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**NUCLEUS SOFTWARE EXPORTS LTD.****FINANCIAL HIGHLIGHTS**

Rs. in lacs, except per equity share data

	CONSOLIDATED PERFORMANCE		
	Quarter Ended		Year Ended
	June 30, 2005	June 30, 2004	March 31, 2005
For the Period			
Revenue from Operations	3,284.34	2,092.50	10,314.09
Operating Profits (PBIDT)	1,078.45	436.33	2,706.83
Profit after Tax (PAT)	858.74	293.95	2,074.97
PBIDT as a % of Revenue from Operations	32.84%	20.85%	26.24%
PAT as a % of Revenue from Operations	26.15%	14.05%	20.12%
PAT as a % of Networth	9.25%	4.14%	24.63%
Earnings Per Share (EPS)	5.34	1.83*	12.90
Dividend Per Share	—	—	2.50
Dividend Payout	—	—	402.27
At the end of the Period			
Total Assets	9,297.51	7,086.10	8,427.85
Net Fixed Assets	2,878.71	2,212.14	2,838.76
Current Assets	5,290.18	3,181.92	5,227.44
Investments	5,576.23	3,352.68	4,871.18
Cash & Bank Balances	1,812.70	1,089.35	2,664.61
Working Capital	831.14	1,493.03	700.83
Net Worth	9,288.16	7,080.11	8,424.60
Share Capital	1,609.23	803.29	1,609.23
Reserves & Surplus	7,678.93	6,278.76	6,815.37
Market Capitalisation	41,114.21	7,906.92	28,754.28
No. of Shareholders	8,439	6,825	7,553
No. of Shares (Face Value Rs.10/- each)	16,090,812	8,031,406	16,090,812

* Adjusted for the issue of Bonus Shares in ratio 1:1 in August 2004.

Notes:

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

While calculating the figures of group, the intergroup transactions have been ignored.

**NUCLEUS SOFTWARE EXPORTS LTD.****FINANCIAL HIGHLIGHTS**

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

	CONSOLIDATED PERFORMANCE		
	Quarter Ended		Year Ended
	June 30, 2005	June 30, 2004	March 31, 2005
For the Period			
Revenue from Operations	7,547	4,542	23,554
Operating Profits (PBIDT)	2,478	947	6,181
Profit after Tax (PAT)	1,973	638	4,738
PBIDT as a % of Revenue from Operations	32.84%	20.85%	26.24%
PAT as a % of Revenue from Operations	26.15%	14.05%	20.12%
PAT as a % of Networth	9.25%	4.14%	24.63%
Earnings Per Share (EPS)	0.12	0.04*	0.29*
Dividend Per Share	—	—	0.06
Dividend Pay Out	—	—	919
At the end of the Period			
Total Assets	21,364	15,381	19,246
Net Fixed Assets	6,615	4,802	6,483
Current Assets	12,156	6,907	11,938
Investments	12,813	7,277	11,124
Cash & Bank Balances	4,165	2,365	6,085
Working Capital	1,910	3,241	1,600
Net Worth	21,342	15,368	19,239
Share Capital	3,698	1,744	3,675
Reserves & Surplus	17,645	13,629	15,564
Market Capitalisation	94,541	17,163	65,664

* Adjusted for the issue of Bonus Shares in ratio 1:1 in August 2004.

Notes:

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

While calculating the figures of group, the intergroup transactions have been ignored.

Above USD figures have been calculated at 1 US\$ = Rs. 43.52 for the quarter ended June 30, 2005, 1 US\$ = Rs. 46.07 for the quarter ended June 30, 2004 and 1 US\$ = Rs. 43.79 for the year ended March 31, 2005.



Letter to the Shareholders

Dear Shareholder,

It gives me immense pleasure and satisfaction to communicate that we have commenced the current financial year on a positive note with increase in revenue and sustained profitability. Looking into the future, we are starting construction of the second facility at our NOIDA campus. The new facility will seat 700 + Nucleites and shall be financed through internal accruals.

Consolidated revenue from operations for the quarter was Rs.32.84 crore against Rs.20.93 crore in the corresponding quarter of the previous year, an increase of 57%. Product revenue continues to grow and was Rs.11.32 crore against Rs.4.08 crore in the corresponding quarter of the previous year, an increase of 177%.

Total operating expense for the quarter was Rs.22.06 crore against Rs.16.56 crore in the corresponding quarter of the previous year, an increase of 33%. Operating profit is at Rs.10.78 crore, 33% of revenue, for the quarter, against Rs.4.36 crore, 21% of revenue in the corresponding quarter of the previous year.

