

NUCLEUS SOFTWARE

Quarterly Report

June 30, 2018

FINANCIAL HIGHLIGHTS

Rs. in Crore except per share data

Particulars	Consolidated Performance			
	For the Quarter ended			For the Year Ended
	June 30, 2018	March 31, 2018	June 30, 2017	March 31, 2018
Revenue from Operations	112.61	111.03	94.32	411.81
Operating Profit (EBITDA)	18.30	15.71	10.19	58.18
Profit after Tax (PAT)	17.59	17.26	11.51	62.55
EBITDA Margin	16%	14%	11%	14%
PAT Margin	16%	16%	12%	15%
EPS	6.06	5.94	3.56	20.47

At the end of the Period	As at		
	June 30, 2018	March 31, 2018	June 30, 2017
Share Capital	29.04	29.04	32.39
Reserves and Surplus	449.35	432.26	509.34
Net Worth	478.39	461.30	541.68
Total Assets	684.95	647.28	683.12
Net Carrying Amount Fixed Assets	45.89	45.18	44.00
Current Assets	326.45	317.19	406.19
Cash and Cash Equivalents	214.71	214.97	315.50
Working Capital	127.69	140.26	271.90
Market Capitalisation	1,068.99	1,164.10	1,032.88
No. of Shares (Face Value of Rs.10.00)	29,040,724	29,040,724	32,383,724

Notes:

- 1.) Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the quarter which is Rs. 368.10 at June 30, 2018, Rs. 400.85 at March 31, 2018 and Rs. 318.95 at June 30 2017
- 2.) While calculating the figures of group, intergroup transactions have been ignored.
- 3.) Previous year figures have been regrouped/ reclassified wherever necessary.

USD million except per share data

Particulars	Consolidated Performance			
	For the Quarter ended			For the Year Ended
	June 30, 2018	March 31, 2018	June 30, 2017	March 31, 2018
Revenue from Operations	17.02	17.10	14.43	63.42
Operating Profit (EBITDA)	2.77	2.42	1.56	8.96
Profit after Tax (PAT)	2.66	2.66	1.76	9.63
EBITDA Margin	16%	14%	11%	14%
PAT Margin	16%	16%	12%	15%
EPS	0.92	0.92	0.54	3.15
US \$/ INR Exchange Rate*	66.16	64.93	65.37	64.93

At the end of the Period	As at		
	June 30, 2018	March 31, 2018	June 30, 2017
Share Capital	4.24	4.46	5.02
Reserves and Surplus	65.63	66.32	78.87
Net Worth	69.87	70.77	83.88
Total Assets	100.04	99.31	105.78
Net Carrying Amount Fixed Assets	6.70	6.93	6.81
Current Assets	47.68	48.66	62.90
Cash and Cash Equivalents	31.36	32.98	48.85
Working Capital	18.65	21.52	42.10
Market Capitalisation	156.13	178.60	159.94
US \$/ INR Exchange Rate#	68.47	65.18	64.58

Note:

- 1.) Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the quarter which is Rs. 368.10 at June 30, 2018, Rs. 400.85 at March 31, 2018 and Rs. 318.95 at June 30 2017
- 2.) While Calculating the figures of group, intergroup transactions have been ignored.
- 3.) Previous year figures have been regrouped/ reclassified wherever necessary.
- 4.) * The Revenue and expenditure items have been translated at an average US \$ / INR rate, mentioned here for the respective years.
- 5.) # The Balance Sheet items have been translated at year end US \$ / INR rate, mentioned here for the respective years.

LETTER TO THE SHAREHOLDERS

Dear Shareholder,

I take this opportunity to present to you a brief report on the performance of your Company for the First Quarter ended on June 30, 2018.

First the financial performance, consolidated revenue for the quarter was Rs. 112.6 crore against Rs. 94.3 crore in the corresponding quarter of the previous year. The consolidated EBITDA was Rs. 18.3 crore in comparison to Rs. 10.2 crore in the corresponding quarter of the previous year. Consolidated net profit was Rs. 17.6 crore in comparison to Rs. 11.5 crore in the corresponding quarter of the previous year. EPS for the quarter was Rs. 6.06 against Rs. 3.56 in the corresponding quarter of the previous year.

The Product business revenue was Rs. 90.2 crore against Rs. 73.2 crore in the corresponding quarter of the previous year. The Company continues to focus and invest on development of niche Banking Products.

The Company continues to enjoy a high level of liquidity. Cash and cash equivalents, including investments in various schemes of mutual funds, fixed deposits with banks, tax free bonds and preference shares are at Rs. 479.8 crore as on 30th June, 2018, as against Rs. 455.9 crore on 31st March, 2017. We had a hedging position of US\$ 6.25 million of forward contracts at an average rate of Rs. 67.25.

During the quarter, we have added 03 new customers and won 6 new product orders worldwide including 1 in Americas, 4 in India and 1 in Middle East. 16 product module implementations successfully went live across the globe. We were selected by **HDB Financial Services Limited (HDBFS)**, for implementing lending analytics solution to help them leverage the insights provided by their data and make faster and more informed lending decisions. We launched Mobile based Lending platform -**FinnOne Neo mFin- for microfinance**. This solution is designed to help micro lenders provide easy, fast and digitized access to micro credit, anytime, anywhere. We presented views on how Microfinance companies can address the market challenges, innovate and transform their businesses with next generation digital lending solutions, powered by analytics in South Africa. We hosted an online, interactive roundtable webinar on 'Driving Innovation in lending with cloud' in association with Dun & Bradstreet. We organized the largest global Government event, the GCC Smart Government & Smart Cities Conference is a global platform dedicated to shaping the future of governments worldwide in Dubai. We also organized a conference with the theme of Driving Innovation in Loan Collections – Profitable, Smarter & Customer Oriented in Hanoi and Ho Chi Minh City, Vietnam. We participated in the 10th annual BankTech Asia Sri Lanka Conference & Exhibition in Colombo and attended the 3rd NBFC100 Tech Summit in Delhi and shared views on how cloud technology can help Indian NBFCs in shaping the future of lending by providing customer centric loan services, making better credit decision, quickly scaling operations and beating the competition in the changing regulatory landscape. We organized a conference on 'Driving Innovation in Lending – Digital, Personal, Analytical' in association with Mantis Hop in Ghana and an industry roundtable, for banks & NBFCs, on 'Lending with Analytics & AI: Profitable, Smarter & Customer-oriented' in Mumbai in association with Dun & Bradstreet.

The Manpower numbers are at 1,971 as on June 30, 2018.

Our relentless focus on leveraging innovative technologies to deliver business value continues to yield results – our Lending Analytics and FinnOne Neo Cloud solutions continue to gain traction in the market. In fact, I am delighted to report that we have now 19 customers for our cloud solution. Our Innovation Labs are creating innovative business solutions using the latest technologies including AI, chatbots and virtual reality. Our digital transformation strategy aligns very well with the strategic direction of banks and other financial institutions

Vishnu R Dusad
Managing Director
Date: July 17, 2018

B S R & Associates LLP

Chartered Accountants

Building No.10, 8th Floor, Tower-B
DLF Cyber City, Phase - II
Gurugram - 122 002, India

Telephone: + 91 124 719 1000
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nucleus Software Exports Limited

Opinion

We have audited the accompanying standalone interim Ind AS financial statements of **Nucleus Software Exports Limited** ("the Company"), which comprise the Interim Balance Sheet as at 30 June 2018, the Interim Statement of Profit and Loss (including other comprehensive income), the Interim Statement of Changes in Equity and the Interim Statement of Cash Flows for the quarter then ended, and notes to the standalone interim Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the standalone interim Ind AS financial statements').

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone interim Ind AS financial statements give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standard 34, Interim Financial Reporting ('Ind AS 34'), of the state of affairs of the Company as at 30 June 2018, and profit and other comprehensive income, changes in equity and its cash flows for the quarter then ended.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Companies Act, 2013 ("the Act"). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Standalone Interim Ind AS Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics* issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the standalone interim Ind AS financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

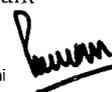
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matter

Significant Judgements required in estimating percentage of work completed in fixed price contracts

Refer to Note 1.2.i (d) to the standalone interim Ind AS financial statements.

The Risk: Revenue from fixed price contracts and sale of license and related customization and implementation is recognized in accordance with the percentage completion method calculated based on output method. For the period ended 30 June 2018, revenue amounting to Rs. 9,205 lakhs has been recognized from the sale of software products and rendering of related services provided to the customers. The revenue on fixed price contract is recognized based on the percentage of work completed which is estimated by the company basis the completion of milestones and activities as agreed with the customers. Due to large variety and complexity of activities performed, significant



judgments are required to estimate percentage of completion. Therefore, the audit risk is that if there is an error in estimation of percentage of completion, this will have an impact on the accuracy of revenue recognized for the quarter ended 30 June 2018.

Description of how the matter was addressed in the audit:

To mitigate the above risk, our audit procedures included the following:

- Obtaining an understanding of key internal controls over recording of activities completed and of general IT controls for the project management tool. We documented the controls and made assessment of the effectiveness of their design. We also performed walk through tests to assess whether the controls were operating as designed.
- Involving independent IT specialists to assess whether the project management tool captured activities completed in the correct period and whether the related percentage completion were derived from a system that is operating effectively
- Selecting a sample of contracts, using a mix of quantitative and qualitative criteria, and performing the following procedures for each contract selected:
 - inspecting key terms, including price, deliverables, timetable and milestones, set out in the contract;
 - inquiring of the relevant project managers about key aspects of the contract, including the estimated total contract costs, key project risks, contingencies and billing schedules;
 - checking project management tool for budgeted efforts and related percentage completion milestones and establishing accuracy of milestones based on actualization of efforts for delivered projects and past data;
 - checking the details of the activities completed with those stated in the customer contract, details of activities completed as provided by the project manager and confirmation/acceptance of completion of such activities by the customer;
 - agreeing the respective activities performed according to project management tool and agreeing it with customer report/confirmation which forms the basis of percentage of completion;
 - testing the sample to underlying invoices to customer and cash receipts from customers; and
 - performing ageing analysis and analytical procedures, based on revenue trends, to assess the movements in the accrual.

Management's Responsibility for the Standalone Interim Ind AS Financial Statements

The Company's Board of Directors is responsible for the preparation of these standalone interim Ind AS financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including Ind AS 34 specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone interim Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone interim Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Standalone Interim Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone interim Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone interim Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone interim Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone interim Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone interim Ind AS financial statements, including the disclosures, and whether the standalone interim Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For B S R & Associates LLP
Chartered Accountants
Firm registration number: 116231W/ W-100024



Rakesh Dewan
Partner
Membership No: 092212

Place: Gurugram
Date: 17 July 2018

NUCLEUS SOFTWARE EXPORTS LIMITED
BALANCE SHEET AS AT 30 JUNE, 2018

(Amount in Rupees Lacs unless otherwise stated)

Particulars	Note	As at 30 June, 2018	As at 31 March, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	2.1	2,999	2,932
Intangible assets	2.1	138	124
Financial assets			
Investments	2.2	29,137	26,173
Trade receivables	2.3	286	272
Loans	2.4	6	9
Others	2.5	641	982
Deferred tax assets (net)	2.6	919	969
Income tax asset (net)	2.7	1,518	1,340
Other non-current assets	2.8	101	52
		35,745	32,853
Current assets			
Financial assets			
Investments	2.9	14,687	13,196
Trade receivables	2.10	7,214	6,807
Cash and cash equivalents	2.11	1,275	1,861
Other bank balances	2.12	2,666	2,719
Loans	2.13	26	29
Others	2.14	41	29
Other current assets	2.15	2,290	1,641
		28,199	26,282
Total assets		63,944	59,135
EQUITY & LIABILITIES			
Equity			
Equity share capital	2.16	2,904	2,904
Other equity	2.17	41,870	39,080
		44,774	41,984
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Other financial liabilities	2.18	105	91
Provisions	2.19	520	490
		625	581
Current liabilities			
Financial liabilities			
Trade payables	2.20	4,800	5,104
Other financial liabilities	2.21	204	25
Provisions	2.22	181	171
Income tax liabilities (net)	2.23	189	-
Other current liabilities	2.24	13,171	11,270
		18,545	16,570
Total equity and liabilities		63,944	59,135

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

In terms of our report attached

For B S R & ASSOCIATES LLP

Chartered Accountants
Firm Registration Number : 116231W/W-100024

RAKESH DEWAN

Partner

Membership number : 092212

For and on behalf of the Board of Directors

SIDDHARTHA MAHAVIR ACHARYA

Chairman

VISHNU R DUSAD

Managing Director

RAVI PRATAP SINGH

CEO & Whole-time Director

ASHISH NANDA

Chief Financial Officer

POONAM BHASIN

AVP (Secretarial) & Company Secretary

Place : Gurugram
Date : July 17, 2018

Place : Noida
Date : July 17, 2018

NUCLEUS SOFTWARE EXPORTS LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE QUARTER ENDED 30 JUNE, 2018

(Amount in Rupees Lacs unless otherwise stated)

	Notes Ref.	For the quarter ended 30 June, 2018	For the quarter ended 30 June, 2017
1. REVENUE FROM OPERATIONS			
Income from software product and services	2.25	9,205	7,577
2. OTHER INCOME	2.26	2,053	2,124
3. TOTAL INCOME (1+2)		11,258	9,701
4. EXPENSES			
a. Employee benefit expenses	2.27	5,721	4,898
b. Operating and other expenses	2.28	1,915	2,044
c. Finance cost	2.29	8	8
d. Depreciation and amortisation expense	2.1	163	161
TOTAL EXPENSES		7,807	7,111
5. PROFIT BEFORE TAX (3-4)		3,451	2,590
6. INCOME TAX EXPENSE			
a. Net current tax expense		681	331
b. Deferred tax (credit) /charge	2.6	(10)	6
NET TAX EXPENSE		671	337
7. PROFIT FOR THE PERIOD (5-6)		2,780	2,253
8. OTHER COMPREHENSIVE INCOME / (LOSS)			
(A) (i) Items that will not be reclassified to profit or loss			
a) Remeasurements of the defined benefit plans, net		7	(16)
b) Equity instruments through other comprehensive income		80	(286)
(B) (i) Items that will be reclassified subsequently to profit or loss			
a) loss on hedging instruments of effective cash flow hedges, net		(77)	(57)
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS)		10	(359)
9. TOTAL COMPREHENSIVE INCOME (7+8)		2,790	1,894
10. EARNINGS PER EQUITY SHARE			
Equity shares of Rupees 10 each			
a. Basic (Rs)		9.57	6.96
b. Diluted (Rs)		9.57	6.96
Number of shares used in computing earnings per share			
a. Basic		29,040,724	32,383,724
b. Diluted		29,040,724	32,383,724
See accompanying notes forming part of the financial statements		1 & 2	

In terms of our report attached

For B S R & ASSOCIATES LLP

Chartered Accountants

Firm Registration Number : 116231W/W-100024

For and on behalf of the Board of Directors

RAKESH DEWAN

Partner

Membership number : 092212

SIDDHARTHA MAHAVIR ACHARYA

Chairman

VISHNU R DUSAD

Managing Director

RAVI PRATAP SINGH

CEO & Whole-time
Director

ASHISH NANDA

Chief Financial Officer

POONAM BHASIN

AVP (Secretarial) &
Company Secretary

Place : Gurugram

Date : July 17, 2018

Place : Noida

Date : July 17, 2018

NUCLEUS SOFTWARE EXPORTS LIMITED
CASH FLOW STATEMENT FOR THE QUARTER ENDED 30 JUNE, 2018

(Amount in Rupees Lacs unless otherwise stated)

	for the quarter ended 30 June, 2018	for the quarter ended 30 June, 2017
A. Cash flow from operating activities		
Net profit before tax	3,451	2,590
Adjustment for:		
Depreciation and amortisation expense	163	161
Exchange gain / loss on translation of foreign currency accounts (net)	108	(59)
Dividend received from current, non trade investments	(150)	(256)
Dividend received from non-current, non trade investment	(4)	(54)
Dividend received from subsidiary companies	(1,400)	(1,389)
Interest on fixed deposits and others	(452)	(399)
MTM gain / (loss) on mutual funds	(4)	(7)
Profit on sale of fixed assets (net)	(13)	(1)
Provision for doubtful debts / advances	2	(14)
Operating profit before working capital changes	1,701	572
Adjustment for (increase) / decrease in operating assets		
Trade receivables	(357)	(54)
Loans	7	(7)
Other assets	(1,090)	(749)
Adjustment for increase / (decrease) in operating liabilities		
Trade payables	(317)	458
Provisions	40	44
Other liabilities	2,097	591
	2,081	855
Income taxes paid (net)	(670)	(520)
Net cash from / (used in) operating activities (A)	1,411	335
B. Cash flow from investing activities		
Expenditure on property, plant and equipment net of sale proceeds, including changes in capital creditors	(166)	(49)
Payments to acquire mutual funds, tax free bonds and preference shares	(11,845)	(5,376)
Proceeds on sale of mutual funds, tax free bonds, debentures and preference shares	7,806	4,804
Investment in subsidiary	(50)	(15)
Bank balance not considered as cash and cash equivalents - placed	-	(976)
Bank balance not considered as cash and cash equivalents - matured	491	-
Interest on fixed deposits and others received	146	41
Dividend received from non trade investments	150	256
Dividend on long term trade investment	4	54
Dividend from subsidiary company	1,400	1,389
Net cash from / (used in) investing activities (B)	(2,064)	128
C. Cash flow from financing activities		
Dividend paid (including corporate dividend tax)	-	-
Net cash from / (used in) in financing activities (C)	-	-
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(653)	463
Opening cash and cash equivalents	1,861	1,094
Exchange difference on translation of foreign currency bank accounts	67	(6)
Closing cash and cash equivalents	1,275	1,551
Supplementary information		
Restricted cash	41	47

Notes:

i. Figures in brackets indicate cash outflow.

