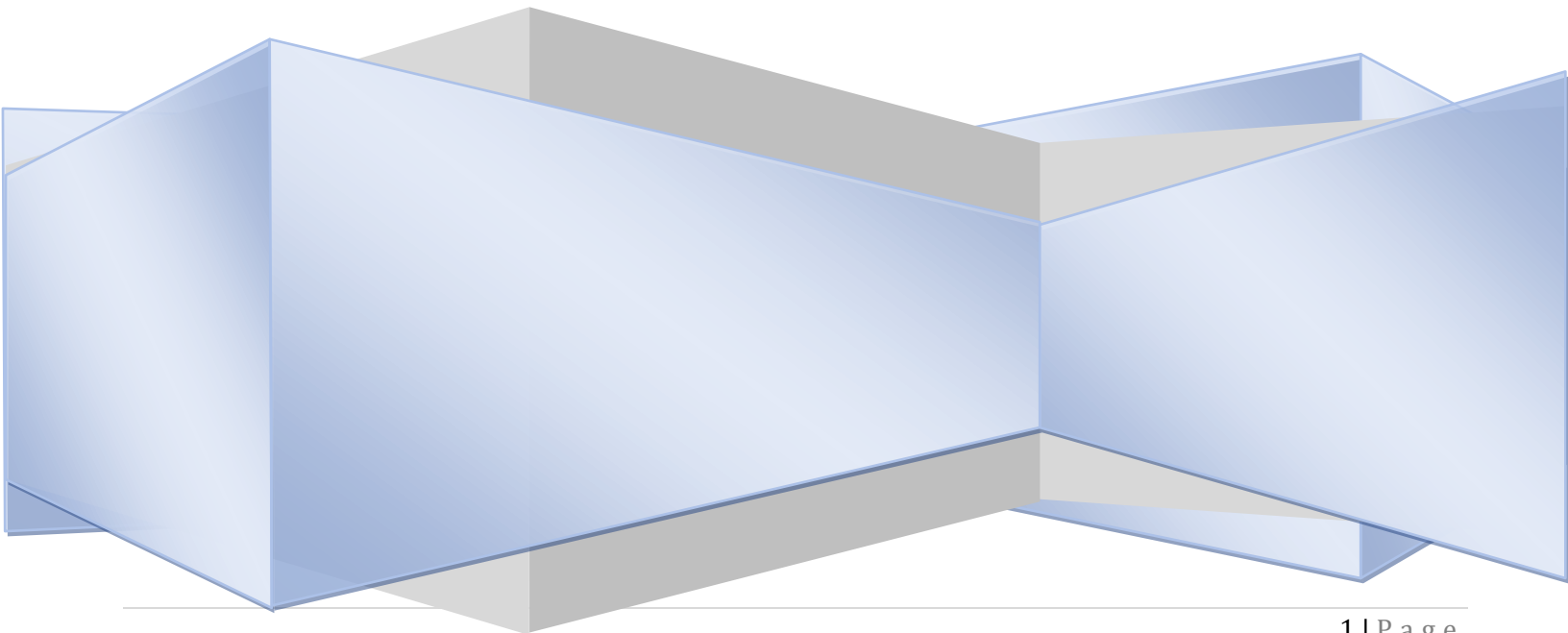


**NUCLEUS  
SOFTWARE**

# Quarterly Report

**December 31, 2013**



## TABLE OF CONTENTS

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Financial Highlights .....	3
Letter to the Shareholders.....	5
Financial Statements of Nucleus Software Exports Ltd.....	7
Auditors' Report.....	7
Balance Sheet.....	8
Profit & Loss.....	9
Cash Flow Statement.....	10
Notes Forming Part Of The Financial Statements .....	13
Notes Forming Part Of The Accounts For The Quarter Ended 31 December, 2013.....	19
Consolidated Financial Statements of Nucleus Software Exports Ltd. and its Subsidiaries .....	55
Consolidated Financial Statements .....	59
Management Discussion and Analysis- Consolidated.....	63
Additional Information to Shareholders.....	76
Consolidated segment Information .....	85
Ratio Analysis.....	87

## FINANCIAL HIGHLIGHTS

Rs. in Crore except per share data

Particulars	Consolidated Performance					
	For the Quarter ended			Nine Months ended		For the Year Ended
	December 31, 2013	September 30, 2013	December 31, 2012	December 31, 2013	December 31, 2012	March 31, 2013
Revenue from Operations	89.96	82.25	74.63	258.54	220.32	293.76
Operating Profit (EBITDA)	19.45	12.82	12.51	46.49	33.63	45.90
Profit after Tax (PAT)	23.39	10.94	12.33	45.50	34.72	45.17
EBITDA Margin	22%	16%	17%	18%	15%	16%
PAT Margin	26%	13%	17%	18%	16%	15%
EPS	7.22	3.38	3.81	14.05	10.72	13.95

At the end of the Period	As at		
	December 31, 2013	September 30, 2013	December 31, 2012
Share Capital	32.39	32.39	32.38
Reserves and Surplus	367.21	340.44	319.21
Net Worth	399.59	372.83	351.59
Total Assets	499.94	467.46	423.43
Net Fixed Assets	62.73	50.88	50.55
Investments	202.62	217.49	132.83
Current Assets	390.48	389.75	343.86
Cash and Cash Equivalents	279.97	289.59	249.44
Working Capital	303.25	308.58	284.08
Market Capitalisation	452.72	300.36	225.23
No. of Shareholders	15,095	15,095	16,792
No. of Shares (Face Value of Rs.10.00)	32,383,724	32,383,715	32,383,595

**Notes:**

- 1.) Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the quarter which is Rs. 139.80 at December 31, 2013, Rs. 92.75 at September 30, 2013, Rs. 69.55 at December 31 2012 & Rs. 72.50 at March 31, 2013..
- 2.) While calculating the figures of group, intergroup transactions have been ignored.
- 3.) Previous year figures have been regrouped/ reclassified wherever necessary.

USD million except per share data

Particulars	Consolidated Performance					
	For the Quarter ended			Nine Months ended		For the Year Ended
	December 31, 2013	September 30, 2013	December 31, 2012	December 31, 2013	December 31, 2012	March 31, 2013
Revenue from Operations	14.89	13.49	13.60	43.62	40.75	54.05
Operating Profit (EBITDA)	3.22	2.10	2.28	7.83	6.22	8.44
Profit after Tax (PAT)	3.87	1.79	2.25	7.64	6.42	8.31
EBITDA Margin	22%	16%	17%	18%	15%	16%
PAT Margin	26%	13%	17%	18%	16%	15%
EPS	1.20	0.55	0.69	2.36	1.98	2.57
US \$/ INR Exchange Rate*	60.41	60.98	54.89	59.27	54.07	54.35

At the end of the Period	As at		
	December 31, 2013	September 30, 2013	December 31, 2012
Share Capital	5.24	5.15	5.89
Reserves and Surplus	59.38	54.13	58.06
Net Worth	64.62	59.28	63.95
Total Assets	80.84	74.33	77.01
Net Fixed Assets	10.14	8.09	9.19
Investments	32.77	34.58	24.16
Current Assets	63.14	61.97	62.54
Cash and Cash Equivalents	45.27	46.05	45.37
Working Capital	49.04	49.07	51.67
Market Capitalisation	73.21	47.76	40.97
US \$/ INR Exchange Rate*	61.84	62.89	54.98

**Note:**

- 1.) Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the quarter which is Rs. 139.80 at December 31, 2013, Rs. 92.75 at September 30, 2013, Rs. 69.55 at December 31 2012 & Rs. 72.50 at March 31, 2013.
- 2.) While Calculating the figures of group, intergroup transactions have been ignored.
- 3.) Previous year figures have been regrouped/ reclassified wherever necessary.
- 4.) \* The Revenue and expenditure items have been translated at an average US \$ / INR rate, mentioned here for the respective years.
- 5.) # The Balance Sheet items have been translated at year end US \$ / INR rate, mentioned here for the respective years.

## LETTER TO THE SHAREHOLDERS

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Dear Shareholder,

I take this opportunity to present to you a brief report on the performance of your Company for the third quarter ended of the financial year 2013-14.

First the financial performance, consolidated revenue for the quarter was Rs.89.96 crore against Rs.74.63 crore in the corresponding quarter of the previous year. The consolidated EBITDA was Rs.19.45 crore in comparison to Rs.12.51 crore in the corresponding quarter of the previous year. Consolidated net profit was Rs.23.39 crore in comparison to Rs.12.33 crore in the corresponding quarter of the previous year. EPS for the quarter was Rs.7.22 against Rs.3.81 in the corresponding quarter of the previous year.

The Product business revenue was Rs.61.41 crore against Rs.49.67 crore in the corresponding quarter of the previous year. The Company continues to focus and invest on development of niche Banking Products.

Operating cash flow after working capital changes was Rs. 15.77 crore. Receivables were at Rs.67.97 crore against Rs.62.12 crore as on Sept 30, 2013. The Company continues to enjoy a high level of liquidity. 'Cash and Bank balances' and 'Current Investments' were at Rs.299.45 crore against Rs.290.01 crore as on Sept 30, 2013. We had a hedging position of US\$ 8.75 million, Dec 31, 2013 at an average rate of Rs. 64.37. There is a mark-to-market gain of Rs.92.10 Lakhs which is taken to hedging reserve in the balance sheet.

We have won 8 new product orders worldwide and 31 product modules have been successfully implemented across geographies. For the Nine Months Ended 31<sup>st</sup> December, 2013, we won 15 new product orders worldwide, added 9 new customers and successfully implemented 43 product modules across geographies. Customer satisfaction through experience in products implementation and customer care remains our primary focus.

Nucleus Software has announced that its continued focus on building the right talent as a foundation of growth will remain one of its top priorities in the coming quarters. Focusing on integrated talent management for sustained higher performance, the company has recruited a healthy mix of graduate talent and experienced professionals in technology and business management areas.

In the current financial year, Nucleus Software has hired over 200 campus graduates and over 190 experienced professionals. In Q3 FY 14, the company hired a mix of over 100 campus graduate and

experienced professionals. The organization has started investing in relationships and hiring from top B-Schools in India to strengthen the strategic management and functional business management capabilities across its various teams. Nucleus Software has strengthened its commitment and investment in Talent and Leadership Development initiatives to build leadership capability for the future across all levels in the organization. Under our Alliances umbrella, our efforts were spent in further strengthening the eco system. We established working relationships with more System Integrators and are exploring further collaborations across the globe. We have successfully on boarded with 9 Channel Partners across the globe this quarter. Our efforts to keep in touch with global Analysts also continued.

The Manpower numbers are at 1,532 as on Dec 31, 2013. HR focus for the quarter remained on enhancing domain and management competencies in the organization. This quarter has been very important to us as we have been focussing on increasing our organisational capability. We have kept a special focus on increasing the diversity at our workplace in hiring these numbers from different institutes and different academic streams.

Nucleus Software hosted a customer meet to showcase its FinnOne™ Mobility Product Suite offering enhanced value and experience to the banking and financial services industry in Philippines market on 8th November 2013

The first nine months of the year has seen us register a healthy growth. Access to new markets and our focus on realizing the full potential of mobility has enhanced our performance. As we move ahead, product innovations, seamless implementation across geographies and nurturing long term customer relationships will continue to be the driving force for strengthening our global leadership position

Going forward, the company is looking at profitable growth by penetrating deeper into fast growing markets like Africa, Middle East and Australia. As a part of the transformational initiatives, Nucleus Software continues to invest in strengthening the sales and marketing backbone.

Vishnu R Dusad

Managing Director & Chief Executive Officer

Date: Jan 19, 2014

# FINANCIAL STATEMENTS OF NUCLEUS SOFTWARE EXPORTS LTD.

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## AUDITORS' REPORT

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

1. We have audited the accompanying Statement of Financial Results ("the Statement") of **NUCLEUS SOFTWARE EXPORTS LIMITED** ("the Company") for the quarter ended 31 December 2013, being submitted by the Company pursuant to Clause 41 of the Listing Agreements with the Stock Exchanges. This Statement has been prepared on the basis of the related interim financial statement, which is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to express an opinion on the Statement, based on our audit of the related interim financial statement, which has been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard (AS-25) on Interim Financial Reporting notified under the Companies (Accounting Standards) Rules, 2006 and other accounting principles generally accepted in India.
2. We conducted our audit of the Statement in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the Statement. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall Statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion and to the best of our information and according to the explanations given to us, the Statement:
  - i. is presented in accordance with the requirements of Clause 41 of the Listing Agreements with the Stock Exchanges and
  - ii. gives a true and fair view of the net profit and other financial information of the Company for the quarter ended 31 December 2013.
4. Further, we also report that we have traced from the details furnished by the Management/ Registrars, the number of shares as well as the percentage of shareholding in respect of the aggregate amount of public shareholding, pledged/ encumbered shares and non-encumbered shares of promoter and promoter group shareholders, in terms of Clause 35 of the Listing Agreements and the particulars relating to the investor complaints disclosed in Part II – Select Information for the quarter ended 31 December, 2013 of the Statement, from the details furnished by the Registrar.

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

Noida  
19 January, 2014  
RT/SK/2013

**RASHIM TANDON**  
Partner  
(Membership No. 95540)

## BALANCE SHEET

### NUCLEUS SOFTWARE EXPORTS LIMITED BALANCE SHEET AS AT 31 DECEMBER, 2013

	Notes Ref.	As at 31 Dec 2013 (Rupees)	As at 31 Mar 2013 (Rupees)
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>1. SHAREHOLDERS' FUNDS</b>			
a. Share capital	2.1	323,852,240	323,851,340
b. Advance pursuant to stock option plan	2.2	-	13,200
c. Reserves and surplus	2.3	3,330,547,762	2,870,914,728
		<b>3,654,400,002</b>	<b>3,194,779,268</b>
<b>2. NON-CURRENT LIABILITIES</b>			
Long-term provisions	2.4	<b>103,621,044</b>	<b>103,918,332</b>
<b>3. CURRENT LIABILITIES</b>			
a. Trade payables	2.5	151,556,224	188,939,713
b. Other current liabilities	2.6	503,250,715	510,518,062
c. Short-term provisions	2.7	44,963,556	149,480,388
		<b>699,770,495</b>	<b>848,938,163</b>
		<b>4,457,791,541</b>	<b>4,147,635,763</b>
<b><u>ASSETS</u></b>			
<b>1. NON-CURRENT ASSETS</b>			
a. Fixed assets			
- Tangible assets	2.8	309,561,323	287,808,339
- Intangible assets	2.8	137,544,565	43,487,776
- Capital work in progress		8,160,000	-
		455,265,888	331,296,115
b. Non-current investments	2.9	323,562,212	132,912,212
c. Deferred tax assets (net)	2.10	56,669,989	54,240,458
d. Long-term loans and advances	2.11	258,065,677	260,326,654
e. Other non-current assets	2.12	4,611,881	1,836,179
		<b>1,098,175,647</b>	<b>780,611,618</b>
<b>2. CURRENT ASSETS</b>			
a. Current investments	2.13	1,937,153,649	1,508,238,181
b. Inventories		-	49,486,419
c. Trade receivables	2.14	554,271,751	572,941,136
d. Cash and bank balances	2.15	498,873,583	904,671,094
e. Short-term loans and advances	2.16	159,963,462	74,182,007
f. Other current assets	2.17	209,353,449	257,505,308
		<b>3,359,615,894</b>	<b>3,367,024,145</b>
		<b>4,457,791,541</b>	<b>4,147,635,763</b>

See accompanying notes forming part of the financial statements

1 & 2

In terms of our report attached

For **DELOITTE HASKINS & SELLS**

Chartered Accountants

**RASHIM TANDON**

Partner

Place : Noida

Date : 19 January, 2014

For and on behalf of the Board of Directors

**JANKI BALLABH**

Chairman

**P K SANGHI**

President Finance &  
Chief Financial Officer

Place : Noida

Date : 19 January, 2014

**VISHNU R DUSAD**

Managing Director & Chief Executive Officer

**POONAM BHASIN**

AVP (Secretarial) &  
Company Secretary

## PROFIT & LOSS

NUCLEUS SOFTWARE EXPORTS LIMITED						
STATEMENT OF PROFIT AND LOSS FOR THE QUARTER AND NINE MONTHS ENDED 31 DECEMBER, 2013						
		Notes	For the quarter ended		For the nine months ended	
		Ref.	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
			(Rupees)	(Rupees)	(Rupees)	(Rupees)
<b>1. REVENUE FROM OPERATIONS</b>						
Income from software product and services	2.18		620,385,337	492,944,198	1,806,032,882	1,509,023,077
<b>2. OTHER INCOME</b>	2.19		74,286,097	56,071,275	261,365,167	198,073,650
<b>3. TOTAL REVENUE (1+2)</b>			<b>694,671,434</b>	<b>549,015,473</b>	<b>2,067,398,049</b>	<b>1,707,096,727</b>
<b>4. EXPENSES</b>						
a. Changes in inventories of stock of trade			-	-	49,486,419	-
b. Employee benefits expense	2.20		307,594,993	293,958,031	933,635,194	895,587,394
c. Operating and other expenses	2.21		175,408,423	126,409,774	497,555,093	399,016,344
d. Finance cost	2.22		967,681	819,691	2,631,220	2,026,990
e. Depreciation and amortisation expense	2.8		16,272,245	13,395,424	43,668,847	37,370,231
<b>TOTAL EXPENSES</b>			<b>500,243,342</b>	<b>434,582,920</b>	<b>1,526,976,773</b>	<b>1,334,000,959</b>
<b>5. PROFIT BEFORE TAX (3-4)</b>			<b>194,428,092</b>	<b>114,432,553</b>	<b>540,421,276</b>	<b>373,095,768</b>
<b>6. TAX EXPENSE</b>						
a. Current tax expense			11,917,733	31,600,000	112,300,000	94,324,818
b. Tax expense relating to prior year	2.24		(10,253,915)	-	(10,253,915)	-
c. Net current tax expense			1,663,818	31,600,000	102,046,085	94,324,818
d. Deferred tax (credit)/charge	2.10		4,577,196	482,661	(2,429,531)	(1,736,228)
<b>NET TAX EXPENSE</b>			<b>6,241,014</b>	<b>32,082,661</b>	<b>99,616,554</b>	<b>92,588,590</b>
<b>7. PROFIT FOR THE PERIOD</b>			<b>188,187,078</b>	<b>82,349,892</b>	<b>440,804,722</b>	<b>280,507,178</b>
<b>8. EARNINGS PER EQUITY SHARE</b>	2.31					
Equity shares of Rs. 10 each						
a. Basic			5.81	2.54	13.61	8.66
b. Diluted			5.81	2.54	13.61	8.66
Number of shares used in computing earnings per share						
a. Basic			32,383,724	32,383,595	32,383,691	32,383,501
b. Diluted			32,383,724	32,383,595	32,383,691	32,383,501
See accompanying notes forming part of the financial statements	1 & 2					
In terms of our report attached						
For <b>DELOITTE HASKINS &amp; SELLS</b>			For and on behalf of the Board of Directors			
Chartered Accountants						
<b>RASHIM TANDON</b>			<b>JANKI BALLABH</b>		<b>VISHNU R DUSAD</b>	
Partner			Chairman		Managing Director & Chief Executive Officer	
Place : Noida						
Date : 19 January, 2014						
			<b>P K SANGHI</b>		<b>POONAM BHASIN</b>	
			President Finance & Chief Financial Officer		AVP (Secretarial) & Company Secretary	
			Place : Noida			
			Date : 19 January, 2014			