Consolidated net profit for the quarter was Rs.8.59 crore, 26% of revenue, against Rs.2.94 crore, 14% of revenue, in the corresponding quarter of the previous year. Earnings per share was Rs.5.34 for the quarter against Rs.1.83 (adjusted for the 1:1 bonus issue of shares in August 2004) for corresponding quarter of the previous year.

At the end of the quarter our 'cash and bank balances' and 'current investments' were at Rs.60.20 crore against Rs.61.67 crore as on March 31, 2005. Operating cash flow for the quarter was marginally negative at Rs.0.37 crore primarily on account of increase of receivables by Rs.6.98 crore over the March 2005 figure. The increase has taken place due to internal restructuring at one of our major clients and the payments are expected by end of July.

Your Company added 3 new clients during the quarter, taking the total customer base to 99. Your Company bagged significant new orders from the African continent and the Middle East. One of the top banks of Nigeria placed order for FinnOne™ LOS/Lending and Collections Products. A leading domestic bank in the UAE placed an order for FinnOne™ Collections and one of the leading banks in Indonesia placed an order for FinnOne™ LOS to enhance its product profile. The steady flow of product orders in this quarter is a testimony of our commitment and relentless hard work in empowering financial institutions globally by providing differentiated products and services.

In our endeavor to provide innovative products to our customers, we launched a new product module FinnOne™ Corporate LOS during this quarter. With this addition, Customer Acquisition System would be able to cater to the loan origination needs of the "small and medium enterprise" loans.

We added 57 employees during the quarter, taking the total to 935 on June 30, 2005 from 878 as on March 31, 2005.

We believe that value creation for our customers is a perpetual process and quality and innovation are the key drivers in this value creation process. We have launched several strategic initiatives this year for improving productivity and increasing customer satisfaction and are confident that we will continue delivering value.

We thank you for your confidence and trust in our ability to deliver our vision and for being a constant source of support in our journey of transformation to a Company of global repute.

Sincerely,

Vishnu R Dusad
Managing Director

Date: July 18, 2005



Auditors' Report

To the Board of Directors
Nucleus Software Exports Ltd.

As required by you, we have audited the attached Balance Sheet of Nucleus Software Exports Ltd. ("the Company") as at 30 June 2005 and also the Profit and Loss Account and Cash Flow Statement of the Company for the quarter ended 30 June 2005, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We report that:

- a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
- c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable; and
- e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 30 June 2005;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the quarter ended 30 June 2005; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the quarter ended 30 June 2005.

for **BSR & Co.**
(formerly Bharat S Raut & Co.)
Chartered Accountants

Place : Gurgaon
Date : 18 July, 2005

Sd/-
(Akhil Bansal)
Partner
Membership No. 090906



NUCLEUS SOFTWARE EXPORTS LTD.

Balance Sheet as at 30 June 2005

All amounts in Rupees

Particulars	Schedule	As at 30 June 2005	As at 30 June 2004	As at 31 March 2005
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	160,923,120	80,329,060	160,923,120
Share Application Money Pending Allotment		935,500	405,000	325,000
Reserves & Surplus	2	691,527,514	602,242,017	618,417,082
TOTAL		853,386,134	682,976,077	779,665,202
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	3	414,977,397	229,515,249	402,276,461
Less: Accumulated Depreciation		(148,227,962)	(127,057,151)	(137,636,205)
Net Block		266,749,435	102,458,098	264,640,256
Add : Capital Work in Progress (including capital advances)		787,612	112,728,258	2,017,363
		267,537,047	215,186,356	266,657,619
Investments	4	614,739,331	382,197,502	544,233,932
Deferred Tax Asset (Refer note 3, Schedule 16)		1,621,031	3,364,369	2,199,000
Current Assets, Loans & Advances				
Sundry Debtors	5	161,233,876	106,186,893	127,628,550
Cash & Bank Balances	6	116,272,999	41,529,290	190,561,641
Loans & Advances	7	49,015,859	49,522,849	42,743,405
Other Current Assets	8	42,491,603	30,028,782	26,637,290
		369,014,337	227,267,814	387,570,886
Less: Current Liabilities & Provisions				
Current Liabilities	9	332,970,569	109,339,205	359,040,327
Provisions	10	66,555,043	35,700,759	61,955,908
		399,525,612	145,039,964	420,996,235
Net Current Assets/(Liabilities)		(30,511,275)	82,227,850	(33,425,349)
TOTAL		853,386,134	682,976,077	779,665,202

Notes to the accounts 16

The schedules referred to above form an integral part of the financial statements.