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

1 & 2

For **B S R & ASSOCIATES LLP**
 Chartered Accountants
 Firm Registration Number : 116231W/W-100024

For and on behalf of the Board of Directors

RAKESH DEWAN
 Partner

SIDDHARTHA MAHAVIR ACHARYA
 Chairman

VISHNU R DUSAD
 Managing Director

RAVI PRATAP SINGH
 CEO & Whole-time Director

Membership number : 092212

ASHISH NANDA
 Chief Financial Officer

POONAM BHASIN
 AVP (Secretarial) &
 Company Secretary

Place : Gurugram
 Date : July 17, 2018

Place : Noida
 Date : July 17, 2018

STATEMENT OF CHANGES IN EQUITY

A. Equity Share Capital

(Amount in Rupees Lacs unless otherwise stated)

Balance as of 1 April 2018	Changes in equity share capital during the period	Balance as on 30 June, 2018
2,904	-	2,904

B. Other Equity

	Reserves and Surplus			Items of OCI			Total
	Capital reserve	Capital Redemption reserve	Retained earnings	Hedging reserve	Equity instrument through other comprehensive income	Remeasurements of the defined benefit plans	
Balance as of 1 April 2018	89	334	37,827	2	839	(11)	39,080
Profit for the period	-	-	2,780	-	-	-	2,780
Effective gain/(loss) on hedging instruments of tax)	-	-	-	(77)	-	-	(77)
Remeasurements of the defined benefit plans	-	-	-	-	80	-	80
	-	-	-	-	-	7	7
Balance as of 30 June, 2018	89	334	40,607	(75)	919	(4)	41,870

See accompanying notes forming part of the financial statements

In terms of our report attached

For **B S R & ASSOCIATES LLP**

Chartered Accountants

Firm Registration Number : 116231W/W-100024

RAKESH DEWAN

Partner

Membership number : 092212

SIDDHARTHA MAHAVIR ACHARYA

Chairman

VISHNU R DUSAD

Managing Director

RAVI PRATAP SINGH

CEO & Whole-time Director

ASHISH NANDA

Chief Financial Officer

POONAM BHASIN

AVP (Secretarial) &
Company Secretary

Place : Gurugram

Date : July 17, 2018

Place : Noida

Date : July 17, 2018

NUCLEUS SOFTWARE EXPORTS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note 1:

1.1 Company Overview

Nucleus Software Exports Limited ('Nucleus' or 'the Company') was incorporated on 9 January, 1989 in India as a private limited company. It was subsequently converted into a public limited company on 10 October, 1994. The Company made an initial public offer in August 1995. As at 30 June, 2018, 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, South Africa, Australia. The Company has wholly and partly owned subsidiaries in 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 of financial statements

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2006 notified under Section 133 of the Companies Act, 2013 (the 'Act') and other relevant provisions of the Act.

The Financial statements were approved for issue by the Board of Directors on July 17, 2018.

b) Functional and Presentation currency

The financial statements are presented in Indian Rupees (INR), which is also the Company's functional currency. All amounts have been rounded-off to the nearest lacs unless otherwise indicated. Further, amounts below INR 50,000 have been rounded off to '-₹' in the financial statements while rounding off to the nearest lacs unless otherwise indicated.

c) Basis of measurement

The financial statements have been prepared on the historical basis except for the following items:

Items	Measurement Basis
Certain financial assets and liabilities (including derivative instruments)	Fair Value
Net defined benefit(asset)/liability	Fair value of plan assets less present value of defined benefit obligations

d) Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

NUCLEUS SOFTWARE EXPORTS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Lease classification – Note 2.31
- Estimates of expected contract costs to be incurred to complete contracts- Note 2.25

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent period financial statements is included in the following notes:

- Estimation of current tax expense and payable – Note 2.7 and Note 2.23
- Estimated useful life of property, plant and equipment and Intangible assets – Note 1.2 (iv) and (v)
- Estimation of defined benefit obligations— Note 2.38
- Impairment of trade receivables- Note 2.3 and Note 2.10

e) Measurement of fair values

The Company`s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a treasury team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The treasury team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Ind AS, including the level in the fair value hierarchy in which the valuations should be classified.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value

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measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

ii. Revenue Recognition

The Company earns revenue primarily from software product development and providing support services mainly for corporate business entities in the banking and financial services sector.

- Effective April 1, 2018, the Company has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue and Ind AS 11 Construction Contracts. The Company has adopted Ind AS 115 using the cumulative effect method. The effect of initially applying this standard is recognised at the date of initial application (i.e. April 1, 2018). The adoption of the standard did not have any material impact to the financial statements of the Company.
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- 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. The contract cost used in computing the revenues include cost of fulfilling warranty obligations.
- Revenue from sale of licenses, where no customisation is required, is recognised upon delivery of these licenses which constitute transfer of all risks and rewards.
- Revenue from time and material contracts is recognised as the services are rendered.
- Revenue from annual technical service contracts is recognised on a pro rata basis over the period in which such services are rendered.
- Revenue from the sale of distinct third party hardware is recognised at the point in time when control is transferred to the customer.
- The solutions offered by the Company may include supply of third-party equipment or software. In such cases, revenue for supply of such third party products are recorded at gross basis as the Company is acting as the principal.

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Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as Service income accrued but not due. (only act of invoicing is pending in accordance with terms of the contract).

Advances from customers and deferred revenue (“contract liability”) is recognised when there is billings in excess of revenues.

Contracts are subject to modification to account for changes in contract specification and requirements. The Company reviews modification to contract in conjunction with the original contract, basis which the transaction price could be allocated to a new performance obligation, or transaction price of an existing obligation could undergo a change. In the event transaction price is revised for existing obligation a cumulative adjustment is accounted for.

The Company disaggregates revenue from contracts with customers by industry verticals, geography and nature of services.

'(Amount in Rupees Lacs)

Particulars	Quarter ended 30 June 2018	Quarter ended 30 June 2017
Revenue from products	8,752	7,053
Revenue from software projects and services	453	524
Total revenue from operations	9,205	7,577

Disaggregate revenue information

The table below presents disaggregated revenues from contracts with customers for the quarter ended 30 June 2018 by geography, offerings and contract-type. The Company believe that this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors

Particulars	'(Amount in Rupees Lacs)
Revenues by Geography	
- India	3,667
- Far East	552
- South East Asia	1,651
- Europe	1,144
- Middle East	1,646
- Africa	265
- Australia	259
- Others	21
Total	9,205

iii. Other income

Profit on sale of investments is determined as the difference between the sales price and the carrying value of the investment upon disposal of investments.

Dividend income is recognised in profit or loss on the date on which the Company's right to receive payment is established.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset ; or
- the amortised cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

iv. Property, Plant and equipment

Property, Plant and equipment are carried at cost less accumulated depreciation and impairment losses, if any. Cost of an item of property, plant and equipment includes its purchase price, any directly attributable expenditure on making the asset ready for its intended use. Property, plant and equipment under construction and cost of assets not ready to use before the year end, are disclosed as capital work-in-progress.

Depreciation on property, Plant and equipment, 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 taking into account nature of the asset, the estimated usage of the asset and the operating conditions of the asset. 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.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

The management's estimates of the useful lives of the various property, plant and equipment are as follows:

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Asset category	Mangement estimate of useful life (in years)	Useful life as per Schedule II(in years)
Tangible asset		
Building*	30	30
Plant and machinery (including office equipment)*	5	15
Computers- end user devices such laptops, desktops etc.	3	3
Computers- servers and networking equipment*	4	6
Vehicles*	5	10
Furniture and fixtures*	5	10
Temporary wooden structures (included in Building)	3	3

*Based on technical evaluation, the useful lives as given above represent the period over which the management believes to use these assets; hence these lives are different from the useful lives prescribed under Part C of schedule II of the Companies Act, 2013.

v. Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the tax authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates.

Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

The management's estimates of the useful lives of the Software are 3 years.

vi. Financial instruments

a) Recognition and initial measurement

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provision of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

b) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at

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- amortised cost;
- Fair value through other comprehensive income (FVOCI)-equity investment; or
- Fair value through profit and loss (FVTPL)

Financial asset are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI-equity investment). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivatives financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirement to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money

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and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non- recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 1.2(vii)(e) for derivatives designated as hedging instruments.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for- trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

c) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognized

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

e) Derivative financial instruments and hedge accounting

The company holds derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the other equity under 'effective portion of cash flow hedges'. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Company designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised separately within equity.

The amount accumulated in other equity is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If a hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in other equity remains there until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in other equity are immediately reclassified to profit or loss.

vii. Impairment

a) Impairment of financial instruments

The Company recognises loss allowances for expected credit losses on:

- financial assets measured at amortised cost;

At each reporting date, the Company assesses whether financial assets are carried at amortised cost. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12 month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Presentation of allowance for expected credit losses in the balance sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

b) Impairment of non-financial assets

The Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets that do not generate independent cash inflows are grouped together into cash-generating units (CGUs). Each CGU represents the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a CGU (or an individual asset) is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU (or the asset).

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit and loss. Impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets of the CGU (or group of CGUs) on a pro rata basis.

viii. Provisions (other than for employee benefits)

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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The unwinding of the discount is recognized as finance cost. Expected future operating losses are not provided for.

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.

Onerous contracts

A contract is considered to be onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognises any impairment loss on the assets associated with that contract.

ix. Foreign Currency

a) Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Exchange differences are recognised in profit or loss, except exchange differences arising from the translation of the following items which are recognised in OCI:

- qualifying cash flow hedges to the extent that the hedges are effective.

During the quarter ended 30 June 2018, the company has adopted Appendix B to Ind AS 21- Foreign Currency Transactions and Advance Consideration which clarifies the date of transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income when an entity has received or paid advance consideration in a foreign currency. The effect on account of adoption of this amendment was insignificant.

b) Foreign operations

The assets and liabilities of foreign branches are translated into INR, the functional currency of the Company, at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into INR at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

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x. 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.

xi. Taxation

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

a) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date. Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

b) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognized in respect of carried forward tax losses and tax credits. Deferred tax is not recognized for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;
- temporary differences related to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Company recognizes a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realized. Deferred tax assets – unrecognized or recognized, are reviewed at each reporting date and are recognized/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the laws that have been enacted or substantively enacted by the reporting date.

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The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be real.

Minimum Alternative Tax ('MAT') expense under the provisions of the Income-tax Act, 1961 is recognised as an asset when it is probable that future economic benefit associated with it in the form of adjustment of future income tax liability, will flow to the Company and the asset can be measured reliably. MAT credit entitlement is set off to the extent allowed in the year in which the Company becomes liable to pay income taxes at the enacted tax rates. MAT credit entitlement is reviewed at each reporting date and is written down to reflect the amount that is reasonably certain to be set off in future years against the future income tax liability. MAT Credit Entitlement has been presented as Deferred Tax in Balance Sheet.

xii. Employee benefits

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 fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each year end. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

The retirement benefit obligation recognized in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets.

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 recognized 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 recognized as a liability at the present value of the defined benefit obligation as at the Balance Sheet date.

Employee stock option based compensation

The grant date fair value of equity settled share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as expense is based on the estimate of the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market vesting conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

xiii. Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non –cash nature, any deferrals or accruals of past or future operating cash receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

xiv. Leases

a. Determining whether an arrangement contains a lease

At inception of an arrangement, it is determined whether the arrangement is or contains a lease.

At inception or on reassessment of the arrangement that contains a lease, the payments and other consideration required by such an arrangement are separated into those for the lease and those for other elements on the basis of their relative fair values. If it is concluded for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. The liability is reduced

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as payments are made and an imputed finance cost on the liability is recognised using the incremental borrowing rate.

b. Lease payments

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 unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflation increases.

xv. Research and development

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

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2.1 Property, plant and equipment

(Amount in Rupees Lacs unless otherwise stated)

PARTICULARS	GROSS CARRYING AMOUNT				ACCUMULATED DEPRECIATION				NET CARRYING AMOUNT	
	As at 1 April, 2018	Additions	Deductions / adjustments	As at 30 June, 2018	As at 1 April, 2018	Depreciation for the period	Deductions / adjustments	As at 30 June, 2018	As at 30 June, 2018	As at 31 March, 2018
Tangible assets										
Freehold land	34	-	-	34	-	-	-	-	34	34
	(34)	-	-	(34)	-	-	-	-	(34)	(34)
Leasehold land	560	-	-	560	16	2	-	17	543	544
	(560)	-	-	(560)	(8)	(8)	-	(16)	(544)	(552)
Buildings	1,627	-	-	1,627	177	24	-	201	1,426	1,450
	(1,602)	(25)	-	(1,627)	(86)	(91)	-	(177)	(1,450)	(1,516)
Plant and equipment	189	4	-	193	140	5	-	145	48	49
	(162)	(27)	-	(189)	(116)	(24)	-	(140)	(49)	(47)
Office equipment	75	3	0	78	29	4	0	33	45	46
	(62)	(13)	-	(75)	(13)	(16)	-	(29)	(46)	(49)
Computer equipment	1,242	126	2	1,366	675	77	1	751	615	567
	(810)	(432)	-	(1,242)	(371)	(304)	-	(675)	(567)	(439)
Vehicles	247	(0)	-	247	85	14	(0)	100	147	162
	(212)	(84)	(49)	(247)	(53)	(57)	(25)	(85)	(162)	(159)
Furniture and fixtures	92	67	-	159	12	7	-	19	140	80
	(4)	(88)	-	(92)	(2)	(10)	-	(12)	(80)	(2)
	4,066	199	2	4,264	1,134	132	1	1,265	2,999	2,932
	(3,446)	(669)	(49)	(4,065)	(649)	(510)	(25)	(1,134)	(2,932)	(2,798)
Intangible assets										
Software	638	45	-	683	514	31	-	545	138	124
	(559)	(79)	(0)	(638)	(377)	(137)	-	(514)	(124)	(182)
Total	4,704	244	2	4,947	1,648	163	1	1,811	3,137	3,056
	(4,005)	(748)	(49)	(4,704)	(1,026)	(647)	(25)	(1,648)	(3,056)	(2,980)

Note:

(i) Figures in bracket pertains to previous year ended 31 March 2018/ 1 April, 2017.

(ii) As permitted by Ind AS 101, the Company has elected to continue with the carrying values under previous GAAP as deemed cost for all the items of property, plant and equipment and Intangible assets.