# CASH FLOW STATEMENT

## NUCLEUS SOFTWARE EXPORTS LIMITED

### CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER, 2013

	Notes Ref.	For the Nine months ended 31 Dec 2013 (Rupees)	For the Nine months ended 31 Dec 2012 (Rupees)
<b>A. Cash flow from operating activities</b>			
Net profit before tax		540,421,276	373,095,768
Adjustment for:			
Depreciation and amortisation expense		43,668,847	37,370,231
Exchange Loss/(gain) on translation of foreign currency accounts		(15,781,526)	(46,620,380)
Dividend received from non-trade investments		(42,321,226)	(61,252,528)
Dividend on Long term trade investment		(62,500)	(50,000)
Dividend received from subsidiary		(93,931,921)	(30,000,000)
Interest on fixed deposits and others		(57,878,057)	(49,790,224)
Interest on loan to subsidiaries		(450,358)	(617,451)
Net Loss/(Profit) on sale of investments		(45,385,898)	33,066
Adjustment to the carrying amount of investments		9,350,000	
Amortisation of employees stock compensation expenses		-	
Net Loss/(Profit) on sale of fixed assets		(632,356)	(365,557)
Provision for doubtful debts/advances/other current assets		38,426,889	16,401,739
Provisions written back		-	(3,242,396)
Operating profit before working capital changes		375,423,170	234,962,268
Adjustment for (increase) / decrease in operating assets			
- Trade receivables		28,404,478	350,791,762
- Inventories		49,486,419	-
- Short-term loans and advances		(83,125,230)	12,352,953

- Long-term loans and advances	(804,925)	1,731,074
- Other current assets	37,448,972	78,902,675
- Other non-current assets	(2,775,702)	9,909,063
Adjustment for (increase) / decrease in operating liabilities		
- Trade payables and other current liabilities	(95,380,092)	(133,604,107)
- Short-term provisions	9,144,866	1,916,538
- Long-term provisions	(297,288)	5,987,345
	317,524,668	562,949,571
Income tax paid (net)	(88,608,733)	(96,059,429)
<b>Net cash from operating activities (A)</b>	<b>228,915,935</b>	<b>466,890,142</b>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed assets	(147,311,729)	(23,882,255)
Sale of fixed assets	728,511	344,132
Purchase of current investments	(3,821,059,950)	(3,170,725,715)
Proceeds from sale of current investments	3,201,497,673	2,877,454,430
Adjustment to the carrying amount of investments	(9,350,000)	-
Loans and advances to subsidiaries (net)	8,141,413	9,515,484
Bank balance not considered as cash and cash equivalents - placed	(458,255,959)	(1,006,515,831)
Bank balance not considered as cash and cash equivalents - matured	851,423,761	814,798,987
Interest on fixed deposits and others	50,218,254	40,764,061
Income tax paid	(18,539,714)	(9,546,138)
Dividend received from non-trade investments	42,321,226	61,252,528
Dividend on Long term trade investment	62,500	50,000
Dividend received from subsidiary	93,931,921	30,000,000
Profit on Sale of Long term non trade investment	45,385,898	-
<b>Net cash from / (used in) investing activities (B)</b>	<b>(160,806,195)</b>	<b>(376,490,317)</b>
<b>C. Cash flow from financing activities</b>		
Dividend paid (including corporate dividend tax)	(97,697,968)	(89,227,448)

Advance pursuant to employee stock option scheme / proceeds from employee stock option exercised

12,060

24,120

**Net cash used in financing activities (C)**

**(97,685,908)**

**(89,203,328)**

**Net increase / (decrease) in cash and cash equivalents (A+B+C)**

**(29,576,168)**

**1,196,497**

Opening cash and cash equivalents

2.15

53,247,333

30,811,278

Exchange difference on translation of foreign currency bank accounts

16,946,459

(3,329,971)

Closing cash and cash equivalents

2.15

**40,617,624**

**28,677,804**

See accompanying notes forming part of the financial statements

1 & 2

In terms of our report attached

For **DELOITTE HASKINS & SELLS**

Chartered Accountants

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

**RASHIM TANDON**

**JANKI BALLABH**

**VISHNU R DUSAD**

Partner

Chairman

Managing Director  
&  
Chief Executive  
Officer

Place : Noida

Date : 19 January, 2014

**P K SANGHI**

President Finance &

Chief Financial Officer

Place : Noida

Date : 19 January, 2014

**POONAM BHASIN**  
AVP  
(Secretarial)  
&  
Company  
Secretary

**Note 1:**

**1.1 Company Overview**

Nucleus Software Exports Ltd. ('Nucleus' or 'the Company') was incorporated on 9 January 1989 in India as a private limited company. It was subsequently converted into a public limited company on 10 October, 1994. The Company made an initial public offer in August 1995. As at 31 December, 2013, the Company is listed on two stock exchanges in India namely National Stock Exchange and Bombay Stock Exchange. The Company has wholly owned subsidiaries in Singapore, USA, Japan, Netherlands and India. The Company's business consists of software product development and marketing and providing support services mainly for corporate business entities in the banking and financial services sector.

**1.2. Significant accounting policies**

**(i) Basis of preparation**

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

**(ii) Use of estimates**

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

**(iii) Inventories**

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

**(iv) Cash flow statement**

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

**(v) Depreciation and amortisation**

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

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

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

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

#### **(vi) Revenue recognition**

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

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

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

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

#### **(vii) Other Income**

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

Interest income is accounted on accrual basis.

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

#### **(viii) Expenditure**

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

#### **(ix) Tangible assets and capital work in progress**

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation. Fixed assets under

construction, advances paid towards acquisition of fixed assets and cost of assets not put to use before the year end, are disclosed as capital work-in-progress.

#### **(x) Intangible assets**

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

#### **(xi) Foreign exchange transactions**

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

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

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

#### **(xii) 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.

#### **(xiii) 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.

#### **(xiv) Employee benefits**

Employee benefits include provident fund, gratuity and compensated absences.

##### ***Defined contribution plans***

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

##### ***Defined benefit plans***

For defined benefit plans in the form of gratuity, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each year end. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the year in which they occur. Past service cost is recognised

immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost.

#### ***Short-term employee benefits***

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

(a) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and

(b) in case of non-accumulating compensated absences, when the absences occur.

#### ***Long-term employee benefits***

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

#### **(xv) Post Sales client support and warranties**

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

#### **(xvi) Operating leases**

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

#### **(xvii) Earnings per share**

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

#### **(xviii) Taxation**

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

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

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income

will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

#### **(xix) Research and development**

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure incurred on research and development is capitalised as fixed assets and depreciated in accordance with the depreciation policy of the Company.

#### **(xx) Impairment**

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

#### **(xxi) Provision and Contingencies**

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

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

Contingent assets are not recognised in the financial statements.(xxii) Hedge Accounting

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates such forward contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in "Accounting Standard 30 Financial Instruments: Recognition and Measurement". These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognised directly in "Hedging reserve account" under Reserves and surplus, net of applicable deferred income taxes and the ineffective portion is recognised immediately in the Statement of Profit and Loss. Amounts accumulated in the "Hedging reserve account" are reclassified to the Statement of Profit and Loss in the same periods during which the forecasted transaction affects profit and loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in "Hedging reserve account" is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in "Hedging reserve account" is immediately transferred to the Statement of Profit and Loss.

#### **(xxiii) Derivative Contracts**

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

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

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

**(xxiv) Operating cycle**

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

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NOTES FORMING PART OF THE ACCOUNTS FOR THE QUARTER ENDED 31 DECEMBER, 2013

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NUCLEUS SOFTWARE EXPORTS LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

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**2 NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR QUARTER AND NINE MONTHS ENDED 31 DECEMBER, 2013**

**2.1 SHARE CAPITAL**

Particulars	As at 31 Dec 2013 (Rupees)	As at 31 Mar 2013 (Rupees)
<b>a. Authorized</b>		
Equity shares		
40,000,000 (40,000,000) equity shares of Rs. 10 each	<u>400,000,000</u>	<u>400,000,000</u>
<b>b. Issued, Subscribed and Paid-Up</b>		
<b>Issued</b>		
32,386,524 (32,386,434) equity shares of Rs. 10 each	<u>323,865,240</u>	<u>323,864,340</u>
<b>Subscribed and Paid-Up</b>		
32,383,724 (32,383,634) equity shares of Rs. 10 each, fully paid up	323,837,240	323,836,340
Add: 2,800 (2,800) forfeited equity shares pending reissue (see note (v))	<u>15,000</u>	<u>15,000</u>
	<u><b>323,852,240</b></u>	<u><b>323,851,340</b></u>

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

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

Particulars	Opening Balance	Allotted under Employee Stock Option Plans during the period	Closing Balance

a. For the period from 01 April, 2013 to 31 December, 2013			
- Number of shares	32,383,634	90	32,383,724
- Amount	323,836,340	900	323,837,240
b. For the year from 01 April, 2012 to 31 March, 2013			
- Number of shares	32,383,454	180	32,383,634
- Amount	323,834,540	1,800	323,836,340

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

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

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

Particulars	As at 31 Dec 2013		As at 31 Mar 2013	
	(Number)	(Percent age)	(Number)	(Percentage)
Karmayogi Holdings Private Limited	9,000,000	28%	9,000,000	28%
Nucleus Software Engineers Private Limited	2,385,882	7%	2,385,882	7%
Madhu Dusad	2,045,048	6%	2,036,248	6%
Fidelity Puritan Trust- Fidelity Low-Priced Stock Fund	1,788,637	6%	1,350,000	4%
Vishnu R Dusad	1,603,492	5%	3,603,492	11%

(iv) As at 31 December 2013, Nil Shares (As at 31 March, 2013, 1,320 shares) of Rs. 10 each were reserved for issuance towards employee stock options granted. (Also see note 2.2)

(v) **Details of forfeited shares**

Particulars	As at 31 Dec 2013		As at 31 Mar 2013	
	(Number)	(Rupees)	(Number)	(Rupees)

Equity shares with voting rights	2,800	15,000	2,800	15,000
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## 2.2 EMPLOYEES STOCK OPTION PLAN ("ESOP")

- a. Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999, issued by the SEBI, is effective for all stock option schemes established after 19 June 1999. In accordance with these Guidelines, the excess of the market price of the underlying equity shares as of the date of grant of options over the exercise price of the option, including up-front payments, if any, is to be recognized and amortised on graded vesting basis over the vesting period of the options.
- b. The Company currently has two ESOP schemes 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 2005 scheme provides for 600,000 options and 2006 scheme provides for 1,000,000 options to eligible employees. These schemes are administered by the Compensation Committee comprising four members, the majority of whom are independent directors.
- c. **Details of options granted, forfeited and exercised during the period in the above mentioned scheme are as follows:**

Particulars	Period ended 31 Dec 2013 (Number )	Weighted Average (Rupees)	Year ended 31 Mar 2013 (Number)	Weighted Average (Rupees)
<b><u>2005 Stock Option Scheme</u></b>				
Options outstanding at the beginning of the period	1,320	144	1,700	144
Options granted	-	-	-	-
Options forfeited	(1,230)	144	(200)	144
Options exercised	(90)	144	(180)	144
Balance carried forward	-	-	<b>1,320</b>	<b>144</b>
<b><u>2006 Stock Option Scheme</u></b>				
Options outstanding at the beginning of the period	-	-	15,064	509
Options granted	-	-	-	-
Options forfeited	-	-	(15,064)	509
Options exercised	-	-	-	-
Balance carried forward	-	-	-	-
Total stock options outstanding at end of the period (in Nos)	-	-	1,320	-

Advance pursuant to stock option plan (in Rs.) (See Note below)	-	13,200
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- d. During the nine months ended 31 December, 2013, 1,230 shares (Year ended 31 March, 2013 : 15,264 shares) were forfeited and the amount paid up as application money aggregating to Rs. 12,300 (Year ended 31 March, 2013 : Rs. 152,640) has been transferred to the Capital reserve. (Also see note 2.3(a))

Particulars	As at 31 Dec 2013	As at 31 Mar 2013
	(Rupees)	(Rupees)

## 2.3 RESERVES AND SURPLUS

### a. Capital reserve

Opening balance	8,887,930	8,735,290
Add : Amount forfeited against employees stock option plan	12,300	152,640
Closing balance	<b>8,900,230</b>	<b>8,887,930</b>

### b. Securities premium account

Opening balance	21,889,429	21,865,309
Add : Premium on conversion of stock options issued to employees	12,060	24,120
Closing balance	<b>21,901,489</b>	<b>21,889,429</b>

### c. Hedging reserve [see note 2.36]

Opening balance	6,370,074	(147,146)
Add / (Less) : Effect of foreign exchange rate variations on hedging instruments outstanding at the end of the period	2,840,222	6,517,220
Closing balance	<b>9,210,296</b>	<b>6,370,074</b>

### d. General reserve

Opening balance	767,620,461	730,532,471
Add: Transferred from surplus in Statement of Profit and Loss	-	37,087,990
Closing balance	<b>767,620,461</b>	<b>767,620,461</b>

**e. Surplus in Statement of Profit and Loss**

Opening balance	2,066,146,834	1,841,151,919
Add: Profit for the period/year	440,804,722	370,879,901
Less : Appropriations		
- Proposed final dividend on equity shares [see note (i) below]	-	97,150,902
- Tax on dividend charge/(credit) [see note 2.39]	(15,963,730)	11,646,094
- Transferred to general reserve	-	37,087,990
Closing balance	<b>2,522,915,286</b>	<b>2,066,146,834</b>
	<b>3,330,547,762</b>	<b>2,870,914,728</b>

Note :

- (i) The Board of Directors, at their meeting held on 27 April, 2013 had recommended a final dividend of Rs. 3 per equity share for the year ended 31 March, 2013, which was approved by shareholders through poll in Annual General Meeting held on 10 July, 2013.

Particulars	As at	As at
	31 Dec 2013	31 Mar 2013
	(Rupees)	(Rupees)

**2.4 LONG-TERM PROVISIONS**

Provision for employee benefits

- Provision for compensated absences	28,886,829	35,029,478
- Provision for gratuity	74,734,215	68,888,854
	<b>103,621,044</b>	<b>103,918,332</b>

**2.5 TRADE PAYABLES**

a. Trade Payables

- Micro and small enterprises	-	-
- Others	148,516,003	182,598,016

- b. Due to subsidiaries (see note 2.32)

3,040,221	6,341,697
<b>151,556,224</b>	<b>188,939,713</b>

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

## 2.6 OTHER CURRENT LIABILITIES

a. Advance from customers	238,896,938	148,598,580
b. Advance billing	-	93,262,132
c. Deferred revenue	199,917,891	224,800,364
d. Unpaid dividends	2,280,641	2,047,659
e. Payable for purchase of fixed assets	20,423,046	2,494,274
f. Other payables - statutory liabilities	41,732,199	22,176,583
g. Book Overdraft	-	17,138,470
	<b>503,250,715</b>	<b>510,518,062</b>

## 2.7 SHORT-TERM PROVISIONS

a. Provision for employee benefits		
- Provision for compensated absences	20,737,022	13,533,135
- Provision for gratuity	24,226,534	22,285,555
b. Provision for proposed equity dividend	-	97,150,902
c. Provision for tax on proposed dividend (see note 2.39)	-	16,510,796
	<b>44,963,556</b>	<b>149,480,388</b>

**NUCLEUS SOFTWARE EXPORTS LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

2.8 Fixed Assets (At Cost)		GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
PARTICULARS	As at 1 Apr 2013	Additions	Deductions / adjustments (Note (i))	As at 31 Dec 2013	As at 1 Apr 2013	Depreciation for the period	Deductions / adjustments (Note (i))	As at 31 Dec 2013	As at 31 Dec 2013	As at 31 Mar 2013	(Amount in Rupees)
<b>Tangible assets</b>											
Freehold land	3,360,720 (3,360,720)	-	-	3,360,720 (3,360,720)	-	-	-	-	3,360,720 (3,360,720)	3,360,720 (3,360,720)	
Leasehold land	66,395,000 (66,395,000)	-	-	66,395,000 (66,395,000)	8,134,965 (7,383,407)	375,779 (751,558)	-	8,510,744 (8,134,965)	57,884,256 (58,260,035)	58,260,035 (59,763,151)	
Leasehold improvements	7,583,420 (12,758,283)	-	434,731 (5,174,863)	7,148,689 (7,583,420)	7,583,420 (12,758,283)	187,889	434,731 (5,174,863)	7,336,578 (7,583,420)	(187,889)	-	(1,236,967)
Buildings	242,275,991 (242,275,991)	-	-	242,275,991 (242,275,991)	59,438,363 (51,378,002)	5,949,166 (8,000,361)	-	65,387,529 (59,438,363)	176,888,462 (182,837,628)	182,837,628 (198,899,761)	
Plant and equipment	114,674,612 (113,853,217)	2,664,085 (4,721,398)	2,668,793 (3,900,003)	114,669,944 (114,674,612)	108,206,471 (105,619,064)	3,307,363 (6,940,397)	2,611,232 (4,222,990)	108,902,632 (108,206,471)	5,767,312 (6,468,141)	6,468,141 (22,259,481)	
Office equipment	28,529,271 (27,900,002)	2,004,614 (1,144,164)	45,519 (514,895)	30,488,366 (28,529,271)	24,440,982 (22,031,655)	1,983,678 (2,501,237)	45,519 (91,910)	26,379,141 (24,440,982)	4,109,225 (4,088,289)	4,088,289 (6,548,964)	
Computer equipment	234,752,030 (225,831,595)	32,195,654 (20,024,872)	4,350,482 (11,104,437)	262,597,202 (234,752,030)	205,692,115 (203,447,818)	10,355,753 (13,246,681)	4,322,221 (11,002,384)	211,725,647 (205,692,115)	50,871,555 (29,059,915)	29,059,915 (26,596,279)	
Vehicles	14,427,706 (15,116,453)	8,436,887 (1,533,137)	3,322,073 (2,221,884)	19,542,520 (14,427,706)	11,548,094 (12,653,271)	1,132,779 (1,116,707)	3,311,700 (2,221,884)	9,369,173 (11,548,094)	10,173,347 (2,879,612)	2,879,612 (4,879,270)	
Furniture and fixtures	36,670,113 (37,500,454)	59,500 (601,700)	489,050 (1,432,041)	36,240,563 (36,670,113)	35,816,114 (35,933,214)	219,164 (1,210,200)	489,050 (1,327,300)	35,546,228 (35,816,114)	694,335 (853,999)	853,999 (4,961,995)	
<b>Intangible assets</b>											
Software	171,727,503 (127,918,358)	114,214,035 (43,809,145)	-	285,941,538 (171,727,503)	128,239,727 (112,335,330)	20,157,246 (15,904,397)	-	148,396,973 (128,239,727)	137,544,565 (43,487,776)	43,487,776 (15,583,028)	
	920,396,366 (872,910,073)	159,574,775 (71,834,416)	11,310,608 (24,348,123)	1,068,660,533 (920,396,366)	589,100,251 (563,540,044)	43,668,847 (49,701,538)	11,214,453 (24,141,331)	621,554,645 (589,100,251)	447,105,888 (331,296,115)	331,296,115 (344,089,616)	

Notes :

(i) Some of the assets have been re-grouped during the previous year, based on the nature of assets.

