</b>			
625,000 (625,000; 625,000) equity shares of SGD 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore, a wholly owned subsidiary	16,319,950	16,319,950	16,319,950
1,000,000 (1,000,000; 1,000,000) equity shares of USD 0.35 each, fully paid up, in Nucleus Software Inc., USA, a wholly owned subsidiary	16,293,150	16,293,150	16,293,150
200 (200; 200) equity shares of JPY 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaiga, Japan, a wholly owned subsidiary	4,092,262	4,092,262	4,092,262
316,000 (316,000; 316,000) equity shares of Aus \$ 1 each, fully paid up, in Nucleus Software (Australia) Pty. Ltd., Australia, a wholly owned subsidiary	9,790,955	9,790,955	9,790,955
100,000 (100,000; 100,000) equity shares of HK \$ 1 each, fully paid up, in Nucleus Software (HK) Ltd., Hong Kong, a wholly owned subsidiary	619,885	619,885	619,885
1,000,000 (1,000,000; 1,000,000) equity shares of Rs 10 each, fully paid up, in VirStrai -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 (1,000; 1,000) equity shares of Euro 100 each, fully paid up, in Nucleus Software Netherlands B.V., Netherlands, a wholly owned subsidiary	5,365,000	5,365,000	5,365,000
250,000 (Nil; Nil) equity shares of Rs. 10 each, fully paid up, in Nucleus Software Limited, India a wholly owned subsidiary [Of the above, 6 (Nil; Nil) equity shares are held by nominees on behalf of the Company]	2,500,000	-	-
Less: Provision for diminution in value of investment in Nucleus Software (Australia) Pty. Ltd., Australia	(4,895,477)	-	(4,895,477)
	<b>60,085,725</b>	<b>62,481,202</b>	<b>57,585,725</b>
<b>Current investments</b>			
<b>Investments in bonds and mutual funds - Non trade and unquoted</b>			
Nil (500,000; Nil) units of face value of Rs. 10 each of UTI Fixed Maturity Plan-YFMP 06/06-(G)	-	5,000,000	-
Nil (Nil; 5,000,000) units of face value of Rs 10 each of UTI Fixed Maturity HFMP 03/08 I Plan E- Inst. (D)	-	-	50,000,000
Nil (2,500,000; 2,500,000) units of face value of Rs. 10 each of ICICI Prudential FMP Series 34-One Year Plan B Inst. (G)	-	25,000,000	25,000,000
3,224,499 (Nil; 1,821,275) units of face value of Rs. 10 each of ICICI Prudential Flexible Income Plan - (D)	34,094,243	-	19,257,256
Nil (Nil; 1,025,916) units of face value of Rs. 10 each of ICICI Prudential Interval Fund II Qtrly Interval Plan - C Retail (D)	-	-	10,259,156
Nil (Nil; 1,024,881) units of face value of Rs. 10 each of Birla Interval Income Fund -Inst. Quarterly series- 3-(D)	-	-	10,248,882
Nil (1,000,000; Nil) units of face value of Rs. 10 each of Birla FTP-Series 14 - (D)	-	10,000,000	-
Nil (1,007,050; Nil) units of face value of Rs 10 each of ING Liquid Plus Fund- Inst. (D)	-	10,073,827	-
1,500,000 (Nil; 1,500,000) units of face value of Rs. 10 each of ING Long Term FMP 1 Inst. (G)	15,000,000	-	15,000,000
Nil (2,500,000; 2,500,000) units of face value of Rs. 10 each of ABN AMRO FTPS5 14 Mths Plan Inst (G)	-	25,000,000	25,000,000
2,500,000 (2,500,000; 2,500,000) units of face value of Rs. 10 each of ABN AMRO FTPS8-Yly Plan A-Inst (G)	25,000,000	25,000,000	25,000,000
Nil (2,000,000; Nil) units of face value of Rs. 10 each of ABN AMRO FSTPS-C Qtrly (D)	-	20,000,000	-
Nil (2,000,000; Nil) units of face value of Rs. 10 each of HSBC Fixed term Series-9-(G)	-	20,000,000	-
Nil (1,500,000; 1,500,000) units of face value of Rs. 10 each of HSBC Fixed Term Series-27 Inst. (G)	-	15,000,000	15,000,000
Nil (1,000,000; 1,000,000) units of face value of Rs. 10 each of HSBC Fixed Term Series-28 Inst. (G)	-	10,000,000	10,000,000
6,000,000 (Nil; 6,000,000) units of face value of Rs. 10 each of HSBC Fixed Term Series-44 Inst. (G)	60,000,000	-	60,000,000
Nil (1,000,000; Nil) units of face value of Rs. 10 each of HDFC FMP 13M June 2006(1)- Inst. (G)	-	10,000,000	-
Nil (1,250,000; Nil) units of face value of Rs. 10 each of HDFC FMP 13M July 2006(1)- Inst. (G)	-	12,500,000	-
Nil (1,091,130; 1,091,130) units of face value of Rs. 10 each of HDFC FMP 367D April 2007 (5)-Wholesale Plan (G)	-	10,911,300	10,911,300
5,000,000 (Nil; 5,000,000) units of face value of Rs. 10 each of HDFC FMP 13M March 2008 (VII)(2) -Wholesale Plan (G)	50,000,000	-	50,000,000
5,000,000 (Nil; Nil) units of face value of Rs. 10 each of HDFC FMP 90D May 2008 (VIII) (2)-Wholesale Plan (D)	50,000,000	-	-
Nil (2,500,000; 2,500,000) units of face value of Rs. 10 each of Principal Pnb FMP 385 Days-Series IV-Mar 07 Inst. (G)	-	25,000,000	25,000,000
1,422,549 (Nil; Nil) units of face value of Rs. 10 each of LICMF Liquid Plus Fund-(D)	14,225,488	-	-
1,000,000 (Nil; Nil) units of face value of Rs 10 each of Reliance Fixed Horizon Fund-VIII Series 11-Inst. (D)	10,000,000	-	-
Nil (1,500,000; 1,500,000) units of face value of Rs 10 each of Reliance Fixed Horizon Fund III-Annual Plan S-I-Inst. (G)	-	15,000,000	15,000,000
Nil (1,500,000; 1,500,000) units of face value of Rs 10 each of Reliance Fixed Horizon Fund III-Annual Plan S-IV-Inst. (G)	-	15,000,000	15,000,000
2,000,000 (Nil; Nil) units of face value of Rs 10 each of Reliance Fixed Horizon Fund-VIII Series-10-Inst. (D)	20,000,000	-	-
Nil (65,681; Nil) units of face value of Rs 1000 each of Reliance Liquid Plus Fund Inst. (D)	-	65,769,851	-

**Nucleus Software Exports Ltd.**
**Schedules forming part of the financial statements**

	<b>As at 30 June 2008 (Rupees)</b>	<b>As at 30 June 2007 (Rupees)</b>	<b>As at 31 March 2008 (Rupees)</b>
2,000,000 (Nil; 2,000,000) units of face value of Rs. 10 each of Kotak FMP 14M Series-4 - Inst. (G)	20,000,000	-	20,000,000
Nil (2,500,000; 2,500,000) units of face value of Rs 10 each of Kotak FMP 13M Series 2 Inst. (G)	-	25,000,000	25,000,000
Nil (1,250,000; Nil) units of face value of Rs 10 each of Kotak FMP 13M Series 26 Inst. (G)	-	12,500,000	-
Nil (2,000,000; Nil) units of face value of Rs 10 each of Kotak FMP 3M Series 20 Inst. (D)	-	20,000,000	-
Nil (2,500,000; 2,500,000) units of face value of Rs 10 each of DWS Fixed Term Fund Series 24-Inst. (G)	-	25,000,000	25,000,000
Nil (2,000,000; 2,000,000) units of face value of Rs 10 each of DWS Fixed Term Fund Series 33-Inst. (G)	-	20,000,000	20,000,000
5,000,000 (Nil; 5,000,000) units of face value of Rs 10 each of DWS Fixed Term Fund Series 47-Inst. (G)	50,000,000	-	50,000,000
3,394,323 (Nil; Nil) units of face value of Rs 10 each of JM Interval Fund-Quarterly Plan 5 -Inst. (D)	33,943,226	-	-
Nil (750,000; 750,000) units of face value of Rs 10 each of Standard Chartered Fixed Maturity Plan B Yearly Series 11 (G)	-	7,500,000	7,500,000
Nil (4,000,000; 4,000,000) units of face value of Rs 10 each of Templeton Fixed Horizon Fund Series II-Plan B-Inst. (G)	-	40,000,000	40,000,000
10,000 (Nil; 10,000) units of face value of Rs 1000 each of DSP Merrill Lynch FTP Series 3D-Inst. (G)	10,000,000	-	10,000,000
4,000,000 (Nil; 4,000,000) units of face value of Rs 10 each of DSP Merrill Lynch FTP Series 12 1/2 M-Inst. (G)	40,000,000	-	40,000,000
Nil (25,000; Nil) units of face value of Rs 1000 each of DSP Merrill Lynch FTP series 1N-Inst. (D)	-	25,000,000	-
2,500,000 (Nil; 2,500,000) units of face value of Rs 10 each of Lotus India FMP 375 Days Series II Inst. Growth	25,000,000	-	25,000,000
1,500,000 (Nil; 1,500,000) units of face value of Rs 10 each of Lotus India FMP 375 Days Series VII Inst. Growth	15,000,000	-	15,000,000
999,800 (Nil; Nil) units of face value of Rs 10 each of Sundaram BNP Paribas Interval Fund Qly-Plan C - Inst-(D)	10,000,000	-	-
3,000,000 (Nil; 3,000,000) units of face value of Rs 10 each of Sundaram BNP Paribas Fixed Term Plan D- Inst. (G)	30,000,000	-	30,000,000
2,000,000 (Nil; 2,000,000) units of face value of Rs 10 each of Sundaram BNP Paribas Fixed Term Plan E- Inst. (G)	20,000,000	-	20,000,000
Nil (2,500,000; Nil) units of face value of Rs 10 each of Sundaram BNP Paribas Fixed Term Plan S29 Inst. (D)	-	25,000,000	-
1,209,716 (Nil; Nil) units of face value of Rs 10 each of Canara Robeco Liquid Plus -Inst. (D)	15,009,068	-	-
1,648,404 (Nil; Nil) units of face value of Rs 10 each of DWS Liquid Plus Fund-Regular-(D)	16,508,276	-	-
1,000,000 (Nil; Nil) units of face value of Rs. 10 each of IDFC Fixed Maturity Plan-Qtrly Series 34-(D)	10,000,000	-	-
5,000,000 (Nil; 5,000,000) units of face value of Rs. 10 each of IDFC Fixed Maturity Plan-Yly Series 19-Plan B-(G)	50,000,000	-	50,000,000
	<b>623,780,301</b>	<b>519,254,978</b>	<b>758,176,594</b>
	<b>686,366,026</b>	<b>721,118,820</b>	<b>955,144,959</b>

**Notes:**

1. Net asset value (NAV) of current investments is Rs. 638,950,712 (Rs. 530,039,423; Rs. 788,836,182 ) as at 30 June 2008.
2. Refer note 7, schedule 16 for details of investments purchased and sold during the period ended 30 June 2008.

**SCHEDULE 9:**
**Current liabilities**

Sundry creditors *	306,419,609	229,726,420	203,768,350
Withholding tax	37,051,991	14,197,949	27,772,507
Due to subsidiaries	914,968	12,483,720	1,835,264
Advances from customers	58,770,936	183,492,914	96,178,719
Mark to Market on Options / Forward contracts (refer note 4, schedule16)	102,126,468	-	-
Unclaimed dividends	1,015,908	1,132,043	1,085,191
Other liabilities	29,019,695	17,201,674	23,782,288
	<b>535,319,575</b>	<b>458,234,720</b>	<b>354,422,319</b>

\* The Company has no amounts payable to micro, small and medium enterprises as defined in section 7(i) of the Micro, Small and Medium Enterprises Development Act, 2006, to the extent such parties have been identified from the available information.