NUCLEUS SOFTWARE EXPORTS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2 NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE, 2018

2.2 A. NON-CURRENT INVESTMENTS

(Amount in Rupees Lacs unless otherwise stated)

Particulars	As at 30 June, 2018	As at 31 March 2018
Investments in equity shares of subsidiaries (unquoted)		
<i>Equity shares at cost</i>		
a. 625,000 (625,000) equity shares of Singapore Dollar 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd.,	163	163
b. 1,000,000 (1,000,000) equity shares of US Dollar 0.35 each, fully paid up, in Nucleus Software Inc., USA Less: Provision for diminution in value of investment in Nucleus Software Inc., USA	163 (163)	163 (163)
c. 200 (200) equity shares of Japanese Yen 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaisha	41	41
d. 1,000,000 (1,000,000) equity shares of Rs 10 each, fully paid up, in VirStra I-Technology Services Limited, India [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company]	100	100
e. 7,500 (7,500) equity shares of Euro 100 each, fully paid up, in Nucleus Software Netherlands B.V., Netherlands Less: Provision for diminution in value of investment in Nucleus Software Netherlands B.V., Netherlands	489 (489)	489 (489)
f. 10,000,000 (10,000,000) equity shares of Rs. 10 each, fully paid up, in Nucleus Software Limited, India [Of the above, 6 (6) equity shares are held by nominees on behalf of the Company]	1,194	1,194
g. 100,000 (100,000) equity shares 1 AUD each, fully paid in Nucleus Software Australia Pty. Ltd., Australia	55	55
h. 10 (10) equity shares of ZAR 61,200 each fully paid up, in Nucleus Software South Africa (Pty.) Limited, South Africa	32	32
i. 10,666 (10,666) equity shares of Rs 10 each, fully paid up in Avon Mobility Solutions Private Limited (see note 2.42)	192	192
	1,777	1,777
Investment in equity instruments (Quoted)		
<i>Equity shares at FVOCI</i>		
250,000 (250,000) equity shares of Rs. 10 each, fully paid up, in Ujjivan Financial Services Limited	943	864
Investments in preference shares of subsidiaries (unquoted)		
<i>Preference shares at Fair value through profit or loss (FVTPL)</i>		
3,150,000 (2,650,000) 11% Preference shares of Rs. 10 each fully paid up in Avon Mobility Solutions Private Limited.	315	265
Investment in Preference Shares (quoted)		
<i>Preference shares at Amortised cost</i>		
a. 8.15% L&T Preference Shares- 2020	1,422	1,395
b. 16.46% IL&FS - Preference Shares 2022	510	541
c. 17.38% IL&FS - Preference Shares 2021	102	100
d. 8.33% Tata Capital Ltd Preference Shares 2022	119	116
e. 7.50% Tata Capital Preference Shares 2020	1,528	1,500
f. 8.33% Tata Capital Preference Shares 2021	514	504
g. 8.20% Tata Motors Finance Ltd CCPS 2020	525	534
h. 8.20% Tata Motors Finance Ltd CCPS 2025	2,008	-
Investment in bonds (quoted)		
<i>Bonds securities at Amortised cost</i>		
a. 7.18% Indian Railway Finance Corporation Limited Tax free bonds 2023	987	965
b. 8.23% Indian Railway Finance Corporation Limited Tax free bonds 2024	509	540
c. 8.09% Power Finance Corporation Tax Free Bonds 2021	487	480
d. 7.51% Power Finance Corporation Tax Free Bonds 2021	528	519
e. 8.00% Indian Railway Finance Corporation Limited Tax free bonds 2022	2,161	2,126
f. 8.01% India Infrastructure Finance Company Limited Tax Free Bonds 2023	1,051	1,031
g. 7.11% Power Finance Corporation Tax Free Bonds 2025	54	53
h. 7.21% India Infrastructure Finance Company Limited Tax Free Bonds 2022	524	516
i. 7.55% Indian Railway Finance Corporation Limited Tax Free Bonds 2021	315	310
j. 8.20% Power Finance Corporation Tax Free Bonds 2022	66	64
k. 7.28% Indian Railway Finance Corporation Limited Tax free bonds 2030	48	47
l. 7.49% Indian Renewable Energy Development Agency Limited (IREDA) Tax Free Bonds 2031	123	121
m. 7.39% Housing and Urban Development Corporation Limited (HUDCO) Tax Free Bonds 2031	144	142
n. 8.50% National Highways Authority of India (NHAI) Tax Free Bonds 2029	111	109
o. 7.39% National Highways Authority of India (NHAI) Tax Free Bonds 2031	163	160
p. 7.39% Housing and Urban Development Corporation Limited (HUDCO) Tax free bonds 2031	133	131
q. 7.21% Power Finance Corporation (PFC) Tax Free Bonds 2022	523	515
r. 7.35% Indian Railway Finance Corporation Tax Free Bonds 2031	124	122
s. 7.35% National Bank for Agriculture and Rural Development (NABARD) Tax Free Bonds 2031	204	201
t. 8.35% National Highways Authority of India (NHAI) Tax Free Bonds 2023	570	562
u. 8.51% Housing and Urban Development Corporation Limited (HUDCO) Tax Free Bonds 2024	573	-
Investment in mutual funds (quoted)		
<i>Fixed maturity plan at Amortised cost</i>		
a. HDFC FMP 1169D February 2017 (1) - Series 37	550	541
b. HDFC FMP 1150D February 2017 (1)	330	324
c. Birla Sun Life Fixed Term Plan-Series OT (1117 days)	532	524
d. ICICI Prudential Fixed Maturity Plan - Series 81 - 1163 Days Plan Q	1,064	1,046
e. ICICI Prudential FMP - Series 82 - 1225 Days Plan B	518	509
f. UTI Fixed Term Income Fund Series XXVIII - IV (1204 Days) - Direct Plan- Growth Option	518	509
g. Reliance Fixed Horizon Fund XXXV (1227 days) - Direct Plan- Growth Option	513	504
h. Birla Sun Life Fixed Term Plan-Series OY (1218 days)	518	509
i. ICICI Prudential FMP - Series 82 - 1203 Days Plan K	514	504
j. Reliance Fixed B2 - Direct Plan- Growth Option	512	503
k. UTI Fixed Term Income Fund Series XXVIII -XIV (1147 days) - Direct Plan- Growth Option	510	501
Investment in mutual funds (Unquoted)		
<i>Mutual funds at Fair value through profit or loss (FVTPL)</i>		
a. Axis ST Direct- Weekly Dividend	659	656
b. UTI ST Income-IP-Monthly Dividend	315	314
c. HDFC Medium Term Oop-Direct	248	248
d. DSP BlackRock Banking & PSU Debt Fund - Growth- Direct	508	507
e. ICICI Prudential Income Opportunities Fund - Growth- Direct	502	506
f. IDFC Corporate Bond Fund - Growth- Direct	643	641
g. L&T Short Term Opportunities Fund - Growth- Direct	513	509
h. Reliance FRF - ST - Growth- Direct	509	508
	26,102	23,267
	29,137	26,173
Aggregate book value of quoted investments	23,148	20,242
Aggregate market value of quoted investments (*)	23,304	20,595
Aggregate value of unquoted investments	5,989	5,931
Aggregate amount of impairment in value of investments	652	652

(*) Market value of preference shares includes premium.

B. Equity shares designated as at fair value through other comprehensive income

As at 1 April 2016, the Company designated the investments shown below as equity shares at FVOCI because these equity shares represent investments that company intends to hold for long-term for strategic purpose

	Fair value as at 30 June, 2018	Dividend income recognised during period ended 30 June, 2018	Fair value as at 31 March 2018
Investment in Ujjivan Financial Services Limited	943	-	864

No strategic investments were disposed off during quarter ended 30 June, 2018 as well in previous year 17-18 and there were no transfers of any cumulative gain or loss within equity relating to these investments.

NUCLEUS SOFTWARE EXPORTS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	(Amount in Rupees Lacs unless otherwise stated)	
	As at 30 June, 2018	As at 31 March 2018
2.3 NON - CURRENT TRADE RECEIVABLES (Unsecured)		
TRADE RECEIVABLES (Unsecured)		
- Considered good	286	272
	<u>286</u>	<u>272</u>
2.4 LONG-TERM LOANS (Unsecured considered good unless otherwise stated)		
a. Loans and advances to employees		
- Staff Loans	6	9
b. Loan to subsidiary (considered doubtful)	732	732
	<u>738</u>	<u>741</u>
Less: Provision for doubtful loan to subsidiary	(732)	(732)
	<u>6</u>	<u>9</u>
2.5 OTHER NON-CURRENT FINANCIAL ASSETS (Unsecured considered good unless otherwise stated)		
Security deposits	207	132
Long-term bank deposits	434	850
	<u>641</u>	<u>982</u>
Note:		
[Long term bank deposits include deposits held with bank for maturity more than 12 months from balance sheet date Rs 18 Lacs (31 March 2018 Rs 17 lacs) under lien with banks and are restricted from being settled for more than 12 months from the balance sheet date.]		

2.6 DEFERRED TAX ASSETS (NET)

A. Amounts recognised in profit or loss

Particulars	(Amount in Rupees Lacs unless otherwise stated)	
	Year ended 30 June, 2018	Year ended 31 March, 2018
Current tax	681	1,197
Deferred tax	(10)	11
Net tax expense	<u>671</u>	<u>1,208</u>

B. Income tax recognised in other comprehensive income

	Before tax	Tax expense / (benefit)	Net of tax
Remeasurements of net defined benefit plans	11	4	7
Effective portion of gain/ (loss) on hedging instruments of effective cash flow hedges/net of tax)	(118)	(41)	(77)
Income tax recognised in other comprehensive income	<u>(107)</u>	<u>(37)</u>	<u>(70)</u>

NUCLEUS SOFTWARE EXPORTS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2.6 DEFERRED TAX ASSETS (NET) (CONT'D)

C. Reconciliation of effective tax rate

A reconciliation of the income tax provision to the amount computed by applying the statutory income tax rate to the income before taxes is summarised below:

Particulars	Percentage	For the Quarter ended 30 June, 2018	Percentage	For the quarter ended 30 June, 2017
Profit before tax		3,451		2,590
Domestic tax rate	34.94%	1,206	34.61%	896
Effect of exempt non-operating income	(8.54%)	(295)	(13.16%)	(341)
Effect of non- deductible expenses	0.7%	24	0.17%	4
Additional deduction on research and development expenses	(4.79%)	(165)	(5.39%)	(140)
Taxes on income at different rates	(2.86%)	(99)	(3.21%)	(83)
Tax pertaining to prior years	0.0%	-	0.0%	-
Branch tax	0.0%	-	0.00%	-
Change in tax rate	0.0%	-	0.00%	-
Effective tax	19.45%	671	12.99%	336

D. Movement in temporary differences

(Amount in Rupees Lacs unless otherwise stated)

Particulars	Balance as at 1 April 2018	Recognised [(Credited)/ Charge] in profit or loss during the year	Recognised [(Credited)/ Charge] in OCI during the year	Other adjustment *	Balance as at 30 June, 2018
(i) Deferred tax assets					
Provisions- compensated absences, gratuity and other employee benefits	384	(27)	4		407
Provision for doubtful trade receivables / Loans and service income accrued but not due	409	3	-		406
MAT credit entitlement	305	-	-	(97)	209
Trade receivables, security deposit and loans at amortised cost	48	6	-		42
	1,147	(18)	4	(97)	1,064
(ii) Deferred tax liabilities					
Property, plant and equipment	93	4	-		97
Forward contracts	1	-	(41)		(40)
Investments	83	4	-		88
	177	8	(41)	-	145
(iii) Net deferred tax asset	969	(10)	(37)	(97)	919

* Rs. 97 lacs MAT credit utilised during the period.

(Amount in Rupees Lacs unless otherwise stated)

Particulars	As at 30 June, 2018	As at 31 March 2018
	1,518	1,340
	1,518	1,340

2.7 INCOME TAX ASSETS (NET)

Balances with government authorities

- Advance tax [net of provision of Rs. 3,614 lacs (previous year Rs. 2,933 lacs)]

1,518

1,340

1,518

1,340

2.8 OTHER NON- CURRENT ASSETS

(Unsecured considered good unless otherwise stated)

a. Employee advances	38	38
b. Capital advances	39	21
Less : Provision for doubtful advances	(14)	(14)
	25	7
c. Prepaid expenses	1	1
d. Deferred rent	37	6
	101	52

NUCLEUS SOFTWARE EXPORTS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2.9 Current investments

Investment in mutual funds

Name	As at 30 June, 2018	As at 31 March, 2018
-Investment in Mutual Funds (Unquoted)		
<i>Mutual funds at Fair value through profit or loss (FVTPL)</i>		
Axis Liquid Fund- Direct Plan- Daily Dividend Reinvestment	1,207	540
Baroda Pioneer Treasury Advantage Fund - Plan B Daily Dividend- Re-investment	-	1,672
Aditya Birla Sunlife Enhanced Arbitrage Fund -Dividend-Direct Plan-Reinvestment	844	832
Aditya Birla Sunlife Floating Rate-Long Term-Daily Dividend-Direct Plan-Reinvestment	-	84
Aditya Birla Sunlife Saving Fund -Daily Dividend-Direct-Reinvestment	-	129
Aditya Birla Sunlife Cash Plus- Daily Dividend-Direct-Reinvestment	1,227	611
DSP BlackRock Money Manager Fund - Daily Dividend-Direct-Reinvestment	332	-
HDFC Arbitrage Fund - Wholesale Plan-Normal-Dividend-Direct Plan	1,686	1,027
HDFC Floating Rate Income Fund - Short term Plan- Wholesale Option - Direct-DDR	366	363
ICICI Prudential Equity Arbitrage Fund- Direct Plan- Monthly Dividend-Reinvestment option	29	28
ICICI Prudential Flexible Income Plan - Direct Plan-DDR	-	36
IDFC Arbitrage Fund Direct Plan- Monthly DR- Direct	680	670
Invesco India Liquid Fund - DDR-Direct	171	169
Kotak Equity Arbitrage Fund- Fortnightly DR- Direct	3,139	3,095
L&T Ultra Short Direct Plan-Daily Dividend-Reinvestment Option	363	-
L&T Liquid Fund Direct Plan -DDR Plan	1,688	562
Reliance Arbitrage Advantage Fund-Direct Monthly Dividend Plan	1,113	1,095
Reliance Medium Term Fund-Direct Plan Daily Dividend Plan	-	1
SBI Ultra Short Term Debt Fund - DDR - Direct	302	-
Tata Ultra short - DDR - Direct	413	-
UTI-Treasury Advantage Fund - Institutional Plan - DDR - Direct	99	-
-Fixed Maturity Plans/Interval Plans (quoted)		
<i>Fixed maturity plan at Amortised cost</i>		
HDFC FMP 1128D March 2015(1) Direct Growth	-	637
ICICI Prudential FMP Series 76-1108 Days Plan V-Direct-Growth	-	636
Investment in Preference Shares (quoted)		
<i>Preference shares at Amortised cost</i>		
9% L&T Finance Holdings Limited -Preference Shares 2018	1,028	1,009
Aggregate amount of investment	14,687	13,196
Aggregate book value of quoted investments	1,028	2,282
Aggregate market value of quoted investments	1,020	2,277
Aggregate value of unquoted investments	13,659	10,914

NUCLEUS SOFTWARE EXPORTS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Amount in Rupees Lacs unless otherwise stated)

Particulars	As at 30 June, 2018	As at 31 March 2018
2.10 CURRENT TRADE RECEIVABLES (Unsecured)		
Trade receivables		
- Considered good	6,965	6,613
- Considered doubtful	226	228
	7,191	6,841
Less: Allowances for doubtful debts-trade receivables	(226)	(228)
	6,965	6,613
Due from subsidiaries - considered good (see note 2.35)	249	194
Total	7,214	6,807
2.11 Cash and cash equivalents		
a. Cash on hand	0	1
b. Remittance in transit	-	86
c. Balances with scheduled banks:		
- in current accounts	95	50
- in EEFC accounts	941	1,291
d. Balance with non scheduled banks in current accounts:		
- Citibank, United Kingdom	28	16
- Citibank, United Arab Emirates	14	17
- Citibank, USA	29	30
e. Balances with scheduled banks in deposit accounts with original maturity of less than 3 months	168	370
Total - Cash and cash equivalents	1,275	1,861
2.12 OTHER BANK BALANCES		
a. Balances with scheduled banks in earmarked accounts:		
- unclaimed dividend accounts	24	24
b. Balances with scheduled banks in deposit accounts		
- Maturity within 12 months	2,642	2,695
Total - Other bank balances	2,666	2,719
Note:		
[Balance with scheduled banks in deposit accounts include Rs 41 lacs (31 March 2018 Rs 42 lacs) which are under lien and restricted from being settled within 12 months from the balance sheet date.]		
2.13 SHORT-TERM LOANS (Unsecured considered good unless otherwise stated)		
Loans and advances to employees		
- Staff Loans	26	29
	26	29
2.14 OTHER CURRENT FINANCIAL ASSETS (Unsecured considered good unless otherwise stated)		
a. Security deposit	4	-
b. Mark-to-market gain on forward contracts	-	3
c. Expenses recoverable from customers	37	26
	41	29
2.15 OTHER CURRENT ASSETS (Unsecured considered good unless otherwise stated)		
a. Service income accrued but not due		
- Considered good	1,553	922
- Considered doubtful	215	214
	1,768	1,136
Less : Provision for service income accrued but not due	(215)	(214)
	1,553	922
b. Employee advances	52	37
c. Prepaid expenses	399	340
d. Contract cost	67	0
e. Balances with government authorities		
-GST/ VAT credit receivable	80	33
f. Others		
- Supplier advances		
- Considered good	136	306
- Considered doubtful	-	-
Less : Provision for doubtful advances	136	306
	136	306
g. Deferred payroll	3	3
	2,290	1,641

NUCLEUS SOFTWARE EXPORTS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Amount in Rupees Lacs unless otherwise stated)

Particulars	As at 30 June, 2018	As at 31 March 2018
2.16 SHARE CAPITAL		
a. Authorised		
Equity shares 40,000,000 (40,000,000) equity shares of Rs. 10 each	4,000	4,000
b. Issued, Subscribed and Paid-Up		
Issued 32,386,524 (32,386,524) equity shares of Rs. 10 each		
Subscribed and Paid-Up 29,040,724 (32,383,724) equity shares of Rs. 10 each, fully paid up (Includes: 2,800 (2,800) forfeited equity shares pending reissue (see note (iv) below)	2,904	2,904
	2,904	2,904

Refer notes (i) to (vi) 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 / Extinguishment of shares under buy back (see note 2.16 vi)	Closing balance
a. For the period ended 30 June, 2018			
- Number of shares	29,040,724	-	29,040,724
- Amount (In Rupees)	290,407,240	-	290,407,240
b. For the year ended 31 March, 2018			
- Number of shares	32,383,724	(3,343,000)	29,040,724
- Amount (In Rupees)	323,837,240	(33,430,000)	290,407,240

(ii) 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 is paid on the approval of the shareholders in the Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

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

Particulars	As at 30 June, 2018		As at 31 March, 2018	
	(Number)	(Percentage)	(Number)	(Percentage)
Karmayogi Holdings Private Limited	9,000,000	30.99%	9,000,000	30.99%
Nucleus Software Engineers Private Limited	2,385,882	8.22%	2,385,882	8.22%
Madhu Dusad	3,066,248	10.56%	3,066,248	10.56%
Vishnu R Dusad	1,603,492	5.52%	1,603,492	5.52%

(iv) **Details of forfeited shares**

Particulars	As at 30 June, 2018		As at 31 March, 2018	
	(Number)	(Rupees)	(Number)	(Rupees)
Equity shares with voting rights	2,800	15,000	2,800	15,000

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

a. Employee Stock Option Scheme and SEBI (Share Based Employee Benefits) Regulations, 2014, is effective for regulation of all schemes by the Company for the benefits for its employees dealing in shares, directly or indirectly from October 28, 2014. 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 one ESOP scheme- ESOP Scheme - 2015 (instituted in 2015) which was duly approved by the Board of Directors and Shareholders. The ESOP Scheme 2015 provides for 500,000 options to eligible employees. As per ESOP scheme 2015, equity shares would be transferred to eligible employees on exercise of options through Nucleus Software Employee Welfare Trust. The scheme is administered by the Compensation Committee comprising three members, the majority of whom are independent directors.

c. There are no options granted, forfeited and exercised during the period under ESOP Scheme 2015.