(ii) Figures in bracket pertain to previous year ended 31 March 2013/2012.

Particulars	As at	As at
	31 Dec 2013	31 Mar 2013
	(Rupees)	(Rupees)

## 2.9 NON-CURRENT INVESTMENTS (at cost)

### - Trade

#### Investments in equity instruments of subsidiaries (unquoted)

625,000 (625,000) equity shares of Singapore Dollar 1 each, fully paid up, a. in Nucleus Software Solutions Pte. Ltd., Singapore, a wholly owned subsidiary	16,319,950	16,319,950
1,000,000 (1,000,000) equity shares of US Dollar 0.35 each, fully paid up, b. in Nucleus Software Inc., USA, a wholly owned subsidiary	16,293,150	16,293,150
Less: Provision for diminution in value of investment in Nucleus Software Inc., USA	(16,293,150)	(16,293,150)
200 (200) equity shares of Japanese Yen 50,000 each, fully paid up, in c. Nucleus Software Japan Kabushiki Kaisha, Japan, a wholly owned subsidiary	4,092,262	4,092,262
1,000,000 (1,000,000) equity shares of Rs 10 each, fully paid up, in d. VirStra i-Technology Services Limited, India, a wholly owned subsidiary [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company]	10,000,000	10,000,000
4,000 (4,000) equity shares of Euro 100 each, fully paid up, in Nucleus e. Software Netherlands B.V., Netherlands, a wholly owned subsidiary	24,242,000	24,242,000
Less: Provision for diminution in value of investment in Nucleus Software Netherlands B.V., Netherlands	(24,242,000)	(24,242,000)
10,000,000 (10,000,000) equity shares of Rs. 10 each, fully paid up, in f. Nucleus Software Limited, India a wholly owned subsidiary [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company]	100,000,000	100,000,000
	<b>130,412,212</b>	<b>130,412,212</b>

### - Other investments

**Investment in equity instruments (Unquoted)**

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

**2,500,000****2,500,000****Investment in bonds (quoted)**

a. Indian Railway Finance Corporation Limited - Tranche 1 Series I (see note 2.41)

90,650,000

-

(Net of adjustment to the carrying amount of investments amounting to Rs. 9,350,000)

-

b. Indian Infrastructure Finance Company Limited - Tranche 1 Series 1A

100,000,000

-

**190,650,000**

-

**Aggregate amount of non-current investments****323,562,212****132,912,212**

Aggregate amount of quoted investments

190,650,000

-

Aggregate market value of quoted investments

190,650,000

-

Aggregate amount of unquoted investments

132,912,212

132,912,212

**2.10 DEFERRED TAX ASSET (Net)**

Particular	Opening as at 1 Apr 2013	(Credited)/ charge during the period	Closing as at 31 Dec 2013
	(Rupees)	(Rupees)	(Rupees)
<b>a. Deferred tax assets</b>			
Provision for compensated absences, gratuity and other employee benefits	45,718,618	(2,626,860)	48,345,478
Provision for doubtful debts / service income accrued but not due	15,682,378	(11,661,123)	27,343,501
	<b>61,400,996</b>	<b>(14,287,983)</b>	<b>75,688,979</b>

**b. Deferred tax liabilities**

On difference between book balance and tax balance of fixed assets	<b>7,160,538</b>	<b>11,858,452</b>	<b>19,018,990</b>
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<b>c. Net deferred tax (liability) / asset</b>	<b>54,240,458</b>	<b>(2,429,531)</b>	<b>56,669,989</b>
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Particulars	As at	As at
	31 Dec 2013	31 Mar 2013
	(Rupees)	(Rupees)

**2.11 LONG-TERM LOANS AND ADVANCES**

(Unsecured, considered good)

a. Loans to subsidiaries (see note 2.32) (also see note (i) and (ii) below)	93,634,634	101,802,898
b. Security Deposits	11,207,506	11,176,092
c. Loans and advances to employees		
- Staff Loans	1,990,647	2,300,076
d. Prepaid expenses	8,595,519	7,512,579
e. Balances with government authorities		
- Advance tax [net of provision of Rs. 379,131,941 (Rs. 277,168,123)] (see note 2.25)	142,637,371	137,535,009
	<b>258,065,677</b>	<b>260,326,654</b>

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

Amount outstanding at the end of period

**- Long Term**

a. Nucleus Software Limited, India	87,450,634	90,946,898
b. Nucleus Software Inc., USA	6,184,000	10,856,000

**- Short Term (See note 2.16)**

a. Nucleus Software Inc., USA	6,184,000	5,428,000
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Maximum amount outstanding during the period

a. Nucleus Software Limited, India	90,946,898	90,946,898
b. Nucleus Software Inc., USA	20,196,000	22,600,000

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

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

Name of the party	Interest Rate	Repayment Schedule	Amount outstanding as at 31 Dec 2013	Maximum balance outstanding during the period
			(Rupees)	(Rupees)
a. Nucleus Software Limited, India	Interest free	Payable on demand after 31 March 2018.	87,450,634 (90,946,898)	90,946,898 (90,946,898)
b. Nucleus Software Inc., USA	3% over six months LIBOR	5 yearly installments (December 2011 to December 2015)	12,368,000 (20,352,000)	20,196,000 (22,600,000)

Note: Figures in bracket pertains to previous year ended 31 March, 2013.

Particulars	As at 31 Dec 2013	As at 31 Mar 2013
	(Rupees)	(Rupees)

## 2.12 OTHER NON CURRENT ASSETS

(Unsecured, considered good)

a. Long-term bank deposits	4,175,000	1,625,000
b. Interest accrued but not due on bank deposits	436,881	211,179
	<b>4,611,881</b>	<b>1,836,179</b>

Note :-

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

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

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

**a. Investment in mutual funds**

Name	Units as at 31 Dec 2013	Value of units as at 31 Dec 2013	Units as at 31 Mar 2013	Value of units as at 31 Mar 2013
	(Numbers)	(Rupees)	(Numbers)	(Rupees)
<b>- Liquid Schemes of Mutual Funds (Quoted)</b>				
a. Birla Sun Life Savings Fund - Daily Dividend-Regular Plan	-	-	205,788	20,597,222
b. Birla Sun Life Cash Plus - Daily Dividend-Regular Plan	2,331	233,508	735,277	73,671,097
c. Birla Sun Life Cash Plus - Daily Dividend-Direct Plan	1,226,611	122,900,287	-	-
d. JPMORGAN India Liquid Fund-Super Inst.-Daily Dividend Reinvestment	-	-	14,676,604	146,881,985
e. JPMORGAN India Treasury Fund-Super Inst. - Daily Dividend Reinvestment	-	-	5,148,608	51,531,900
f. DSP BlackRock Liquidity Fund-Direct Plan-Daily Dividend-Reinvestment	70,334	70,355,854	-	-
g. ICICI Prudential Liquid Fund-Direct Plan-Daily Dividend-Reinvestment Option	1,184,020	118,465,384	-	-
h. ICICI Prudential Liquid - Regular Plan - Daily Dividend	504,282	50,453,587	1,222,150	122,242,629
i. Kotak Floater Short Term Fund-Direct Plan-Daily Dividend-Reinvestment Option	16,535	16,727,249	-	-
j. Kotak Liquid Scheme Plan A- Direct Plan-Daily Dividend-Reinvestment Option	40,968	50,096,380	-	-
k. Kotak Floater Short Term Fund - Daily Dividend	16,869	17,065,315	128,641	130,136,216
l. HDFC Liquid Fund- Direct Plan-Daily Dividend-Reinvestment Option	10,382,003	105,877,742	-	-
m. Reliance Liquid Fund-Treasury Plan-Daily Dividend Option	-	-	31,013	47,410,382
n. Reliance Liquid Fund-Treasury Plan-Direct Plan-Daily Dividend-Reinvestment Option	158,508	242,317,420	-	-
o. Templeton India Treasury Management Account Super Institutional Plan - Direct Plan- Daily Dividend Reinvestment	50,980	51,034,417	-	-
p. Templeton India Treasury Management Account Super Institutional Plan	-	-	46,901	46,932,204
q. SBI Liquid Fund- Direct Plan- Daily Dividend Reinvestment	15,120	15,168,799	-	-
r. Axis Liquid Fund- Direct Plan- Daily Dividend Reinvestment	168,977	168,997,161	-	-
<b>- Fixed Maturity Plans / Interval Plans (Quoted)</b>				
a. Birla Sun Life Fixed Term Plan-Series FU-Growth-366 Days	-	-	5,000,000	50,000,000

b.	Birla Sun Life Fixed Term Plan-Series FV-Growth-367 Days	-	-	2,100,000	21,000,000
c.	Kotak FMP Series 102 Direct - Growth	5,000,000	50,000,000	5,000,000	50,000,000
d.	SBI Debt Fund Series - 366 days-10-Growth	-	-	1,000,000	10,000,000
e.	SBI Debt Fund Series - 366 days-12-Growth	-	-	1,000,000	10,000,000
f.	SBI Debt Fund Series - 366 days-17-Growth	-	-	2,000,000	20,000,000
g.	SBI Debt Fund Series - 366 days-19-Growth	-	-	6,000,000	60,000,000
h.	SBI Debt Fund Series - 366 days 25 - Direct Plan-Growth	10,000,000	100,000,000	10,000,000	100,000,000
i.	DSP BlackRock FMP-Series 82-12M-Growth	-	-	5,000,000	50,000,000
j.	DSP BlackRock FMP-Series 81-12M-Growth	-	-	5,000,000	50,000,000
k.	DSP BlackRock FMP-Series 90-12M-Dividend Payout	3,000,000	30,000,000	3,000,000	30,000,000
l.	DSP BlackRock FMP-Series 93-12M-Dividend-Payout	3,041,587	30,415,869	3,041,587	30,415,869
m.	ICICI Prudential Interval Fund-Annual Interval Plan IV -Regular Plan - Growth	1,442,814	20,000,000	1,442,814	20,000,000
n.	HDFC FMP 370D April 2012(2) - Growth - Series XXI	-	-	1,000,000	10,000,000
o.	HDFC FMP 370D October 2012(1) - Growth - Series 22	-	-	1,000,000	10,000,000
p.	HDFC FMP 371D November 2012(1) - Growth - Series 23	-	-	6,000,000	60,000,000
q.	HDFC FMP 371D November 2012(2) - Growth - Series 23	-	-	5,000,000	50,000,000
r.	HDFC FMP 370D December 2012(1) - Growth - Series 23	-	-	1,915,678	19,156,780
s.	UTI-Fixed Income Interval Fund -IV-Annual Interval Plan-Retail Option-Growth	-	-	3,365,915	50,000,000
t.	UTI Fixed Term Income Fund-Series XIII-I (368 Days) Growth Plan	-	-	5,000,000	50,000,000
u.	UTI Fixed Term Income Fund-Series XIV-VI (368 Days) - Direct Plan - Growth	1,826,190	18,261,897	1,826,190	18,261,897
v.	ICICI Prudential FMP Series 69 -366 Days Plan G Growth	5,000,000	50,000,000	-	-
w.	ICICI Prudential FMP Series 68 -369 Days Plan I Growth	1,000,000	10,000,000	-	-
x.	Kotak FMP Series 105 Direct - Growth	3,100,000	31,000,000	-	-
y.	Kotak FMP Series 120 Half Yearly - Dividend	2,000,000	20,000,000	-	-
z.	HDFC FMP 371D July 2013 (1) Series 26 - Growth Option	4,772,153	47,721,530	-	-
aa.	DSP BlackRock FMP-Series 129-12M-Growth Option	5,000,000	50,000,000	-	-
ab.	DSP BlackRock FMP-Series 130-12M-Growth Option	5,000,000	50,000,000	-	-
ac.	DSP BlackRock FMP-Series 126-12M-Growth Option	950,000	9,500,000	-	-
ad.	Birla SunLife Fixed Term Plan-Series IV-Growth-368 Days	5,000,000	50,000,000	-	-
ae.	Birla SunLife Fixed Term Plan-Series JL-Growth-368 Days	3,000,000	30,000,000	-	-
af.	Birla SunLife Fixed Term Plan-Series IH-Growth-368 Days	2,000,000	20,000,000	-	-
ag.	Birla SunLife Fixed Term Plan-Series JI-Growth-368 Days	2,000,000	20,000,000	-	-
ah.	Kotak FMP Series 129 - Growth	5,000,000	50,000,000	-	-

ai.	HDFC FMP 370D October 2013(1)-Series 28-Growth Option	2,000,000	20,000,000	-	-
aj.	HDFC FMP 371D December 2013(2)- Series 29 - Growth Option	2,500,000	25,000,000	-	-
ak.	HDFC FMP 371D November 2013(2)- Series 28 - Growth Option	1,089,800	10,898,000	-	-
al.	HDFC FMP 372D October 2013(1) Series 28-Growth Option	3,797,996	37,979,960	-	-
am.	SBI Debt Fund Series-366 Days-45-Growth Option	2,168,329	21,683,290	-	-
an.	SBI Debt Fund Series-366 Days-46-Growth Option	5,500,000	55,000,000	-	-
ao.	SBI Debt Fund Series-366 Days-48-Growth Option	5,000,000	50,000,000	-	-
		<b>104,026,407</b>	<b>1,937,153,649</b>	<b>96,887,166</b>	<b>1,408,238,181</b>

**b. Investment in bonds (Quoted)**

- Indian Railway Finance Corporation Limited Tax free bonds (See note 2.41)	-	-	100,000	100,000,000
	-	-	<b>100,000</b>	<b>100,000,000</b>

Aggregate amount of current investment

**1,937,153,649**

**1,508,238,181**

Aggregate market value of quoted investment

**1,964,919,224**

**1,525,694,247**

Particulars	As at 31 Dec 2013 (Rupees)	As at 31 Mar 2013 (Rupees)
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**2.14 TRADE RECEIVABLES (see note below)**

(Unsecured)

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

- Considered good	24,056,477	22,819,606
- Considered doubtful	35,995,387	23,716,430
	<u>60,051,864</u>	<u>46,536,036</u>
Less: Provision for doubtful debts	<u>(35,995,387)</u>	<u>(23,716,430)</u>
	24,056,477	22,819,606

**b. Other debts (Unsecured, Considered good)**

- Considered good	530,215,274	550,121,530
- Considered doubtful	5,655,564	-

	535,870,838	550,121,530
Less: Provision for doubtful debts	(5,655,564)	-
	530,215,274	550,121,530
<b>Total</b>	<b>554,271,751</b>	<b>572,941,136</b>

Note :-

Trade receivables include debt due from companies under the same management within the meaning of section 370(1B) of Companies Act, 1956.

a. Nucleus Software Solutions Pte Ltd, Singapore	18,724,248	5,331,026
b. Nucleus Software Japan Kabushiki Kaisha, Japan	9,303,784	11,721,037
c. Nucleus Software Inc., USA	22,748,797	38,439,793
d. Nucleus Software Netherlands B.V., Netherlands	28,443,953	27,195,883
e. VirStra i -Technology Services Limited, India	73,054	135,845
f. Nucleus Software Limited, India	-	-

## 2.15 CASH AND BANK BALANCES

### Cash and cash equivalents

a. Cash on hand	41,529	13,879
b. Remittance in transit	-	9,219,803
c. Balances with scheduled banks:		
- in current accounts	5,406,029	3,958,371
- in EEFC accounts	23,250,102	32,694,065
d. Balance with non scheduled banks in current accounts:		
- Citibank, United Kingdom	2,091,764	413,361
- Citibank, United Arab Emirates	1,269,380	708,222
- Citibank, Spain	958,820	639,632
e. Balances with scheduled banks in deposit accounts with original maturity of less than 3 months	7,600,000	5,600,000
	<b>40,617,624</b>	<b>53,247,333</b>

### Other bank balances

a. Balances with scheduled banks in earmarked accounts:		
- unclaimed dividend accounts	1,850,761	2,052,623

b.	Balances with scheduled banks in deposit accounts with original maturity of more than 3 months :	456,405,198	849,371,138
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<b>458,255,959</b>	<b>851,423,761</b>
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<b>498,873,583</b>	<b>904,671,094</b>
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**Details of balances as on balance sheet dates with scheduled banks in current accounts:-**

- Citi Bank	528,719	241,128
- HDFC Bank	2,148,120	3,148,910
- DBS Bank	61,497	61,497
- ICICI Bank	992,499	270,089
- State Bank of India	236,747	236,747
- Citi Bank *	21,993,031	32,051,065
- HDFC Bank *	2,260,674	643,000
- HDFC Bank **	2,285,605	2,052,623
	<b>30,506,892</b>	<b>38,705,059</b>

\* EEFC account

\*\* Earmarked for unclaimed dividend

Particulars	As at 31 Dec 2013 (Rupees)	As at 31 Mar 2013 (Rupees)
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**Details of balances as on balance sheet dates with scheduled banks in deposit accounts:-**

- HDFC Bank	11,039,294	60,539,294
- Citi Bank	7,600,000	8,100,000
- Bank of India	148,500,000	198,500,000
- State Bank of Travancore	89,400,000	89,400,000
- ICICI Bank	10,000,000	200,000,000
- State bank of Bikaner and Jaipur	-	-
- Syndicate Bank	-	-
- Corporation Bank	97,365,904	198,331,844
- State Bank of India	-	-
- Punjab national Bank	100,100,000	100,100,000
	<b>464,005,198</b>	<b>854,971,138</b>

**Detail of fixed deposit under lien**

- HDFC Bank	1,039,294	1,039,294
- Citi Bank	-	2,500,000
- State Bank of India	-	-

**Total****1,039,294****3,539,294****2.16 SHORT-TERM LOANS AND ADVANCES**

(Unsecured, considered good)

a.	Loans to subsidiaries (see note 2.32)	6,184,000	5,428,000
b.	Security deposit	826,597	501,317
c.	Loans and advances to employees		
	- Staff loans	675,645	3,241,606
	- Employee advances	9,160,545	7,756,341
d.	Prepaid expenses	64,929,817	35,491,286
e.	Balances with government authorities		
	- Advance fringe benefit tax [net of provision Rs. 24,915,859 (Rs. 24,915,859)]	2,732,275	2,732,275
	- Service tax credit receivable	54,202,858	4,373,739
f.	Others		
	- Supplier advances	2,726,479	1,198,356
	- Mark-to-market gain on forward contracts (see note 2.36)	9,049,382	7,149,157
	- Expenses recoverable from customers	9,475,864	6,309,930
		<b>159,963,462</b>	<b>74,182,007</b>

**2.17 OTHER CURRENT ASSETS**

(Unsecured)

a.	Service income accrued but not due		
	- Considered good	171,022,491	227,284,511
	- Considered doubtful	38,794,771	22,421,781
		209,817,262	249,706,292
	Less : Provision for service income accrued but not due	(38,794,771)	(22,421,781)
		<b>171,022,491</b>	<b>227,284,511</b>
b.	Interest accrued but not due on		
	- Fixed deposits with banks	35,683,068	29,293,091
	- Loan to subsidiary	79,835	140,857
	- Current, non trade investments	2,568,055	786,849
		<b>209,353,449</b>	<b>257,505,308</b>

Particulars	Quarter ended 31 Dec 2013	Quarter ended 31 Dec 2012	Nine months ended 31 Dec 2013	Nine months ended 31 Dec 2012
	(Rupees)	(Rupees)	(Rupees)	(Rupees)
<b>2.18 INCOME FROM SOFTWARE PRODUCTS AND SERVICES</b>				
a. Software development Products and services (see note below)				
- Domestic	148,726,284	119,234,768	475,210,023	397,144,853
- Overseas	471,659,053	373,709,430	1,273,480,133	1,111,878,224
b. Sale of goods	-	-	57,342,726	-
	<b>620,385,337</b>	<b>492,944,198</b>	<b>1,806,032,882</b>	<b>1,509,023,077</b>

Note:

Income from software products and services for quarter and nine months year ended 31 December, 2013 includes prior period revenue of Rs. Nil and Rs. Nil (Quarter and nine months ended 31 December, 2012 Rs. Nil, Rs. 3,745,151).