**SCHEDULE 10:**
**Provisions**

Gratuity	40,498,093	22,827,128	35,529,286
Leave encashment	41,735,999	28,923,715	37,020,661
Dividend	97,101,072	-	97,101,072
Corporate dividend tax	16,502,327	-	16,502,327
	<b>195,837,491</b>	<b>51,750,843</b>	<b>186,153,346</b>

**Nucleus Software Exports Ltd.**

**Schedules forming part of the financial statements**

	For the quarter ended 30 June 2008 (Rupees)	30 June 2007 (Rupees)	For the year ended 31 March 2008 (Rupees)
<b>SCHEDULE 11:</b>			
<b>Sales and services</b>			
Software development services and products			
- Domestic	81,329,852	100,377,299	336,999,848
- Overseas	441,205,745	371,889,925	1,632,518,190
	<b>522,535,597</b>	<b>472,267,224</b>	<b>1,969,518,038</b>

<b>SCHEDULE 12:</b>			
<b>Software development expenses</b>			
Salaries and allowances	219,092,691	168,786,467	703,779,243
Contribution to provident and other funds	10,747,085	7,325,012	37,531,770
Directors' remuneration [including stock compensation expenses Rs. Nil (Rs. 125,089; Rs. 125,089)]	770,000	2,685,575	10,493,089
Employee's stock compensation expenses	1,433,899	1,336,506	4,791,600
Staff welfare	4,030,627	2,552,781	11,979,555
Conveyance	2,350,535	2,282,206	10,471,320
Communication	3,113,152	3,049,571	13,595,297
Rent	2,640,247	1,330,228	6,730,867
Legal and professional	7,342,091	3,914,930	15,892,577
Repair and maintenance			
- Buildings	177,592	117,143	1,425,432
- Others	2,488,971	981,582	8,924,722
Training and recruitment	3,392,603	1,986,148	22,471,393
Printing and stationery	504,082	717,611	1,270,307
Insurance	816,174	676,622	3,093,513
Software and other development charges	9,669,371	1,110,166	12,109,684
Cost of software purchased for delivery to clients	23,038,116	29,516,300	64,871,485
Traveling	29,279,860	34,274,847	138,684,760
Power and fuel	6,665,836	6,159,175	20,576,723
Conference, exhibition and seminar	-	-	212,690
Information technology expenses	1,860,581	1,476,834	6,207,442
Miscellaneous expenses	233,544	321,466	4,170,412
	<b>329,647,057</b>	<b>270,601,170</b>	<b>1,099,283,881</b>

<b>SCHEDULE 13:</b>			
<b>Selling and marketing expenses</b>			
Salaries and allowances	19,573,203	13,752,646	61,551,033
Contribution to provident and other funds	586,440	611,436	2,368,477
Directors' remuneration [including stock compensation expenses Rs. Nil (Rs. 125,089; Rs. 125,089)]	770,000	2,685,575	10,493,089
Employee's stock compensation expenses	75,239	110,486	366,506
Staff welfare	267,419	269,357	1,137,253
Conveyance	525,708	860,636	2,533,613
Communication	251,848	354,407	2,147,696
Rent	1,850,230	1,125,342	4,249,229
Legal and professional	1,844,398	270,222	2,161,712
Repair and maintenance			
- Buildings	9,323	9,830	78,510
- Others	130,661	82,371	499,354
Training and recruitment	134,999	173,439	1,223,762
Printing and stationery	1,125,500	1,813,237	4,132,414
Insurance	31,154	30,756	139,610
Traveling	9,507,620	5,256,998	23,135,913
Advertisement and business promotion	4,334,337	2,973,715	10,513,439
Power and fuel	510,490	419,222	1,446,910
Conference, exhibition and seminar	-	154,828	7,705,625
Information technology expenses	71,019	67,402	284,157
Commission to channel partners	589,734	2,035,431	4,517,151
Miscellaneous expenses	1,857,609	30,116	498,487
	<b>44,046,931</b>	<b>33,087,452</b>	<b>141,183,940</b>

**Nucleus Software Exports Ltd.**

**Schedules forming part of the financial statements**

	<b>For the quarter ended 30 June 2008 (Rupees)</b>	<b>30 June 2007 (Rupees)</b>	<b>For the year ended 31 March 2008 (Rupees)</b>
<b>SCHEDULE 14:</b>			
<b>General and administration expenses</b>			
Salaries and allowances	23,364,483	19,121,397	70,368,142
Contribution to provident and other funds	1,303,819	879,002	4,194,447
Directors' remuneration [including stock compensation expenses Rs. Nil (Rs. 62,545; Rs. 62,545)]	385,000	1,642,787	6,791,545
Employee's stock compensation expenses	156,626	153,865	519,439
Staff welfare	605,939	436,514	1,897,170
Conveyance	519,830	600,836	3,494,733
Communication	857,376	497,119	2,574,840
Rent	67,799	64,800	260,699
Rates and taxes	866,551	483,263	4,618,937
Legal and professional	3,083,013	1,402,860	9,741,310
Repair and maintenance			
- Buildings	46,106	28,671	368,327
- Others	646,181	240,247	2,302,428
Training and recruitment	695,877	225,563	2,545,101
Printing and stationery	543,127	272,338	1,451,076
Insurance	79,861	61,511	310,675
Bank charges	344,192	257,009	1,661,660
Traveling	5,727,713	1,112,112	3,266,312
Advertisement and business promotion	625,065	1,533,781	2,680,087
Power and fuel	603,197	587,768	2,118,456
Conference, exhibition and seminar	12,900	98,446	254,211
Information technology expenses	182,056	138,078	620,068
Advances and other current assets written off	-	-	6,609,696
Provision for doubtful debts / advances / other current assets *	943,031	355,299	5,866,055
Provision for diminution in the value of investments	-	-	4,895,477
Miscellaneous expenses	3,399,220	2,441,717	16,685,130
	<b>45,058,962</b>	<b>32,634,983</b>	<b>156,096,021</b>

\*Includes bad debts written off Rs. 164,189 (Rs. Nil; Rs. 8,613,363)

**SCHEDULE 15:**

**Other income**

Dividend received from non-trade investments	3,671,163	1,515,534	16,430,650
Dividend received from subsidiary	-	-	100,000,000
Interest on fixed deposits and loans to subsidiaries [gross of tax deducted at source Rs. 17,470 (Rs. 943; Rs. 25,974)]	253,509	195,714	929,240
Profit on sale of fixed assets (net)	-	492,709	907,591
Profit on sale of investments			
- Long term trade investment	21,849,760	-	-
- Current non trade investments	29,201,965	19,484,525	24,833,708
Provision written back	5,300,000	-	-
Miscellaneous income	773,440	576,245	5,672,320
	<b>61,049,837</b>	<b>22,264,727</b>	<b>148,773,509</b>

**Nucleus Software Exports Ltd.**  
**Schedules forming part of the financial statements**

**SCHEDULE 16:**

**Significant accounting policies and notes to the accounts**

*1. Company Overview*

Nucleus Software Exports Ltd. ('Nucleus' or 'the Company') was incorporated on 9 January 1989 in India as a private limited company. It was subsequently converted into a public limited company on 10 October 1994. The Company made an initial public offer in August 1995. As at 30 June 2008, 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 on the accrual basis, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") and mandatory accounting standards as specified in the Companies (Accounting Standard) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India ("SEBI"). These financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2008. 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 standards on an ongoing basis.

*(ii) Use of estimates*

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

Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Where no reliable estimate can be made a disclosure is made as contingent liability.

*(iii) Revenue recognition*

Revenue from software development services comprises income from time and material and fixed price contracts. Revenue from time and material basis is recognised as the services are rendered. Revenue from fixed price contracts and sale of license and related customisation and implementation is recognised in accordance with the percentage completion method. Provision for estimated losses, if



any, on uncompleted contracts are recorded in the period in which such losses become certain based on the current estimates.

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

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

Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sales price and the then carrying value of the investment. Interest on 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 period/year of acquisition. Post sales customer support costs are estimated by the management, determined on the basis of past experience. Expenses are accounted for on accrual basis and provisions are made for all known losses and liabilities.

(v) Fixed assets and capital work in progress

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

(vi) Depreciation

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

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

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

(vii) *Investments*

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

(viii) *Research and development*

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

(ix) *Foreign exchange transactions*

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

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

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

Till previous year, foreign exchange forward contracts in respect of highly probable/forecasted transactions and foreign exchange options were marked to market and any resultant gain/ loss was recognized in the Profit and Loss Account.

Effective 1 April 2008, the Company adopted hedge accounting in accordance with principles set out in AS 30. The Company records the gain or loss on effective hedges in the hedging reserve until the transactions are complete. On completion, the gain or loss is transferred to the Profit and Loss Account of that period. To designate a forward contract or option as an effective hedge, management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. In the absence of a designation as effective hedge, a gain or loss is recognized in the Profit and Loss Account

(x) *Employee stock option based compensation*

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

(xi) *Employee benefits*

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

(xii) *Operating leases*

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

(xiii) *Earnings per share*

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

(xiv) *Taxation*

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax annually based on the tax liability computed after considering tax allowances and exemptions. Provisions are recorded when it is estimated that a liability due to disallowance or other matters is probable. Minimum Alternate Tax ("MAT") paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the company will pay normal tax after the tax holiday period. Accordingly, it is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the company and the asset can be measured reliably.

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

realized. Deferred tax assets or liabilities arising due to timing differences, originating during the tax holiday period and reversing after the tax holiday period are recognised in the period in which the timing difference originate. The income tax provision for the interim period is made based on the best estimate of the average annual tax rate expected to be applicable for the full financial year.

(xv) *Impairment of assets*

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.

### 3. *Deferred tax asset/ (liability)*

Components of net deferred tax asset/ (liability):

	As at 30 June 2008 (Rupees)	As at 30 June 2007 (Rupees)	As at 31 March 2008 (Rupees)
<b>Deferred tax asset</b>			
Provision for doubtful debts	647,107	682,698	652,173
Provision for retirement benefits	21,535,301	6,116,915	19,681,623
	<b>22,182,408</b>	<b>6,799,613</b>	<b>20,333,796</b>
<b>Deferred tax liability</b>			
Fixed assets	(12,007,243)	(8,209,855)	(18,713,290)
<b>Net deferred tax asset/(liability)</b>	<b>10,175,165</b>	<b>(1,410,242)</b>	<b>1,620,506</b>

### 4. Forward contract and option in foreign currency

	As at 30 June 2008	As at 30 June 2007	As at 31 March 2008
<b>Forward contract outstanding</b>			
In USD	8,322,100	8,800,000	8,517,624
Equivalent amount in Rupees	356,851,690	359,392,000	339,853,198
<b>Options contract outstanding</b>			
In USD	33,400,000	13,000,000	20,400,000
Equivalent amount in Rupees	1,432,192,000	530,920,000	813,960,000

As at 30 June 2008, the Company has recorded marked to market losses of Rs. 12,110,063 relating to forward contracts that are designated as effective cash flow hedges with a corresponding debit to hedging reserves. Further as at 30 June 2008, in the absence of a designation as effective hedge, the Company has recorded marked to market loss of Rs. 90,016,405 relating to foreign currency options and accordingly the loss has been recognized in the Profit and Loss Account.

As of the Balance Sheet date, the Company's net foreign currency exposure that is not hedged by a derivative instrument is Rs.Nil (Rs. Nil, Rs. Nil)

### 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 graded vesting basis over the vesting period of the options.

The Company currently has four ESOP schemes, ESOP scheme-1999 (instituted in 2000), ESOP scheme- 2002 (instituted in 2002), ESOP scheme-2005 (instituted in 2005) and ESOP scheme-2006 (instituted in 2006). These schemes were duly approved by the Board of Directors and Shareholders in their respective meetings. The 1999 scheme provides for the issue of 170,000 options, 2002 scheme for 225,000 options, 2005 scheme for 600,000 options and 2006 scheme for 1,000,000 options to eligible employees. These schemes are administered by the Compensation Committee comprising four members, the majority of whom are independent directors. On exercise of stock options, option holders are entitled to bonus shares in the ratio of 1:1, pursuant to approval of bonus shares by the shareholders in the annual general meeting held on 6 July 2007.