(vi) The Board of Directors of the Company, at its meeting held on April 25, 2017 had approved a proposal to buy-back not exceeding Rs 11,779 lacs at maximum price of Rs. 350 per equity share.

The Shareholders of the Company approved the scheme of Buyback of 33,43,000 (Thirty Three Lakhs Forty Three Thousand) equity shares of the face value of Rs.10/- each fully paid up at a price of Rs. 350/- (Rupees Three Hundred and Fifty Only) (the "Buyback Price") payable in cash aggregating upto Rs. 11,701/-lacs (Rupees Eleven thousands Seven Hundred One lacs) through Postal Ballot on June 15, 2017. The Company made the Public Announcement of the same which was published on June 19, 2017.

Further pursuant to Shareholders' approval vide Postal Ballot in June 2017, the Buy Back Committee of Board of Directors on 16th June 2017 approved the Buyback of 33,43,000 of fully paid up Equity Shares of face value of Rs. 10/ each of the Company at price of Rs. 350/- per Equity share, payable in cash for an aggregate consideration not exceeding Rs. 11,701 lacs. The settlement of the Buyback was done on 8th September, 2017 and 33,43,000 Equity shares bought back were extinguished on 14th September, 2017.

Capital Redemption Reserve was created to the extent of share capital extinguished Rs 334 lacs. An amount of Rs 3,254 lacs from Retained Earnings was used to offset the excess of buy-back cost of Rs 11,701 lacs over par value of shares after adjusting the balance lying in Security Premium of Rs 219 lacs and General Reserve of Rs 8,227 lacs.

NUCLEUS SOFTWARE EXPORTS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	(Amount in Rupees Lacs unless otherwise stated)	
	As at 30 June, 2018	As at 31 March 2018
2.18 OTHER NON- CURRENT FINANCIAL LIABILITIES		
Annual incentive payable	105	91
	105	91
2.19 NON-CURRENT PROVISIONS		
Provision for employee benefits		
- Provision for compensated absences	520	490
	520	490
2.20 TRADE PAYABLES		
a. Trade payables (see note below)	4,390	4,700
b. Due to subsidiaries (see note 2.35)	410	404
	4,800	5,104
<p>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.</p>		
2.21 OTHER CURRENT FINANCIAL LIABILITIES		
a. Unpaid dividends	24	24
b. Payable for purchase of fixed assets	66	1
c. Mark-to-market gain on forward contracts	114	-
	204	25
2.22 CURRENT PROVISIONS		
Provision for employee benefits		
- Provision for compensated absences	181	171
	181	171
2.23 INCOME TAX LIABILITIES		
Provision for tax (net of advance tax of Rs. 491 lacs (previous year Rs. Nil))	189	-
	189	-
2.24 OTHER CURRENT LIABILITIES		
a. Advance from customers / Advance billings	6,528	6,045
b. Deferred revenue	5,431	4,354
c. Other payables - statutory liabilities	765	499
d. Payable to gratuity trust (see note 2.38)	447	372
	13,171	11,270

NUCLEUS SOFTWARE EXPORTS LIMITED
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Particulars	(Amount in Rupees Lacs unless otherwise stated)	
	Quarter ended 30 June, 2018	Quarter ended 30 June, 2017
2.25 INCOME FROM SOFTWARE PRODUCTS AND SERVICES		
a. Software development services and products		
- Domestic	3,667	2,658
- Overseas	5,538	4,919
	9,205	7,577
2.26 OTHER INCOME		
a. Interest income on financial assets- carried at amortised cost :		
- Deposits with banks	64	59
- Tax free bonds	158	150
- Debentures	-	10
- Non- current trade receivable	14	20
- Fixed maturity plan	109	81
- Preference shares	119	100
- Others	2	2
b. Dividend income from		
- Current, non trade investments	150	256
- Non-current, non trade investment	4	54
- Subsidiary companies	1,400	1,389
c. MTM gain or (loss) on mutual funds	4	7
d. - Gain / (Loss) on exchange fluctuation	3	(8)
e. Other non-operating income		
- Net profit on sale of fixed assets/discarded assets	13	1
- Miscellaneous income	13	3
	2,053	2,124
2.27 EMPLOYEE BENEFIT EXPENSE		
a. Salaries and wages	5,224	4,518
b. Contribution to provident and other funds	280	230
c. Gratuity expense	86	58
d. Staff welfare expenses	131	92
	5,721	4,898
2.28 OPERATING AND OTHER EXPENSES		
a. Outsourced technical service expense	235	255
b. Cost of software purchased for delivery to clients	57	48
c. Power and fuel	114	118
d. Rent (see note 2.31)	80	75
e. Repair and maintenance		
- Buildings	11	7
- Others	83	69
f. Insurance	9	12
g. Rates and taxes	1	70
h. Travel expenses		
- Foreign	284	280
- Domestic	93	94
i. Advertisement, business development and promotion	31	17
j. Legal and professional (see note 2.33)	96	120
k. Directors remuneration	37	30
l. Conveyance	48	45
m. Communication	46	44
n. Training and recruitment	47	102
o. Conference, exhibition and seminar	38	19
p. Information technology expenses	183	167
q. Provision for doubtful debts/advances/other current assets	2	(14)
r. Commission to channel partners	16	14
s. Expenditure on corporate social responsibility (see note 2.41)	27	25
t. Sales and marketing fee	328	361
u. Miscellaneous expenses	49	87
	1,915	2,044
Directors Remuneration includes :		
Non Executive Directors		
a. Commission	31	23
b. Sitting fees	6	7
	37	30
2.29 FINANCE COST		
Bank Charges	8	8
	8	8

NUCLEUS SOFTWARE EXPORTS LIMITED
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2.30 Financial Instruments

a) Financial Instruments by category

The carrying value and fair value of financial instruments by categories of 30 June 2018 were as follows:

(Amount in Rupees Lacs unless otherwise stated)

Particulars	Amortised cost	Financial assets/liabilities at fair value through profit or loss	Financial assets/liabilities at fair value through OCI	Total carrying value	Total fair value
Assets:					
Cash and cash equivalents (2.11)	1,275	-	-	1,275	1,275
Other bank balances (2.12)	2,666	-	-	2,666	2,666
Investments (2.2 and 2.9)					
Equity Instruments (Other than subsidiaries)	-	-	943	943	943
Tax free bonds	9,396	-	-	9,396	9,660
Mutual funds (other than FMPs)	-	17,556	-	17,556	17,556
Fixed maturity plans (FMPs)	6,080	-	-	6,080	5,961
Preference shares *	7,757	315	-	8,072	8,075
Trade receivables (2.3 and 2.10)	7,500	-	-	7,500	7,500
Loans (2.4 and 2.13)	31	-	-	31	31
Other financial assets (2.5 and 2.14)	682	-	-	682	682
	35,387	17,871	943	54,201	54,349
Liabilities:					
Trade payables (2.20)	4,800	-	-	4,800	4,800
Other financial liabilities (2.18 and 2.21)	309	-	-	309	309
	5,109	-	-	5,109	5,109

(*) Market value of preference shares includes premium.

The carrying value and fair value of financial instruments by categories of 31 March 2018 were as follows:

(Amount in Rupees Lacs unless otherwise stated)

Particulars	Amortised cost	Financial assets/liabilities at fair value through profit or loss	Financial assets/liabilities at fair value through OCI	Total carrying value	Total fair value
Assets:					
Cash and cash equivalents (2.11)	1,861	-	-	1,861	1,861
Other bank balances (2.12)	2,719	-	-	2,719	2,719
Investments (2.2 and 2.9)					
Equity Instruments (Other than subsidiaries)	-	-	864	864	864
Tax free bonds	8,713	-	-	8,713	9,094
Mutual funds (other than FMPs)	-	14,803	-	14,803	14,803
Fixed maturity plans (FMPs)	7,248	-	-	7,248	7,231
Debentures	-	-	-	-	-
Preference shares	5,699	265	-	5,964	5,948
Trade receivables (2.3 and 2.10)	7,080	-	-	7,080	7,080
Loans (2.4 and 2.13)	38	-	-	38	38
Other financial assets (2.5 and 2.14)	1,010	-	-	1,010	1,010
	34,368	15,068	864	50,300	50,648
Liabilities:					
Trade payables (2.20)	5,104	-	-	5,104	5,104
Other financial liabilities (2.18 and 2.21)	116	-	-	116	116
	5,220	-	-	5,220	5,220

The carrying amount of current trade receivables, short term loan, current security deposit, trade payables, current financial liabilities and cash and cash equivalent are considered to be same as their fair values, due to their short-term nature.

The fair value of Non-current trade receivables, long term loan, Non-current security deposit and non-current financial liabilities were calculated based on cashflows discounted using a transition date lending rate as there is no material change in the lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusions of unobservable inputs including counterparty credit risk.

NUCLEUS SOFTWARE EXPORTS LIMITED
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b) Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

a) the use of quoted market prices or dealer quotes for similar instruments.

b) for forward exchange contracts, the fair value is determined using quoted forward exchange rates at the reporting date.

c) the fair value of remaining financial instruments is determined using discounted cash flows method.

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 30 June 2018:

Particulars	(Amount in Rupees Lacs unless otherwise stated)			
	As of 30 June 2018	Level 1	Level 2	Level 3
Financial assets				
Mutual fund units (2.2 and 2.9)	17,556	17,556	-	-
Fixed maturity plans (2.2 and 2.9)	5,961	5,961	-	-
Tax free bonds (2.2)	9,660	9,660	-	-
Preference shares (2.2 and 2.9)	8,075	7,760	-	315
Equity Instruments (Other than subsidiaries)	943	943	-	-
Non - Current Financial Assets- Trade receivables (2.3)	286	-	-	286
Non - Current Financial Assets- Loans to employees (2.4)	6	-	-	6
Non - Current Financial Assets- Security deposits (2.5)	207	-	-	207
Financial liabilities				
Other Non-current financial liabilities (2.18)	105	-	-	105
Derivative financial instruments-foreign currency forward contracts (2.21)	114	-	-	114

The following table presents fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2018:

Particulars	(Amount in Rupees Lacs unless otherwise stated)			
	As of 31 March 2018	Level 1	Level 2	Level 3
Financial assets				
Mutual fund units (2.2 and 2.9)	14,803	14,803	-	-
Fixed maturity plans (2.2 and 2.9)	7,231	7,231	-	-
Tax free bonds (2.2)	9,094	9,094	-	-
Preference shares (2.2 and 2.9)	5,948	5,683	-	265
Equity Instruments (Other than subsidiaries)	864	864	-	-
Derivative financial instruments-foreign currency forward contracts (2.14)	3	-	3	-
Non - Current Financial Assets- Trade receivables (2.3)	272	-	-	272
Non - Current Financial Assets- Loans to employees (2.4)	9	-	-	9
Non - Current Financial Assets- Security deposits (2.5)	132	-	-	132
Financial liabilities				
Other Non-current financial liabilities (2.18)	91	-	-	91

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c) Financial risk management

The Company's activities expose it to a variety of financial risks arising from financial instruments

- Market risk,
- Credit risk and
- Liquidity risk

Risk Management Committee (RMC) is responsible for identification and review of risks and mitigation plans. The Committee meets on a quarterly basis for identification and prioritization of risks. RMC conducts risk survey with the senior and middle level management of the Company to identify risks and rate them appropriately. Top risks are identified and remaining are categorized as other risks. The RMC then places updates to the Board on a quarterly basis, on key risks facing the Company, along with their mitigation plans.

i) Market risk

a) Currency risk

The Company's focus is to foresee the unpredictability of financial markets and seek to minimize potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk. The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer and the concentration of risk from the top few customers.

The Company operates internationally and a major portion of the business is transacted in several currencies and consequently the Company is exposed to foreign exchange risk through its sales and services and purchases from overseas suppliers in various foreign currencies. The Company holds derivative financial instruments such as foreign exchange forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The exchange rate between the rupee and foreign currencies has changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of the Company's operations are adversely affected as the rupee appreciates/ depreciates against these currencies.

The Company's risk management policy is to hedge 40% to 55% of its estimated foreign currency exposure in respect of forecast sales over the following 12 months at any point in time. The Company uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. Such contracts are generally designated as cash flow hedges.

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows.

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

(Amount in Lacs unless otherwise stated)

Currency	As at 30 June 2018		As at 31 March 2018	
	Amount in foreign currency	Amount in Rupees	Amount in foreign currency	Amount in Rupees
Receivable				
USD	45	3,064	53	3,433
EURO	1	80	1	78
MYR	12	195	11	182
SGD	0	15	-	16
JPY	255	158	184	113
ZAR	4	16	19	102
AED	2	42	6	105
CHF	0	8	-	4
GBP	4	350	5	438
AUD	2	97	-	22
NGN				
Pavable				
USD	65	4,472	93	6,044
EUR	5	403	2	132
MYR	6	98	9	156
GBP	1	80	1	104
SGD	2	115	4	187
CHF	2	157	-	7
AED	25	472	2	41
ZAR	45	225	63	349
JPY	144	89	159	98
SEK			-	-
AUD	6	295	7	358
NGN			-	-
SAR	0	5	-	4

For the period ended 30 June 2018 and 31 March 2018 10% depreciation / appreciation in the exchange rate between the Indian rupee and Foreign currencies, would have affected the Company's incremental profit by Rs. 239 lacs , Rs. 299 lacs respectively.

Sensitivity analysis is computed based on the changes in the income and expenses in foreign currency upon conversion into functional currency, due to exchange rate fluctuations between the previous reporting period and the current reporting period.

b) Price risk

(i) Exposure

The Company's exposure to equity securities and mutual funds price risk arises from investments held by the Company and classified in the balance sheet either as fair value through OCI or at fair value through profit or loss.

(ii) Sensitivity

The sensitivity of profit or loss in respect of investments in mutual funds and equity instruments (other than subsidiaries) at the end of the reporting period for +/- 2% change in price and net asset value is presented below:

	Impact on profit before tax		Impact on other components of equity	
	30 June 2018	31 March 2018	30 June 2018	31 March 2018
Increase 2%				
Mutual funds	351	474	-	-
Equity instruments (other than subsidiaries)	-	-	19	17
Decrease 2%				
Mutual funds	(351)	(474)	-	-
Equity instruments (other than subsidiaries)			(19)	(17)

Derivative financial instruments

The Company holds derivative financial instruments such as foreign currency forward and option contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank or a financial institution. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in the marketplace.

The following table gives details in respect of outstanding foreign exchange forward and option contracts:

Forward contracts

Forward contract outstanding	Buy/Sell	As at		As at	
		30 June 2018	30 June 2018	31 March 2018	31 March 2018
			Equivalent amount in Rupees		Equivalent amount in Rupees
In USD (Amount in USD lacs)	Sell	57	3,869	65	4204

The foreign exchange forward contracts mature within six months. The table below analyzes the derivative financial instruments into relevant maturity groupings based on the remaining period as of the Balance sheet date

Particulars

Particulars	As at		As at		
	30 June 2018	30 June 2018	31 March 2018	31 March 2018	
		Equivalent amount in Rupees		Equivalent amount in Rupees	
Not later than one month		10	650	14	454
Later than one month and not later than three months		21	1,404	21	1,005
Later than three months and not later than one year		26	1,814	30	1,232

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument, including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

The following table provides the reconciliation of cash flow hedge reserve for the year ended 31 March 2018:

Particulars

Particulars	Quarter ended	Year ended	
	30 June 2018	31 March 2018	
Balance at the beginning of the period		2	136
Gain / (Loss) recognised in other comprehensive income during the period, net of taxes		(77)	(134)
Balance at the end of the period		(75)	2

The company offsets a financial asset and a financial liability when it currently has a legally enforceable right to set off the recognized amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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The following table provides quantitative information about offsetting of derivative financial assets

Particulars	As at 30 June 2018	As at 31 March 2018
Gross amount of recognized financial asset/ (financial liabilities)	114	3
Net amount presented in balance sheet	114	3

ii) Credit risk

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

In general, it is presumed that credit risk has significantly increased since initial recognition if the payments are more than 30 days past due.