## 2.19 OTHER INCOME

a. Interest income on				
- Deposits with banks	11,369,965	21,263,451	51,079,337	49,790,224
- Loan to subsidiary	133,512	207,000	450,358	617,451
- Current, non trade investments	3,218,556	-	6,798,720	-
- Income tax refund	-	-	4,496,028	-
b. Dividend income from				
- Current, non trade investments	19,077,502	15,361,792	42,321,226	61,252,528
- Non-current, non trade investment	-	-	62,500	50,000
- Subsidiary company (see note 2.32)	-	-	93,931,921	30,000,000
c. Net gain on sale of investments				
- Current, non trade investments	42,553,455	-	45,385,898	-
d. Net Gain / (Loss) on foreign currency				
- Gain / (Loss) on exchange fluctuation	(2,309,637)	13,757,857	16,104,393	46,601,411
- Gain / (Loss) on ineffective hedges (see note 2.36)	(160,914)	157,145	(322,866)	18,969

e. Other non-operating income				
- Excess provisions written back	-	-	-	3,242,396
- Net Profit on sale of fixed assets/discarded assets	226,667	-	632,356	375,429
- Miscellaneous income	176,991	5,324,030	425,296	6,125,242
	<b>74,286,097</b>	<b>56,071,275</b>	<b>261,365,167</b>	<b>198,073,650</b>

## 2.20 EMPLOYEE BENEFITS EXPENSES

a. Salaries and wages	280,475,545	269,818,730	851,420,222	819,001,551
b. Contribution to provident and other funds	15,653,603	14,463,286	45,252,673	43,837,052
c. Gratuity expense (see note 2.35)	5,547,165	4,971,480	16,641,495	15,714,248
d. Staff welfare expenses	5,918,680	4,704,535	20,320,804	17,034,543
	<b>307,594,993</b>	<b>293,958,031</b>	<b>933,635,194</b>	<b>895,587,394</b>

**Employee benefit expenses include Managing Director remuneration as follows :**

a. Salary	1,500,000	1,500,000	4,500,000	4,500,000
b. Contribution to provident and other funds	90,000	90,000	270,000	270,000
	<b>1,590,000</b>	<b>1,590,000</b>	<b>4,770,000</b>	<b>4,770,000</b>

Notes:

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

Particulars	Quarter ended 31 Dec 2013	Quarter ended 31 Dec 2012	Nine months ended 31 Dec 2013	Nine months ended 31 Dec 2012
	(Rupees)	(Rupees)	(Rupees)	(Rupees)

## 2.21 OPERATING AND OTHER EXPENSES

a. Outsourced technical service expense	9,004,855	7,147,703	27,083,613	31,195,839
b. Cost of software purchased for delivery to clients	17,153,931	3,798,400	65,033,021	35,489,515
c. Power and fuel	8,588,014	8,811,138	31,234,520	25,903,576
d. Rent (see note 2.23)	8,082,832	7,753,028	21,685,971	22,758,419
e. Repair and maintenance				
- Buildings	445,841	861,592	2,523,764	1,706,814
- Others	4,663,999	5,602,270	14,510,341	15,458,497

f.	Insurance	1,263,143	798,822	3,315,555	2,379,073
g.	Rates and taxes	1,308,712	467,553	2,298,550	1,848,789
h.	Travel expenses				
	- Foreign	38,682,490	34,424,165	113,838,703	107,948,001
	- Domestic	6,200,822	4,217,014	17,566,985	13,201,954
i.	Advertisement and business promotion	2,752,588	2,574,584	8,010,255	6,419,857
j.	Legal and professional (see note 2.27)	10,101,858	8,599,795	28,976,365	25,983,732
k.	Directors remuneration	2,000,000	1,720,000	6,280,000	5,100,000
l.	Conveyance	3,014,365	2,941,044	10,486,340	7,996,396
m.	Communication	3,321,461	3,647,420	10,272,931	10,799,107
n.	Training and recruitment	6,138,370	2,625,856	15,061,916	9,696,612
o.	Net loss on sale of fixed assets/discarded assets	-	-	-	9,872
p.	Loss on Current non trade investments	-	(8,360)	-	33,066
q.	Adjustment to the carrying amount of investments (see note 2.41)	9,350,000	-	9,350,000	-
r.	Information technology expenses	7,519,911	4,029,667	14,511,470	11,785,608
s.	Provision for doubtful debts/advances/other current assets	13,684,009	7,518,279	38,426,889	16,401,739
t.	Commission to channel partners	10,448,262	2,596,884	17,017,825	9,652,186
u.	Miscellaneous expenses	11,682,960	16,282,920	40,070,079	37,247,692
		<b>175,408,423</b>	<b>126,409,774</b>	<b>497,555,093</b>	<b>399,016,344</b>

**Directors Remuneration includes :**

**Non Executive Directors**

a.	Commission	1,500,000	1,200,000	4,900,000	3,600,000
b.	Sitting fees	500,000	520,000	1,380,000	1,500,000
		<b>2,000,000</b>	<b>1,720,000</b>	<b>6,280,000</b>	<b>5,100,000</b>

**2.22 FINANCE COST**

Bank Charges	<b>967,681</b>	<b>819,691</b>	<b>2,631,220</b>	<b>2,026,990</b>
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**2.23 OPERATING LEASE**

**Obligations on long-term, non-cancelable operating leases**

The Company has acquired office premises under cancellable and non-cancellable operating lease. Operating lease rentals paid during the quarter and nine months ended 31 December, 2013 is Rs. 8,082,832, Rs. 21,685,971 (Rs. 7,753,028; Rs. 22,758,419). The future minimum lease expense in respect of non-cancellable leases for the quarter ended 31 December, 2013 is Rs. Nil (As at 31 March 13, Rs. Nil).

**2.24 Tax Expense and MAT Credit entitlement**

The Company has been accorded initial recognition for the in-house R&D unit by the Department of Scientific and Industrial Research (DSIR) for its R&D centre at Noida effective 31 December, 2012 which is valid till 31 March, 2015. The Company has thereafter applied to DSIR for the approval of weighted deduction under section 35(2AB) of the Income Tax Act, 1961, which has been received by the Company in the current quarter ended 31 December, 2013. Accordingly, the Company has during the current quarter, availed and recognised the tax benefit under Section 35 (2AB) aggregating to Rs. 27,192,000 for the nine months ended 31 December, 2013. This has resulted in decrease in Income Tax liability of the Company for the current period.

a.

Further, the Company has also in the current quarter availed the tax benefit for weighted deduction under section 35(2AB) of the Income Tax Act, 1961 for the period from 1 January, 2013 to 31 March, 2013 aggregating to Rs 10,253,915 which has been shown as tax expense relating to prior years.

During earlier years, the Company has calculated its tax liability under Minimum Alternative Tax (MAT) as its liability under MAT was higher than normal tax liability. The excess of tax payable under MAT over normal tax payable (MAT Credit entitlement) was carried forward to be set off against the future tax liabilities. During the nine months ended 31 December, 2013, the Company is liable to Normal Tax as its Normal Tax is higher than MAT Tax Liability. The Company has utilised the balance MAT Credit Entitlement for the nine months ended 31 December, 2013 of Rs. Nil (Nine months ended 31 December, 2012 Rs. 20,937,715), to set off its liability for payment of Income Tax.

b.

## 2.25 Advance Tax (Net of provision)

Advance Tax (Net of provision) aggregating to Rs. 142,637,371 (As at 31 March, 2013 : Rs. 137,535,009) has been classified as Long-Term Loans and Advances as the same represents amount recoverable from Income Tax Department after the completion of Income Tax Assessments.

## 2.26 Commitments

Particulars	As at 31 Dec 2013 (Rupees)	As at 31 Mar 2013 (Rupees)
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### a. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances).	939,483	1,961,645
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### b. Other Commitments

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

The Company has given an undertaking to repay the amounts due to Nucleus Software Solutions Pte Limited, Singapore (subsidiary company) by Nucleus Software Japan Kabushiki Kaisha, Japan (subsidiary company) and Nucleus Software Inc., USA (subsidiary company), in the event that the later parties are unable to repay the same, as and when it falls due. (Also see note 2.32)

As on 31 December, 2013, the Company has outstanding bank guarantee and letter of credits of Rs. 17,529,476 (Previous year Rs. 64,134,981). These are secured to the extent of Rs. 15 crores against all present and future receivables and inventories of the Company.

Particulars	Quarter ended 31 Dec 2013	Quarter ended 31 Dec 2012	Nine months ended 31 Dec 2013	Nine months ended 31 Dec 2012
	(Rupees)	(Rupees)	(Rupees)	(Rupees)

#### 2.27 Auditors Remuneration (excluding service tax)

a. As auditors - statutory audit, including quarterly audits	550,000	450,000	1,650,000	1,350,000
b. For other services	450,000	50,000	675,000	325,000
c. Reimbursement of expenses	127,060	197,106	273,766	245,481
	<b>1,127,060</b>	<b>697,106</b>	<b>2,598,766</b>	<b>1,920,481</b>

#### 2.28 CIF value of imports

Capital goods	<b>17,445,853</b>	<b>2,582,759</b>	<b>30,060,085</b>	<b>12,982,953</b>
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#### 2.29 Earnings in foreign currency

a. Software development services and products	471,659,053	373,709,430	1,273,480,133	1,111,878,224
b. Dividend income from subsidiary company	-	-	93,931,921	-
c. Interest income on loan to subsidiary	133,512	207,000	450,358	617,451
	<b>471,792,565</b>	<b>373,916,430</b>	<b>1,367,862,412</b>	<b>1,112,495,675</b>

Particulars	Quarter ended 31 Dec 2013	Quarter ended 31 Dec 2012	Nine months ended 31 Dec 2013	Nine months ended 31 Dec 2012
	(Rupees)	(Rupees)	(Rupees)	(Rupees)

#### 2.30 Expenditure in foreign currency

a. Travel expenses	29,489,901	26,229,183	85,763,661	80,740,851
b. Legal and professional	2,252,484	814,860	5,276,718	4,252,647
c. Cost of software purchased for delivery to clients	2,856,606	2,058,268	8,335,031	6,530,942
d. Outsourced technical service expense	3,082,345	1,530,916	9,272,515	8,792,900
e. Salaries and wages	10,823,068	7,592,945	34,826,430	27,013,680
f. Commission to channel partners	10,441,967	2,596,884	17,011,530	9,007,223
g. Rent	2,961,530	2,010,823	7,323,477	5,873,436
h. Others	8,408,107	12,729,839	28,660,097	29,878,531
	<b>70,316,008</b>	<b>55,563,718</b>	<b>196,469,459</b>	<b>172,090,210</b>

### 2.31 Earnings per share

a.	Profit after taxation available to equity shareholders (Rupees)	188,187,078	82,349,892	440,804,722	280,507,178
b.	Weighted average number of equity shares used in calculating basic earnings per share	32,383,724	32,383,595	32,383,691	32,383,501
c.	Effect of dilutive issue of shares	-	-	-	-
d.	Weighted average number of equity shares used in calculating diluted earnings per share	32,383,724	32,383,595	32,383,691	32,383,501
e.	Basic earnings per share (Rupees)	5.81	2.54	13.61	8.66
f.	Diluted earnings per share (Rupees)	5.81	2.54	13.61	8.66

### 2.32 RELATED PARTY TRANSACTIONS

#### List of related parties – where control exists

#### a. Wholly owned subsidiary companies

- Nucleus Software Solutions Pte Ltd, Singapore
- Nucleus Software Japan Kabushiki Kaisha, Japan
- Nucleus Software Inc., USA
- Nucleus Software Netherlands B.V., Netherlands
- VirStra i -Technology Services Limited, India
- Nucleus Software Limited, India

#### b. Other subsidiary company (wholly owned subsidiary of VirStra i Technology Services Limited)

- VirStra i -Technology (Singapore) Pte Ltd., Singapore

#### c. Other related parties:

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

Particulars	Quarter ended 31 Dec 2013	Quarter ended 31 Dec 2012	Nine months ended 31 Dec 2013	Nine months ended 31 Dec 2012
	(Rupees)	(Rupees)	(Rupees)	(Rupees)
<b>Transactions with related parties</b>				
<b>a. Software development, services and products</b>				
- Nucleus Software Japan Kabushiki Kaisha, Japan	29,775,185	36,485,266	105,030,199	68,857,835
- Nucleus Software Solutions Pte Ltd, Singapore	21,304,345	12,589,036	58,780,937	27,687,507
- Nucleus Software Inc., USA	5,761,572	-	17,672,906	5,187,025
- Nucleus Software Netherlands B.V., Netherlands	4,380,293	2,043,072	11,703,499	4,248,185
	<b>61,221,395</b>	<b>51,117,374</b>	<b>193,187,541</b>	<b>105,980,553</b>
<b>b. Other income</b>				
Dividend income				
- VirStra i -Technology Services Limited, India	-	-	-	30,000,000
- Nucleus Software Solutions Pte Ltd, Singapore	-	-	93,931,921	-
	<b>-</b>	<b>-</b>	<b>93,931,921</b>	<b>30,000,000</b>
Interest income				
- Nucleus Software Inc., USA	133,512	207,000	450,358	617,451
<b>c. Managerial remuneration</b> [including perquisite value of Rs. 23,904 and 47,808 for the quarter and nine months ended 31 December, 2013 respectively (Rs. 366,467 ; Rs. 510,050)]				-
- Vishnu R Dusad (Managing director)	1,613,904	1,956,467	4,817,808	5,280,050
<b>d. Cost of software purchased for delivery to clients</b>				
- Nucleus Software Solutions Pte Ltd, Singapore	970,923	853,807	2,548,557	1,906,622
<b>e. Outsourced technical service expense</b>				
- Nucleus Software Solutions Pte Ltd, Singapore	879,660	1,530,916	3,188,292	2,975,081
<b>f. Lease Rent Paid</b>				
- Nucleus Software Limited, India	2,993,394	2,064,414	7,122,222	4,128,828
<b>g. Reimbursement of expenses from</b>				

- Nucleus Software Solutions Pte Ltd, Singapore	2,722,394	1,361,584	7,073,235	3,303,066
- Nucleus Software Japan Kabushiki Kaisha, Japan	271,759	241,336	421,869	532,470
- Nucleus Software Inc., USA	6,985,698	5,115,589	8,960,799	5,766,831
- Nucleus Software Netherlands B.V., Netherlands	-	272,526	419,477	1,601,934
- VirStra i -Technology Services Limited, India	8,331	135,845	73,516	185,132
- Nucleus Software Limited, India	-	-	8,826	405
	<b>9,988,182</b>	<b>7,126,880</b>	<b>16,957,722</b>	<b>11,389,838</b>

#### **h. Reimbursement of expenses to**

- Nucleus Software Solutions Pte Ltd, Singapore	-	69,578	522,793	232,017
- Nucleus Software Japan Kabushiki Kaisha, Japan	68,341	-	68,341	22,264
- Nucleus Software Limited, India	-	-	-	-
	<b>68,341</b>	<b>69,578</b>	<b>591,134</b>	<b>254,281</b>

#### **i. Repayment of loans**

- Nucleus Software Inc., USA	6,262,500	5,474,002	6,262,500	5,474,002
- Nucleus Software Limited, India	3,500,000	-	3,500,000	-
	<b>9,762,500</b>	<b>5,474,002</b>	<b>9,762,500</b>	<b>5,474,002</b>

#### **Outstanding balances as at period end**

<b>Particulars</b>	<b>As at 31 Dec 2013 (Rupees)</b>	<b>As at 31 Mar 2013 (Rupees)</b>
<b>a. Trade receivables</b>		
- Nucleus Software Solutions Pte Ltd, Singapore	18,724,248	5,331,026
- Nucleus Software Japan Kabushiki Kaisha, Japan	9,303,784	11,721,037
- Nucleus Software Inc., USA	22,748,797	38,439,793
- Nucleus Software Netherlands B.V., Netherlands	28,443,953	27,195,883
- VirStra i -Technology Services Limited, India	73,054	135,845
	<b>79,293,836</b>	<b>82,823,584</b>
<b>b. Trade payables</b>		
- Nucleus Software Solutions Pte Ltd, Singapore	879,660	4,024,181
- Nucleus Software Japan Kabushiki Kaisha, Japan	1,398,030	1,352,053
- VirStra i -Technology Services Limited, India	-	164,400
- Nucleus Software Limited, India	762,531	801,063
	<b>3,040,221</b>	<b>6,341,697</b>

**c. Loans to subsidiaries**

- Nucleus Software Inc., USA	12,368,000	16,284,000
- Nucleus Software Limited, India	87,450,634	90,946,898
	<b>99,818,634</b>	<b>107,230,898</b>

**d. Interest income accrued but not due**

- Nucleus Software Inc., USA	79,835	140,857
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**e. Service income accrued but not due**

- Nucleus Software Netherlands B.V., Netherlands	2,378,165	11,994,819
- Nucleus Software Inc., USA	1,014,587	-
	<b>3,392,752</b>	<b>11,994,819</b>

**f. Deferred revenue**

- Nucleus Software Japan Kabushiki Kaisha, Japan	103,654	4,763,855
- Nucleus Software Solutions Pte Ltd, Singapore	2,386,632	-
- Nucleus Software Netherlands B.V., Netherlands	1,460,742	634,897
- Nucleus Software Inc., USA	836,778	-
	<b>4,787,806</b>	<b>5,398,752</b>

**g. Advance billing**

- Nucleus Software Inc., USA	-	13,675,086
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**h. Guarantees on behalf of (see note 2.26)**

- Nucleus Software Japan Kabushiki Kaisha, Japan	28,635,557	62,443,012
- Nucleus Software Inc., USA	17,198,874	41,059,474
	<b>45,834,431</b>	<b>103,502,486</b>

**i. Investments in subsidiary companies (net of provision) (see note 2.9)**

130,412,212	130,412,212
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Particulars	Nine months ended 31 Dec 2013	Year ended 31 Mar 2013
	(Rupees)	(Rupees)

**2.33 Research and development expenditure**

Expenditure on research and development as per Accounting Standard 26 from 1 April, 2013 to 31 December, 2013 and 1 April, 2012 to 31 March, 2013

(i) Revenue	120,049,551	135,482,672
(ii) Capital	-	-
	<b>120,049,551</b>	<b>135,482,672</b>

## 2.3 Segment reporting – Basis of preparation

### a Segment accounting policies

The Segment reporting policy complies with the accounting policies adopted for preparation and presentation of financial statements of the Company and is in conformity with Accounting Standard-17 on "Segment Reporting", as specified in the Companies (Accounting Standards) 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.