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

#### **1999 Stock Option Scheme**

	<b>Quarter ended 30 June 2008</b>	<b>Quarter ended 30 June 2007</b>	<b>Year ended 31 March 2008</b>
Options outstanding at the beginning of the period/ year	-	5700	5,700
Options granted	-	-	-
Options forfeited	-	-	-
Options exercised	-	-	(5,700)
	-	<b>5,700</b>	-

#### **2002 Stock Option Scheme**

	<b>Quarter ended 30 June 2008</b>	<b>Quarter ended 30 June 2007</b>	<b>Year ended 31 March 2008</b>
Options outstanding at the beginning of the period/ year	141,550	159,750	159,750
Options granted	-	-	-
Options forfeited	-	-	(700)
Options exercised	-	-	(17,500)
	<b>141,550</b>	<b>159,750</b>	<b>141,550</b>

#### **2005 Stock Option Scheme**

	<b>Quarter ended 30 June 2008</b>	<b>Quarter ended 30 June 2007</b>	<b>Year ended 31 March 2008</b>
Options outstanding at the beginning of the period/ year	142,000	142,000	142,000
Options granted	-	-	-
Options forfeited	-	-	-
Options exercised	-	-	-
	<b>142,000</b>	<b>142,000</b>	<b>142,000</b>

**2006 Stock Option Scheme**

	<b>Quarter ended 30 June 2008</b>	<b>Quarter ended 30 June 2007</b>	<b>Year ended 31 March 2008</b>
Options outstanding at the beginning of the period/ year	249,860	271,860	271,860
Options granted	-	-	-
Options forfeited	-	-	(22,000)
Options exercised	-	-	-
	<b>249,860</b>	<b>271,860</b>	<b>249,860</b>

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

	<b>Quarter ended 30 June 2008 (Rupees)</b>	<b>Quarter ended 30 June 2007 (Rupees)</b>	<b>Year ended 31 March 2008 (Rupees)</b>
Balance brought forward	<b>5,980,726</b>	12,028,674	12,028,674
Less: Amortisation expense	1,665,763	1,913,580	5,990,268
Less: Reversal due to forfeiture	-	-	57,680
Balance carried forward	<b>4,314,963</b>	<b>10,115,094</b>	<b>5,980,726</b>

**6. Managerial remuneration**

	<b>Quarter ended 30 June 2008 (Rupees)</b>	<b>Quarter ended 30 June 2007 (Rupees)</b>	<b>Year ended 31 March 2008 (Rupees)</b>
<b>A. Managing Director</b>			
Salary and perquisites	1,500,000	1,500,000	6,000,000
Contribution to provident and other funds	90,000	90,000	360,000
Commission	-	3,994,339	13,960,000
	<b>1,590,000</b>	<b>5,584,339</b>	<b>20,320,000</b>
<b>B. Non Executive Directors</b>			
Stock based compensation	-	312,723	312,723
Commission	-	816,875	5,600,000
Sitting fees	425,000	300,000	1,545,000
	<b>425,000</b>	<b>1,429,598</b>	<b>7,457,723</b>

The above remuneration does not include expense towards gratuity and leave encashment as the same is calculated for the Company as a whole.

## 7. Details of investments purchased and sold during three months ended 30 June 2008

Name of the investment	Face value	Purchased during the quarter		Sold during the quarter	
	Amount (Rupees)	Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
SBI SHF Liquid Plus-Institutional Plan-(Dividend)	10	1,003,064	10,035,659	1,003,064	10,035,659
JM Money Manager Fund Plus Plan-(Dividend)	10	3,369,827	33,712,084	3,369,827	33,712,084
LIC MF Liquid Plus Fund-(Dividend)	10	12,822,511	128,225,114	12,822,511	128,225,114
Reliance Liquid Plus Fund-Institutional Option-(Dividend)	1,000	16,996	17,015,571	16,996	17,015,571
Sundaram BNP Paribas Liquid Plus-Super Inst.-(Dividend)	10	5,021,563	50,341,170	5,021,563	50,341,170
DWS Liquid Plus Fund-Regular-(Dividend)	10	549,193	5,500,000	549,193	5,500,000
Canara Robeco Liquid Plus-Institutional Plan-(Dividend)	10	2,424,991	30,087,103	2,424,991	30,087,103
JP Morgan India Liquid Plus Fund-Dividend Plan-Reinvest	10	3,025,382	30,280,749	3,025,382	30,280,749

8. Most of the operations of the company are conducted through Software Technology Park ('STP'). Income from STP are tax exempt for the earlier of 10 years commencing from the fiscal year in which the unit commences software development or 31 March 2010.

Pursuant to the change in the Indian Income-tax Act, 1961, the company has calculated its tax liability after considering Minimum Alternative Tax (MAT). The MAT liability can be carried forward and set off against the future tax liabilities. Accordingly a sum of Rs. 59,100,000 was carried forward and shown under "Loans and advances" in the balance sheet as at 30 June 2008.

## 9. Segment reporting – Basis of preparation

### (i) Segment accounting policies

The Segment reporting policy complies with the accounting policies adopted for preparation and presentation of financial statements of the Company and is in conformity with Accounting Standard-17 on "Segment Reporting", as specified in the Companies (Accounting Standard) Rules, 2006. The segmentation is based on the Geographies (reportable primary segment) in which the Company operates and internal reporting systems. The secondary segmentation is based on the nature and type of services rendered.

### (ii) Composition of reportable segments

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

Income and direct expenses in relation to segments are categorised based on items that are individually identifiable to that segment, while the remainder of the costs are categorised in relation to the associated turnover and/or man months. Certain expenses such as depreciation, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably. 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.

**a) Information in respect of primary segment**

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

**For the quarter ended 30 June 2008**

<i>(Rupees)</i>							
<i>Description</i>	<b>India</b>	<b>Far East</b>	<b>Singapore</b>	<b>Europe</b>	<b>USA</b>	<b>Others</b>	<b>Total</b>
Revenue from external customers	81,329,852	219,272,348	31,939,915	66,954,947	465,462	122,573,073	522,535,597
Expenses	76,654,379	187,062,432	23,506,135	27,699,495	644,291	104,790,433	420,357,165
Segment result	4,675,473	32,209,916	8,433,780	39,255,452	(178,829)	17,782,640	102,178,432
Unallocated corporate expenditure							43,257,500
Operating profit before taxation							58,920,932
Other income							61,049,837
Foreign exchange gain /(loss)							(79,525,100)
Profit before tax							40,445,669
Provision for taxation							
– Current income tax							6,000,000
– MAT credit entitlement							(5,000,000)
– fringe benefit tax							1,870,000
– deferred tax credit / (charge)							(8,554,659)
Provision for wealth tax							-
<b>Net profit after taxation</b>							<b>46,130,328</b>



**For the quarter ended 30 June 2007**

(Rupees)							
Description	India	Far East	Singapore	Europe	USA	Others	Total
Revenue from external customers	100,377,299	161,084,108	35,209,278	40,177,562	3,181,631	132,237,346	472,267,224
Expenses	98,047,402	81,410,051	29,553,454	12,679,777	5,374,118	92,190,078	319,254,880
Segment result	2,329,897	79,674,057	5,655,824	27,497,785	(2,192,487)	40,047,268	153,012,344
Unallocated corporate expenditure							36,447,221
Operating profit before taxation							116,565,123
Other income							22,264,727
Foreign Exchange gain /(loss)							(6,977,208)
Profit before tax							131,852,642
Provision for taxation							
– current income tax							16,500,000
– MAT credit entitlement							(13,100,000)
– fringe benefit tax							1,600,000
– deferred tax credit / (charge)							889,036
Provision for wealth tax							-
<b>Net profit after taxation</b>							<b>125,963,606</b>

**For the year ended 31 March 2008**

(Rupees)							
Description	India	Far East	Singapore	Europe	USA	Others	Total
Revenue from external customers	336,999,849	817,734,611	129,747,381	154,101,145	11,642,679	519,292,373	1,969,518,038
Expenses	298,259,978	458,696,694	118,742,292	63,763,489	14,025,949	378,902,923	1,332,391,325
Segment result	38,739,871	359,037,917	11,005,089	90,337,656	(2,383,270)	140,389,450	637,126,713
Unallocated corporate expenditure							186,688,093
Operating profit before taxation							450,438,620
Other income							148,773,509
Foreign Exchange gain /(loss)							21,378,027
Profit before tax							620,590,156
Provision for taxation							
– current income tax							61,900,000
– MAT credit entitlement							(54,100,000)
– fringe benefit tax							7,167,414
– deferred tax							(2,141,712)
Provision for wealth tax							70,040
<b>Net profit after taxation</b>							<b>607,694,414</b>

Assets and liabilities of reportable primary segment are as follows:

**As at 30 June 2008**

(Rupees)

Description	India	Far East	Singapore	Europe	USA	Others	Total
Segment assets	111,105,772	368,816,213	30,180,483	15,232,281	23,558,541	369,150,270	918,043,560
Unallocated corporate assets							1,738,601,030
<b>Total assets</b>							<b>2,656,644,590</b>
Segment liabilities	55,578,792	193,463,751	37,861,358	29,624,371	296,162	133,342,649	450,167,083
Unallocated corporate liabilities							280,989,983
<b>Total liabilities</b>							<b>731,157,066</b>
<b>Capital employed</b>							<b>1,925,487,524</b>

**As at 30 June 2007**

(Rupees)

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

**As at 31 March 2008**

(Rupees)

Description	India	Far East	Singapore	Europe	USA	Others	Total
Segment assets	93,478,271	259,102,553	58,061,461	21,238,498	21,771,858	324,103,713	777,756,354
Unallocated corporate assets							1,652,620,807
<b>Total assets</b>							<b>2,430,377,161</b>
Segment liabilities	43,557,318	125,281,022	30,138,646	81,295,237	1,636,308	75,554,991	357,463,522
Unallocated corporate liabilities							183,112,143
<b>Total liabilities</b>							<b>540,575,665</b>
<b>Capital employed</b>							<b>1,889,801,496</b>

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

**For the quarter ended 30 June 2008**

*(Rupees)*

Description	India	Far East	Singapore	Europe	USA	Others	Total
Capital expenditure (unallocated)							7,679,755
<b>Total capital expenditure</b>							<b>7,679,755</b>
Depreciation expenditure (unallocated)							23,060,347
<b>Total depreciation</b>							<b>23,060,347</b>
Segment non-cash expense other than depreciation	1,329,301	649,261	115,300	108,918	1,808	404,207	<b>2,608,794</b>
<b>Total non cash expenditure other than depreciation</b>	<b>1,329,301</b>	<b>649,261</b>	<b>115,300</b>	<b>108,918</b>	<b>1,808</b>	<b>404,207</b>	<b>2,608,794</b>

**For the quarter ended 30 June 2007**

*(Rupees)*

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

**For the year ended 31 March 2008**

*(Rupees)*

Description	India	Far East	Singapore	Europe	USA	Others	Total
Capital expenditure (unallocated)							138,199,906
<b>Total capital expenditure</b>							<b>138,199,906</b>
Depreciation expenditure (unallocated)							81,017,846
<b>Total depreciation</b>							<b>81,017,846</b>
Segment non-cash expense other than depreciation	3,686,190	2,012,079	5,227,235	555,153	38,774	11,842,065	23,361,496
<b>Total non cash expenditure other than depreciation</b>	<b>3,686,190</b>	<b>2,012,079</b>	<b>5,227,235</b>	<b>555,153</b>	<b>38,774</b>	<b>11,842,065</b>	<b>23,361,496</b>

## 10. Related party transactions

### 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 Limited, India (incorporated on 21 April 2008)

#### *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		Year ended
	30 June 2008	30 June 2007	31 March 2008
<b>I Software development, services and products</b>			
-Nucleus Software Japan Kabushiki Kaiga.	104,267,072	105,095,503	562,924,334
-Nucleus Software Solutions Pte Ltd.	26,143,063	26,371,829	91,963,385
-Others	3,811,962	6,943,688	24,892,185
<b>Ii Other income</b>			
-VirStra i-Technology Services Limited	494,811	569,295	102,070,058
<b>Iii Managerial remuneration</b>			
-Vishnu R Dusad (Managing director)	1,590,000	5,584,339	20,320,000
<b>Iv Reimbursement of expenses</b>			
<i>From wholly owned subsidiary companies :</i>			
-VirStra i-Technology Services Limited	145,158	1,847,904	6,276,783
-Nucleus Software Solutions Pte Ltd	1,735,673	2,386,912	7,473,929
-Nucleus Software Japan Kabushiki Kaiga.	1,931,622	141,404	5,130,647
-Nucleus Software Inc.	110,033	-	9,327,039
-Others	-	11,298	114,470
<i>To wholly owned subsidiary companies:</i>			
-Nucleus Software Solutions Pte Ltd.	2,399,739	551,901	2,926,882
-Nucleus Software Japan Kabushiki Kaiga.	-	-	337,139
-Others	-	-	187,797
<b>V Cost of services hired</b>			
-Nucleus Software Solutions Pte Ltd.	-	5,314,427	14,249,492
<b>Vi Commission paid</b>			
<i>To wholly owned subsidiary company</i>			
-Nucleus Software (Australia) Pty Ltd.	-	268,441	560,502
<b>Vii Interest received</b>			
<i>From wholly owned subsidiary companies</i>			
-Nucleus Software Inc.	-	59,827	120,149
<b>Viii Loans and advances</b>			
<i>Given to wholly owned subsidiary company</i>			
-Nucleus Software Limited	122,574,849	-	-
<i>Repaid by wholly owned subsidiary company</i>			
-Nucleus Software Inc.	-	-	2,570,325
-VirStra i-Technology Services Limited	-	-	12,400,000
<b>ix Investments</b>			
-Nucleus Software Limited	2,500,000	-	-