A default on a financial asset is when the counter party fails to make contractual payments within 90 days of when they fall due. This definition of default is determined by considering the business environment in which entity operates and other macro-economic factors.

Credit risk refers to the risk of default on its obligation by the counterparty resulting in a financial loss. The maximum exposure to the credit risk at the reporting date is primarily from trade receivables amounting to Rs. 7,500 lacs and Rs. 7,080 lacs as of 30 June 2018 and 31 March 2018 respectively and unbilled revenue amounting to Rs. 1,553 lacs and Rs. 922 lacs as of 30 June 2018 and 31 March 2018, respectively. Credit risk has always been managed by the Company through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. On account of adoption of Ind AS 109, the Company uses expected credit loss model to assess the impairment loss or gain. The Company uses a provision matrix to compute the expected credit loss allowance for trade receivables and unbilled revenues. The provision matrix takes into account available external and internal credit risk factors such as Company's historical experience for customers.

The following table gives details in respect of percentage of revenues generated from top customer and top five customers:

Particulars	Quarter ended 30 June 2018	Year ended 31 March 2018
	(in %)	(in %)
Revenue from top customer	12.22	12.67
Revenue from top five customers	30.76	29.54

Credit risk exposure

The reversal for lifetime expected credit loss on customer balances for the year ended 31 March 2018 is Rs. 37 lacs and for the year ended 31 March 2017 was Rs. 23 lacs. The reversal for lifetime expected credit loss on customer balances for the year ended 1 April 2016 was Rs. 84 lacs.

Particulars	Quarter ended 30 June 2018	Year ended 31 March 2018
	(in %)	(in %)
Balance at the beginning	228	343
Impairment loss recognised/reversed	(2)	(37)
Amounts written off	-	(78)
Balance at the end	226	228

Credit risk on cash and cash equivalents is limited as we generally invest in deposits with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies. Investments primarily include investment in mutual fund units, quoted bonds issued by government, preference shares and non convertible debentures.

a) Expected credit loss for loans, security deposits and Investments

As at 30 June 2018

Particulars		Asset group	(Amount in Rupees Lacs unless otherwise stated)			
			Estimated gross carrying amount at default	Expected probability of default	Expected credit loss	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit loss	Financial assets for which credit risk has not increased significantly since initial recognition	Investment at amortised cost	22,205	0%	-	22,205
		Loans to employee	6	0%	-	6
		Security deposits	207	0%	-	207
Loss allowance measured at life-time expected credit loss	Financial assets for which credit risk has increased significantly and not credit-impaired	NA	NA	NA	NA	NA
	Financial assets for which credit risk has increased significantly and credit-impaired	Loans to subsidiaries	732	100%	(732)	-

As at 31 March 2018

Particulars		Asset group	(Amount in Rupees Lacs unless otherwise stated)			
			Estimated gross carrying amount at default	Expected probability of default	Expected credit loss	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit loss	Financial assets for which credit risk has not increased significantly since initial recognition	Investment at amortised cost	19,378	0%	-	19,378
		Loans to employee	9	0%	-	9
		Security deposits	132	0%	-	132
Loss allowance measured at life-time expected credit loss	Financial assets for which credit risk has increased significantly and not credit-impaired	NA	NA	NA	NA	NA
	Financial assets for which credit risk has increased significantly and credit-impaired	Loans to subsidiaries	732	100%	(732)	-

b) Expected credit loss for trade receivables under simplified approach

As at 30 June 2018

Ageing	Not due	0-90 days past due	90-180 days past dues	180-270 days past dues	270-360 days past dues	More than 360 days past dues	Total
Gross carrying amount	4,711	1,815	539	98	73	491	7,726
Expected credit losses (Loss allowance provision)	-	-	-	0	7	219	226
Carrying amount of trade receivables (net of impairment)	4,711	1,815	539	98	66	272	7,500

As at 31 March 2018

Ageing	Not due	0-90 days past due	90-180 days past dues	180-270 days past dues	270-360 days past dues	More than 360 days past dues	Total
Gross carrying amount	4,651	1,440	380	129	276	431	7,307
Expected credit losses (Loss allowance provision)	-	-	-	-	27	201	228
Carrying amount of trade receivables (net of impairment)	4,651	1,440	380	129	249	230	7,080

iii) Liquidity risk

The company's principal sources of liquidity are cash and cash equivalents and the cash flow that is generated from operations. The company has no outstanding bank borrowings. The company believes that the working capital is sufficient to meet its current requirements. Accordingly, no liquidity risk is perceived.

As of 30 June 2018, the Company had a working capital of Rs. 9,654 lacs including cash and cash equivalent of Rs. 1,275 lacs and current investment of Rs. 14,687 lacs (31 March 2018 Rs. 9,712 lacs including cash and cash equivalents of Rs 1,861 lacs and current investments of Rs. 13,196 lacs).

The table below provides details regarding the contractual maturities of significant financial liabilities as of 30 June 2018:

Particulars	Less than 1 year	1-2 years	Total
Trade payables	4,800	-	4,800
Other financial liabilities	204	105	310

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The table below provides details regarding the contractual maturities of significant financial liabilities as of 31 March 2018:

Particulars	Less than 1 year	1-2 years	Total
Trade payables	5,104	-	5,104
Other financial liabilities	25	91	116

d) Capital Management

The Company's objectives when managing capital are to:

- safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and
- maintain an appropriate capital structure

The Board of Directors has the primary responsibility to maintain a strong capital base and reduce the cost of capital through prudent management in deployment of funds and sourcing by leveraging opportunities in domestic and international financial markets so as to maintain investors, creditors & markets' confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as result from operating activities divided by total shareholders' equity.

The Company monitors capital, using a medium term view of three to five years, on the basis of a number of financial ratios generally used by industry and by the rating agencies. The Company is not subject to externally imposed capital requirements.

The Company monitors capital using gearing ratio which is adjusted net debt divided by total equity. Adjusted net debt comprises of long term and short term liabilities less cash and cash equivalent. Equity includes equity share capital and reserves that are managed as capital. The gearing ratio at the end of the reporting periods was as follows:

	As at 30 June 2018	As at 31 March 2018
Total Liabilities	19,170	17,151
Less: Cash and cash equivalents	1,275	1,861
Adjusted debt	17,895	15,290
Total equity	44,774	41,984
Adjusted net debt to equity ratio	0.40	0.36

(i) Risk management

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, raise debts or issue new shares.

(ii) Dividends

Particulars	30 June 2018	31 March 2018
(i) Equity Shares		
Final dividend for the year ended 31 March 2017 of Rs. 5 Per fully paid up	-	1,619
(ii) Dividends not recognised at the end of reporting period	2,323	2,323

The Board of Directors on May 3, 2018 have recommended a payment of Final Dividend of Rs. 8 per share (on equity share of par value of Rs. 10 each) for the year ended March 31, 2018. The payment was approved in the Annual General Meeting held on 2 July, 2018.

2.31 OPERATING LEASE

Obligations on long-term, non-cancellable operating leases

The Company has acquired office premises under cancellable and non-cancellable operating lease. Operating lease rentals paid during the quarter ended 30th June, 2018 is Rs. 80 lacs (previous quarter ended 30th June, 2017 is Rs. 75 lacs). The future minimum lease payments in respect of non-cancellable lease is as follows:

Particulars	As at 30 June, 2018	As at 31 March, 2018
Lease Obligations Payable		
a Not later than 1 year	142	-
b Later than 1 year but not later than 5 years	437	-
	578	-

2.32 Contingent liabilities and Commitments (to the extent not provided for)

(Amount in Rupees Lacs unless otherwise stated)

Particulars	As at 30 June 2018	As at 31 March 2018
a. Contingent liabilities		
Claims against the Company not acknowledged as debts	-	69
b. 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).	126	30
c. Other Commitments		
The Company is committed to provide financial support to its subsidiary companies, as and when required.		
a. The Company does not have any pending litigation which would impact its financial position.		
b. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.		

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Particulars	(Amount in Rupees Lacs unless otherwise stated)	
	Quarter ended 30 June 2018	Quarter ended 30 June 2017
2.33 Auditors Remuneration (excluding service tax and goods and service tax)		
a. As auditors - statutory audit, including quarterly audits	12	12
b. For other services	4	2
c. Reimbursement of expenses	2	1
	<u>18</u>	<u>15</u>

Particulars	(Amount in Rupees Lacs unless otherwise stated)	
	Quarter ended 30 June, 2018	Quarter ended 30 June, 2017
2.34 Earnings per share		
a. Profit after taxation available to equity shareholders (Rupees)	2,780	2,253
b. Weighted average number of equity shares used in calculating basic earnings per share (Numbers)	29,040,724	32,383,724
c. Effect of dilutive issue of shares	-	-
d. Weighted average number of equity shares used in calculating diluted earnings per share (Numbers)	29,040,724	32,383,724
e. Basic earnings per share (Rupees)	9.57	6.96
f. Diluted earnings per share (Rupees)	9.57	6.96

2.35 RELATED PARTY TRANSACTIONS

List of related parties – where control exists

a. Subsidiary Companies

- Nucleus Software Solutions Pte Ltd, Singapore
- Nucleus Software Japan Kabushiki Kaisha, Japan
- Nucleus Software Inc., USA
- Nucleus Software Netherlands B.V., Netherlands
- VirStra I-Technology Services Limited, India
- Nucleus Software Limited, India
- Nucleus Software Australia Pty. Ltd., Australia
- Nucleus Software South Africa Ptv. Limited, South Africa (incorporated on 10 February, 2015)
- Avon Mobilitv Solutions Private Limited (acquired on 17 March 2016)

b. Other related parties:

- Key managerial personnel:
- Vishnu R Dusad (Managing Director and Chief Executive Officer)
 - Ravi Pratap Singh (Whole time Director)
 - Ashish Nanda (Chief Financial officer)
 - Poonam Bhasin (Company Secretary)
 - Nucleus Software Foundation (see note 2.41)
 - Avon Solutions & Logistics Pvt Ltd

2.35 RELATED PARTY TRANSACTIONS

Transactions with related parties

Particulars	(Amount in Rupees Lacs unless otherwise stated)	
	Quarter ended 30 June 2018	Quarter ended 30 June 2017
a. Software development services and products		
- Nucleus Software Japan Kabushiki Kaisha, Japan	101	125
- Nucleus Software Solutions Pte Ltd, Singapore	222	249
- Nucleus Software Inc., USA	-	13
- Nucleus Software Netherlands B.V., Netherlands	-	1
	<u>323</u>	<u>388</u>
b. Other income		
Dividend income		
- VirStra I - Technology Services Limited, India	400	500
- Nucleus Software Japan Kabushiki Kaisha, Japan	369	-
- Nucleus Software Solutions Pte Ltd, Singapore	631	437
- Nucleus Software Inc., USA	-	452
	<u>1,400</u>	<u>1,389</u>

NUCLEUS SOFTWARE EXPORTS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2.35 RELATED PARTY TRANSACTIONS (CONT'D)

Transactions with related parties

(Amount in Rupees Lacs unless otherwise stated)

Particulars	Quarter ended 30 June 2018	Quarter ended 30 June 2017
a. Salary and other benefits to Key managerial personnel		
Short-term employees benefits	93	63
Contribution to provident and other funds	5	4
	98	67
b. Cost of software purchased for delivery to clients		
- Nucleus Software Solutions Pte Ltd, Singapore	7	7
c. Outsourced technical service expense		
- VirStra i-Technology Services Limited, India	8	-
- Nucleus Software Australia Pty Ltd.	92	79
	100	79
d. Expenditure on Corporate Social Responsibility		
Nucleus Software Foundation (see note 2.41)	27	25
e. Lease rent paid		
- Nucleus Software Limited, India	27	27
f. Reimbursement of expenses from		
- Nucleus Software Solutions Pte Ltd, Singapore	7	11
- Nucleus Software Japan Kabushiki Kaisha, Japan	149	135
- Nucleus Software Inc., USA	3	2
- Nucleus Software Netherlands B.V., Netherlands	1	1
- VirStra i-Technology Services Limited, India	1	3
- Avon Mobility Solutions Private Limited, India	2	3
	163	152
g. Reimbursement of expenses to		
- Nucleus Software Solutions Pte Ltd, Singapore	-	1
- Nucleus Software Australia Pty Ltd.	-	1
- Nucleus Software Japan Kabushiki Kaisha, Japan	-	3
	-	5
h. Sales & marketing fee		
- Nucleus Software Japan Kabushiki Kaisha, Japan	88	156
- Nucleus Software Solutions Pte Ltd, Singapore	155	142
- Nucleus Software Inc., USA	40	-
- Nucleus Software Australia Pty Ltd.	45	21
- Nucleus Software South Africa Pty Ltd	-	43
	328	362
i. Communication Expenses		
- Avon Solutions & Logistics Pvt Ltd	5	7
j. Investment in Preference Shares		
- Avon Mobility Solutions Private Limited	50	-
k. Salary to Ms Kritika Dusad (Relative of Key Managerial personnel)	11	-

Outstanding balances as at year end

(Amount in Rupees Lacs unless otherwise stated)

Particulars	As at 30 June 2018	As at 31 March 2018
a. Trade receivables		
- Nucleus Software Solutions Pte Ltd, Singapore	78	81
- Nucleus Software Japan Kabushiki Kaisha, Japan	165	113
- Nucleus Software Inc., USA	3	-
- VirStra i-Technology Services Limited, India	1	-
- Nucleus Software Netherlands B.V., Netherlands	1	-
- Avon Mobility Solutions Private Limited	1	-
	249	194
b. Trade payables		
- Nucleus Software Solutions Pte Ltd, Singapore	78	179
- Nucleus Software Japan Kabushiki Kaisha, Japan	89	98
- Nucleus Software Australia Pty Ltd., Australia	149	119
- Nucleus Software Limited, India	8	8
- Nucleus Software South Africa Pty Ltd, South Africa	-	-
- Nucleus Software Inc., USA	41	-
- Avon Solutions & Logistics Pvt Ltd	-	-
	365	404
c. Expenses Payable to Subsidiaries		
- Nucleus Software Solutions Pte Ltd, Singapore	37	-
- VirStra i-Technology Services Limited, India	8	-
	45	-
d. Loans to subsidiaries		
- Nucleus Software Limited, India	732	732
e. Provision for doubtful loan		
- Nucleus Software Limited, India	732	732
f. Investments in subsidiary companies (net of provision) (see note 2.2)	1,777	1,777
g. Investments in preference shares of subsidiary companies		
- Avon Mobility Solutions Private Limited	315	265
h. Advance/Prepayment to subsidiaries		
- Nucleus Software Solutions Pte Ltd, Singapore	13	-

2.36 Research and development expenditure

(Amount in Rupees Lacs unless otherwise stated)

Particulars	Quarter ended 30 June 2018	Quarter ended 30 June 2017
Expenditure on research and development as per Ind AS 38		
Revenue Expenditure	938	606

The Company had been accorded initial recognition for the in-house Research and Development (R&D) unit by the Department of Scientific and Industrial Research (DSIR) for its R&D center at Noida effective 31 December, 2012 which was valid till 31 March, 2015. The Company further received renewal of recognition for its R&D center for three years starting from 1 April, 2015 till 31 March, 2018. The company has further filed application for renewal of recognition for its R&D center. Approval for the same awaited.