### b Composition of reportable segments

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

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

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

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

## Information in respect of primary segment

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

#### a For the quarter ended 31 December, 2013

(Amount in Rupees)

Descripti on	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Revenue from operations	148,726,284	76,005,434	88,858,321	73,193,932	116,217,014	78,130,330	39,254,022	620,385,337
Expenses	96,555,159	29,928,053	60,839,968	42,563,813	42,903,390	35,058,622	17,248,457	325,097,462
Segment result	52,171,125	46,077,381	28,018,353	30,630,119	73,313,624	43,071,708	22,005,565	295,287,875
Unallocated corporate expenditure							175,145,880	
Operating profit before taxation							120,141,995	
Other income							74,286,097	
Profit before taxation							194,428,092	
Tax Expense							1,663,818	
Deferred tax credit							4,577,196	
							<b>6,241,014</b>	
<b>Profit for the period</b>							<b>188,187,078</b>	

**b For the quarter ended 31  
December, 2012**

(Amount in Rupees)

Descriptio n	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Revenue from operations	119,234,768	91,963,758	91,335,640	49,056,232	104,914,046	20,621,775	15,817,979	492,944,198
Expenses	96,141,854	36,387,975	48,696,630	24,134,422	47,849,117	8,938,424	13,503,774	275,652,196
Segment result	23,092,914	55,575,783	42,639,010	24,921,810	57,064,929	11,683,351	2,314,205	217,291,999
Unallocated corporate expenditure							158,930,721	
Operating profit before taxation							58,361,278	
Other income								56,071,275
Profit before taxation								114,432,553
Tax Expense								
Current tax expense								31,600,000
Deferred tax								

credit

482,661

32,082,661

**82,349,892**

**c For the nine months ended 31 December,  
2013**

Description								(Amount in Rupees)
	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Revenue from operations	532,552,749	240,878,279	257,976,190	155,865,602	363,793,345	171,048,217	83,918,500	1,806,032,882
Expenses	363,479,631	107,274,455	199,299,307	85,623,909	154,248,117	76,667,153	41,909,805	1,028,502,377
Segment result	169,073,118	133,603,824	58,676,883	70,241,693	209,545,228	94,381,064	42,008,695	777,530,505
Unallocated corporate expenditure								498,474,396
Operating profit before taxation								279,056,109
Other income								261,365,167
Profit before taxation								540,421,276
Tax Expense								
Current tax expense								102,046,085
Deferred tax credit								(2,429,531)
								99,616,554
<b>Profit for the period</b>								<b>440,804,722</b>

**d For the nine months ended 31 December,  
2012**

(Amount in Rupees)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Revenue from operations	397,144,852	283,211,301	250,385,036	148,499,901	299,019,628	82,457,687	48,304,671	1,509,023,077
Expenses	316,735,664	104,622,133	169,387,300	93,868,722	131,458,934	27,808,039	38,645,061	882,525,853
Segment result	80,409,188	178,589,168	80,997,736	54,631,179	167,560,694	54,649,648	9,659,610	626,497,224

Unallocated corporate expenditure	451,475,106
Operating profit before taxation	175,022,118
Other income	198,073,650
Profit before taxation	373,095,768
Tax Expense	
Current tax expense	94,324,818
Deferred tax credit	(1,736,228)
	92,588,590
<b>Profit for the period</b>	<b>280,507,178</b>

**Assets and liabilities of reportable primary segment are as follows:**

**a As at 31  
December,  
2013**

(Amount in Rupees)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Segment assets	327,901,441	36,901,407	106,367,186	65,593,325	175,028,443	124,739,013	74,141,496	910,672,311
Unallocated corporate assets								3,547,119,230
<b>Total assets</b>								<b>4,457,791,541</b>
Segment liabilities	223,735,764	25,114,972	153,903,039	62,281,816	127,794,104	118,548,450	31,251,145	742,629,290
Unallocated corporate liabilities								60,762,249
<b>Total liabilities</b>								<b>803,391,539</b>
<b>Capital employed</b>								<b>3,654,400,002</b>

**b As at 31  
March, 2013**

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
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Segment assets	451,521,994	39,328,110	156,956,494	62,701,433	217,390,629	24,356,994	59,369,435	1,011,625,089
Unallocated corporate assets								3,136,010,674
<b>Total assets</b>								<b>4,147,635,763</b>
Segment liabilities	354,994,135	29,539,313	124,167,693	58,268,466	141,255,865	47,400,467	37,681,876	793,307,816
Unallocated corporate liabilities								159,548,679
<b>Total liabilities</b>								<b>952,856,495</b>
<b>Capital employed</b>								<b>3,194,779,268</b>

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

**a For the quarter ended 31 December, 2013**

(Amount in Rupees)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Capital expenditure (unallocated)								134,914,094
<b>Total capital expenditure</b>								<b>134,914,094</b>
Depreciation expenditure (unallocated)								16,272,245
<b>Total depreciation</b>								<b>16,272,245</b>
Segment non-cash expense other than depreciation	(3,453,721)	-	2,052,518	17,056,000	(1,970,788)		-	13,684,009
<b>Total non cash expenditure other than depreciation</b>	<b>(3,453,721)</b>	<b>-</b>	<b>2,052,518</b>	<b>17,056,000</b>	<b>(1,970,788)</b>	<b>-</b>	<b>-</b>	<b>13,684,009</b>

**b For the quarter ended 31 December, 2012**

(Amount in Rupees)

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Others	Total
Capital expenditure (unallocated)								41,135,077
<b>Total capital expenditure</b>								<b>41,135,077</b>

Depreciation expenditure (unallocated)								13,395,424
<b>Total depreciation</b>								<b>13,395,424</b>
Segment non-cash expense other than depreciation	7,576,152	-	(2,239,239)	-	2,038,499	142,867	-	7,518,279
<b>Total non cash expenditure other than depreciation</b>	<b>7,576,152</b>	<b>-</b>	<b>(2,239,239)</b>	<b>-</b>	<b>2,038,499</b>	<b>142,867</b>	<b>-</b>	<b>7,518,279</b>

**c For the nine months ended 31 December, 2013**

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Others	(Amount in Rupees)
								Total
Capital expenditure (unallocated)								159,574,775
<b>Total capital expenditure</b>								<b>159,574,775</b>
Depreciation expenditure (unallocated)								43,668,847
<b>Total depreciation</b>								<b>43,668,847</b>
Segment non-cash expense other than depreciation	3,234,963	-	15,336,644	17,056,000	2,653,325	145,957	-	38,426,889
<b>Total non cash expenditure other than depreciation</b>	<b>3,234,963</b>	<b>-</b>	<b>15,336,644</b>	<b>17,056,000</b>	<b>2,653,325</b>	<b>145,957</b>	<b>-</b>	<b>38,426,889</b>

**d For the nine months ended 31 December, 2012**

Description	India	Far East	South East Asia	Europe	Middle East	Africa	Others	(Amount in Rupees)
								Total
Capital expenditure (unallocated)								57,952,134
<b>Total capital expenditure</b>								<b>57,952,134</b>
Depreciation expenditure (unallocated)								37,370,231
<b>Total depreciation</b>								<b>37,370,231</b>

Segment non-cash expense other than depreciation	8,728,418	-	(2,963,356)	-	8,007,333	1,062,342	1,567,002	16,401,739
<b>Total non cash expenditure other than depreciation</b>	<b>8,728,418</b>	<b>-</b>	<b>(2,963,356)</b>	<b>-</b>	<b>8,007,333</b>	<b>1,062,342</b>	<b>1,567,002</b>	<b>16,401,739</b>

#### Information in respect of secondary segment

Information for business segments

(Amounts in Rupees)

Description	Products	Software projects and services	Total
<b>a For the quarter ended 31 December, 2013</b>			
Revenue	582,746,437	37,638,900	620,385,337
Carrying amount of segment assets	855,421,643	55,250,668	910,672,311
<b>b For the quarter ended 31 December, 2012</b>			
Revenue	459,248,649	33,695,549	492,944,198
Carrying amount of segment assets	766,080,143	56,208,093	822,288,236
<b>c For nine months ended 31 December, 2013</b>			
Revenue	1,700,388,553	105,644,329	1,806,032,882
Carrying amount of segment assets	857,402,314.5	53,269,996.46	910,672,311
<b>d For nine months ended 31 December, 2012</b>			
Revenue	1,387,393,781	121,629,296	1,509,023,077
Carrying amount of segment assets	756,010,695	66,277,541	822,288,236

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

#### 2.3 Employee Benefit Obligations

##### Defined contribution plans

An amount of Rs. 15,653,603 ; Rs. 45,252,673 (Previous period Rs. 14,463,286 ; Rs. 43,837,052) for the quarter and nine months ended 31 December, 2013 respectively, have been recognized as an expense in respect of Company's contribution for Provident Fund and Employee State Insurance Fund deposited with the government authorities and has been shown under employee benefit expenses in the Statement of Profit and Loss.

#### **Defined benefit plans**

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

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

Provision in respect of leave encashment has been determined using the Projected Unit Credit method, with actuarial valuations being carried out at the balance sheet date.

#### **Reconciliation of opening and closing balances of the present value of the defined benefit obligation as on 31 March, 2013**

a	<b>Particulars</b>	<b>As at 31 Mar 2013</b>
.		<b>(Rupees)</b>
	Obligation at beginning of the year	83,557,616
	Current service cost	14,043,237
	Interest cost	7,280,939
	Actuarial losses/(gains)	(781,645)
	Past service cost	-
	Benefits paid	(13,067,924)
	Obligation at year end	<b>91,032,223</b>
b	<b>Change in plan assets</b>	
.		
	Plan Assets at year beginning, at fair value	-
	Contributions by employer	13,067,924
	Benefits paid	(13,067,924)
	Plan assets at period end, at fair value	-
	The Scheme does not have any assets as at the valuation date to meet the gratuity liability.	
	Expected employer's contribution next year	22,285,555
c.	<b>Gratuity cost for the year:</b>	

Particulars	Year ended 31 Mar 2013
	(Rupees)
Current service cost	14,043,237
Interest cost	7,280,939
Actuarial losses/(gains)	(781,645)
Past service cost	-
Net gratuity cost	<b>20,542,531</b>

d. **Experience adjustment**

Particulars	Year ended 31 Mar 2009	Year ended 31 Mar 2010	Year ended 31 Mar 2011	Year ended 31 Mar 2012	Year ended 31 Mar 2013
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Defined benefit obligation	51,341,655	58,763,800	75,668,784	83,557,616	91,032,223
Plan assets	-	-	-	-	-
Surplus/(Deficit)	(51,341,655)	(58,763,800)	(75,668,784)	(83,557,616)	(91,032,223)
Experience adjustment on plan liabilities	2,701,103	(3,409,464)	(609,066)	(1,340,985)	(2,781,491)
Experience adjustment on plan assets	-	-	-	-	-
			<b>Acturial assumptions for long-term compensated absences</b>	<b>Acturial assumptions for gratuity</b>	

e. **Economic assumptions :**

	As at 31 Dec 2013	As at 31 Mar 2013	As at 31 Mar 2013
--	----------------------	----------------------	----------------------

Discount rate	8.75%	7.85%	7.85%
Salary escalation rate	8.00%	7.00%	7.00%
Expected return on plan assets			

**Discount rate:**

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

**Salary escalation rate:**

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

f. **Demographic assumptions**

Retirement age

58 years

Mortality table

LIC (1994-96) duly modified

g **Withdrawal rates**

Ages - Withdrawal Rate (%)

21-50 years - 20%

51-54 years - 2%

55-57 years - 1%

## 2.3 Forward contract and option in foreign currency

6

a Forward contract outstanding	Buy/Sell	As at	As at
		31 Dec 2013	31 Mar 2013
In USD	Sell	8,750,000	9,000,000
Equivalent amount in Rupees	Sell	541,100,000	488,520,000

b Short term loans and advances include net marked to market gain of Rs. 9,049,382 (Previous year ended 31 March, 2013 : Rs. 7,149,157) relating to forward contracts which are outstanding as at period end. The loss on such forward contract which are designated as effective, aggregating to Rs. 9,210,296 (Previous year ended 31 March 2013 : gain of Rs. 6,370,074) have been credited to Hedging Reserve. The loss on ineffective contracts aggregating to Rs. 160,914 (Previous year ended 31 March 2013 : Gain of Rs. 765,334) has been debited to Statement of Profit and Loss.

c. The period-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

Currency	As at 31 Dec 2013		As at 31 Mar 2013	
	Amount in foreign currency	Amount in rupees	Amount in foreign currency	Amount in rupees
<b>Receivable</b>				
USD	7,689,121			
		475,495,272	9,311,009	505,401,569
EURO				

	399,053	34,031,282	1,480,193	102,917,819
MYR	1,121,947	21,103,831	3,446,139	60,410,817
SGD	383,144	18,724,248	177,131	7,731,768
JPY	15,779,824	9,303,784	20,370,242	11,721,037
ZAR	6,146,611	36,510,872-	-	
AUD	347,000	19,137,050-	-	
AED	354,473	5,933,878	-	-

### **Payable**

USD	5,064,104	313,164,162	5,060,295274,672,813	
EURO	259,860	22,160,842	351,212	24,419,770
MYR	344,102	6,472,566	55,495	972,827
GBP	68,705	7,001,077	68,049	5,592,947
SGD	38,070	1,860,497	92,455	4,035,661
CHF	16,145	1,124,338	12,690	723,838
SEK	62,844	605,188	57,801	482,638
AED	362,739	6,072,247	49,252	727,945
ZAR	1,886,990	11,208,721	-	-
JPY	3,260,994	1,922,682	3,119,773	1,795,117
NGN	271,484	104,250	-	-
AUD	20,836	1,149,109	-	-

## 2.3 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS (Unaudited)

7

Particulars	Quarter ended 31 Dec 2013	Quarter ended 31 Dec 2012	Nine months ended 31 Dec 2013	Nine months ended 31 Dec 2012
	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Income from software services and products	620,385,337	492,944,198	1,806,032,882	1,509,023,077
Software development expenses	343,995,601	300,403,201	1,035,075,353	950,110,601
<b>Gross Profit</b>	<b>276,389,736</b>	<b>192,540,997</b>	<b>770,957,529</b>	<b>558,912,476</b>
Changes in inventories of stock of trade	-	-	49,486,419	-
Selling and marketing expenses	62,625,878	63,119,343	192,668,926	184,408,929
General and administration expenses	77,349,618	57,664,952	206,077,228	162,111,198
<b>Operating profit before depreciation</b>	<b>136,414,240</b>	<b>71,756,702</b>	<b>322,724,956</b>	<b>212,392,349</b>
Depreciation and amortisation expense	16,272,245	13,395,424	43,668,847	37,370,231
<b>Operating profit after depreciation</b>	<b>120,141,995</b>	<b>58,361,278</b>	<b>279,056,109</b>	<b>175,022,118</b>
Other income	74,286,097	56,071,275	261,365,167	198,073,650
<b>Profit before tax</b>	<b>194,428,092</b>	<b>114,432,553</b>	<b>540,421,276</b>	<b>373,095,768</b>
Tax expense:				
Net current tax expense	1,663,818	31,600,000	102,046,085	94,324,818
Deferred tax credit	4,577,196	482,661	(2,429,531)	(1,736,228)

	<b>6,241,014</b>	<b>32,082,661</b>	<b>99,616,554</b>	<b>92,588,590</b>
<b>Profit for the period</b>	<b>188,187,078</b>	<b>82,349,892</b>	<b>440,804,722</b>	<b>280,507,178</b>

## 2.3 TRANSFER PRICING

8

The Company has established a comprehensive system of maintenance of information and documents as required by transfer pricing legislation under section 92D for its international transactions and is in the process of establishing such system for specified domestic transactions. The Company will further update above information and records and expects these to be in existence latest by due date of the filing of return, as required under law. The management is of the opinion that all above transactions are at arm's length so that aforesaid legislation will not have any impact on the financial statement, particularly on the amount of tax expense and that of provision for taxation.

**2.3** During the nine months ended 31 December, 2013, as per provision of Income-tax Act, 1961, the Company has taken credit of corporate dividend tax aggregating Rs. 15,963,730 (Year ended 31 March, 2013 : Rs. 4,864,702) on account of tax paid on dividend received from one of its subsidiaries.

**2.4** Revenue recognised up to the reporting date in respect of contracts in progress at the reporting date aggregates to Rs. 814,291,019 (As at 31 March, 2013 : Rs. 764,470,880).

**2.4** The Company has during the current quarter reclassified investment in bonds of Indian Railway Finance Corporation Limited- Tranche 1 Series I as non-current investments which were originally held as current investment. Due to this change in classification and in accordance with Accounting Standard (AS) 13, the difference in the fair value of the investment as on the date of transfer and the cost at which these were recorded earlier aggregating to Rs 9,350,000 has been recognised as an adjustment to the carrying value of the investment

**2.4** Previous period/year figures have been regrouped/ reclassified wherever necessary to correspond with the current period classification/disclosure.