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

	<b>As at 30 June 2008 (Rupees)</b>	<b>As at 30 June 2007 (Rupees)</b>	<b>As at 31 March 2008 (Rupees)</b>
<b>Loans and advances</b>			
<i>To wholly owned subsidiaries</i>			
-Nucleus Software Solutions Pte Ltd.	-	9,837,588	-
-VirStra i-Technology Services Limited.	-	3,974,991	-
-Nucleus Software Inc.	-	3,655,132	-
-Nucleus Software Netherlands B.V	-	-	96,127
-Nucleus Software Limited	122,574,849	-	-
<b>Debtors</b>			
<i>Wholly owned subsidiaries</i>			
-Nucleus Software Japan Kabushiki Kaiga.	90,676,190	35,490,937	28,251,263
-Nucleus Software Solutions Pte Ltd.	24,271,259	39,766,335	45,492,600
-Nucleus Software Inc.	22,593,003	9,775,667	14,408,112
-VirStra i -Technology Services Limited.	3,821,048	2,066,080	-
-Others	96,127	-	-
<b>Service income accrued but not due</b>			
<i>Wholly owned subsidiary Company</i>			
-Nucleus Software Japan Kabushiki Kaiga.	81,412,488	6,001,215	100,895,679
-Nucleus Software Inc.	624,349	1,101,046	7,047,138
-Nucleus Software Solutions Pte Ltd.	-	-	2,714,067
<b>Interest income accrued but not due</b>			
<i>Wholly owned subsidiary Company</i>			
-Nucleus Software Inc.	-	309,216	-
<b>Sundry creditors</b>			
<i>Due to wholly owned subsidiaries</i>			
-Nucleus Software Japan Kabushiki Kaiga.	-	11,624,432	-
-Nucleus Software Solutions Pte Ltd.	11,453,034	-	10,657,091
-VirStra i -Technology Services Limited.	-	-	920,296
-Nucleus Software (Australia) Pty Ltd.	914,968	859,288	914,968
<b>Advance from customers</b>			
<i>Advances from wholly owned subsidiaries</i>			
-Nucleus Software Japan Kabushiki Kaiga.	-	65,938,855	1,258,606
-Nucleus Software Solutions Pte Ltd.	5,730,912	-	-
<b>Investments in subsidiaries</b>	Refer schedule 4 of financial statements		

	Quarter ended 30 June 2008 (Rupees)	Quarter ended 30 June 2007 (Rupees)	Year ended 31 March 2008 (Rupees)
<b>11. Legal and professional includes payment to auditors</b>			
Audit fees	412,500	375,000	1,853,940
Other services	758,146	-	796,716
Out of pocket expenses	50,000	40,000	140,000
<b>Total</b>	<b>1,220,646</b>	<b>415,000</b>	<b>2,790,656</b>
<b>12. CIF value of imports</b>			
Capital goods	8,464,054	8,752,202	30,152,545
<b>Total</b>	<b>8,464,054</b>	<b>8,752,202</b>	<b>30,152,545</b>
<b>13. Expenditure in foreign currency</b>			
Traveling	31,367,075	29,499,938	123,933,220
Professional charges	3,290,496	1,415,454	6,386,194
Cost of software purchased for delivery to clients	23,241,572	15,033,468	49,183,822
Others	19,221,073	4,311,616	36,036,104
<b>Total</b>	<b>77,120,216</b>	<b>50,260,476</b>	<b>215,539,340</b>
<b>14. Earnings in foreign currency</b>			
Income from software development services and products	441,205,745	371,889,925	1,632,518,190
Interest	850	61,202	126,537
<b>Total</b>	<b>441,206,595</b>	<b>371,951,127</b>	<b>1,632,644,727</b>
	Quarter ended 30 June 2008	Quarter ended 30 June 2007	Year ended 31 March 2008
<b>15. Earnings per share</b>			
Profit after taxation available to equity shareholders (Rupees)	46,130,328	125,963,606	607,694,414
Weighted average number of equity shares used in calculating basic earnings per share	32,367,024	32,320,624	32,358,999
Add: Effect of dilutive issue of shares	273,995	697,293	256,060
Weighted average number of equity shares used in calculating diluted earnings per share	32,641,019	33,017,917	32,615,059
Basic earnings per share (Rupees)	1.43	3.90	18.78
Diluted earnings per share (Rupees)	1.41	3.82	18.63

## 16. Capital commitments and contingent liabilities

- a. Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances) Rs. 26,554,102 (Rs. 12,548,738; Rs. 111,489,712).
- b. Claim against the Company not acknowledged as debt Rs. 324,000 (Rs. 324,000; Rs. 324,000).

## 17. Operating lease

The Company has acquired office premises under a non-cancellable operating lease. Operating lease rentals paid during the period is Rs. 1,775,730 (Rs. 1,775,730; Rs. 7,102,920). The future minimum lease expense in respect of such leases is as follows:

	<b>As at 30 June 2008 (Rupees)</b>	<b>As at 30 June 2007 (Rupees)</b>	<b>As at 31 March 2008 (Rupees)</b>
Not later than 1 year	3,433,595	7,102,920	5,209,325
Later than 1 year but not later than 5 years	-	3,433,595	-
Later than 5 years	-	-	-
<b>Total</b>	<b>3,433,595</b>	<b>10,536,515</b>	<b>5,209,325</b>



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

	<b>Quarter ended 30 June 2008 (Rupees)</b>	<b>Quarter ended 30 June 2007 (Rupees)</b>	<b>Year ended 31 March 2008 (Rupees)</b>
Salaries and allowances	262,030,377	201,660,510	835,698,418
Contribution to provident and other funds	12,637,344	8,815,450	44,094,694
Directors' remuneration	1,925,000	7,013,937	27,777,723
Employee's stock compensation expenses	1,665,764	1,600,857	5,677,545
Staff welfare	4,903,985	3,258,652	15,013,978
Training and recruitment	4,223,479	2,385,150	26,240,256
Software and other development charges	9,669,371	1,110,166	12,109,684
Cost of software purchased for delivery to clients	23,038,116	29,516,300	64,871,485
Travelling	44,515,193	40,643,957	165,086,985
Conveyance	3,396,073	3,743,678	16,499,666
Communication	4,222,376	3,901,097	18,317,833
Rent, rates and taxes	5,424,827	3,003,633	15,859,732
Legal and professional	12,269,502	5,588,012	27,795,599
Power and fuel	7,779,523	7,166,165	24,142,089
Repair and maintenance			
- Buildings	233,021	155,644	1,872,269
- Others	3,265,813	1,304,200	11,726,504
Advertisement and business promotion	4,959,402	4,507,496	13,193,526
Conference, exhibition and seminar	12,900	387,889	8,172,526
Information technology expenses	2,113,656	1,682,314	7,111,667
Advances and other current assets written off	-	-	6,609,696
Commission to channel partners	589,734	2,035,431	4,517,151
Provision for doubtful debts/advances/other current assets (including bad debts written off)	943,031	355,299	5,866,055
Provision for diminution in the value of investments	-	-	4,895,477
Printing and stationery	2,172,709	2,803,186	6,853,797
Insurance	927,189	768,889	3,543,798
Bank charges	344,192	257,009	1,661,660
Miscellaneous expenses	5,490,373	2,658,684	21,354,029
<b>Total</b>	<b>418,752,950</b>	<b>336,323,605</b>	<b>1,396,563,842</b>

19. The company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of updating the documentation for the international transactions entered into with associated enterprises during the period/year and expects such records to be in existence latest by the due date of filing of the return of income, as required under law. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.
20. Previous period/year figures have been regrouped/ reclassified wherever necessary to make them comparable with the current period and year figures.

**Nucleus Software Exports Ltd.**

**Consolidated Balance Sheet as at 30 June 2008**

	As at 30 June 2008 (Rupees)	As at 30 June 2007 (Rupees)	As at 31 March 2008 (Rupees)
<b>Sources of funds</b>			
<b>Shareholders' funds</b>			
Share capital	323,685,240	161,618,120	323,685,240
Advance pursuant to stock option schemes	6,754,100	7,213,100	6,754,100
Reserves and surplus	1,912,603,324	1,622,334,013	1,829,507,034
	<u>2,243,042,664</u>	<u>1,791,165,233</u>	<u>2,159,946,374</u>
<b>Deferred tax liability</b>	2,796,851	3,495,177	2,589,446
	<u><b>2,245,839,516</b></u>	<u><b>1,794,660,410</b></u>	<u><b>2,162,535,820</b></u>
<b>Application of funds</b>			
<b>Fixed assets</b>			
Gross block	971,031,772	888,809,191	950,342,530
Less: Accumulated depreciation	<u>(416,348,693)</u>	<u>(285,414,063)</u>	<u>(379,276,057)</u>
Net block	554,683,079	603,395,129	571,066,473
Add: Capital work in progress (including capital advances)	<u>134,733,996</u>	<u>7,459,153</u>	<u>20,487,398</u>
	<u><b>689,417,075</b></u>	<u><b>610,854,282</b></u>	<u><b>591,553,871</b></u>
<b>Investments</b>	666,488,740	708,553,269	905,683,618
<b>Deferred tax asset</b>	11,301,057	-	2,746,398
<b>Current assets, loans and advances</b>			
Sundry debtors	714,789,870	650,887,345	678,142,849
Cash and bank balances	295,291,464	164,625,618	175,019,463
Loans and advances	348,317,182	123,430,050	166,588,896
Other current assets	<u>433,791,088</u>	<u>214,528,890</u>	<u>331,672,434</u>
	<u><b>1,792,189,604</b></u>	<u><b>1,153,471,902</b></u>	<u><b>1,351,423,642</b></u>
<b>Less: Current liabilities and provisions</b>			
Current liabilities	(703,778,777)	(621,496,383)	(486,981,430)
Provisions	<u>(209,778,184)</u>	<u>(56,722,661)</u>	<u>(201,890,279)</u>
	<u><b>(913,556,962)</b></u>	<u><b>(678,219,044)</b></u>	<u><b>(688,871,709)</b></u>
<b>Net current assets</b>	<u><b>878,632,643</b></u>	<u><b>475,252,859</b></u>	<u><b>662,551,933</b></u>
<b>TOTAL</b>	<u><b>2,245,839,515</b></u>	<u><b>1,794,660,410</b></u>	<u><b>2,162,535,820</b></u>