2.37 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 Ind AS 108. The segmentation is based on the Geographies in which the Company operates and internal reporting systems. The business segments is based on the nature and type of services rendered. Based on the "management approach" as defined in Ind AS 108, the Chief Operating Decision Maker (CODM) evaluates the company's performance and allocates resources based on an analysis of various performance indicators by business segments and geographical segments.

b. Composition of reportable segments

The Company operates in seven main geographical segments: India, Far East, South East Asia, Europe, Middle East, Africa and Australia 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 business segmentation is based on the nature and type of services rendered. Accordingly, business 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 geographical segment

The profit and loss is set out below:

a. For the quarter ended 30 June, 2018

Description	(Amount in Rupees Lacs unless otherwise stated)								Total
	India	Far East	South East Asia	Europe	Middle East	Africa	Australia	Others	
Revenue from operations	3,667	552	1,651	1,144	1,646	265	259	21	9,205
Expenses	1,706	233	1,207	791	1,076	111	164	120	5,708
Segment result	1,961	319	444	353	570	154	95	(99)	3,497
Unallocated corporate expenditure									2,099
Operating profit before taxation									1,398
Other income									2,053
Profit before taxation									3,451
Tax Expense									681
Net current tax expense									(10)
Net deferred tax credit									671
Profit for the quarter									2,780

b. For the quarter ended 30 June, 2017

Description	(Amount in Rupees Lacs unless otherwise stated)								Total
	India	Far East	South East Asia	Europe	Middle East	Africa	Australia	Others	
Revenue from operations	2,658	643	1,168	1,112	1,406	208	263	119	7,577
Expenses	1,495	313	1,200	833	823	49	178	89	4,980
Segment result	1,163	330	(32)	279	583	159	85	30	2,597
Unallocated corporate expenditure									2,131
Operating profit before taxation									466
Other income									2,124
Profit before taxation									2,590
Tax Expense									331
Net current tax expense									6
Net deferred tax credit									337
Profit for the quarter									2,253

Revenue from a top customer, who is contributing more than 10% of total revenue, is presented segmentwise as follows:

For the quarter ended 30 June, 2018

Description	(Amount in Rupees Lacs unless otherwise stated)								Total
	India	Far East	South East Asia	Europe	Middle East	Africa	Australia	Others	
Revenue from operations	-	-	-	1,125	-	-	-	-	1,125

For the quarter ended 30 June, 2017

Revenue from operations	-	-	-	1,065	-	-	-	87	1,152
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NUCLEUS SOFTWARE EXPORTS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Assets and liabilities of reportable geographical segment are as follows:

a. As at 30 June, 2018

Description	India	Far East	South East Asia	Europe	Middle East	Africa	(Amount in Rupees Lacs unless otherwise stated)		
							Australia	Others	Total
Segment assets	5,811	329	1,149	456	1,241	713	97	26	9,822
Unallocated corporate assets									54,122
Total assets									63,944
Segment liabilities	8,489	467	2,528	1,300	3,644	983	353	90	17,854
Unallocated corporate liabilities									1,316
Total liabilities									19,171
									44,773

b. As at 31 March, 2018

Description	India	Far East	South East Asia	Europe	Middle East	Africa	(Amount in Rupees Lacs unless otherwise stated)		
							Australia	Others	Total
Segment assets	4,148	553	1,123	527	1,242	881	22	70	8,566
Unallocated corporate assets									50,569
Total assets									59,135
Segment liabilities	5,999	541	4,413	951	2,676	1,270	414	22	16,286
Unallocated corporate liabilities									865
Total liabilities									17,151
Capital employed									41,984

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

b. For the quarter ended 30 June, 2018

Description	India	Far East	South East Asia	Europe	Middle East	Africa	(Amount in Rupees Lacs unless otherwise stated)		
							Australia	Others	Total
Capital expenditure (Unallocated)									244
Total capital expenditure									244
Depreciation expenditure (Unallocated)									163
Total depreciation									163
Segment non-cash expense other	1	-	5	-	(7)	-	-	-	(1)
Total non cash expenditure	1	0	5	0	(7)	0	-	-	(1)
For the quarter ended 30 June, 2017									
Capital expenditure (Unallocated)									71
Total capital expenditure									71
Depreciation expenditure (Unallocated)									161
Total depreciation									161
Segment non-cash expense other	(17)	9			12	(18)			(14)
Total non cash expenditure	(17)	9	0	0	12	(18)	-	-	(14)

Information in respect of business segment

Description	(Amount in Rupees Lacs unless otherwise stated)		
	Products	Software projects and services	Total
a. For the quarter ended 30 June, 2018			
Revenue	8,752	453	9,205
Carrying amount of segment assets	9,339	483	9,822
b. For the quarter ended 30 June, 2017			
Revenue	7,053	524	7,577
Carrying amount of segment assets	7,265	540	7,805

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

2.38 Employee Benefit Obligations

Defined contribution plans

An amount of Rs 917 lacs for the year ended 31 March, 2018 (Year ended 31 March, 2017 Rs 809 lacs), have been recognized as an expense in respect of Company's contribution for Provident Fund and Rs. 6 lacs (Year ended 31 March, 2017 Rs. 4 lacs) for 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. 20 lacs 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 compensated absence has been determined using the Projected Unit Credit method, with actuarial valuations being carried out at the balance sheet date.

The Company had made contributions to Nucleus Software Export Limited Employees Group Gratuity Assurance Scheme, which has made further contributions to Employees Group Gratuity Scheme of Life Insurance Corporation of India.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation as on 31 March, 2018 :

Particulars	(Amount in Rupees Lacs unless otherwise stated)	
	As at 31 March, 2018	As at 31 March, 2017
a. Change in defined benefit obligations (DBO)		
Obligation at beginning of the year	1,655	1,410
Current service cost	227	210
Past service cost	274	-
Interest on defined benefit obligation	103	95
Remeasurement due to:	-	-
Actuarial loss/(gain) arising from change in financial assumptions	(52)	50
Actuarial loss/(gain) arising from change in demographic assumptions	-	-
Actuarial loss/(gain) arising on account of experience changes	29	7
Benefits paid	(81)	(117)
Obligation at year end	2,155	1,655
b. Change in plan assets		
Plan Assets at year beginning, at fair value	1,444	1,300
Expected return on asset plan	96	94
Contributions by employer	311	163
Remeasurement due to :	-	-
Actuarial return on plan assets less interest on plan assets	13	4
Benefits paid	(81)	(117)
Plan assets at year end, at fair value	1,783	1,444
c. Net asset / (liability) recognised in the Balance Sheet		
Present value of defined benefit obligation	2,155	1,655
Fair value of plan assets	1,783	1,444
Funded status- Surplus/ (Deficit)	372	211
Unrecognised past service costs	-	-
Net liability recognised in the Balance Sheet	372	211
d. Expected employer's contribution next year	200	200

e. Expense recognised in Profit or Loss

Particulars	(Amount in Rupees Lacs unless otherwise stated)	
	Year ended 31 March, 2018	Year ended 31 March, 2017
Current service cost	227	210
Past service cost	274	-
Interest cost	13	1
Net gratuity cost	514	211

NUCLEUS SOFTWARE EXPORTS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

f. Remeasurements income recognised in other comprehensive income:

Particulars	(Amount in Rupees Lacs unless otherwise stated)	
	Year ended 31 March, 2018	Year ended 31 March, 2017
Actuarial (gain) / loss on defined benefit obligation	(23)	57
Return on plan assets excluding interest income	(13)	(4)
	(36)	53

g. Economic assumptions :

	Actuarial assumptions for gratuity and long-term compensated absences	
	As at 31 March, 2018	As at 31 March, 2017
Discount rate	7.40%	6.90%
Salary escalation rate	8.00%	8.00%
Expected return on plan assets	8.00%	8.00%

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.

Expected return on plan assets:

The expected rate of return on plan assets is determined after considering several applicable factors such as the composition of the plan assets, investment strategy, market scenario, etc.

h. Demographic assumptions

Retirement age	58 years	58 years
Mortality table	IALM Mortality (2006-08)	IALM Mortality (2006-08)

Assumptions regarding future mortality have been based on published statistics and mortality table.

i. Withdrawal rates

Ages - Withdrawal Rate (

21-50 years - 20%

51-54 years - 2%

55-57 years - 1%

j. Category of asset

Insurer Managed Funds 1,783

The company does not invest directly in any property occupied by the company nor in financial security issued by the company.

k. Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding and other assumptions constant, would have affected the defined benefit obligation by the amount shown below:

Particulars :	Year ended 31 March 2018		Year ended 31 March 2017	
	Increase	Decrease	Increase	Decrease
Increase/(Decrease) in obligation with 0.5% movement in discount rate	(50)	53	(39)	41
Increase/(Decrease) in obligation with 0.5% movement in future rate of increase in compensation	42	(41)	29	(29)

Actuarial valuation of the Company's liability on account of gratuity as at 31 March 2018 was carried out by an independent actuary. The Company has a policy of getting the actuarial valuation done on an annual basis. Accordingly, the actuarial valuation has not been carried out for the quarter ended 30 June 2018. Accordingly, disclosures required under Ind-AS19 have been made for the year ended 31 March 2018.

NUCLEUS SOFTWARE EXPORTS LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2.39 FUNCTION WISE CLASSIFICATION OF STATEMENT OF PROFIT AND LOSS

(Amount in Rupees Lacs unless otherwise stated)

Particulars	Quarter ended June 2018	Quarter ended June 2017
	(Rupees)	(Rupees)
Income from software services and products	9,205	7,577
Software development expenses	5,955	5,245
Gross Profit	3,250	2,332
Selling and marketing expenses	901	836
General and administration expenses	788	869
Operating profit before depreciation	1,561	627
Depreciation and amortisation expense	163	161
Operating profit after depreciation	1,398	466
Other income	2,053	2,124
Profit before tax	3,451	2,590
Tax expense:		
Net current tax expense	681	331
Deferred tax (credit) /charge	(10)	6
	671	337
Profit for the period	2,780	2,253

2.40 TRANSFER PRICING

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 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 statements, particularly on the amount of tax expense and that of provision for taxation.

2.41 EXPENDITURE ON CORPORATE SOCIAL RESPONSIBILITY

(Amount in Rupees Lacs unless otherwise stated)

Particulars	Quarter ended 30 June 2018	Quarter ended 30 June 2017
Gross amount required to be spent by Company during the year ended 31 March, 2019 / 31 March, 2018 :	108	111
Amount spent during the period on purposes other than Construction/acquisition of any asset	27	25
Details of related party transactions:		
Nucleus Software Foundation (See note 2.35)	27	25

2.42 On March 17, 2016, the Company has acquired 96% stake in Avon Mobility Solutions Pvt. Ltd. ('Avon'), a Mobile Technology Solutions provider for a purchase consideration of Rs 192 lacs . The Company has also taken over Avon's net liabilities aggregating to Rs. 125 lacs. Further, the Company had an option to acquire the remaining 4% shares of Avon as per terms and conditions of share purchase agreement executed with the shareholders of Avon. The Company has further subscribed during the period ended June 30 2018, 500,000 (previous year 31 March 2018, 300,000) 11% redeemable preference shares of face value of Rs. 10 per share, for a minimum tenor of 5 years and maximum tenor of 20 years.

Subsequent to 30 June, 2018 the company vide share purchase agreement dated 10 July, 2018 exercised the call option and acquired remaining 490 shares in Avon Mobility Solutions Pvt Ltd thereby , now it will become wholly owned subsidiary of the company.

For B S R & ASSOCIATES LLP
Chartered Accountants
Firm Registration Number : 116231W/W-100024

For and on behalf of the Board of Directors

RAKESH DEWAN
Partner
Membership number : 092212

SIDDHARTHA MAHAVIR ACHARYA
Chairman

VISHNU R DUSAD
Managing Director

RAVI PRATAP SINGH
CEO & Whole-time Director

ASHISH NANDA
Chief Financial Officer

POONAM BHASIN
AVP (Secretarial) &
Company Secretary

Place : Gururam
Date : Julv 17. 2018

Place : Noida
Date : Julv 17. 2018

NUCLEUS SOFTWARE EXPORTS LIMITED
CONSOLIDATED BALANCE SHEET AS AT 30 JUNE, 2018
(Amount in Rupees Lacs unless otherwise stated)

Particulars	As at 30 June, 2018	As at 31 March, 2018
ASSETS		
Non-current assets		
Property, plant and equipment	4,448	4,389
Intangible assets under development	-	-
Goodwill on consolidation	317	317
Other Intangible assets	141	128
Financial assets		
Investments	27,045	24,131
Trade receivables	286	272
Loans	6	9
Other financial assets	802	1,145
Deferred tax asset	1,154	1,199
Income tax asset (net)	1,535	1,349
Other non-current assets	117	70
	35,851	33,009
Current Assets		
Financial assets		
Investments	15,565	14,542
Trade receivables	8,032	7,906
Cash and cash equivalents	3,060	4,228
Other bank balances	2,846	2,727
Loans	26	29
Other financial assets	41	29
Other current assets	3,074	2,258
	32,645	31,719
Total Assets	68,495	64,728
EQUITY & LIABILITIES		
EQUITY		
Equity Share capital	2,904	2,904
Other equity	44,935	43,226
Total equity attributable to equity holders of the company	47,839	46,130
Non- controlling interest	-	-
Total Equity	47,839	46,130
LIABILITIES		
Non-current liabilities		
Financial liabilities		
Other financial liabilities	105	91
Deferred tax liabilities	14	189
Provisions	661	624
	780	904
Current liabilities		
Financial liabilities		
Borrowings	-	-
Trade payables	5,172	5,406
Other financial liabilities	218	26
Provisions	198	186
Current tax liabilities (net)	361	187
Other current liabilities	13,927	11,889
	19,876	17,694
TOTAL EQUITY AND LIABILITIES	68,495	64,728

NUCLEUS SOFTWARE EXPORTS LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER ENDED 30 JUNE, 2018
(Amount in Rupees Lacs unless otherwise stated)

	For the quarter ended 30 June, 2018	For the quarter ended 30 June, 2017
1. REVENUE FROM OPERATIONS		
Income from software product and services	11,261	9,432
2. OTHER INCOME	693	760
3. TOTAL INCOME (1+2)	11,954	10,192
4. EXPENSES		
a. Employee benefits expense	7,534	6,422
b. Operating and other expenses	1,883	1,979
c. Finance cost	14	13
d. Depreciation and amortisation expense	174	177
TOTAL EXPENSES	9,605	8,591
5. PROFIT BEFORE TAX (3-4)	2,349	1,601
6. TAX EXPENSE		
a. Current tax expense	775	443
b. Deferred tax (credit) /charge	(185)	7
NET TAX EXPENSE	590	450
7. PROFIT FOR THE PERIOD (5-6)	1,759	1,151
8. OTHER COMPREHENSIVE INCOME		
(A) (i) Items that will not be reclassified to profit or loss		
a) Remeasurements of the defined benefit plans, net	10	(17)
b) Equity Instruments through Other Comprehensive Income, net	80	(286)
(B) (i) Items that will be reclassified subsequently to profit or loss		
a) Exchange difference on translation of foreign operations	28	(7)
b) loss on hedging instruments of effective cash flow hedges, net	(86)	(63)
TOTAL OTHER COMPREHENSIVE INCOME	32	(373)
9. TOTAL COMPREHENSIVE INCOME (7+8)	1,791	778
Profit attributable to		
Owners of the Company	1,759	1,151
Non- controlling interest	-	-
	1,759	1,151
10 Total comprehensive income attributable to		
Owners of the Company	1,791	778
Non- controlling interest	-	-
	1,791	778
11. EARNINGS PER EQUITY SHARE		
Equity shares of Rupees 10 each		
a. Basic (Rs)	6.06	3.56
b. Diluted (Rs)	6.06	3.56
Number of shares used in computing earnings per share		
a. Basic	29,040,724	32,383,724
b. Diluted	29,040,724	32,383,724

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

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2006 notified under Section 133 of the Companies Act, 2013 (the 'Act') and other relevant provisions of the Act. 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.

Overview

The Company was incorporated on January 9, 1989 as Nucleus Software Exports Private Limited with its registered office at 33-35 Thyagraj Market, New Delhi, India. 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 Software is the leading provider of mission critical lending and transaction banking products to the global financial services industry. Its software powers the operations of more than 150 customers in 50 countries, supporting retail banking, corporate banking, cash management, internet banking, automotive finance and other business areas.

Nucleus Software is known for its world-class expertise and innovation in lending and transaction banking technology. We have inter-alia, two flagship products, built on the latest technology:

- FinnOne™, 10 time winner - World's Best Selling Lending Solution.
- FinnAxia™, an integrated global transaction banking solution used by banks worldwide to offer efficient and Innovative global payments and receivables, liquidity management and business internet banking services.

We have continued to enhance our solutions to take advantage of market trends, such as increasing digitization of financial services. We have leveraged India Stack further to offer end to end digitization of Loan lifecycle.

We launched customer portal modules – eApply and eServe that offers host of services to end customer for applying and serving the loan.

We also launched ECM – Enterprise Content management solution which can be used to seamlessly store and retrieve documents, images, letters, customer communications etc.

As a part of ongoing development program, we also launched FinnAxia 5.0 including a newly launched Trade Finance Portal which would help corporate customers with a single, global view of their trade finance business. FinnAxia 5.0 also comes with comprehensive cash management features to ensure working capital optimization for the bank's corporate customers. The solution also allows the corporates to define their own liquidity structures and visualize the prospective outcomes graphically. With a constant emphasis on ensuring compliance to regulations, the new release of FinnAxia comes with the International Transaction and External Position System (ITEPS) to achieve payments compliance in the Malaysian market and also offers India-based NPCI compliant Direct Debit Mandate capabilities via both physical and electronic forms.

PaySe™ payment solutions have been enhanced with the online mobile payment capability thus making PaySe an ideal payment solution for both the connected and non-connected world. The Government of India has launched

a massive program to move the country from a cash based economy to a digital economy and PaySe will play an important role as it is primarily focusing on the rural and semi urban economy a segment which most wallet players tend to ignore.