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

**JANKI BALLABH**

Chairman

**VISHNU R DUSAD**

Managing Director &

Chief Executive Officer

**P K SANGHI**

President Finance &

Chief Financial  
Officer

Place : Noida

Date : 19 January, 2014

**POONAM BHASIN**

AVP (Secretarial) &

Company Secretary

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

## CONSOLIDATED FINANCIAL STATEMENTS

NUCLEUS SOFTWARE EXPORTS LIMITED				
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER, 2013				
		Notes	As at	As at
		Ref.	31 Dec, 2013	31 March, 2013
			(Rupees)	(Rupees)
<b>EQUITY AND LIABILITIES</b>				
<b>1. SHAREHOLDERS' FUNDS</b>				
a. Share capital	2.1		323,852,240	323,851,340
b. Advance pursuant to stock option plan	2.2		-	13,200
c. Reserves and surplus	2.3		3,672,089,295	3,176,035,120
			<b>3,995,941,535</b>	<b>3,499,899,660</b>
<b>2. NON-CURRENT LIABILITIES</b>				
a. Long-term provisions	2.4		<b>131,108,932</b>	<b>124,450,634</b>
b. Deferred tax liabilities (net)	2.5		-	-
c. Other long term liabilities	2.6		-	-
			<b>131,108,932</b>	<b>124,450,634</b>
<b>3. CURRENT LIABILITIES</b>				
a. Trade payables	2.5		239,468,990	253,360,204
b. Other current liabilities	2.6		585,129,195	559,494,626
c. Short-term provisions	2.7		44,963,556	152,415,178
			<b>869,561,741</b>	<b>965,270,008</b>
			<b>4,996,612,208</b>	<b>4,589,620,302</b>
<b>ASSETS</b>				
<b>1. NON-CURRENT ASSETS</b>				
a. Fixed assets				
- Tangible assets	2.8		476,615,037	461,482,267
- Intangible assets	2.8		139,746,580	45,427,669
- Intangible assets under development			8,160,000	-
			624,521,617	506,909,936
b. Non-current investments	2.9		193,173,000	2,523,000
c. Deferred tax assets (net)	2.10		64,105,814	60,779,256
d. Long-term loans and advances	2.11		207,814,995	218,166,791
e. Other non-current assets	2.12		4,611,881	2,023,135
			<b>1,094,227,307</b>	<b>790,402,118</b>
<b>2. CURRENT ASSETS</b>				
a. Current investments	2.13		2,026,226,745	1,547,406,783
b. Inventories			-	49,486,419
c. Trade receivables	2.14		679,690,196	698,017,163
d. Cash and cash equivalents	2.15		773,437,459	1,119,864,480
e. Short-term loans and advances	2.16		181,706,878	93,101,702
f. Other current assets	2.17		241,323,623	291,341,637
			<b>3,902,384,901</b>	<b>3,799,218,184</b>
			<b>4,996,612,208</b>	<b>4,589,620,302</b>

NUCLEUS SOFTWARE EXPORTS LIMITED						
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER ENDED 31 DECEMBER, 2013						
	Notes	For the quarter ended		For the period ended		
	Ref.	31 Dec, 2013	31 Dec, 2012	31 Dec, 2013	31 Dec, 2012	
		(Rupees)	(Rupees)	(Rupees)	(Rupees)	
<b>1. REVENUE FROM OPERATIONS</b>						
Income from software products and services	2.18	899,614,731	746,306,579	2,585,361,958	2,203,235,043	
<b>2. OTHER INCOME</b>	2.19	76,492,201	50,369,667	170,688,909	161,000,036	
<b>3. TOTAL REVENUE (1+2)</b>		<b>976,106,932</b>	<b>796,676,246</b>	<b>2,756,050,867</b>	<b>2,364,235,079</b>	
<b>4. EXPENSES</b>						
a. Cost of stock in trade		-		49,486,419	-	
b. Employee benefits expense	2.20	457,987,470	408,099,112	1,347,562,973	1,244,976,166	
c. Operating and other expenses	2.21	245,764,897	211,945,517	719,522,359	618,852,449	
d. Finance cost	2.22	1,395,322	1,137,309	3,899,114	3,081,786	
e. Depreciation and amortisation expense	2.8	19,309,653	16,140,309	52,805,624	45,752,744	
<b>TOTAL EXPENSES</b>		<b>724,457,342</b>	<b>637,322,247</b>	<b>2,173,276,489</b>	<b>1,912,663,145</b>	
<b>5. PROFIT BEFORE TAX (3-4)</b>		<b>251,649,590</b>	<b>159,353,999</b>	<b>582,774,378</b>	<b>451,571,934</b>	
<b>6. TAX EXPENSE</b>						
a. Current tax expense for current year		21,538,727	36,007,867	136,981,671	107,075,909	
b. MAT Credit Entitlement		-		-	-	
d. Net current tax expense		13,725,804	36,007,867	131,159,606	107,075,909	
e. Deferred tax credit		4,060,600	54,661	(3,349,280)	(2,700,098)	
<b>NET TAX EXPENSE</b>		<b>17,786,404</b>	<b>36,062,528</b>	<b>127,810,326</b>	<b>104,375,811</b>	
<b>7. PROFIT FOR THE YEAR</b>		<b>233,863,186</b>	<b>123,291,471</b>	<b>454,964,052</b>	<b>347,196,123</b>	
<b>8. EARNINGS PER EQUITY SHARE</b>	2.26					
Equity shares of Rs. 10 each						
a. Basic		7.22	3.81	14.05	10.72	
b. Diluted		7.22	3.81	14.05	10.72	
Number of shares used in computing earnings per share						
a. Basic		32,383,724	32,383,595	32,383,691	32,383,595	
b. Diluted		32,383,724	32,383,595	32,383,691	32,383,595	

**NUCLEUS SOFTWARE EXPORTS LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER, 2013**

	Notes	For the period ended	Year ended
	Ref.	31 December, 2013	31 March 2013
		(Rupees)	(Rupees)
<b>A. Cash flow from operating activities</b>			
Net profit before tax		582,774,378	600,544,068
<i>Adjustment for:</i>			
Depreciation		52,805,624	60,916,415
Exchange difference on translation of foreign currency accounts		(15,781,526)	(40,716,923)
Dividend received from non trade investments		(45,325,720)	(73,283,265)
Dividend on Long term trade investment		(62,500)	(50,000)
Interest on fixed deposits		(58,255,257)	(72,894,566)
(Profit)/Loss on sale of investments		(45,385,898)	(10,328,341)
Amortisation of employees compensation expenses		-	-
Profit on sale of fixed assets (net)		(632,356)	(2,979,280)
Provisions written back		-	(6,703,108)
Advances and other current assets written off		-	-
Provision for doubtful debts / advances		29,334,350	43,661,751
Operating profit before working capital changes		<b>499,471,095</b>	<b>498,166,751</b>
Adjustment for (increase) / decrease in operating assets			
Trade receivable		25,203,036	177,567,139
Short-term loans and advances		(80,456,307)	17,338,603
Inventories		49,486,419	(49,486,419)
Long-term loans and advances		(1,800,483)	3,423,101
Other current assets		48,060,819	93,312,620
Other non-current assets		(2,588,746)	11,925,862
Adjustment for (increase) / decrease in operating liabilities			
Trade payables and other current liabilities		(14,710,101)	112,077,402
Short-term provisions		6,210,076	1,697,654
Long-term provisions			

Other long term liabilities		6,658,298	11,819,452
		-	-
Direct taxes paid		535,534,106	877,842,165
<b>Net cash from operating activities (A)</b>		<b>(103,835,519)</b>	<b>(130,172,843)</b>
		<b>431,698,587</b>	<b>747,669,322</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress		(150,887,184)	(76,210,145)
Profit / (Loss) on sale of fixed assets		1,525,282	2,979,280
Purchase of current investments		(478,819,962)	(506,126,416)
Purchase of non current investments		(190,650,000)	
Proceeds on sale of current investments		-	-
Bank balance not considered as cash and cash equivalents - placed		(539,300,590)	(916,736,052)
Bank balance not considered as cash and cash equivalents - matured		916,736,052	707,293,108
Interest on fixed deposits		49,211,304	73,410,671
Income tax paid		(18,539,714)	(26,968,168)
Dividend received from non trade investments		45,325,720	73,283,265
Dividend on Long term trade investment		62,500	50,000
Profit on Sale of Long term non trade investment		45,385,898	10,328,341
<b>Net cash from/ (used in) investing activities (B)</b>		<b>(319,950,694)</b>	<b>(658,696,116)</b>
<b>C. Cash flow from financing activities</b>			
Dividend paid (including corporate dividend tax)		(97,697,968)	(94,095,935)
Advance pursuant to employee stock option scheme / proceeds from employee stock option exercised		12,060	24,120
<b>Net cash used in financing activities (C)</b>		<b>(97,685,908)</b>	<b>(94,071,815)</b>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>		<b>14,061,985</b>	<b>(5,098,609)</b>
Opening cash and cash equivalents	2.15	203,128,428	212,967,879
Exchange difference on translation of foreign currency bank accounts		16,946,456	(4,740,842)
Closing cash and cash equivalents	2.15	<b>234,136,869</b>	<b>203,128,428</b>

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

Financial statements of the Company are prepared under the historical cost convention in compliance with the requirements of the Companies Act, 1956, Generally Accepted Accounting Principles (GAAP) in India and mandatory accounting standards as prescribed in Companies (Accounting Standard) Rules, 2006. All income and expenditure items having a material bearing on the financial statements are recognized on accrual basis. The consolidated financial statements have been prepared in accordance with the principles and procedures for the preparation and presentation as laid under Accounting Standard 21 on "Consolidated Financial Statements" issued by the ICAI.

### **Overview**

The Company was incorporated on January 9, 1989 as Nucleus Software Exports Private Limited with its registered office at 33-35 Thyagraj Nagar Market, New Delhi 110 003. Subsequently in October 1994, it was converted into a Public Limited Company. In August 1995, Nucleus made an Initial Public Offer and is currently listed at National Stock Exchange of India Ltd., and BSE Ltd. Nucleus provides software solutions to the Banking and Financial Services Industry. For over 20 years, we have developed solutions spanning from Retail Banking to Corporate Banking, Cash Management, Internet Banking and Credit Cards. FinnOne™, the Flagship product of Nucleus Software is a comprehensive suite for Retail Banking applications comprising of modules like Customer Acquisition System, Loan Management, Delinquency and Recovery Management, Deposits and Finance Against Securities. Cash@Will™ and BankONet™ are the offerings from Nucleus Software in the area of Cash Management and Internet Banking respectively. Over the years, our committed professionals have provided solutions par excellence and with the experience and skills, we have been able to create a global footprint of clients and partners across multiple continents with multi-product, multi-service, multi-currency and multi-lingual implementations, leading to worldwide acceptability and customer satisfaction. Nucleus operates through integrated and well-networked subsidiaries in India, Japan, Netherlands, Singapore and USA and branch offices in Chennai and Mumbai in India and in London, UK and Dubai. The Singapore subsidiary has branch offices in Seoul in Korea and Manila in Philippines. These Subsidiaries/branch offices help the Company in providing front-end support to clients and explore new opportunities.

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

### **Company Strengths**

The Company's business broadly consists of Development and Marketing of Software Products and Software Services for business entities in the Banking and Financial Services (BFS) vertical. With a single point focus on the banking and financial industry, the Company's focus on product development is to build products on latest architecture &

technology stack. They will have advanced feature & functionalities to support growing need of business. At Nucleus our strategy is to ultimately touch and improve lives of more and more people across the world by equipping Banks with superior technology products for managing lending operations. Our key strengths include:

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

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

- FinnOne™ has been ranked as the **Global No. 1 Lending Software solution** for the fifth consecutive year by IBS Publishing, UK in their Sales League Table 2013 for Banking Product Sales.
- Annual Report and Accounts of the Company for the year ended March 31, 2012 was adjudged as the **BEST** under the Category X – Service Sector (Other than financial services sector–turnover less than ₹ 500 crore) of the '**ICAI Awards for Excellence in Financial Reporting**'. A GOLD SHIELD was awarded to the Company for the fifth consecutive year.
- NASSCOM Corporate Award for Excellence in Diversity and Inclusion 2013 for the category **Best IT services & Product Company – Special recognition (less than 5000 employees)**
- '**Best Online Annual Report**' globally in the technology sector & the Best in '**Most Improved Financial Disclosure Procedures**' in the regional rankings for India for the year 2012 by IR Global Rankings (IRGR).
- Nucleus Software wins the prestigious **IR Global Ranking Awards**, 2013 for the second consecutive year. Adjudged as the **3rd Best Ranked Company – IR Website by Region**.
- Annual Report for the year ended March 31, 2012 won the **Platinum Award** for excellence within the Technology–Software industry and ranked 22nd amongst the Top 100 Annual Reports in the Vision Awards by the League of American Communications Professionals (LACP), USA.
- Social and Corporate Governance Award 2013 in the category '**Best Overall Corporate Governance**'
- Titanium Award for **Investor Relations, Corporate Governance** and Environment Responsibility in the Asset Triple A Corporate Awards 2012.

- CIMB Malaysia, our customer, powered by Nucleus Software's FinnOne™ implementation, has received the Process Excellence Award for Collection and Debt Management at the prestigious BPA Trailblazer Awards.
- Vietnam Prosperity Bank's Loan Origination system, powered by Nucleus Software's FinnOne CAS, LMS and Collections was recognized with Model Bank Award by Celent (March 2013).
- Forrester recognized Nucleus as a "Global Pursuer" and stated it "regained traction in 2010". Based on the number of deals and regions covered, Nucleus was ranked among top Banking Platform providers Source: Global Banking Platform Deals 2010, Forrester Research, Inc., 31 March 2011.
- HDFC Bank, Nucleus Software customer, won the prestigious Celent 2010 Model Bank Award for its loan origination system, FinnOne™.
- Ranked amongst the Top 25 companies adopting "Good Corporate Governance Practices" by ICSI for fourth consecutive year in 2009.
- Forrester Research, a leading independent analyst firm, recognized Nucleus Software as an industry vertical specialist in their report "Working With Tier Two Offshore Providers".
- Nucleus Software Ranked Amongst India's Top 15 Exciting Emerging Companies to Work For by Nasscom.
- Nucleus Software recognized under "Best Practices" for Performance Management System by NASSCOM, 2008.
- Nucleus selected as one of Forbes ASIA's 200 Best under a Billion companies, for the second consecutive year, list released in September 2008.
- Nucleus Software conferred the Best Independent Software Vendor (ISV) Partner (North India for 2008) award by IBM.
- Nucleus Software awarded the "D&B – ECGC Indian Exporters' Excellence Award" by Dun & Bradstreet India (D&B India) and Export Credit Guarantee Corporation of India Ltd (ECGC) for the year 2007.
- Nucleus Software adjudged as one of the fastest growing companies in Asia Pacific under Deloitte Technology Fast 500 – 2007.
- Nucleus Software conferred with Oracle Partner of the Year Award in Fusion Middleware category at an APAC level.
- Nucleus Software awarded for being the Fastest Growing ISV in 2007 by Oracle Corporation.
- Nucleus Software ranked 13th in Dataquest Top 20 Best Employers Survey 2006. Survey was conducted by IDC-Dataquest amongst 200 IT employers across India.

## **FINANCIAL PERFORMANCE**

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

**The consolidated financial results are as below:**

(Rs. in crore)

For the Quarter Ended December 31,	2013	% of Revenue	2012	% of Revenue	Growth (%)
<b>Revenue From Operations</b>	89.96	<b>100.00</b>	74.63	<b>100.00</b>	20.54
<b>Expenses</b>					
a) Changes in inventories of stock-in-trade	-	0.00	-	0.00	0.00
b) Employee benefits expense	45.80	50.91	40.81	54.68	12.22
c) Travel expenditure	4.95	5.51	4.99	6.68	(0.68)
d) Finance costs	0.14	0.16	0.11	0.15	22.78
e) Other expenses	19.62	21.81	16.21	21.71	21.08
<b>Total Expenses</b>	<b>70.51</b>	<b>78.38</b>	<b>62.12</b>	<b>83.23</b>	<b>13.52</b>
<b>Operating Profit (EBITDA)</b>	<b>19.45</b>	<b>21.62</b>	<b>12.51</b>	<b>16.77</b>	<b>55.42</b>
Depreciation	1.93	2.15	1.61	2.16	19.64
<b>Operating Profit after Interest and Depreciation</b>	<b>17.52</b>	<b>19.47</b>	<b>10.90</b>	<b>14.60</b>	<b>60.72</b>
Other Income	7.94	8.83	4.14	5.55	91.96
Foreign Exchange Gain/ (Loss)	(0.30)	(0.33)	0.90	1.20	NA
<b>Profit Before Tax</b>	<b>25.16</b>	<b>27.97</b>	<b>15.94</b>	<b>21.35</b>	<b>57.92</b>
Taxation					
- Withholding Taxes	0.24	0.27	-	0.00	-
- Income / Wealth Tax	1.13	1.25	3.60	4.82	(68.66)
- Deferred Taxation	0.41	0.45	0.01	0.01	7282.91
<b>Profit After Tax</b>	<b>23.39</b>	<b>26.00</b>	<b>12.33</b>	<b>16.52</b>	<b>89.68</b>

**Revenue from Operations**

We derive our revenue from the following business segments:

- Products
- Projects and Services

During the quarter the total revenue is Rs.89.96 crore against Rs.74.63 crore for the corresponding quarter previous year, representing an increase of 20.54%.

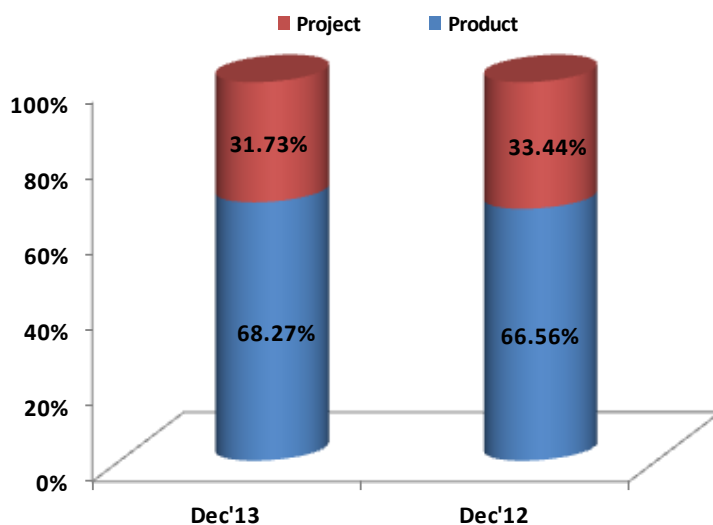
**Revenue from Products**

Product revenue arises from Products and related services comprising of license fees, revenue from customization and implementation of products and post production and maintenance support. Product revenue is Rs.61.41 crore during the quarter, constituting 68.27% of the total revenue against Rs.49.67 crore, 66.56% of total revenue, in the corresponding quarter previous year. This has grown by 23.63%. We are a Company focused on Product business.