**Nucleus Software Exports Ltd.**

**Consolidated Profit and Loss Account for the Quarter ended 30 June 2008**

	For the quarter ended 30 June 2008 (Rupees)	30 June 2007 (Rupees)	For the year ended 31 March 2008 (Rupees)
Sales and services	828,971,064	666,566,668	2,887,174,622
Software development expenses	560,608,848	415,543,941	1,745,144,014
<b>Gross profit</b>	<b>268,362,216</b>	<b>251,022,727</b>	<b>1,142,030,608</b>
Selling and marketing expenses	69,904,649	48,200,346	209,512,177
General and administration expenses	56,576,034	42,195,971	198,402,646
<b>Operating profit before depreciation and withholding tax</b>	<b>141,881,533</b>	<b>160,626,410</b>	<b>734,115,786</b>
Depreciation	33,737,092	24,829,014	118,463,957
Withholding taxes charged off	21,801,368	3,402,203	41,497,730
<b>Operating profit after depreciation and withholding tax</b>	<b>86,343,072</b>	<b>132,395,193</b>	<b>574,154,098</b>
Other income	63,257,369	27,506,261	72,540,241
(Loss) / Gain on foreign exchange fluctuation (net)	(74,817,998)	(13,090,329)	(2,068,062)
<b>Profit before taxation</b>	<b>74,782,443</b>	<b>146,811,125</b>	<b>644,626,277</b>
Provision for tax - current income tax	8,179,298	17,307,560	82,886,834
- MAT credit entitlement	(7,000,000)	(13,100,000)	(59,650,000)
- fringe benefit tax	1,870,000	1,600,000	7,167,414
- deferred tax charge / (credit)	(8,554,659)	889,036	(2,784,932)
- income tax for earlier year	0	-	(455,387)
Provision for wealth tax	-	-	70,040
<b>Profit after taxation</b>	<b>80,287,804</b>	<b>140,114,529</b>	<b>617,392,308</b>
<b>Profit available for appropriation</b>			
Profit for the year	80,287,804	140,114,529	617,392,308
Add: Balance brought forward	1,171,206,713	768,827,981	768,827,982
<b>Total amount available for appropriation</b>	<b>1,251,494,517</b>	<b>908,942,510</b>	<b>1,386,220,290</b>
Proposed dividend	-	-	97,101,072
Interim dividend	-	-	-
Corporate dividend tax	-	-	33,497,327
Transferred to general reserve	-	-	84,415,178
<b>Balance carried forward to the Balance Sheet</b>	<b>1,251,494,517</b>	<b>908,942,510</b>	<b>1,171,206,713</b>
<b>Earnings per share ( par value Rs. 10 each)</b>			
Basic	2.48	4.34	19.08
Diluted	2.46	4.24	18.93
<b>Number of shares used in computing earnings per equity share</b>			
Basic	32,367,024	32,320,624	32,358,999
Diluted	32,641,019	33,017,917	32,615,059

**Nucleus Software Exports Ltd.**  
**Consolidated Cash Flow Statement for the Quarter ended 30 June 2008**

	<b>For the quarter ended 30 June 2008</b>	<b>30 June 2007</b>	<b>For the year ended 31 March 2008</b>
<b>A. Cash flow from operating activities</b>			
Net profit before tax	74,782,443	146,811,125	644,626,277
<i>Adjustment for:</i>			
Depreciation	33,737,092	24,829,014	118,463,957
Exchange difference on translation of foreign currency accounts	57,457,896	(29,751,011)	(2,087,636)
Dividend received from non trade investments	(4,181,450)	(2,451,717)	(21,405,254)
Interest on fixed deposits	(348,424)	(239,900)	(1,378,783)
Profit on sale of investments	(51,051,725)	(19,484,525)	(24,833,708)
Amortisation of employees compensation expenses	1,665,764	1,913,580	5,990,268
Profit on sale of fixed assets (net)	-	(492,709)	(907,591)
Loss on assets discarded	-	-	-
Bad debts / advances written off	-	-	-
Advances and other current assets written off	-	-	6,609,696
Provision for doubtful debts / advances	943,031	46,875	6,838,935
Provision for diminishing in value of investment	-	-	-
Operating profit before working capital changes	113,004,627	121,180,733	731,916,160
Decrease / (increase) in debtors	(23,530,213)	(98,615,172)	(129,881,015)
Decrease / (increase) in loans and advances	(173,171,963)	(1,203,090)	(73,086,724)
Decrease / (increase) in other current assets	(87,102,990)	(32,837,814)	(150,102,474)
(Decrease) / increase in current liabilities	139,906,888	(18,427,936)	(112,621,714)
	(30,893,650)	(29,903,278)	266,224,233
Direct taxes paid	(7,291,261)	(5,616,015)	(12,286,599)
Fringe benefit tax paid	(1,800,000)	(1,995,000)	(9,969,688)
<b>Net cash from operating activities (A)</b>	<b>(39,984,911)</b>	<b>(37,514,293)</b>	<b>243,967,947</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress	(134,935,840)	(67,991,879)	(159,203,099)
Sale of fixed assets	-	582,855	4,350,823
Purchase of current investments	(499,720,495)	(546,674,454)	-
Proceeds on sale of current investments	789,967,099	547,698,156	(190,757,464)
	-	-	-
Interest on fixed deposits	209,694	111,928	1,371,927
Tax paid	(137,568)	(1,545,851)	(2,067,602)
Dividend received from non trade investments	4,181,450	2,451,717	21,405,254
<b>Net cash used in investing activities (B)</b>	<b>159,564,340</b>	<b>(65,367,528)</b>	<b>(324,900,161)</b>
<b>C. Cash flow from financing activities</b>			
Dividend paid (including corporate dividend tax thereon)	-	-	(16,995,000)
Advance pursuant to employee stock option scheme	-	-	5,191,800
<b>Net cash used in financing activities (C)</b>	<b>-</b>	<b>-</b>	<b>(11,803,200)</b>
Net (decrease) / increase in cash and cash equivalents	<b>119,579,430</b>	<b>(102,881,820)</b>	<b>(92,735,413)</b>
Opening cash and cash equivalents	<b>175,019,463</b>	<b>268,251,436</b>	<b>268,251,436</b>
Effect of exchange rate change	692,571	(743,999)	(496,560)
Closing cash and cash equivalents *	<b>295,291,464</b>	<b>164,625,617</b>	<b>175,019,462</b>

\*include fixed deposits amounting to Rs. 6,712,120 (Rs. 9,954,311) 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' prescribed under Companies (Accounting Standard) Rules, 2006.
- Cash and cash equivalents consist of cash on hand and balances with scheduled banks / non-scheduled banks.

## **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.

### **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 nineteen years Nucleus has built a distinguished reputation of providing innovative and comprehensive software solutions and products in the BFSI Vertical. The geographical spectrum of clients 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 branch offices in India, UK, UAE and Korea. 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.

### **Company Strengths**

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

Our every move is guided by a single-minded focus on becoming a leading IT solutions provider in the Banking and Financial Services industry. It is this dream that steered our organization in

1996 towards creating products that redefine quality and efficiency, highly appreciating the value of a delighted customer. Today a comprehensive suite of products provides solutions to the banking business.

Deep functionality combined with latest technology and our domain expertise enables us to position the Company globally as a “Product Company”.

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

*Some of the notable accolades won by Nucleus are:*

- Nucleus Software was recognized as the **Top Exporter in the IT & ITES sector** and was conferred the "D&B - ECGC Indian Exporters' Excellence Award" by D&B India and ECGC India. 2007
- Nucleus Software has been listed among the ‘Best 200 under a billion companies in Asia’ (2007) by Forbes Asia magazine.
- FinnOne™ Suite ranked No 2, best selling retail lending software globally by IBS publishing, the UK based financial publication
- Nucleus Software amongst the top 15 ‘most exciting emerging IT/BPO companies to work for’ says NASSCOM.
- Nucleus Software has been selected as one of the top 25 companies adopting “Good Corporate Governance Practices” by the Institute of Company Secretaries of India for second consecutive year in 2007.
- Nucleus Software was adjudged as one of the fastest growing companies in Asia Pacific under Deloitte Technology Fast 500 -2007
- Nucleus Software was conferred with Oracle Partner of the Year Award in Fusion Middleware category at an APAC level. Nucleus Software was awarded for being the Fastest Growing ISV in 2007 by Oracle Corporation
- The Company’s flagship product FinnOne™ was recognized as the “No. 1 Best Selling Retail Lending Software” by IBS Publishing for the year 2006.
- Received the award for “Excellence in Financial Reporting” by the Institute of Chartered Accountants of India (ICAI) for financial year 2005. Our Annual Report has been adjudged as No. 2 in the category of ‘Information Technology, Communication and Entertainment Enterprises’ companies.
- Annual Report for financial year 2005 has received the ‘**Merit Award**’ for “**Best Presented Accounts Award**” by the **South Asian Federation of Accountants** in January 2007 in the category of ‘Communication and Information Technology Sector’.

- Nucleus Software was ranked **13th in Dataquest Top 20 Best Employers Survey 2006**.  
Survey was conducted by IDC-Dataquest amongst 200 IT employers across India

### **Risks and Concerns**

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

#### **1. Revenue Concentration:**

**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. During the quarter, we derived 74 % of our revenues from the top 5 clients against 66% of revenues from the top 5 clients in the corresponding period of the previous year. Increased revenue from individual clients has an advantage of lower marketing costs, predictability of revenue, easier resource planning and focused relationships, which deliver customer satisfaction. At the same time, we are exposed to risks of the client reducing IT expenditure, reducing man month rates, reducing the size of engagement due to external factors etc.

These advantages and risks have to be balanced and we believe the solution is to increase the number of large clients, as business with existing clients is the backbone of our platform for providing complete product and services solutions.

We reiterate our commitment to reduce the revenue from top 5 clients to 40 % of the total revenue in the medium term. To achieve this , the Company is making substantial investments in marketing and brand building in other growing markets to sign new clients. We endeavor to mitigate risk by delivering value on a consistent basis .

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

	<i>Quarter ended</i>	
	<b>June 30, 2008</b>	<b>June 30, 2007</b>
% of Revenue from the top-five clients	74 %	66%
Clients accounting for > 10% of revenues	3	3

**Geographic concentration:-** Geographical risk is attributable to all the factors, which are peculiar or sensitive to a region. Concentration of revenue from any country exposes us to the risks specific to its economic condition, global trade policies, local laws, and political environment.

The revenues from Far East region have been growing constantly. Revenue from this region accounts for 50% of the total revenue and has grown by more than 50% over the previous year



This concentration of revenue increases the susceptibility of the revenue to events that take place in these geographies. Besides political risk, there are other risks of changes in taxation policy, regulations regarding deputation of skilled manpower, civil unrest, epidemics and wars.

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

Geographic Area	Quarter Ended	
	June 2008	June 2007
India	9.35%	14.36%
Far East	53.11%	45.09%
South East Asia	14.91%	16.29%
Europe/UK	8.07%	6.11%
USA & Canada	0.29%	1.61%
Middle East	8.70%	12.05%
Africa	3.80%	2.52%
Rest of the World	1.77%	1.98%

Success in different geographies is a function of:

- ❑ Maturity of the Banking and Financial Industry
- ❑ GDP of the country / region
- ❑ Our marketing and sales effort
- ❑ Adaptability of our Product Offerings
- ❑ Growth of retail assets
- ❑ The pace of change in “Replacement” of expensive legacy systems.

In the BFSI segment, and more pertinently in the Product space, geographic concentration arises during the initial years as the reference base grows and gives confidence to new customers in our Product offerings.

We mitigate this risk by investing in new markets.

We are increasing our marketing efforts in Europe to seed the market for future growth. Our first product implementation in Europe went live in Italy in April 2006 and the second implementation went live in BeNeLux in March 2008. We are continuously evaluating opportunities in the US, Middle East & African region continue to be areas of great opportunity and we continue our deep focus in these markets.

**c. Political Risk:** Our subsidiaries are located in seven countries (Singapore, USA, Japan, Australia, Hong Kong, India, and Netherlands). Political activities in these countries also effect our operations and revenues. At the same time, such diversification strategy is also a de-risking mechanism to protect the Company from the political climate of any one country.

Our major operations are in India. Political environment in India has the greatest impact on our revenues. For the past few years India has witnessed a coalition government at the center.



Withdrawal of support by any one or two parties can lead to political instability. However, all parties have recognized that India's world-class education system and low cost structure has given it a competitive advantage in software exports. We believe that all Indian Governments will continue to create a conducive environment for growth of high technology focused Companies, which includes the Software sector.

**d. Industry concentration:** The Company operates in the "Banking and Financial Services" space and offers Products and Services to large Banks and Financial Institutions. This is an Industry concentration with attendant risk of our performance being linked to the health of the financial system and the banking sector worldwide.

While acknowledging this risk, we currently continue to focus on this sector and are confident that our "Value" based solutions will find greater market success. It is our estimate that today our solutions service less than 0.25 % of global retail assets and this risk would be meaningful at a much higher market penetration and share.

## 2. Exchange rate fluctuation:

The operating currency of the Parent Company is Indian Rupees. Majority of Company's expense (excluding expenses by Nucleus Software Solutions Pte Ltd., Singapore and our Japan and USA Subsidiaries) are also incurred in rupees, however 90% of the Company's revenue are in foreign currency. With revenues being earned in foreign currency, and costs being in Indian rupees, adverse fluctuations of exchange rate could impact the profitability of the business.

If the rupee becomes stronger relative to other currencies, Nucleus may lose the competitive advantage of low cost of delivery, affecting its revenues and margins.