PaySe has been rolled out in a couple of villages and have found favour with consumer to make payments for their daily purchases in the village and for LPG and PDS payments. In keeping with the UGC guidelines advising colleges and universities to move towards a less cash economy, Nucleus is focusing on the colleges and universities to make their campuses cashless by enabling digital payments for all financial transactions in the campus and extending the same to transactions around the campus.

Over the years, our committed professionals have provided par excellence and with our deep expertise and global experience, we have created a global footprint of customers 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, USA, Australia and South Africa. 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 Group'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 Group's focus on product development is to build products on latest architecture & technology stack, with products that have advanced feature & functionalities to support growing need of business. We are performing today to deliver top-tier performance, while investing to ensure that our performance levels can be sustained in the long term. We have stepped up our investments in brand building, R&D, sales and our people. All of this coupled with differentiated products' help us drive sales and ultimately bring in customer satisfaction. The definitive goal is to touch and improve lives of more and more people across the world by equipping Banks with superior technology products for managing lending operations.

Building on our strong product innovation and R&D capabilities, we executed strategic initiatives for new products, sales and market development and people to help drive transformation and continue the momentum of growth. This endeavour 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:

- **"Best Lending Technology Implementation of the Year"** award at the BFSI Innovative Technology Awards 2018 for project Lending on cloud for Sai Point Finance with FinnOne Neo.
 - Received an award in **Mid Corporate Segment-for Excellence in IT/ITES Sector**, at SME Business Excellence Awards, 2017 organized by Dun & Bradstreet Information Services India Pvt. Ltd (D&B).
 - Annual Report for the Year Ended March 31, 2017 won the **Platinum Award** for Excellence within the Technology-Software industry and ranked 7th amongst the World's Top 100 Annual Reports within the Technology-Software industry and by the League of American Communications Professional (LACP).
 - **bob Finance and FinnOne win The Banking Technology Award 2016**, bob Finance AG, a financial service company in Switzerland deployed Nucleus Software's FinnOne for offering an innovative and completely
-

digitized loan service. This implementation won The Banking Technology Award 2016 - Highly Commended for Best Use of IT in Lending.

- Named as a '**Model Bank Vendor 2016**' Award by **Celent** for helping multiple clients achieve technology or implementation excellence.
 - Recognized amongst the '**World's top 5 Mobile Banking Solution Providers**' by **Forrester Research, Inc.** in The Forrester Wave™: Mobile Banking Solutions, Q4 2015.
 - Corporate LiveWire – FinTech Excellence Awards 2015 in the category "**Excellence in Providing Banking Products**"
 - FinnOne™ **10 time winner - World's Best Selling Lending Solution** by IBS Publishing, UK.
 - Annual Report for the Year Ended March 31, 2014 won the **Platinum Award** for Excellence within the Technology-Software industry and ranked amongst the World's Top 50 Annual Reports within the Technology-Software industry and by the League of American Communications Professional (LACP).
 - 9th Social and Corporate Governance Awards in the category "**Best Overall Corporate Governance Compliance and Ethics Program**" organised by World CSR Congress.
 - Titanium Award at "**The Asset Triple A Corporate Awards 2014**" for Third Consecutive Year under the category Financial Performance, Corporate Governance and Investor Relations.
 - "Asian CSR Leadership Awards 2014" in the category, "Best Corporate & Financial Reporting".
 - "**The Asian Banker award – 2014**" for "Best Lending Platform Implementation Project" for introducing MARC, an innovative debt servicing solution that allows customers to make payment anytime, anywhere.
 - The Company was inducted into the coveted **Hall of Fame** by the **Institute of Chartered Accountants of India**, in the category, Service sector (other than financial services) with turnover less than Rs. 500 crore, of the 'ICAI Awards for Excellence in Financial Reporting' in the year 2013.
 - CIMB Malaysia, our customer, powered by Nucleus Software's FinnOne™ implementation, has received the Process Excellence Award for Collection and Debt Management at the prestigious BPA Trailblazer Awards.
 - Vietnam Prosperity Bank's Loan Origination system, powered by Nucleus Software's FinnOne CAS, LMS and Collections was recognized with **Model Bank Award by Celent** (March 2013).
 - Forrester recognized Nucleus as a "**Global Pursuer**" and stated it "**regained traction in 2010**". Based on the number of deals and regions covered, Nucleus was ranked among top Banking Platform providers Source: Global Banking Platform Deals 2010, Forrester Research, Inc., 31st March 2011.
 - HDFC Bank, Nucleus Software customer, won the prestigious **Celent 2010 Model Bank Award** for its loan origination system, FinnOne™.
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FINANCIAL PERFORMANCE

The consolidated financial results are as below:

(Rs. in crore)

For the Quarter Ended June 30,	2018	% of Revenue	Growth (%)	2017	% of Revenue
Revenue From Operations	112.61	100%	19%	94.32	100%
Expenses					
a) Employee benefits expense	75.34	67%	17%	64.22	68%
b) Operating and other expenses	18.83	17%	-5%	19.79	21%
c) Finance cost (Bank Charges)	0.14	0%	9%	0.13	0%
Total Expenses	94.31	84%	12%	84.14	89%
Operating Profit (EBITDA)	18.30	16%	80%	10.18	11%
Depreciation	1.74	2%	-2%	1.77	2%
Operating Profit after Interest and Depreciation	16.56	15%	97%	8.41	9%
Other Income	6.93	6%	-9%	7.60	8%
Profit Before Tax	23.49	21%	47%	16.01	17%
Taxation	5.90	5%	31%	4.50	5%
Profit After Tax	17.59	16%	53%	11.51	12%
Other Comprehensive Income	0.32	0%	-109%	(3.73)	-4%
Total Comprehensive Income for the period	17.91	16%	130%	7.78	8%

Revenue from Operations

We derive our revenue from the following business segments:

- Products
- Projects and Services

During the quarter the total revenue is Rs. 106.02 crore against Rs. 93.14 crore for the corresponding quarter previous year.

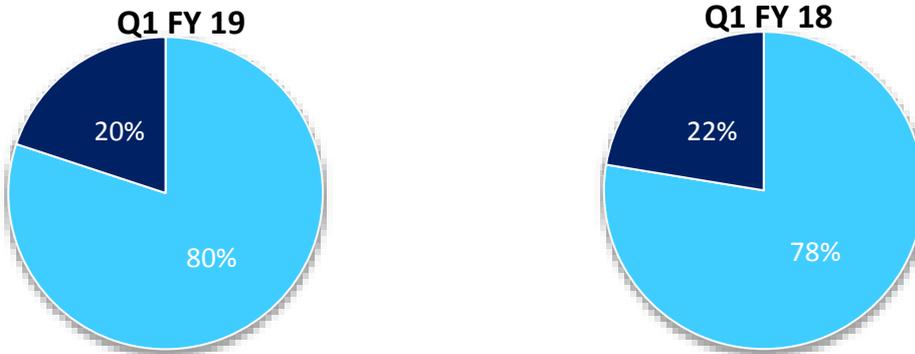
Revenue from Products

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. 90.19 crore during the quarter, constituting 80% of the total revenue against Rs. 73.20 crore, 78% of total revenue, in the corresponding quarter previous year. This has increased by 23.21%. We are a Company focused on Product business.

Revenue from Projects and Services

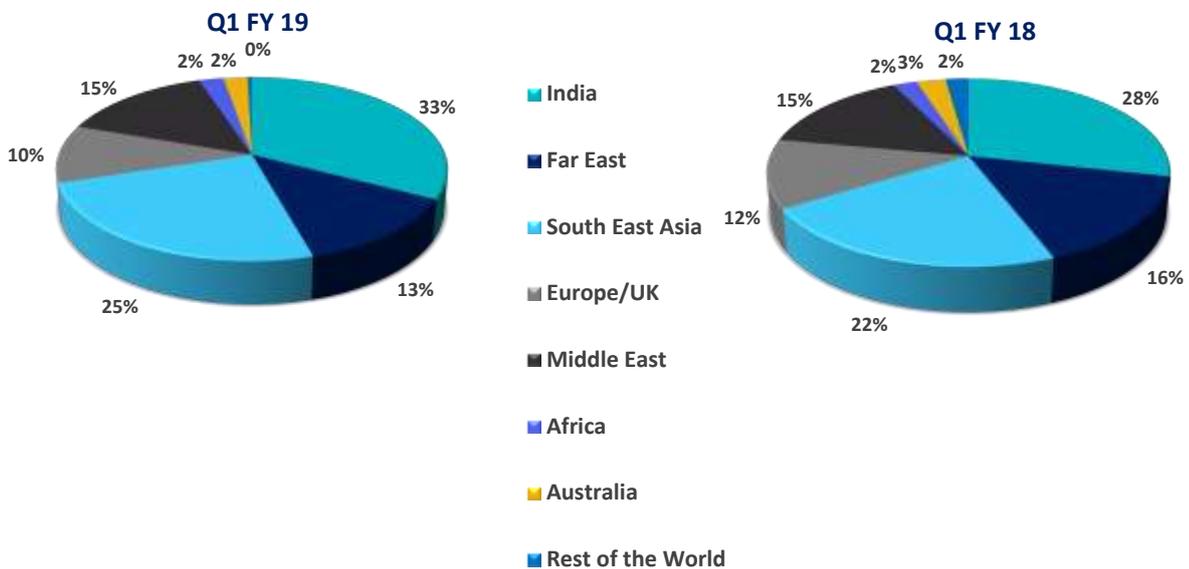
Software services rendered by the Company, classified under this segment, typically consist of development of software to meet specific customer requirements consisting of application development & maintenance, testing services, consulting and infrastructure management services with a strong banking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

Revenue from software projects and services segment during the quarter is Rs. 22.42 crore constituting 20% of the total revenue against Rs. 21.12 crore, constituting 22% of total revenue in the corresponding quarter previous year. This has increased by 6.16%.



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 17% to Rs. 75.34 crore. For the corresponding quarter previous year, they were at Rs. 64.22 crore. The increase is primarily due to increase in employee compensation, both fixed and variable pay and new hiring's.

(Rs. in crore)					
Employee Benefit Expenses For the Quarter Ended June 30,	% of			% of	
	2018	Revenue	Growth (%)	2017	Revenue
Salaries and bonus	69.23	61%	16%	59.55	63%
Contribution to provident and other funds	3.47	3%	20%	2.90	3%
Gratuity expense	0.97	1%	56%	0.62	1%
Staff welfare	1.67	1%	46%	1.15	1%
Total Employee Benefit Expenses	75.34	67%	17%	64.22	68%
Revenue	112.61	100%	19%	94.32	100%

Operating and Other Expenses

Operating and other expense primarily consist of expenses on travel to execute work at client site and for other related activities, cost of software purchased for delivery to clients, bandwidth and communication expense, infrastructure charges, expenses on account of brand building activities, training and recruitment costs, legal and professional charges, repairs and maintenance charges, insurance, provision for doubtful debts, contribution to CSR activities and others.

(Rs. in crore)					
For the Quarter Ended June 30,	% of			% of	
	2018	Revenue	Growth (%)	2017	Revenue
Software and other development charges	1.53	1%	-21%	1.94	2%
Cost of software purchased for delivery to clients	0.68	1%	17%	0.58	1%
Power and fuel	1.29	1%	-4%	1.34	1%
Rent	2.11	2%	7%	1.98	2%
Repair and maintenance	1.07	1%	19%	0.90	1%
Insurance	0.12	0%	-21%	0.15	0%
Rates and taxes	0.05	0%	-93%	0.73	1%
Travel expenses	4.24	4%	0%	4.24	4%
Advertisement and business promotion	0.32	0%	77%	0.18	0%
Legal and professional	1.71	2%	-17%	2.07	2%
Directors remuneration	0.39	0%	23%	0.32	0%
Conveyance	0.57	1%	7%	0.54	1%
Communication	0.65	1%	-5%	0.69	1%
Training and recruitment	0.80	1%	-24%	1.05	1%
Conference, exhibition and seminar	0.42	0%	114%	0.20	0%
Information technology expenses	1.86	2%	10%	1.69	2%

Provision for doubtful debts/advances/other current assets	0.02	0%	-115%	(0.14)	0%
Commission to channel partners	0.16	0%	11%	0.14	0%
Finance Cost	0.14	0%	8%	0.13	0%
Contribution to CSR Activities	0.27	0%	8%	0.25	0%
Miscellaneous expenses	0.56	0%	-41%	0.95	1%
Total Operating and Other Expenses	18.96	17%	-5%	19.92	21%
Revenue	112.61	100%	19%	94.32	100%

- Software and other development charges relate to outsourced work for software development.
- 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.
- 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 during the quarter was Rs. 18.30 crore, 16% of revenue against Rs. 10.18 crore, 11% of revenue in the corresponding quarter previous year.

Depreciation

Depreciation on fixed assets was Rs. 1.74 crore, for the quarter against Rs. 1.77 crore, in the corresponding quarter previous year.

Other Income

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

	(Rs. in crore)	
For the Quarter Ended June 30,	2018	2017
Dividend on investment in Mutual fund units	1.67	3.28
Interest income on financial assets- carried at amortised cost	4.71	4.27
Net Gain / (Loss) on foreign currency	0.21	(0.14)
Profit on sale of assets/ investments	0.18	0.09
Others	0.14	0.10
Total	6.93	7.60

Other income for the quarter is Rs. 6.93 crore, against Rs. 7.60 crore in the corresponding quarter previous year.

Taxation

It represents provision for corporate & income taxes determined in accordance with tax laws applicable in countries where the Company and subsidiaries operate.

(Rs. in crore)

For the Quarter Ended June 30,	2018	2017
- Current Tax	7.75	4.43
- Deferred Tax Credit (net)	(1.85)	0.07
Total	5.90	4.50

Profit after Tax

Our profit after tax for the quarter is Rs. 17.59 crore, 16% of revenue, against Rs. 11.51 crore, 12% of revenue, during the corresponding quarter previous year.

Other Comprehensive Income (OCI)

Other comprehensive income represents

- Equity instruments through OCI – this is primarily on account of fair valuation of investment for which the company has made an irrevocable option to present the same in the OCI. For the quarter it is Rs 0.80 crore, against Rs. (2.86) crore in the corresponding quarter previous year.
- Remeasurements of the defined benefit plans – consist mainly of remeasurements gain/losses on our defined benefit plans. For the quarter it is Rs 0.10 crore, against Rs. (0.17) crore in the corresponding quarter previous year.
- Effective portion of gain (loss) on hedging instruments of effective cash flow hedges, net – when a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of derivative is recognised in OCI. For the quarter it is Rs (0.86) crore, against Rs. (0.63) crore in the corresponding quarter previous year.
- Exchange difference on translation of foreign operations. For the quarter it is Rs 0.28 crore, against Rs. (0.07) crore in the corresponding quarter previous year.

Total other comprehensive income for the quarter is Rs 0.32 crore, against Rs. (3.73) crore in the corresponding quarter previous year.

Share Capital

Share Capital of the Company consists of Equity Share Capital. The paid-up Share Capital as on June 30, 2018 is 29,040,724 equity shares of Rs. 10 each.

Subsidiaries

The Company has nine subsidiary companies, all over the world, all of which are wholly owned except Avon mobility solutions Pvt. Ltd. The company has acquired 96% stake in Avon mobility solutions. Paid-up Share Capital of the Subsidiaries as on June 30, 2018 is as per the below table:

Name of Subsidiary Company	Currency	As at June 30, 2018		As at March 31, 2018	
		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 SGD 1 each.	SGD	625,000	1.63	625,000	1.63
Nucleus Software Inc., USA. 1,000,000 shares of US\$ 0.35 cents each	USD	350,000	1.63	350,000	1.63
Nucleus Software Japan Kabushiki Kaisha, 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. 7500 equity shares of Euro 100 each	Euro	750,000	4.89	750,000	4.89
Nucleus Software Limited, India. 10,000,000 equity shares of Rs.10/- each	INR	-	11.94	-	11.94
Nucleus Software Australia. 100,000 Equity share of 1 AUD each	AUD	100,000	0.55	100,000	0.55
Nucleus Software South Africa (Pty.) Limited. 10 Equity shares of ZAR 61,200 each	ZAR	612,000	0.32	612,000	0.32
Avon Mobility Solutions Pvt Ltd. 10666 equity shares of Rs 10 each	INR	-	1.92	-	1.92
Avon Mobility Solutions Private Limited. 2,350,000, 11% Preference shares of Rs. 10 each	INR	-	2.35	-	2.35

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

Other Equity

The movement in the components of Other Equity is as below:

(Rs. in crore)

Particulars	Opening Balance as on April 1, 2018	Additions/ (Deletions) during the period	Closing Balance as on June 30, 2018
General Reserve	6.61	-	6.61
Securities Premium	-	-	-
Capital Reserve	0.89	-	0.89
Capital Redemption reserve	3.34	-	3.34
Retained Earnings	413.06	16.77	429.83
Other Comprehensive Income	8.36	0.32	8.69
Total	432.26	17.09	449.35

Property, plant and equipment and Intangible assets

As at June 30, 2018, Net carrying Amount of Property, Plant and Equipment and Intangible assets is Rs. 45.89 crore against Rs. 45.18 crore as on March 31, 2018.