## Revenue from Projects and Services

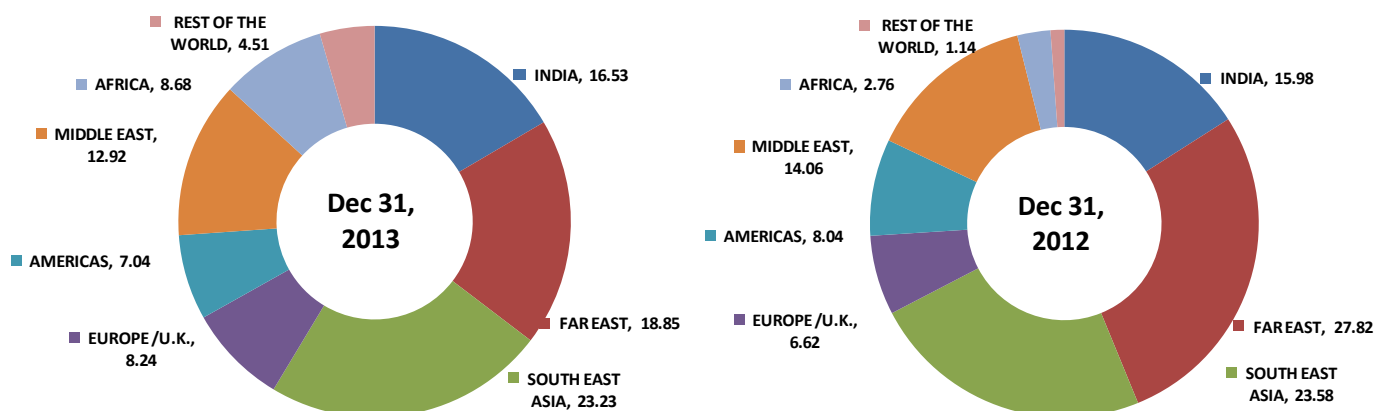
Software services rendered by the Company, classified under this segment, typically consist of development of software to meet specific customer requirements consisting of application development & maintenance, testing services, consulting and infrastructure management services with a strong banking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

Revenue from software projects and services segment during the quarter is Rs.28.55 crore constituting 31.73% of the total revenue against Rs. 24.96 crore, constituting 33.44% of total revenue in the corresponding quarter previous year. This has increased by 14.39%.



## Revenue from Various Geographies

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



## EXPENDITURE

### Employee Benefit Expense

Employee benefit expenses include salaries paid to employees globally which have fixed and variable components; provision for retirement benefits, contribution to provident fund and expense on staff welfare activities. The employee benefit expenses have increased by 12.22% to Rs.45.80 crore, 50.91% of total revenue. For the corresponding quarter previous year, they were at Rs.40.81 crore, 54.68% of total revenue.

(Rs. in crore)

For the Quarter Ended December 31,	2013	% of Revenue	2012	% of Revenue	Growth (%)
Salaries and bonus	41.25	45.85	37.72	50.55	9.34
Contribution to provident and other funds	2.17	2.42	1.95	2.60	11.53
Gratuity expense	1.74	1.93	0.53	0.72	225.43
Staff welfare	0.64	0.71	0.60	0.81	5.79
<b>Total Employee Benefit Expenses</b>	<b>45.80</b>	<b>50.91</b>	<b>40.81</b>	<b>54.68</b>	<b>12.22</b>
<b>Revenue</b>	<b>89.96</b>	<b>100.00</b>	<b>74.63</b>	<b>100.00</b>	<b>20.54</b>

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

### Operating and Other Expenses

Operating and other expenses primarily consist of expenses on travel to execute work at client site and for other related activities, consultancy charges, cost of software purchased for delivery to clients, bandwidth and communication expense, infrastructure charges and expenses on account of brand building activities. Other expenses included here are training and recruitment costs, legal and professional charges, repairs and maintenance charges, insurance, provision for doubtful debts, bad debts, finance costs and other miscellaneous charges. Operating and other expenses are at Rs.25.12 crore, 30.55% of revenue for the quarter, with an increase of 32% against Rs.19.03 crore, 26.53% of revenue in the corresponding quarter previous year.

(Rs. in crore)

For the Quarter Ended December 31,	2013	% of Revenue	2012	% of Revenue	Growth (%)
Software and other development charges	4.29	4.77	2.54	3.40	68.93
Cost of software purchased for delivery to clients	2.32	2.58	1.44	1.93	61.08
Power and fuel	1.01	1.12	1.07	1.43	(5.74)
Rent (see note 2.23)	2.30	2.55	2.82	3.78	(18.61)
Repair and maintenance	0.76	0.84	0.83	1.11	(8.26)
Insurance	0.24	0.26	0.15	0.21	53.80
Rates and taxes	0.22	0.25	0.06	0.08	251.10
Travel expenses	4.95	5.51	4.99	6.68	(0.68)

Advertisement and business promotion	0.29	0.32	0.29	0.40	(1.24)
Legal and professional (see note 2.25)	2.30	2.55	2.13	2.85	8.04
Directors remuneration (see note below)	0.21	0.24	0.19	0.25	13.00
Conveyance	0.44	0.49	0.41	0.55	6.90
Communication	0.59	0.66	0.66	0.89	(10.47)
Training and recruitment	0.91	1.01	0.33	0.44	175.26
Net loss on sale of fixed assets/discarded assets	-	0.00	-	0.00	-
Loss on Current non trade investments	0.94	1.04	(0.00)	(0.00)	(111942.11)
Loss on reclassification of investments	-	0.00	-	0.00	-
Conference, exhibition and seminar	(0.02)	(0.02)	0.90	1.21	(102.06)
Information technology expenses	0.81	0.90	0.44	0.60	82.46
Advances and other current assets written off	-	0.00	-	0.00	-
Provision for doubtful debts/advances/other current assets	(0.39)	(0.43)	0.75	1.00	(152.01)
Commission to channel partners	1.04	1.16	0.26	0.35	302.34
Customer claim	-	0.00	-	0.00	-
FINANCE COST	0.14	0.16	0.11	0.15	22.69
Miscellaneous expenses	1.36	1.51	0.93	1.24	46.52
<b>Total Operating and Other Expenses</b>	<b>24.72</b>	<b>27.47</b>	<b>21.31</b>	<b>28.55</b>	<b>15.99</b>
<b>Revenue</b>	<b>89.96</b>	<b>100.00</b>	<b>74.63</b>	<b>100.00</b>	<b>20.54</b>

- Software and other development charges relate to outsourced work for software development and is higher than corresponding quarter previous year by 68.93%.
- Cost of software purchased for delivery to clients has increased by 61.08% for the quarter against the corresponding quarter previous year.
- Provisions for doubtful debts include bad debts written off and provision for all invoices outstanding for a period of 365 days or more and those invoices which are considered doubtful based on the management's perception of risk of collection as per the Company's policies. This figure is Rs.-0.39 crore against Rs.0.75 crore in the corresponding quarter previous year.
- Finance cost includes bank charges and fee for issuance of bank guarantees to customers.

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

### Operating Profit (EBITDA)

Operating Profit improved to Rs.19.45 crore, 21.62% of revenue against Rs.12.51 crore, 16.77% of revenue in the corresponding quarter previous year.

## Depreciation

Depreciation on fixed assets was Rs.1.93 crore, 2.15% of revenue for the quarter against Rs.1.61 crore, 2.16% of revenue in the corresponding quarter previous year.

## Other Income

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

(Rs. in crore)

For the Quarter Ended December 31,	2013	2012
On Investments		
Capital Gain- Mutual Funds	4.26	-
Dividend on investment in Mutual fund units	2.05	1.56
Interest Income	1.47	2.14
Foreign Exchange differences on consolidation	0.05	(0.12)
Profit on sale of assets	0.02	-
Provisions written back	-	-
Others	0.09	0.55
<b>Total</b>	<b>7.94</b>	<b>4.14</b>

Other income for the quarter is Rs.7.94 crore, against Rs.4.14 crore in the corresponding quarter previous year.

## Foreign Exchange Gain / (Loss)

Foreign Exchange Gain (Loss) includes gain (loss) from cancellation of options and forward contracts, translation of current assets and liabilities at quarter end rates and those arising from realization/payments of receivables/payables respectively. During the quarter, the Company had a foreign exchange loss of Rs. 0.30 crore against a gains of Rs. 0.90 crore for the corresponding quarter previous year.

## Taxation

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

(Rs. in crore)

For the Quarter Ended December 31,	2013	2012
- Withholding taxes charged off	0.24	-
- Current Tax	1.13	3.60
- Deferred Tax Credit (net)	0.41	0.01
<b>Total</b>	<b>1.78</b>	<b>3.61</b>

## Profit after Tax

Our profit after tax for the quarter is Rs.23.39 crore, 26% of revenue, against Rs.12.33 crore, 16.52% of revenue, during the corresponding quarter previous year.

## Share Capital

Share Capital of the Company consists of Equity Share Capital. The paid-up Share Capital as on Dec 31, 2013 is 32,383,724 equity shares of Rs. 10 each, against 32,383,595 as on Dec 31, 2012.

## Subsidiaries

The Company has six wholly owned subsidiary companies, all over the world. There is also a step down subsidiary at Singapore. As 100% of the Share Capital of the Subsidiaries is held by Nucleus Software Exports Limited and nominees; on consolidation of accounts, these amounts are contra with investments in Subsidiaries amounts in the accounts of the Parent Company. Paid-up Share Capital of the Subsidiaries as on Dec 31, 2013 is as per the below table:

Name of Subsidiary Company	Currency	As at Dec 31, 2013		As at Sept 30, 2013	
		In foreign Currency	Eqv. Rupees (in crore)	In foreign Currency	Eqv. Rupees (in crore)
Nucleus Software Solutions Pte. Ltd. Singapore. 625,000 equity shares of S\$ 1 each.	SGD	625,000	1.63	625,000	1.63
Nucleus Software Inc., USA. 1,000,000 shares of US\$ 0.35 cents each (After provision for diminution)	USD	350,000	1.63	350,000	1.63
Nucleus Software Japan Kabushiki Kaiga, Japan. 200 equity shares of JPY 50,000 each	JPY	10,000,000	0.41	10,000,000	0.41
Virstra i-Technology Services Ltd., India. 1,000,000 equity shares of Rs. 10 each	INR	-	1.00	-	1.00
Nucleus Software Netherlands B.V., Netherlands. 4000 equity shares of Euro 100 each	Euro	400,000	2.42	400,000	2.42
Nucleus Software Limited, India 10,000,000 equity shares of Rs.10/- each	INR	-	10.00	-	10.00
<b>Step down Subsidiary of Nucleus Software Exports Ltd.</b>					
Virstra (Singapore) Pte. Ltd., Singapore. 200,000 equity shares of S\$ 1 each	SGD	200,000	0.56	200,000	0.56

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

## Reserves and Surplus

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

(Rs. in crore)

Particulars	Opening Balance as on Oct 1, 2013	Additions/ (Deletions) during the period	Closing Balance as on Dec 31, 2013
General Reserve	83.37	-	83.37
Securities Premium	2.19	-	2.19
Capital Reserve	0.89	-	0.89
Employee Stock Options	-	-	-
Foreign Currency Translation Reserve	12.17	(0.87)	11.29
Hedging Reserve	(3.33)	4.25	0.92
Profit and Loss Account Balance	245.16	23.39	268.55
<b>Total</b>	<b>340.44</b>	<b>26.77</b>	<b>367.21</b>

## Fixed Assets

As at Dec 31, 2013, gross block of fixed assets including investment in technology assets is Rs.139.10 crore (Rs.125.94 crore Sept 30, 2013)

(Rs. in crore)

As at	31-Dec-13	30-Sep-13	Inc/Dec (%)
<b>Gross Block</b>			
Freehold land	0.34	0.34	-
Leasehold land	18.78	18.78	-
Leasehold improvement	0.71	0.71	-
Building	28.17	28.17	-
Office and other equipment	19.65	19.57	0.44
Computers	34.21	32.54	5.13
Vehicles	1.95	1.40	39.16
Furniture and fixtures	5.23	5.24	(0.27)
Software	30.05	19.18	56.64
<b>Total</b>	<b>139.10</b>	<b>125.94</b>	<b>10.45</b>
Less: Accumulated Depreciation	77.46	75.88	2.09
<b>Net Block</b>	<b>61.64</b>	<b>50.07</b>	<b>23.11</b>
Add: Capital Work In Progress			NA
<b>Net Fixed Assets</b>	<b>61.64</b>	<b>50.07</b>	<b>23.11</b>

## Other Long-Term Investments

Other long term investments comprise of investment in 250,000 Equity Shares of face value of Rs.10/- each in Ujjivan Financial Services Private Ltd., a Company promoted in the area of micro finance by a group of experienced professionals with banking and technology background.

## Current Investments and Bank Balances

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

As of Dec 31, 2013 the cash and bank balances stood at Rs.77.76 crore (Rs.72.51 crore on Sept 30, 2013) and current investments in liquid schemes and Fixed Maturity Plans of mutual funds were Rs.211.69 crore (Rs. 207.50 crore on Sept 30, 2013).

Total cash and cash equivalents are thus at Rs.299.45 crore on Dec 31, 2013 against Rs. 290.01 crore as on Sept 30, 2013.

(Rs. in crore)		
Cash & Cash Equivalents as at	31-Dec-13	30-Sep-13
<b>Balances with Bank</b>		
In Current Accounts	23.60	20.70
In Fixed Deposit Account	54.16	51.82
Investments in Mutual Funds	211.69	207.50
Investments in tax free PSU Bonds	10.00	10.00
<b>Total</b>	<b>299.45</b>	<b>290.01</b>

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

Our net cash flow from operating activities before working capital changes is Rs.19.16 crore for the quarter against Rs.12.86 crore in the corresponding quarter previous year. After considering working capital changes, operating cash flow is Rs.15.77 crore against Rs.12.73 crore.

Operating cash flow is today considered a better measure of operations of the Company than the net profits as it measures the cash generated by the operations.

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

As at	31-Dec-13	30-Sep-13
Operating cash flow as % of revenue	21.30%	17.34%
Days of sale receivable	69	69
Cash and Equivalents as % of assets	59.90%	62.04%
Cash and Equivalents as % of revenue (LTM)	90.20%	91.59%
Current investments as % of assets	42.34%	44.39%
Current investments as % of revenue (LTM)	63.77%	65.53%

Days of sales receivables (DSR) are at 69 days as on Dec 31, 2013 against 69 days as on Sept 30, 2013.

The Company has a policy of providing for all invoices outstanding for a period of 365 days or more and for those invoices which are otherwise considered doubtful based on the Management's perception of risk of collection.

## Loans and Advances

Loans and Advances as on Dec 31, 2013 are Rs.38.95 crore against Rs.28.20 crore as on Sept 30, 2013.

(Rs. in crore)

As at	31-Dec-13	30-Sep-13
<b>Long term Loans and advances</b>		
Security deposits	2.94	3.03
Advance income tax	12.57	10.33
Prepaid expenses	0.62	0.66
MAT credit entitlement	4.21	5.21
Staff Loans	0.20	0.07
Capital advances	-	-
<b>Total</b>	<b>20.54</b>	<b>19.31</b>
<b>Short term Loans and advances</b>		
Prepaid expenses	7.88	6.11
Supplier advances	0.46	0.56
MAT credit entitlement	1.00	-
Employee advances	1.29	0.98
Others	7.78	1.24
<b>Total</b>	<b>18.41</b>	<b>8.89</b>
<b>Total Loans and Advances</b>	<b>38.95</b>	<b>28.20</b>

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs.2.94 crore as on Dec 31, 2013 (Rs.3.03 crore as on Sept 30, 2013).

Advance income tax is Rs.12.57 crore as on Dec 31, 2013 (Rs.10.33 crore as on Sept 30, 2013).

## Current Liabilities

(Rs. in crore)

As at	31-Dec-13	30-Sep-13
Trade Payables	24.22	24.77
Advances from customers	30.32	19.98
Deferred Revenue	19.99	23.03
Mark-to-market loss on forward and options contracts	-	3.44
Unclaimed dividend	0.23	0.19
Book Overdraft	-	0.51
Payable for purchase of fixed assets	2.04	0.75
Retention Money	-	0.14
Other Payables- statutory remittances	5.93	4.64
<b>Short term provisions</b>		
Compensated absences	2.07	1.37
Gratuity	2.42	2.36
Proposed dividend	-	-

Tax on dividend	-	-
<b>Total</b>	<b>87.23</b>	<b>81.16</b>

Trade payables represent the amount payable for providing goods and services and are Rs.24.22 crore as on Dec 31, 2013 (Rs.24.77 crore as on Sept 30, 2013)

Advances from customers as on Dec 31, 2013 is Rs.30.32 crore (Rs.23.03 crore as on Sept 30, 2013). These consist of advance payments received from customers for which related costs have not been yet incurred or product license delivery is at later date.

Short term provisions for leave encashment and gratuity are those for which liability is expected to arise in near future. A sum total of all these short-term provisions as on Dec 31, 2013 is Rs.4.49 crore (Rs.3.73 crore as on Sept 30, 2013).

### Long Term Provisions

Provisions as on Dec 31, 2013 are Rs.13.11 crore (Rs.13.47 crore as on Sept 30, 2013). The breakup of provisions at the quarter end is given below.

(Rs. in crore)

As at	31-Dec-13	30-Sep-13
Gratuity	8.29	8.13
Compensated Absences	4.82	5.34
<b>Total</b>	<b>13.11</b>	<b>13.47</b>

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

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## ADDITIONAL INFORMATION TO SHAREHOLDERS

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1. Date of Incorporation January 9, 1989
2. Registered office 33-35, Thyagraj Nagar Market  
New Delhi-110003  
India
3. Corporate Office A-39, Sector 62  
NOIDA, UP –201301  
India
4. Financial Calendar  
(tentative and subject to change)  
  
Financial reporting for the third quarter ending December 31, 2013. between 21<sup>st</sup> to 31<sup>st</sup> of January 2014  
Financial reporting for the fourth quarter ending March 31, 2014. between 21<sup>st</sup> to 30<sup>th</sup> of April 2014  
Financial results for the year ending ending March 31, 2014 between 21<sup>st</sup> to 30<sup>th</sup> of April 2014  
Financial reporting for the first quarter ending June 30, 2014 between 21<sup>st</sup> to 30<sup>th</sup> of July 2014
5. Share Related Data

- The Shares of Nucleus are listed on The National Stock Exchange of India limited, and Bombay Stock Exchange Limited
- Scrip Code (NSE) NUCLEUS
- Scrip Code (BSE) 531209
- The Company's shares are traded in "Group B" category at the Bombay Stock Exchange Ltd.
- International Securities Identification Number (ISIN code-NSDL and CDSL) INE096B01018
- Face value of the Company's equity shares is Rs. 10.
- Shares of the Company are compulsorily traded in demat form.
- 98.87 % of the Company's equity shares are in demat form.
- The Company has 14,321 shareholders as on December 31, 2013
- 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
2012-13	30%	3.00	9.71
2011-12	25%	2.50	8.09
2010-11	25%	2.50	8.09
2009-10	25%	2.50	8.09
2008-09	25%	2.50	8.09
2007-08	30%	3.00	9.71
2006-07	35%	3.50	5.64
2005-06	35%	3.50	5.64
2004-05	25%	2.50	4.02*
2003-04	25%	2.50	2.01
2002-03	20%	2.00	1.58

2001-02	20%	2.00	1.58
2000-01	20%	2.00	0.68

- The dividend payout in 2004-05 was on the enhanced capital consequent to 1:1 bonus issue made during the year.
- The Board had not recommended any dividend prior to financial year 2000-2001.
- The Dividend Policy of the Company is to maintain the dividend payout, in the range of 15-30% of the profits available for distribution, subject to:

- a) Provisions of Companies Act and other applicable laws.
- b) Availability of funds in the Company

- The Board of Directors reviews the Dividend Policy periodically.