The strengthening of the Indian currency against US\$ in April 2008 has signaled a new paradigm, possibly the end of a comfortable exchange rate regime. The Indian Rupee has appreciated by 12% against the US Dollar in the year 2007-08. While there are short-term adverse effects on revenue and profitability, the welcome part is the integration with global markets and the need for constant evolution of the Software Products business model.

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

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

## 3. *Liquidity and Capital Resources*

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

As of June 30, 2008 the cash and bank balances stood at Rs. 29.52 crore (Rs. 16.46 crore on June 30, 2007) and current investments in liquid schemes and Fixed Maturity Plans of mutual funds were Rs.66.40 crore against Rs. 56.92 crore as on June 30, 2007. All of them are in low risk liquid mutual funds in India.

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

Quarter Ended	June 30, 2008	June 30, 2007
Days of sale receivable	78	89
Cash and Bank Balances as % of assets	13.14%	9.17%
Cash and Bank Balances as % of revenue	35.61%	24.70%
Current investments as % of assets	29.56%	31.71%
Current investments as % of revenue	80.09%	85.39%

### **Financials**

#### **Share Capital**

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

Share Capital of the Parent Company increased from 16,160,312 Equity Shares of Rs. 10/- each as on June 30, 2007 to 32,367,204 Equity Shares of Rs. 10/- each as on June 30, 2008. Consequently, the paid up share capital increased from Rs.16.11 crore as on June 30, 2007 to Rs.32.36 crore as on June 30, 2008 including the amount in share forfeiture account.

The increase is consequent to:

- Allotment of 24,400 fully paid up Equity Share of Rs. 10/- each in pursuance of stock options exercised in July 2007 and October 2007 (adjusted for Bonus issues in the ratio of 1:1)
- Allotment of 16,182,312 fully paid up Equity Share of Rs. 10/- each as Bonus Shares by capitalization of Securities Premium account in the ratio of 1:1 to share holders holding Equity Shares of the Company on August 6, 2007 the record date.

### Subsidiaries:

Paid up Share Capital of the Subsidiaries as on June 30, 2008 is given below. As 100% of the Share Capital of subsidiaries is held by Nucleus Software Exports Limited and nominees; on consolidated of accounts, these amounts are contra with investments in Subsidiaries amount in the accounts of the Parent Company.

<i>Name of Subsidiary Company</i>	<i>Currency</i>	<i>As at June 30, 2008</i>		<i>As at June 30, 2007</i>	
		<i>In foreign Currency</i>	<i>Eqv. Rupees (in crores)</i>	<i>In foreign Currency</i>	<i>Eqv. Rupees (in crores)</i>
Nucleus Software Solutions Pte. Ltd. Singapore. 625,000 equity shares of S\$ 1 each.	<b>SGD</b>	625,000	1.63	625,000	1.63
Nucleus Software Inc., USA. 1,000,000 shares of US\$ 0.35 cents each	<b>USD</b>	350,000	1.63	350,000	1.63
Nucleus Software Japan Kabushiki Kaiga, Japan. 200 equity shares of JPY 50,000 each	<b>JPY</b>	10,000,000	0.41	10,000,000	0.41
Nucleus Software (HK) Ltd., Hong Kong. 100,000 equity shares of HK\$ 1 each.	<b>HKD</b>	100,000	0.06	100,000	0.06
Nucleus Software (Australia) Pty Ltd., Australia. 316,000 equity shares of Aus \$ 1 each	<b>Aus \$</b>	316,000	0.98	316,000	0.98
VirStra I-Technology Services Limited. India. 1,000,000 equity shares of Rs. 10 each	<b>INR</b>	-	1.00	-	1.00
Nucleus Software Netherlands BV., Netherlands. 1000 equity shares of Euro 100 each	<b>Euro</b>	100,000	0.54	100,000	0.54
Nucleus Software Limited, India 250,000 equity shares of Rs.10/- each	<b>INR</b>	-	0.25	-	-
<b>Step down Subsidiary of Nucleus Software Exports Ltd.</b>					
Virstra (Singapore) Pte. Ltd., Singapore. 200,000 equity shares of S\$ 1 each	<b>SGD</b>	200,000	0.56	200,000	0.56

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

### **Reserves and Surplus**

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

(Rs. In crore)

<b><i>Particulars</i></b>	<b><i>Balance as on April 1, 2008</i></b>	<b><i>Additions/ (Deletions) during the quarter</i></b>	<b><i>Closing Balance as on June 30, 2008</i></b>
General Reserve	61.45	-	61.45
Securities Premium	2.05	-	2.05
Capital Reserve	0.18	-	0.18
Employee Stock Options (net of deferred employee compensation)	0.93	0.16	1.09
Foreign Currency Translation Reserve	1.23	1.32	2.55
Hedging Reserve	0.00	-1.21	-1.21
Profit and Loss Account Balance	117.12	8.03	125.15
<b>Total</b>	<b>182.96</b>	<b>8.31</b>	<b>191.26</b>

### **Fixed Assets**

As at June 30, 2008, gross block of fixed assets including investment in technology assets was Rs. 97.10 crore (Rs. 88.88 crore as on June 30, 2007). 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. 68.94 crore as on June 30, 2008 compared to Rs. 61.09 crore as on June 30, 2007.

### **Other Long-Term Investment**

Other Long term investment comprise of:

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.

### **Current Investments**

Current Investments of the Company as on June 30, 2008 was Rs. 66.40 crore against Rs. 56.92 crore as in June 30, 2007. All of them are in low risk liquid mutual funds in India.

- Rs. 3.40 crore in ICICI Prudential Flexible Income Plan - (D)
- Rs. 1.50 crore in ING Long Term FMP 1 Inst. (G)
- Rs. 2.50 crore in ABN AMRO FTPS8-Yly Plan A-Inst.(G)
- Rs. 6.00 crore in HSBC Fixed Term Series-44 Inst. (G)
- Rs. 5.00 crore in HDFC FMP 13M March 2008 (VII)(2) -Wholesale Plan (G)
- Rs. 5.00 crore in HDFC FMP 90D May 2008 (VIII) (2)-Wholesale Plan (D)
- Rs. 1.42 crore in LICMF Liquid Plus Fund-(D)
- Rs. 1.00 crore in Reliance Fixed Horizon Fund-VIII Series 11-Inst. (D)
- Rs. 2.00 crore in Reliance Fixed Horizon Fund-VIII Series-10-Inst. (D)
- Rs. 2.00 crore in Kotak FMP 14M Series-4 - Inst. (G)
- Rs. 5.00 crore in DWS Fixed Term Fund Series 47-Inst. (G)
- Rs. 3.39 crore in JM Interval Fund-Quarterly Plan 5 -Inst. (D)
- Rs. 1.00 crore in DSP Merrill Lynch FTP Series 3D-Inst. (G)
- Rs. 4.00 crore in DSP Merrill Lynch FTP Series 12 1/2 M-Inst. (G)
- Rs. 2.50 crore in Lotus India FMP 375 Days Series II Inst. Growth
- Rs. 1.50 crore in Lotus India FMP 375 Days Series VII Inst. Growth
- Rs. 1.00 crore in Sundaram BNP Paribas Interval Fund Qly-Plan C - Inst-(D)
- Rs. 3.00 crore in Sundaram BNP Paribas Fixed Term Plan D- Inst. (G)
- Rs. 2.00 crore in Sundaram BNP Paribas Fixed Term Plan E- Inst. (G)
- Rs. 1.50 crore in Canara Robeco Liquid Plus -Inst. (D)
- Rs. 1.65 crore in DWS Liquid Plus Fund-Regular-(D)
- Rs. 1.00 crore in IDFC Fixed Maturity Plan-Qtrly Series 34-(D)
- Rs. 5.00 crore in IDFC Fixed Maturity Plan-YIV Series 19-Plan B-(G)
- Rs. 2.01 crore in LIC Liquid Fund D Option
- Rs. 2.01 crore in SBI SHF Liquid Plus Fund

### **Cash and Bank Balances**

Cash and bank balance represent 13.14% and 9.17 % of the total assets as on June 30, 2008 and June 30, 2007 respectively.

As at	June 30, 2008	(Rs. in crore) June 30, 2007
Cash and cheques in hand	0.04	0.05
Balances with Bank		
—In Current Accounts	28.28	14.92
—In Fixed Deposit Account	1.19	0.93
Remittance in transit	-	0.56
Total	29.52	16.46

### Trade Receivables

Sundry Debtors amount to Rs. 71.47 crore (net of provision for bad and doubtful debts) as on June 30, 2008 (Rs. 65.09 crore, net of provision for bad and doubtful debts as on June 30, 2007).

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

As at	June 30, 2008	June 30, 2007
Less than 6 months	93.31%	91.75%
More than 6 months	6.69%	8.25%
Days of sale receivable	78	89

### Loans and Advances

The amount is Rs. 34.83 crore as on June 30, 2008 (Rs.12.34 crore as on June 30, 2007).

<i>(Rs. in crore)</i>		
As at	June 30 2008	June 30 2007
Advances Recoverable in cash or for value to be received	21.45	4.84
Security deposits	2.83	2.52
Advances income tax	1.21	0.90
Advance Fringe Benefit tax	0.27	0.03
MAT credit entitlement	6.47	1.31
Prepaid Expenses	2.61	2.74
<b>Total</b>	<b>34.84</b>	<b>12.34</b>

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. 21.45 crore as on June 30, 2008 (Rs. 4.84 crore as on June 30, 2007).

The amount includes Rs.15.87 crore to be received by the Company on account of sale of the investment in GMAC Financial Services India Ltd. to GMAC- LLC, USA, in accordance with exercise of put option in October 2007. This amount has been received fully in July 2008.

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs. 2.83 crore as on June 30, 2008 (Rs. 2.52 crore as on June 30, 2007)

Prepaid expenses stood at Rs.2.61 crore as on June 30, 2008 (Rs.2.74 crore as on June 30, 2007).

Pursuant to the changes in the Indian Income Tax Act, the Company has calculated its tax liability after considering Minimum Alternate Tax (MAT). A sum of Rs. 6.47 crore is carried forward and shown under Loans & Advances in the Balance Sheet as at June 30, 2008 to be set off against future tax liabilities.

### **Current Liabilities**

<i>(Rs. In crore)</i>		
<b>As at</b>	<b>June 30 2008</b>	<b>June 30 2007</b>
Sundry Creditors	52.85	28.07
Withholding Tax	3.70	1.89
Advances from customers	9.47	28.06
Unclaimed Dividend	0.10	0.11
Other Liabilities	4.25	4.01
<b>Total</b>	<b>70.37</b>	<b>62.14</b>

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

The total amount of Sundry Creditors as on June 30, 2008 is Rs. 52.85 crore (Rs. 28.07 crore as on June 30, 2007.)

Withholding tax payable represents the amount of liability of withholding taxes to be deducted/deductible by overseas clients/ Subsidiaries on income billed to them by the Parent Company. The total amount of withholding tax liability as on June 30, 2008 is Rs. 3.70 Crore (Rs. 1.89 crore as on June 30, 2007).

The amount of Unclaimed Dividend as on June 30, 2008 is Rs. 0.10 crore (Rs. 0.11 crore as on June 30, 2008).

Advances from customers as on June 30, 2008 is Rs. 9.47 crore (Rs. 28.06 crore as on June 30, 2007). These consist of advance payments received from customers and “Unearned Revenue”; Unearned Revenue is defined as client billing for which related costs have not been incurred or product license delivery is at later date.

Other liabilities represent amounts accrued for statutory dues related to taxes and staff benefits etc. The total amount of other liabilities as on June 30, 2006 is Rs. 4.25 crore (Rs. 4.01 crore as on June 30, 2007).

### **Provisions**

Provisions at Rs. 20.98 crore as on June 30, 2008 (Rs. 5.67crore as on June 30, 2007) includes provision for taxation, gratuity and leave encashment.