(Rs. in crore)

As at	30-Jun-18	Inc/Dec (%)	31-Mar-18
Gross carrying Amount			
Freehold land	0.34	-	0.34
Leasehold land	16.78	-	16.78
Leasehold improvement	0.14	0.62	0.14
Building	20.00	0.01	20.00
Office and other equipment	2.90	2.20	2.84
Computers	14.34	9.49	13.10
Vehicles	2.49	(0.00)	2.49
Furniture and fixtures	1.67	66.92	1.00
Software	6.99	6.86	6.54
Total	65.64	3.84	63.22
Less: Accumulated Depreciation	19.75	9.56	18.03
Net Carrying Amount	45.89	1.56	45.18

As permitted by Ind AS 101, the Company has elected to continue with the carrying values under previous GAAP as deemed cost for all the items of property, plant and equipment and Intangible assets.

Goodwill on Consolidation

The goodwill in the books has arisen based on the difference in the book value of the investment vis-à-vis the consideration paid for acquisition of 96% stake in AVON Mobility Solutions Pvt. Ltd., a mobile technology solutions provider in March 2016.

The total amount of goodwill is Rs. 3.17 Crore as of the Balance Sheet date. The Management has performed a valuation of the intrinsic value of the business of this entity. It is observed that the intrinsic worth of the companies is higher than the consideration paid for these entities. Accordingly, no impairment of the goodwill is considered necessary at this stage in the books of accounts

Investments

a. **Non-current investments** totaling Rs.270.45 crore as on June 30, 2017 against Rs. 241.31 crore as on March 31, 2018

- I. **Investment in equity shares of a listed company at FVOCI** - Rs. 9.43 crore.
- II. **Investment in preference shares at amortised cost** – Rs. 67.28 crore.
- III. **Investment in tax free bonds at amortised cost** - Rs. 93.96 crore.
- IV. **Investment in fixed maturity plans of mutual funds at amortised cost** – Rs. 60.80 crore.
- V. **Investment in mutual funds at Fair value through profit or loss (FVTPL)** – Rs. 38.97 crore.

b. Current Investments and Bank Balances

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

As of June 30, 2018 the cash and bank balances (including fixed deposits) stood at Rs. 59.06 crore and current investments in liquid schemes and Fixed Maturity Plans of mutual funds were Rs. 155.65 crore.

Total cash and current investments are thus at Rs. 214.71 crore on June 30, 2018.

	(Rs. in crore)	
Cash & Cash Equivalents as at	30-Jun-18	31-Mar-18
Balances with Bank		
In Current Accounts	23.65	29.30
In Fixed Deposit Account	35.41	40.25
Investments in Mutual Funds	155.65	145.42
Total	214.71	214.97

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.

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

As at	30-Jun-18	31-Mar-18
Days of sale receivable	67	67
Cash and Equivalents as % of assets	32.23%	34.14%
Cash and Equivalents as % of revenue (LTM)	49.92%	52.20%
Current investments as % of assets	23.37%	23.09%
Current investments as % of revenue (LTM)	36.19%	35.31%

Trade Receivables

Our trade receivables (net of provision) as on June 30, 2018 are Rs. 83.19 crore, against Rs. 81.78 crore as on March 31, 2018.

Days of sales receivables (DSR) are at 67 days as on June 30, 2018 against 67 days as on March 31, 2018.

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 other financial assets

Loans and other financial assets have been classified into non- current and current based on their period of realization.

Loans and other Financial assets as on		(Rs. in crore)	
As at	30-Jun-18	31-Mar-18	
Non – Current			
Staff Loans	0.06	0.09	
Security deposits	3.68	2.95	
Long-term bank deposits	4.34	8.50	
Total	8.08	11.54	
Current			
Staff Loans	0.26	0.29	
Security deposits	0.04	-	
Mark-to-market gain on forward contracts	-	0.03	
Expenses recoverable from customers	0.37	0.26	
Total	0.67	0.58	
Total Loans and Advances	8.75	12.12	

Security Deposits, utilized primarily for hiring of office premises and staff accommodation, amounts to Rs. 3.72 crore as on June 30, 2018 against Rs. 2.95 crore as on March 31, 2018.

Other Assets

Other Assets represents income tax asset, Employee advances, Service income accrued but not due, Balances with Government authorities, Supplier and capital advances, prepaid and deferred expenses. Other assets have been classified into Non Current and Current based on their period of realization.

Other Assets		(Rs. in crore)	
As at	30-Jun-18	31-Mar-18	
Non - Current			
Advance Tax	15.35	13.49	
Employee Advances	0.38	0.38	
Capital Advances	0.25	0.07	
Prepaid Expenses	0.01	0.01	
Deferred Expenses	0.53	0.24	
Total	16.51	14.18	
Current			
Service income accrued but not due	21.26	13.28	
Employee Advances	0.58	0.63	
Prepaid Expenses	5.46	3.99	
Contract cost	0.67		
Balances with Government authorities	1.16	1.24	
Supplier advances	1.58	3.41	
Deferred Expenses	0.03	0.03	
Total	30.75	22.58	
Total Other Assets	47.26	36.76	

Current Liabilities

Current liabilities represent trade payables, short-term provisions, other financial liabilities and other current liabilities. As on June 30, 2018 the Current liabilities are Rs. 198.75 crore against Rs. 176.94 crore as on March 31, 2018.

(Rs. in crore)

Current Liabilities		
As at	30-Jun-18	31-Mar-18
Financial liabilities		
Trade Payables	51.72	54.06
Unpaid dividends	0.25	0.25
Payable for purchase of fixed assets	0.66	0.01
Mark-to-market gain on forward contracts	1.27	
Other current liabilities		
Advance from customers / Advance billings	69.23	62.04
Deferred Revenue	55.29	44.82
Payable to gratuity trust	4.82	4.00
Other Payables- statutory liabilities	9.93	8.03
Short term provisions		
Provision for compensated absences	1.93	1.82
Provision for gratuity	0.04	0.04
Provision for tax	3.61	1.87
Total	198.75	176.94

Non-Current Liabilities

Non-current Liabilities as on June 30, 2018 are Rs. 7.80 crore (Rs. 9.04 crore as on March 31, 2018). The breakup of Non-current Liabilities at the quarter end is given below.

(Rs. in crore)

NON-CURRENT LIABILITIES		
As at	30-Jun-18	31-Mar-18
Financial liabilities		
Annual incentive payable	1.05	0.91
Deferred tax liabilities	0.14	1.89
Long-term Provisions		
Provision for compensated absences	6.24	5.88
Provision for Gratuity	0.16	0.15
Provision for Asset retirement obligation	0.21	0.21
Total	7.80	9.04

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision for employee benefits represents provisions made by the Company based on actuarial valuation.

Additional Information to Shareholders

1. Date of Incorporation January 9, 1989
 2. Registered office 33-35, Thyagraj Nagar Market
New Delhi-110003
India
 3. Corporate Office A-39, Sector 62
NOIDA, UP –201301
India
 4. Financial Calendar
(Tentative and subject to change)
Financial results for the second quarter between 21st to 31st of October 2018
Ending September 30, 2018
Financial reporting for the third quarter between 20th to 31st of January 2019
Ending December 31, 2018
Financial reporting for the fourth quarter between 21st to 31st of April 2019
Ending March 31, 2019.
Financial reporting for the first quarter between 20th to 31st of July 2019
Ending June 30, 2019.
 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.
 - 99.72 % of the Company's equity shares are in demat form.
 - The Company has 15,594 shareholders as on June 30, 2018.
 - The Company has not issued any GDRs / ADRs.
 - 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
2017-18	80%	8.00	23.23
2016-17	50%	5.00	16.19
2015-16	50%	5.00	16.19
2014-15	50%	5.00	16.19
2013-14	60%	6.00	19.43
2012-13	30%	3.00	9.71
2011-12	25%	2.50	8.09
2010-11	25%	2.50	8.09
2009-10	25%	2.50	8.09
2008-09	25%	2.50	8.09
2007-08	30%	3.00	9.71
2006-07	35%	3.50	5.64
2005-06	35%	3.50	5.64
2004-05#	25%	2.50	4.02*
2003-04	25%	2.50	2.01
2002-03	20%	2.00	1.58
2001-02	20%	2.00	1.58
2000-01	20%	2.00	0.68

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

Notes

- 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

Karvy Selenium Tower B, Plot 31-32,
Gachibowli, Financial District,
Nanakramguda,
Hyderabad-500032
Tel:040-23420815-28
Fax: 040- 23420814/23420857
Email: mailmanager@karvy.com

6. Locations

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

Nucleus operates state-of-the-art Software Development Center at NOIDA (U.P) 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).

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 obtains from a Company Secretary in practice half –yearly certificate of compliance with the share transfer formalities as required under Regulation 40(9) of SEBI (LODR) Regulations 2015 and files a copy of the certificate with the Stock Exchanges.

8. Investors' Services

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

S.No.	Nature of Requests	Received	Attended	Pending
1.	Revalidation of Dividend Warrants	1	1	Nil
2.	Non-receipt of Dividend Warrant	5	5	Nil
3.	Non-Receipt of Securities	0	0	Nil
4.	Non-Receipt of Shares after transfer	0	0	Nil
5.	Non-Receipt of Annual Report	3	3	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 Regulation 46 of the SEBI (LODR) Regulations, 2015, the designated e-mail address for investor complaints is investorrelations@nucleussoftware.com.

9. **Legal Proceedings**

There is one legal proceeding pending against the Company in the Court.

10. **Distribution of Shareholdings**

Distribution Schedule As On 30/06/2018					
S.No.	Category	No. of Cases	% of Cases	Amount	% To Equity
1	1-5000	13,768	88.13	134,48,670	4.63
2	5001- 10000	903	6.10	73,47,730	2.53
3	10001- 20000	454	2.88	67,40,540	2.32
4	20001- 30000	149	0.92	37,72,610	1.30
5	30001- 40000	82	0.50	28,73,790	0.99
6	40001- 50000	53	0.33	24,17,300	0.83
7	50001- 100000	89	0.55	59,11,040	2.04
8	100001& Above	96	0.59	24,78,95,560	85.36
	Total:	15,594	100.00	29,04,07,240.00	100.00

11. **Categories of Shareholders**

	As on June 30, 2018		
Category	No. of Share Holders	Voting Strength (%)	No. of Shares Held
Promoter and Promoter Group	11	67.60	1,96,31,866
Individuals	14,280	17.17	4,986,245
Bodies Corporate	249	2.12	6,17,026
Non-Resident Indians	504	2.00	5,82,242
Foreign Institutional Investors	49	8.18	2,374,131
Employee	83	0.23	67,792
Directors and Relatives	4	0.55	1,60,862
Mutual Funds	1	1.27	3,69,241
NBFC	7	0.01	3,199
Financial Institutions/ Banks	3	0.14	41,140
Clearing Members and Trusts	47	0.05	14,782
HUF	352	0.51	1,48,101
Foreign Nationals	3	0.00	647
IEPF	1	0.16	47,450
Total	15,594	100	29,040,724

12. 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

13. Employee Strength of Nucleus

Nucleus employed 1,971 people as on June 30, 2018 as compared to 1,851 people as on March 31, 2018.

A. Distribution of the Employees:

	June 30, 2018	March 31, 2018
Technical Employee's	1,745	1,635
Non-Technical Employee's including Business Development Group	226	216
TOTAL	1,971	1,851
Male	1,444	1,365
Female	527	486
TOTAL	1,971	1,851

14. ***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
Email: vishnu@nucleussoftware.com

Ashish Nanda – CFO
Tel: +91 (120) 4031800
E Mail: ashish.nanda@nucleussoftware.com

Poonam Bhasin - Company Secretary
Tel: +91 (120) 4031400
E Mail: poonam@nucleussoftware.com

Consolidated segment Information



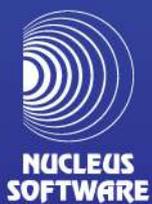
CONSOLIDATED SEGMENT INFORMATION

₹ In Lakhs

REVENUE BY	Quarter Ended						Year Ended	
	June 30, 2018	% of Revenue	March 31, 2018	% of Revenue	June 30, 2017	% of Revenue	March 31, 2018	% of Revenue
	Unaudited		Unaudited		Unaudited		Audited	
GEOGRAPHICAL SEGMENTS								
INDIA	3,681	32.7	3,521	31.7	2,686	28.5	12,666	30.8
FAR EAST	1,460	13.0	1,596	14.4	1,477	15.6	6,216	15.1
SOUTH EAST ASIA	2,759	24.5	2,767	24.9	2,074	22.0	8,990	21.8
EUROPE	1,144	10.2	1,111	10.0	1,112	11.8	4,211	10.2
MIDDLE EAST	1,646	14.6	1,495	13.5	1,406	14.9	6,211	15.1
AFRICA	265	2.3	294	2.6	208	2.2	1,104	2.7
AUSTRALIA	259	2.3	277	2.5	264	2.8	1,072	2.6
REST OF THE WORLD	47	0.4	42	0.4	205	2.2	711	1.7
TOTAL	11,261	100.0	11,103	100.0	9,432	100.0	41,181	100.0
BUSINESS SEGMENTS								
PRODUCTS	9,019	80.1	8,897	80.1	7,320	77.6	32,609	79.2
Own	8,931	79.3	8,810	79.3	7,241	76.8	32,288	78.4
Traded	88	0.8	87	0.8	78	0.8	321	0.8
PROJECTS & SERVICES	2,242	19.9	2,206	19.9	2,112	22.4	8,572	20.8
TOTAL	11,261	100.0	11,103	100.0	9,432	100.0	41,181	100.0

Ratio Analysis

Consolidated Performance				
Particulars	Quarter Ended			Year Ended
	Jun-18	Mar-18	Jun-17	Mar-18
Ratios- Financial Performance				
Export Revenue/ Revenue (%)	67.31%	68.28%	71.52%	69.24%
Domestic Revenue/ Revenue (%)	32.69%	31.72%	28.48%	30.76%
Total Operating Expenses/ Revenue (%)	83.75%	85.85%	89.20%	85.87%
Operating Profit/ Revenue (%)	16.25%	14.15%	10.80%	14.13%
Depreciation/ Revenue (%)	1.55%	1.56%	1.88%	1.71%
Other Income/ Revenue (%)	6.15%	6.74%	8.05%	6.97%
Tax/ Revenue (%)	5.24%	3.79%	4.77%	4.20%
Effective Tax Rate - Tax/ PBT (%)	25.13%	19.60%	28.09%	21.68%
PAT from Ordinary Activities/ Revenue (%)	9.47%	8.80%	4.15%	8.21%
PAT from Ordinary Activities/Net Worth (%) (LTM)	8.48%	7.33%	6.06%	7.33%
Ratios- Return				
ROCE (PBIT/ Average Capital Employed) (%) (LTM)	18.26%	17.31%	14.03%	16.03%
ROANW (PAT/Average Net Worth) (%) (LTM)	14.61%	13.83%	12.12%	12.56%
Ratios - Balance Sheet				
Debt-Equity Ratio	-	-	-	-
Debtors Turnover (Days)	67	67	69	72
Asset Turnover Ratio (LTM)	0.65	0.65	0.56	0.64
Current Ratio	1.64	1.79	3.02	1.79
Cash and Equivalents/Total Assets (%)	32.23%	34.14%	46.79%	32.75%
Cash and Equivalents/ Revenue (%) (LTM)	49.92%	52.20%	83.74%	52.20%
Ratios - Growth (YoY)				
Growth in Export Revenue (%)	12.36%	14.97%	-0.36%	4.99%
Growth in Total Revenue (%)	19.39%	18.50%	4.85%	10.59%
Operating Expenses Growth (%)	12.10%	20.06%	5.12%	10.84%
Operating Profit Growth (%)	79.62%	9.88%	2.65%	9.09%
PAT Growth (%)	52.76%	-15.37%	-7.50%	-5.47%
EPS Growth (%)	70.30%	-5.61%	-7.50%	0.18%
Per- Share Data (Period End)				
Earning Per Share from Ordinary Activities (Rs.)	3.67	3.37	1.21	11.65
Earning Per Share (Including Other Income) (Rs.)	6.06	5.94	3.56	20.47
Cash Earning Per Share from Ordinary Activities (Rs.)	4.27	3.96	1.76	14.07
Cash Earning Per Share (Including Other Income)(Rs.)	6.66	6.54	4.10	23.96
Book Value Per Share (Rs.)	164.73	158.85	167.27	158.85
Price/Earning (Annualized)	15.19	16.86	22.42	19.59
Price/ Cash Earning (Annualized)	13.82	15.33	19.43	16.73
Price/Book Value	2.23	2.52	1.91	2.52



Global offices: Amsterdam | Chennai | Dubai | Jaipur | Johannesburg | London | Manila
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