- Registrars of Company

**Karvy Computershare Private Limited**

Plot No. 17-24

Vithal Rao Nagar, Madhapur

Hyderabad 500 081

Tel: 040-23420815-28

Fax: 040- 23420814/23420857

Email: [mailmanager@karvy.com](mailto:mailmanager@karvy.com)

- Financial Results of Nucleus Software Exports Limited for the Quarter Ended December 31, 2013.  
(Consolidated)

Particulars	Quarter Ended			Nine Months Ended		Year Ended
	December 31, 2013	September 30, 2013	December 31, 2012	December 31, 2013	December 31, 2012	March 31, 2013
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
<b>1. INCOME FROM OPERATIONS</b>						
Income from Software Products and Services	8,996.15	8,225.16	7,463.07	25,853.62	22,032.35	29,375.85
<b>Total Income from operations (net)</b>	<b>8,996.15</b>	<b>8,225.16</b>	<b>7,463.07</b>	<b>25,853.62</b>	<b>22,032.35</b>	<b>29,375.85</b>
<b>2. EXPENSES</b>						
a) Changes in inventories of stock-in-trade	-	-	-	494.86	-	-
b) Employee benefit expense	4,579.87	4,430.38	4,080.99	13,475.62	12,449.76	16,340.57
c) Travel expense	495.48	505.83	498.86	1,472.26	1,530.78	2,020.18
d) Finance cost (Bank Charges)	13.96	11.49	11.37	39.00	30.82	44.20
e) Other expenses	1,962.16	1,995.11	1,620.60	5,722.97	4,657.75	6,381.40
<b>Total Expenses</b>	<b>7,051.47</b>	<b>6,942.81</b>	<b>6,211.82</b>	<b>21,204.71</b>	<b>18,669.11</b>	<b>24,786.35</b>
<b>3. PROFIT FROM OPERATIONS BEFORE DEPRECIATION (1-2)</b>	<b>1,944.68</b>	<b>1,282.35</b>	<b>1,251.25</b>	<b>4,648.92</b>	<b>3,363.24</b>	<b>4,589.50</b>
4. Depreciation and amortisation expense	193.10	178.40	161.40	528.06	457.54	609.16
<b>5. PROFIT FROM OPERATIONS AFTER DEPRECIATION (3-4)</b>	<b>1,751.58</b>	<b>1,103.95</b>	<b>1,089.85</b>	<b>4,120.86</b>	<b>2,905.70</b>	<b>3,980.34</b>
6. Other Income	764.92	408.33	503.70	1,706.88	1,610.00	2,025.10
<b>7. PROFIT BEFORE TAXES (5+6)</b>	<b>2,516.50</b>	<b>1,512.28</b>	<b>1,593.55</b>	<b>5,827.74</b>	<b>4,515.70</b>	<b>6,005.44</b>
8. Tax expense	177.87	417.85	360.62	1,278.10	1,043.75	1,488.53
<b>9. PROFIT AFTER TAXES (7-8)</b>	<b>2,338.63</b>	<b>1,094.43</b>	<b>1,232.93</b>	<b>4,549.64</b>	<b>3,471.95</b>	<b>4,516.91</b>
<b>10. Earnings Per Share (Rs.) (Par value Rs.10 each) (not annualised)</b>						
Basic	7.22	3.38	3.81	14.05	10.72	13.95
Diluted	7.22	3.38	3.81	14.05	10.72	13.95

## 6. Locations

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

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

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

## 7. Share Transfer System

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

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

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

The Company has De-materialized 32,018,918 shares (98.87% of the paid up share capital) as at December 31, 2013

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

## 8. Employee Stock Option Schemes

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

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

## 9. Investors' Services

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

S.No.	Nature of Requests	Received	Attended	Pending
1.	Revalidation of Dividend Warrants	12	12	Nil
2.	Non-receipt of Dividend Warrant	8	8	Nil
3.	Non-Receipt of Securities	0	0	Nil
4.	Non-Receipt of Shares after transfer	-	-	Nil

5.	Non-Receipt of Annual Report	0	0	Nil
6.	SEBI/Stock Exchange/Legal	0	0	Nil

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

ii. Designated e-mail Address for Investor Services

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

10. Legal Proceedings

There is no legal proceeding pending against the Company in the Court.

11. Distribution of Shareholding

Distribution Schedule As On 30/09/2013					
Sno	Category	No. of Cases	% of Cases	Amount	% of Amount
1	1-5000	12316	86.00	13,265,600.00	4.10
2	5001- 10000	1061	7.41	8,018,830.00	2.48
3	10001- 20000	437	3.05	6,604,490.00	2.04
4	20001- 30000	161	1.12	4,102,570.00	1.27
5	30001- 40000	87	0.61	3,129,380.00	0.97
6	40001- 50000	57	0.40	2,647,830.00	0.82
7	50001- 100000	104	0.73	7,464,200.00	2.30
8	100001& Above	98	0.68	278,604,340.00	86.03
	<b>Total:</b>	<b>14321</b>	<b>100.00</b>	<b>323,837,240</b>	<b>100.00</b>

12. Categories of Shareholders

	<i>As on December 31,2013</i>		
<i>Category</i>	<i>No. of Share Holders</i>	<i>Voting Strength (%)</i>	<i>No. of Shares Held</i>
<b>Promoter and Promoter Group</b>	12	57.47	1,86,10,666
<b>Individuals</b>	13,425	21.71	7,029,599
<b>Bodies Corporate</b>	419	3.32	1,075,355
<b>Non-Resident Indians</b>	342	1.79	579,183
<b>Foreign Institutional Investors</b>	3	5.72	1,853,898
<b>Mutual Funds</b>	8	9.73	3,150,510
<b>Financial Institutions/ Banks</b>	2	0.03	9,088
<b>Clearing Members and Trusts</b>	110	0.23	75,425
<b>Total</b>	<b>14,321</b>	<b>100.00</b>	<b>32,383,724</b>

13. Investors' Correspondence may be addressed to:

**The Company Secretary**

Nucleus Software Exports Ltd.,

33-35, Thyagraj Nagar Market

New Delhi-110003

India

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

Email: [investorrelations@nucleussoftware.com](mailto:investorrelations@nucleussoftware.com)

14. Employee Strength of Nucleus

Nucleus employed 1,650 people as on September 30, 2013 as compared to 1,532 people as on December 31, 2013.

Distribution of the employees is:

**A. Distribution of the Employees:**

	<b>March 31, 2013</b>	<b>June 30, 2013</b>	<b>September 30, 2013</b>	<b>December 31, 2013</b>
Technical Employee's	1,225	1,202	1,438	1,268
Non-Technical Employee's including Business Development Group	278	284	212	264
<b>TOTAL</b>	<b>1,503</b>	<b>1,486</b>	<b>1,650</b>	<b>1,532</b>
	<b>March 31, 2013</b>	<b>June 30, 2013</b>	<b>September 30, 2013</b>	<b>December 31, 2013</b>
Male	1,173	1,162	1,225	1,136
Female	330	324	425	396
<b>TOTAL</b>	<b>1,503</b>	<b>1,486</b>	<b>1,650</b>	<b>1,532</b>

**B. The Age Profile Of The Employees Is:**

	<b>March 31, 2013</b>	<b>June 30, 2013</b>	<b>September 30, 2013</b>	<b>December 31, 2013</b>
Between 20 and 25 years	318	292	467	416
Between 26 and 30 years	441	432	419	357
Between 31 and 40 years	642	660	662	647
Between 41 and 50 years	85	87	88	99
51 years and above	17	15	14	13
<b>Total</b>	<b>1,503</b>	<b>1,486</b>	<b>1,650</b>	<b>1,532</b>

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

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

Vishnu R Dusad - CEO & Managing Director

Tel: +91 (120) 4031500

E Mail: [vishnu@nucleussoftware.com](mailto:vishnu@nucleussoftware.com)

Pramod K Sanghi - President - Finance & CFO

Tel: +91 (120) 4031800

E Mail: [pksanghi@nucleussoftware.com](mailto:pksanghi@nucleussoftware.com)

Poonam Bhasin - Company Secretary

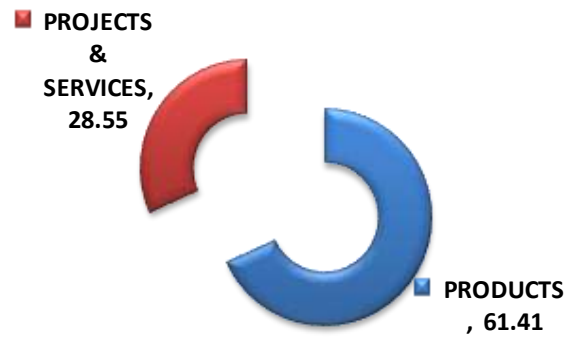
Tel: +91 (120) 4031400

E Mail: [poonam@nucleussoftware.com](mailto:poonam@nucleussoftware.com)

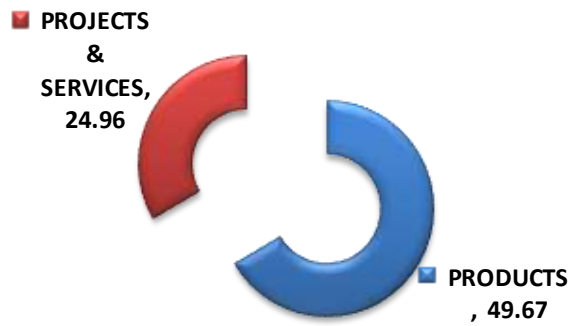
## CONSOLIDATED SEGMENT INFORMATION

REVENUE BY	Quarter Ended						Nine Months Ended				Year ended	
	Dec 31, 2013	% of Revenue	Sept 30, 2013	% of Revenue	Dec 31, 2012	% of Revenue	Dec 31, 2013	% of Revenue	Dec 31, 2012	% of Revenue	Mar 31, 2013	% of Revenue
<b>GEOGRAPHICAL SEGMENTS</b>												
INDIA	14.87	16.53	16.55	20.12	11.92	15.98	53.26	20.60	39.71	18.03	53.33	18.16
FAR EAST	16.96	18.85	18.16	22.08	20.76	27.82	53.43	20.67	62.77	28.49	82.04	27.93
SOUTH EAST ASIA	20.90	23.23	18.89	22.96	17.60	23.58	56.93	22.02	46.21	20.98	62.73	21.36
EUROPE /U.K.	7.41	8.24	4.56	5.55	4.94	6.62	15.85	6.13	14.95	6.79	19.00	6.47
AMERICAS	6.34	7.04	6.60	8.03	6.00	8.04	18.06	6.99	15.20	6.90	19.73	6.71
MIDDLE EAST	11.62	12.92	9.74	11.84	10.49	14.06	36.40	14.08	29.90	13.57	42.24	14.38
AFRICA	7.81	8.68	5.93	7.21	2.06	2.76	17.08	6.61	8.25	3.74	9.96	3.39
REST OF THE WORLD	4.04	4.51	1.82	2.22	0.85	1.14	7.52	2.90	3.32	1.50	4.72	1.61
<b>TOTAL</b>	<b>89.96</b>	<b>100.00</b>	<b>82.25</b>	<b>100.00</b>	<b>74.63</b>	<b>100.00</b>	<b>258.54</b>	<b>100.00</b>	<b>220.32</b>	<b>100.00</b>	<b>293.76</b>	<b>100.00</b>
<b>CURRENCY SEGMENTS</b>												
INR	14.87	16.53	16.55	20.12	11.92	15.98	53.26	20.60	39.71	18.03	53.33	18.16
JPY	6.81	7.57	7.91	9.62	9.17	12.29	22.06	8.53	25.22	11.45	33.18	11.29
SGD	10.92	12.14	9.86	11.99	7.91	10.60	29.59	11.45	22.08	10.02	29.91	10.18
GBP	-	-	0.39	0.48	0.27	0.37	0.72	0.28	0.93	0.42	1.21	0.41
USD	46.24	51.40	39.63	48.18	41.90	56.15	128.57	49.73	122.79	55.73	162.46	55.30
MYR	1.02	1.14	1.43	1.73	1.69	2.27	4.06	1.57	4.06	1.84	6.31	2.15
EUR	1.92	2.13	2.94	3.58	1.01	1.35	6.93	2.68	3.24	1.47	4.36	1.48
KRW	0.63	0.70	0.64	0.77	0.68	0.91	1.92	0.74	2.07	0.94	2.74	0.93
AUD	3.16	3.51	-	-	-	-	3.16	1.22	-	-	-	-
CHF	-	-	0.05	0.06	0.04	0.05	0.09	0.04	0.13	0.06	0.17	0.06
ZAR	4.12	4.58	2.85	3.47	-	-	7.93	3.07	-	-	-	-
AED	0.26	0.29	-	-	-	-	0.26	0.10	-	-	-	-
SEK	-	-	-	-	0.03	0.03	-	-	0.09	0.04	0.09	0.03
<b>TOTAL</b>	<b>89.96</b>	<b>100.00</b>	<b>82.25</b>	<b>100.00</b>	<b>74.63</b>	<b>100.00</b>	<b>258.54</b>	<b>100.00</b>	<b>220.32</b>	<b>100.00</b>	<b>293.76</b>	<b>100.00</b>
<b>BUSINESS SEGMENTS</b>												
<b>PRODUCTS</b>	<b>61.41</b>	<b>68.27</b>	<b>54.95</b>	<b>66.81</b>	<b>49.67</b>	<b>66.56</b>	<b>178.84</b>	<b>69.17</b>	<b>148.07</b>	<b>67.21</b>	<b>197.68</b>	<b>67.29</b>
Own	58.77	65.33	52.36	63.66	48.28	64.69	164.61	63.67	142.98	64.89	191.89	65.32
Traded	2.64	2.94	2.59	3.15	1.40	1.87	14.23	5.50	5.10	2.31	5.80	1.97
<b>PROJECTS &amp; SERVICES</b>	<b>28.55</b>	<b>31.73</b>	<b>27.30</b>	<b>33.19</b>	<b>24.96</b>	<b>33.44</b>	<b>79.70</b>	<b>30.83</b>	<b>72.25</b>	<b>32.79</b>	<b>96.07</b>	<b>32.71</b>
<b>TOTAL</b>	<b>89.96</b>	<b>100.00</b>	<b>82.25</b>	<b>100.00</b>	<b>74.63</b>	<b>100.00</b>	<b>258.54</b>	<b>100.00</b>	<b>220.32</b>	<b>100.00</b>	<b>293.76</b>	<b>100.00</b>

## Quarter Ended Dec 31, 2013



## Quarter Ended Dec 31, 2012



## RATIO ANALYSIS

Particulars	Quarter Ended			Nine months Ended		Year Ended
	Dec-13	Sep-13	Dec-12	Dec-13	Dec-12	Mar-13
<b>Ratios- Financial Performance</b>						
Export Revenue/ Revenue (%)	83.47%	79.88%	84.02%	79.40%	81.97%	81.84%
Domestic Revenue/ Revenue (%)	16.53%	20.12%	15.98%	20.60%	18.03%	18.16%
Total Operating Expenses/ Revenue (%)	78.38%	84.41%	83.23%	82.02%	84.73%	84.38%
Operating Profit/ Revenue (%)	21.62%	15.59%	16.77%	17.98%	15.27%	15.62%
Depreciation/ Revenue (%)	2.15%	2.17%	2.16%	2.04%	2.08%	2.07%
Other Income/ Revenue (%)	8.83%	4.52%	5.55%	5.83%	5.57%	5.88%
Tax/ Revenue (%)	1.98%	5.08%	4.83%	4.94%	4.74%	5.07%
Effective Tax Rate - Tax/ PBT (%)	7.07%	27.63%	22.63%	21.93%	23.11%	24.79%
PAT from Ordinary Activities/ Revenue(%)	17.16%	8.79%	10.98%	11.77%	10.19%	9.49%
PAT from Ordinary Activities/Net Worth(%) (LTM)	8.98%	7.67%	7.04%	8.98%	7.04%	7.97%
<b>Ratios - Growth (YoY)</b>						
Growth in Export Revenue (%)	19.75%	11.37%	2.54%	13.66%	3.71%	4.03%
Growth in Total Revenue (%)	20.54%	14.64%	0.85%	17.34%	3.83%	4.08%
Operating Expenses Growth (%)	13.52%	16.12%	-2.86%	13.58%	0.42%	0.47%
Operating Profit Growth (%)	55.42%	7.26%	24.46%	38.23%	27.97%	29.11%
PAT Growth (%)	89.68%	8.41%	22.47%	31.04%	30.78%	27.81%
EPS Growth (%)	89.68%	8.41%	22.47%	31.04%	30.78%	27.83%
<b>Per- Share Data (Period End)</b>						
Earning Per Share from Ordinary Activities (Rs.)	4.77	2.23	2.53	9.39	6.93	8.61
Earning Per Share (Including Other Income) (Rs.)	7.22	3.38	3.81	14.05	10.72	13.95
Cash Earning Per Share from Ordinary Activities (Rs.)	5.36	2.78	3.03	11.03	8.34	10.49
Cash Earning Per Share (Including Other Income)(Rs.)	7.82	3.93	4.31	15.68	12.13	15.83
Book Value Per Share (Rs.)	123.39	115.13	108.57	123.39	108.57	108.08
Price/Earning (Annualized)	4.84	6.86	4.57	7.46	4.87	5.20
Price/ Cash Earning (Annualized)	4.47	5.90	4.04	6.69	4.30	4.58
Price/Book Value	1.13	0.81	0.64	1.13	0.64	0.67

Particulars	Quarter Ended			Year Ended
	Dec-13	Sep-13	Dec-12	Mar-13
<b>Ratios- Return</b>				
ROCE (PBIT/ Average Capital Employed) (%) (LTM)	17.73%	16.55%	15.15%	18.09%
ROANW (PAT/Average Net Worth) (%) (LTM)	14.49%	12.24%	12.57%	13.60%
<b>Ratios - Balance Sheet</b>				
Debt-Equity Ratio	-	-	-	-
Debtors Turnover (Days)	69	69	72	87
Asset Turnover Ratio (LTM)	0.69	0.68	0.70	0.81
Current Ratio	4.48	4.80	5.75	3.94
Cash and Equivalents/Total Assets (%)	61.91%	61.97%	59.82%	73.75%
Cash and Equivalents/ Revenue (%) (LTM)	90.20%	91.59%	85.90%	90.86%
Depreciation/Average Gross Block(%) (LTM)	5.16%	5.18%	5.18%	5.02%
Technology Investment/ Revenue (%)	16.47%	2.61%	7.69%	2.36%