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

(Rs. in crore)

Provisions	As on June 30, 2008	As on June 30, 2007
Gratuity	4.24	2.40
Leave encashment	4.52	3.27
Taxation (Net of advance tax)	0.86	-
Fringe benefit tax		-
Dividend	9.71	-
Dividend Tax	1.65	-
<b>Total</b>	<b>20.98</b>	<b>5.67</b>

### Results of Operations

(Rs. in crore)

For the Quarter Ended	June 30,2008	Rev. %	June30,2007	Rev. %	Growth %
<b>Income from Software Services and Products</b>	<b>82.90</b>	<b>100.00</b>	<b>66.66</b>	<b>100.00</b>	<b>24.35</b>
Software Development Expenses	56.06	<b>67.63</b>	41.55	<b>62.33</b>	34.92
Gross Profit	26.83	<b>32.37</b>	25.11	<b>37.67</b>	6.85
Selling and Marketing Expenses	6.99	<b>8.43</b>	4.82	<b>7.23</b>	45.02
General and Administration Expenses	5.66	<b>6.83</b>	4.22	<b>6.33</b>	34.12
<b>Operating Profit before Interest, Depreciation and Withholding Taxes</b>	<b>14.18</b>	<b>17.11</b>	<b>16.07</b>	<b>24.11</b>	<b>(11.76)</b>
Depreciation	3.37	<b>4.07</b>	2.48	<b>3.72</b>	35.89
Withholding Taxes	2.18	<b>2.63</b>	0.34	<b>0.51</b>	541.18
Operating Profit after Interest, Depreciation and Withholding Taxes	<b>8.63</b>	<b>10.41</b>	13.24	<b>19.86</b>	(34.82)
(Loss)\ Gain on foreign exchange fluctuation (net)	(7.48)	<b>(9.02)</b>	(1.31)	<b>(1.97)</b>	470.99
Other Income	6.32	<b>7.62</b>	2.75	<b>4.13</b>	129.82
<b>Profit before Tax</b>	<b>7.47</b>	<b>9.01</b>	<b>14.68</b>	<b>22.02</b>	<b>(49.11)</b>
Provision for Taxation	(0.55)	<b>(0.66)</b>	0.67	<b>1.01</b>	<b>(182.09)</b>
<b>Profit after Tax</b>	<b>8.02</b>	<b>9.68</b>	<b>14.01</b>	<b>21.02</b>	<b>(42.76)</b>

### Income

The revenue of the Company is derived from software products and projects and services.

The Company's consolidated revenue from operations for the quarter ended June 30, 2008 is Rs. 82.90 crore as against Rs. 66.66 crore for the quarter ended June 30, 2007, representing an increase of 24.35 %.

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



## Expenditure

### Software Development Expenses

Software development expenses primarily consist of compensation to our software professionals, expenses on travel to execute work at client site, consultancy charges, software development charges, cost of software purchased for delivery to clients, bandwidth and communication expenses and proportionate infrastructure charges. The Company incurred total software development expenses of Rs 56.06 crore at 67.63 % of revenue during the quarter ended June 30, 2008 against Rs. 41.55 crore at 62.33 % 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 34.91 % in absolute terms, whereas revenue has increased by 24.35 %.

(Rs. in crore)

Quarter Ended June 30,	2008	% of Revenue	2007	% of Revenue	Growth %
Employee Costs	35.24	42.5	26.49	39.73	33.03
Travel Expenses	3.92	4.73	4.33	6.5	(9.46)
Rent, Rates and Taxes	3.18	3.84	2.28	3.42	39.62
Cost of Software Purchased for Delivery to Clients	6.26	7.55	2.42	3.63	158.61
Communication	0.51	0.61	0.46	0.69	10.53
Consultancy Charges	3.08	3.71	3.23	4.85	(4.68)
Power and Fuel	0.71	0.86	0.72	1.08	(1.39)
Software and Other Development Charges	0.97	1.17	0.16	0.24	506.25
Legal and Professional	0.75	0.91	0.4	0.6	87.71
Conveyance	0.28	0.34	0.27	0.41	4.68
IT Expenses	0.21	0.25	0.16	0.24	28.91
Repairs and Maintenance	0.3	0.37	0.14	0.22	114.29
Training and Recruitment	0.37	0.44	0.23	0.35	59.69
Others	0.28	0.34	0.26	0.39	7.69
<b>Total Software Development Expenses</b>	<b>56.06</b>	<b>67.63</b>	<b>41.55</b>	<b>62.33</b>	<b>34.91</b>
<b>Revenue</b>	<b>82.9</b>	<b>100</b>	<b>66.66</b>	<b>100</b>	<b>24.35</b>

Employee costs have increased 33.03 % over corresponding quarter of the previous year, with additions in numbers. These employee costs include employee costs in “Product Development Group”, which are expensed.

Cost of Software Purchased’ has increased to Rs.6.26 crore against Rs. 2.42 crore during the corresponding quarter of the previous year, due to implementation of bought out credit card systems at customer sites.

Gross Margin consequently increased from Rs.25.11 crore to Rs.26.83 crore representing an increase of 6.85 %.

### **Selling and Marketing Expenses**

Our selling and marketing expenses comprise of compensation of sales and marketing personnel, travel, brand building (advertisement, conference, seminar, etc), communication, training and recruitment and other allocated infrastructure costs. The Company has ambitious plans to increase geographical reach with a mix of direct sales effort and channel partner effort and building a global brand for its products.

The Company incurred selling and marketing expenses of Rs.6.99 crore, 8.43% of revenue during the quarter ended June 30, 2008 against Rs.4.82 crore, 7.23% of revenue during the corresponding quarter of previous year. In comparison to corresponding quarter of previous year, the selling and marketing expenses have increased by 45.02 % in absolute terms.

(Rs. In crore)

<b>Quarter Ended June 30,</b>	<b>2008</b>	<b>% of Revenue</b>	<b>2007</b>	<b>% of Revenue</b>	<b>Growth %</b>
Employee Costs	4.09	4.93	2.70	4.05	51.48
Travel Expenses	1.16	1.40	0.73	1.10	58.90
Rent, Rates and Taxes	0.34	0.41	0.21	0.32	61.90
Advertisement and Business Promotion	0.47	0.57	0.33	0.50	38.24
Communication	0.14	0.17	0.12	0.18	16.67
Conference, Exhibition and Seminar	-		0.04	0.06	
Commission on Sales	0.06	0.07	0.18	0.27	-66.67
Others	0.73	0.88	0.51	0.77	43.14
Total Selling and Marketing Expenses	<b>6.99</b>	<b>8.43</b>	<b>4.82</b>	<b>7.23</b>	<b>45.02</b>
<b>Revenue</b>	<b>82.90</b>	<b>100.00</b>	<b>66.66</b>	<b>100.00</b>	<b>24.35</b>

Employee costs have increased 51.48% with increase in numbers and effect of annual performance reviews.

### **General and Administrative Expenses**

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

The Company incurred general and administrative expenses amounting to Rs. 5.66 crore, 6.83 % of revenue during the quarter ended June 30, 2008 against Rs .4.22 crore, 6.33 % of revenue during the corresponding quarter of previous year.

(Rs. in crore)

Quarter Ended June 30,	2008	% of Revenue	2007	% of Revenue	Growth %
Employee Costs	3.19	3.85	2.65	3.98	20.38
Travel Expenses	0.58	0.70	0.13	0.20	NA
Legal and Professional	0.63	0.76	0.47	0.71	34.04
Communication	0.11	0.13	0.07	0.11	57.14
Rent, Rates and Taxes	0.14	0.17	0.09	0.14	55.56
Provision for Doubtful Debts	0.09	0.11	-	0.00	
Printing and Stationery	0.08	0.09	0.04	0.06	87.50
Conveyance	0.06	0.07	0.07	0.11	-11.43
Power and Fuel	0.06	0.07	0.06	0.09	3.33
Advertisement	0.06	0.07	0.15	0.23	-58.65
Training and Recruitment	0.12	0.14	0.03	0.05	NA
Consultancy Charges	-		0.01	0.02	
Others	0.52	0.63	0.44	0.66	18.18
<b>Total General and Administrative Expenses</b>	<b>5.66</b>	<b>6.83</b>	<b>4.22</b>	<b>6.32</b>	<b>34.12</b>
<b>Revenue</b>	<b>82.90</b>	<b>100.00</b>	<b>66.66</b>	<b>100.00</b>	<b>24.35</b>

Employee costs have increased 20.38% with increase in numbers and effect of annual performance reviews

### Operating Profit

During the quarter ended June 30, 2008 the Company earned consolidated operating profit (profit before interest, depreciation and withholding tax) of Rs. 14.18 crore representing 17.12 % of revenue as compared with Rs.16.07 crore representing 24.11 % of revenue for the quarter ended June 30, 2007.

### Depreciation

Depreciation at Rs. 3.37 crore on fixed assets is 4.07 % of the revenue for the quarter ended June 30, 2008 as against Rs. 2.48 crore, 3.72 % of the revenue for the quarter ended June 30, 2007.

### Withholding Taxes

Withholding taxes charged off represent withholding taxes charged to Profit and Loss Account during the quarter ended June 30, 2008, of Rs 2.18 crore (Rs. 0.34 crore for the quarter ended June 30, 2007). These relate to taxes withheld by customers/subsidiaries on overseas transactions.

### 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 June 30, 2008 is Rs. 6.31 crore against Rs. 2.76 crore for the quarter ended June 30, 2007.

(Rs. in crore)

For the Quarter Ended June 30,	2008	2007
<b><i>On Investments</i></b>		
Capital Gain	5.10	1.95
Dividend	0.42	0.26
Interest Income	0.03	0.02
Gain/ (Loss) on Foreign exchange	-0.23	0.07
Others	0.99	0.46
<b>Total</b>	<b>6.31</b>	<b>2.76</b>

### Provision for Income Tax

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

(Rs. in crore)

For the Quarter Ended June 30,	2008	2007
Current Tax	0.82	1.73
MAT Credit Entitlement	-0.70	-1.31
Fringe Benefit Tax	0.19	0.16
Deferred Tax Charges	-0.85	0.08
<b>Total</b>	<b>-0.54</b>	<b>0.66</b>

Your Company currently enjoys benefits of tax holidays notified by the Government of India for the export of software services from Software Technology Parks. With effect from the financial year ended 31 March 2008, Tax Authorities in India have extended 'Minimum Alternate Tax' MAT provisions to the profits on overseas income earned by the parent Company in India. The MAT amount determined in accordance with the statutory provisions is set off against withholding taxes and is further allowed to be carried forward to future years.

As a result of these benefits the tax liability of the Company in India is significantly low. We expect the tax liability of the Company to increase post the expiry of tax holiday.

### **Net Income**

During the quarter ended June 30, 2008, Company has earned a net profit of Rs. 8.02 crore (Rs. 14.01 crore for the quarter ended June 30, 2007). The net profit represents 9.68 % of revenue for the quarter ended June 30, 2008 as compared to 21.02 % of revenue for the quarter ended June 30, 2007.

## Additional Information to Shareholders

<b>1. Date of Incorporation</b>	January 9, 1989
<b>2. Registered office</b>	33-35, Thyagraj Nagar Market New Delhi-110003 India
<b>3. Corporate Office</b>	A-39, Sector 62 NOIDA, UP –201301 India
<b>4. Financial Calendar</b> (tentative and subject to change)	
Financial reporting for the first quarter ending June 30, 2008.	July 20, 2008
Financial reporting for the second quarter ending September 30, 2008.	between 20 <sup>th</sup> to 31 <sup>st</sup> October 2008
Financial reporting for the third quarter ending December 31, 2008.	between 20 <sup>th</sup> to 31 <sup>st</sup> of January 2009.
Financial results for the year ending	between 21 <sup>st</sup> to 30 <sup>th</sup> of April 2009

## 5. Share Related Data

- The Shares of Nucleus are listed on The National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Madras Stock Exchange Limited.
- Scrip Code (NSE) NUCLEUS
- Scrip Code (BSE) 531209
- The Company's shares are traded in "Group B-1" category at the Bombay Stock Exchange Ltd.
- International Securities Identification Number (ISIN code-NSDL and CDSL) INE096B01018
- Face value of the Company's equity shares is Rs. 10.
- Shares of the Company are compulsorily traded in demat form.
- 96.70 % of the Company's equity shares are in demat form.
- The Company had 12,518 shareholders as on June 30, 2008.

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

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

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

\* The dividend payout in 2007-08 and 2004-05 was on the enhanced capital consequent to 1:1 bonus issue made during the respective years.

- Registrars of Company

**Karvy Computershare Private Limited**  
Plot No. 17-24  
Vithal Rao Nagar, Madhapur  
Hyderabad 500 081  
Tel: 040-23420815-28  
Fax: 040- 23420814/23420857  
Email: [mailmanager@karvy.com](mailto:mailmanager@karvy.com)

## 6. Locations

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

Nucleus operates state-of-the-art Software Development Centers at NOIDA (U.P) and Chennai under the Software Technology Park scheme of the Government of India.

A Subsidiary VirStra-I Technology Services Ltd. operates a Development Centre at Pune under the Software Technology Park Scheme of the Government of India.

## 7. Stock market data relating to shares listed in India

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

	BSE					NSE				
	Open	High	Low	Close	Volume	Open	High	Low	Close	Volume
Apr-08	192.00	282.00	185.10	268.95	189,805	197.00	291.00	185.00	267.80	772,911
May-08	274.00	293.00	241.65	264.05	190,485	270.00	295.00	240.20	264.00	440,144
June-08	267.00	283.95	198.00	219.05	119,202	268.90	285.00	180.90	216.35	257,037

1. The highest share price of the Nucleus scrip at Bombay Stock Exchange Ltd. was Rs 293.00 in May 2008 and the lowest share price was Rs.185.10 in April 2008.
2. The highest share price of the Nucleus scrip at National Stock Exchange was Rs.295.00 in May 2008 and the lowest share price was Rs.180.90 in June 2008.

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

	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
<i>During Quarter ended</i>				
September 30, 2007 @	533.5	314.00	532.00	309.00
December 31, 2007	414.00	260.05	416.00	236.65
March 31, 2008	405.00	170.00	368.00	279.90
June 30, 2008	293.00	185.10	295.00	180.90

@ The shares of the Company got ex-price on August 3, 2007 as the Company declared Bonus issue on July 6, 2007 in the Annual General Meeting in the ratio of 1:1 and for the purpose of allotment of Bonus shares, August 6, 2007 was fixed as record date.

## 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 31,300,062 shares (96.70% of the paid up share capital) as at June 30, 2008.

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

## 9. Employee Stock Option Schemes

The Company earlier instituted an ESOP scheme 1999 in year 2000, ESOP scheme 2002 was instituted in 2002, ESOP scheme 2005 was instituted in 2005 and ESOP scheme 2006 was instituted in 2006. These schemes were duly approved by the Board of Directors and Shareholders in their respective meetings. The 1999 scheme originally provided for the issue of 170,000 Equity Shares, 2002 scheme for 225,000 Equity Shares, 2005 scheme for 625,000 Equity Shares and 2006 scheme for 10,00,000 Equity Shares to eligible employees and Directors. A Compensation Committee of Board of Directors administers these schemes.

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

## 10. Investors' Services

Details of request /complaints received during the quarter.

<i>S.No.</i>	<i>Nature of Requests</i>	<i>Received</i>	<i>Attended</i>	<i>Pending</i>
1.	Revalidation of Dividend Warrants	110	110	0
2.	Non-receipt of Dividend Warrant	7	7	0
3.	Issue of Duplicate Share Certificates	1	1	0
4.	Request for Stop Transfer	0	0	0
5.	Non receipt of Securities / Share Certificates	2	2	0
6.	Demat Queries	120	120	0

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

## 11. Legal Proceedings

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

## 12. Distribution of Shareholding

<i>As on June 30,2008</i>					
<i>No of Equity Shares Held</i>		<i>No. of Share holders</i>	<i>Percentage of Shareholders</i>	<i>No of Shares</i>	<i>Percentage of Shares</i>
<i>From</i>	<i>To</i>				
1 -	500	10,917	87.21	1,017,656	3.14
501 -	1000	808	6.45	589,662	1.82
1001 -	2000	354	2.83	535,719	1.66
2001 -	3000	121	0.97	309,474	0.96
3001 -	4000	73	0.58	266,059	0.82
4001 -	5000	43	0.34	201,813	0.62
5001 -	10000	81	0.65	564,585	1.74
10001 and above.		121	0.97	28,882,056	89.23
<b>TOTAL</b>		<b>12,518</b>	<b>100.00</b>	<b>32,367,024</b>	<b>100.00</b>

## 13. Categories of Shareholders

<i>As on June 30,2008</i>			
<i>Category</i>	<i>No. of Share Holders</i>	<i>Voting Strength (%)</i>	<i>No. of Shares Held</i>
Promoter and Promoter Group	11	59.55	19,274,190
Individuals	11,681	16.47	5,330,989
Bodies Corporate	491	5.57	1,801,933
Non-Resident Indians	245	1.55	500,630
Foreign Institutional Investors	24	10.87	3,518,260
Mutual Funds	12	5.87	1,900,119
FIs/Banks	3	0.07	22,200
Clearing Members and Trusts	51	0.06	18,703
<b>TOTAL</b>	<b>12,518</b>	<b>100</b>	<b>32,367,024</b>

**14. Investors' Correspondence may be addressed to:**

**The Company Secretary**  
Nucleus Software Exports Ltd.,  
33-35, Thyagraj Nagar Market  
New Delhi-110003  
**India**

Tel: ++91-(120)-2404050 Fax: ++91-(120)-2403972  
Email: investorrelations@nucleussoftware.com

**15. Employee Strength of Nucleus**

Nucleus employed 1,976 people as on June 30, 2008 as compared to 1,420 people on June 30, 2007.

Distribution of the employees is:

	<b>June 30, 2008</b>		<b>June 30, 2007</b>	
Technical Staff	1,823	92.26%	1,180	83.10%
Non-Technical Staff including Business Development Group	153	7.74%	240	16.90%
The gender classification of employees is:				
Male	1,533	77.58%	1,076	75.77%
Female	443	22.42%	344	24.23%
<b>Total</b>	<b>1,976</b>	<b>100.00%</b>	<b>1,420</b>	<b>100.00%</b>

The age profile of employees is:

	<b>June 30, 2008</b>		<b>June 30, 2007</b>	
	No.	%	No.	%
Between 20 and 25 years	443	22.42%	532	37.46%
Between 26 and 30 years	877	44.38%	520	36.62%
Between 31 and 40 years	577	29.20%	322	22.68%
Between 41 and 50 years	59	2.99%	37	2.61%
51 years and above	20	1.01%	9	0.63%
<b>Total</b>	<b>1,976</b>	<b>100.00%</b>	<b>1,420</b>	<b>100.00%</b>

**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](mailto:vishnu@nucleussoftware.com)

R P Singh  
President, Delivery

Tel:++91 (120) 2403981  
E Mail: [rp@nucleussoftware.com](mailto:rp@nucleussoftware.com)

P K Sanghi  
President, Finance & Chief Financial Officer

Tel:++91 (120) 2404036  
E Mail: [pk sanghi@nucleussoftware.com](mailto:pk sanghi@nucleussoftware.com)

Prakash Pai  
President, Product Management

Tel:++91 (120) 2404046  
E Mail: [pai@nucleussoftware.com](mailto:pai@nucleussoftware.com)

Niraj Vedwa  
President , Sales and Marketing

Tel:++91 (120) 2403979  
E Mail: [niraj@nucleussoftware.com](mailto:niraj@nucleussoftware.com)

Poonam Bhasin  
Company Secretary

Tel:++91 (120) 2403960  
E Mail: [poonam@nucleussoftware.com](mailto:poonam@nucleussoftware.com)



**Nucleus Software Exports Ltd.**  
**Consolidated Segment Information of Nucleus Software Group**

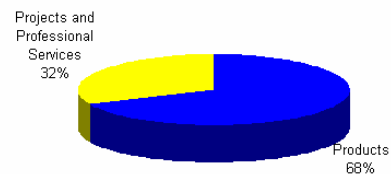
(Rupees in Crore)

REVENUE BY	Quarter Ended				Year Ended	
	30 June 2008	% of Revenue	30 June 2007	% of Revenue	31 March 2008	% of Revenue
<b>GEOGRAPHICAL SEGMENT</b>						
India	7.75	9.35	9.57	14.36	32.11	11.12
Far East	44.02	53.11	30.06	45.09	145.45	50.38
South East Asia	12.36	14.91	10.86	16.29	41.71	14.45
Europe/UK	6.69	8.07	4.07	6.11	15.52	5.38
USA& Canada	0.24	0.29	1.07	1.61	3.15	1.09
Middle East	7.21	8.70	8.03	12.05	28.97	10.03
Africa	3.15	3.80	1.68	2.52	13.45	4.66
Rest of the World	1.47	1.77	1.32	1.98	8.36	2.90
<b>TOTAL</b>	<b>82.89</b>	<b>100.00</b>	<b>66.66</b>	<b>100.00</b>	<b>288.72</b>	<b>100.00</b>
<b>CURRENCY SEGMENT</b>						
India Rupee	7.76	9.36	9.57	14.36	32.11	11.12
Japanese Yen	3.37	4.07	3.38	5.07	13.56	4.70
Singapore \$	9.31	11.23	6.77	10.16	30.39	10.53
US \$	61.11	73.72	46.77	70.16	211.60	73.29
Malaysian Ringgit	-	-	0.17	0.26	0.23	0.08
Euro	0.42	0.51	-	-	0.83	0.29
Korean Won	0.92	1.11	-	-	-	-
<b>TOTAL</b>	<b>82.89</b>	<b>100.00</b>	<b>66.66</b>	<b>100.00</b>	<b>288.72</b>	<b>100.00</b>
<b>BUSINESS SEGMENT</b>						
Products	57.26	69.08	44.17	66.26	197.41	68.37
Projects and Professional Services	25.63	30.92	22.49	33.74	91.31	31.63
<b>TOTAL</b>	<b>82.89</b>	<b>100.00</b>	<b>66.66</b>	<b>100.00</b>	<b>288.72</b>	<b>100.00</b>

**Business Segment Revenue for the  
Quarter Ended June 30, 2008**



**Business Segment Revenue for the  
Year Ended March 31, 2008**



## RATIO ANALYSIS

Particulars	CONSOLIDATED PERFORMANCE		
	Quarter ended		Year ended
	June 30, 2008	June 30, 2007	March 31, 2008
<b>Ratios- Financial Performance</b>			
Export Revenue/ Revenue	90.64	85.64	88.88
Domestic Revenue/ Revenue	9.36	14.36	11.12
Gross Profit/ Revenue	32.37	37.66	39.56
Software Development Expenses/ Revenue	67.63	62.34	60.44
Selling and Marketing Expenses/ Revenue	8.43	7.23	7.26
General and Administrative Expenses/ Revenue	6.82	8.18	6.87
Total Operating Expenses/ Revenue	82.88	75.90	74.57
Operating Profit/ Revenue	17.12	24.10	0.25
Depreciation/ Revenue	4.07	3.72	0.04
Other Income/ Revenue	(1.39)	5.98	0.02
Tax/ Revenue	(0.66)	1.00	0.01
Tax/ PBT	(7.36)	4.56	0.04
PAT from Ordinary Activities/ Revenue	11.07	18.97	0.19
PAT from Ordinary Activities/ Net Worth	4.11	7.09	0.25
ROCE(PBIT/Average Capital Employed)	3.40	8.51	0.34
RONW (PAT/Average Net Worth)	3.66	8.16	0.32
<b>Ratios Balance Sheet</b>			
Debtors Turnover (Days)	78	89	79
Asset Turnover Ratio	0.37	0.37	1.34
Current Ratio	1.96	1.70	2.77
Cash and Equivalents/Total Assets (%)	42.76	40.89	43.53
Cash and Equivalents/ Revenue (%)	115.71	110.09	22.95
Depreciation/Average Gross Block(%)	3.51	3.15	14.49
Technology Investment/ Revenue (%)	1.57	6.88	3.08
<b>Ratios - Growth</b>			
Growth in Export Revenue (%)	31.63	29.85	30.01%
Growth in Revenue (%)	24.36	33.96	30.53%
Operating Expenses Growth (%)	32.57	46.64	36.34%
Operating Profit Growth (%)	(11.67)	11.43	16.02%
PAT Growth (%)	(42.70)	4.58	11.95%
EPS Growth (%)	(42.86)	4.21	11.66%
<b>Per- Share Data (Period End)</b>			
Earning Per Share from Ordinary Activities (Rs.)	2.84	7.78	16.90
Earning Per Share (Including Other Income) (Rs.)	2.48	8.67	19.08
Cash Earning Per Share from Ordinary Activities (Rs.)	1.57	8.55	20.56
Cash Earning Per Share (Including Other Income)(Rs.)	3.52	10.21	22.74
Book Value (Rs.)	69.09	110.39	66.52
Price/Earning (Annualized)	21.80	29.44	9.96
Price/ Cash Earning (Annualized)	15.35	25.01	8.36
Price/Book Value	3.13	9.25	2.86

**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.