As per our report of even date

For BSR & Co.
(formerly Bharat S Raut & Co.)
Chartered Accountants

Akhil Bansal
Partner
Membership No. 090906

Gurgaon
July 18, 2005

NOIDA (U.P.)
July 18, 2005

For and on behalf of the Board of Directors

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

Vishnu R Dusad
Managing Director

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

**NUCLEUS SOFTWARE EXPORTS LTD.****Profit and Loss Account for the quarter ended 30 June 2005**

All amounts in Rupees

Particulars	Schedule	For the quarter ended 30 June 2005	For the quarter ended 30 June 2004	For the year ended 31 March 2005
Sales and Services	11	215,363,241	130,399,142	670,323,536
Software Development Expenses	12	90,998,191	82,425,754	350,554,850
Gross profit		124,365,050	47,973,388	319,768,686
Selling and Marketing Expenses	13	17,683,144	8,684,283	50,501,210
General and Administration Expenses	14	18,951,664	9,908,321	65,831,231
Operating Profit Before Finance Charges, Depreciation and Withholding Tax		87,730,242	29,380,784	203,436,245
Depreciation	3	10,721,649	5,294,904	30,485,086
Withholding Taxes Charged Off		5,176,434	8,222,612	37,429,649
Operating Profit After Finance Charges, Depreciation and Withholding Tax		71,832,159	15,863,268	135,521,510
Other Income	15	6,349,167	2,074,048	31,014,773
Profit before Taxation		78,181,326	17,937,316	166,536,283
Provision for Tax - current		4,100,000	250,000	6,500,000
- fringe benefit		875,000	—	—
- deferred (refer Note 3, Schedule 16)		577,969	568,142	1,733,511
Provision for Wealth Tax		—	—	18,331
Profit after Taxation		72,628,357	17,119,174	158,284,441
Profit Available for Appropriation		72,628,357	17,119,174	158,284,441
Profit for the quarter/year		72,628,357	17,119,174	158,284,441
Add: Balance Brought Forward		112,539,379	100,123,809	100,123,809
Total Amount Available		185,167,736	117,242,983	258,408,250
Final Dividend		—	—	40,227,030
Dividend Tax		—	51,451	5,641,841
Transferred to General Reserve		—	—	100,000,000
Balance Carried Forward to the Balance Sheet		185,167,736	117,191,532	112,539,379
Earnings Per Equity Share (par value Rs. 10 each)				
(Refer note 15, Schedule 16)				
Basic		4.51	1.07	9.84
Diluted		4.50	1.06	9.82
Number of Shares used in Computing Earning Per Share				
Basic		16,090,812	16,062,812	16,082,144
Diluted		16,124,211	16,093,963	16,106,121

Notes to the accounts 16

The schedules referred to above form an integral part of the financial statements.

As per our report of even date

For BSR & Co.
(formerly Bharat S Raut & Co.)
Chartered Accountants

For and on behalf of the Board of Directors

Akhil Bansal
Partner
Membership No. 090906

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

Vishnu R Dusad
Managing Director

Gurgaon
July 18, 2005

NOIDA (U.P.)
July 18, 2005

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary



NUCLEUS SOFTWARE EXPORTS LTD.

Cash Flow Statement for the quarter ended 30 June 2005

All amounts in Rupees

	For the quarter ended 30 June 2005	For the quarter ended 30 June 2004	For the year ended 31 March 2005
A. Cash flow from operating activities			
Net profit before tax	78,181,326	17,937,316	166,536,283
<i>Adjustment for:</i>			
Depreciation	10,721,649	5,294,904	30,485,086
Exchange difference on translation of foreign currency accounts	(536,415)	(847,688)	(7,542,219)
Dividend income from investments	(905,878)	(456,614)	(3,142,614)
Interest income	(2,033,679)	(200,538)	(4,576,121)
Profit on sale of investments	(2,338,575)	(1,353,973)	(11,545,008)
Amortisation of employees stock compensation expenses	472,075	242,959	1,328,237
(Profit)/Loss on sale of fixed assets	121,767	—	(50,054)
Loss on assets discarded	67,551	—	312,741
Bad debts written off	1,385,000	—	1,769,799
Advances and other current assets written off	2,813,754	—	2,813,725
Provision for doubtful debts/advances	69,251	(547,834)	4,464,041
Provision for gratuity and leave encashment	607,000	—	547,966
Miscellaneous expenditure written off	—	(650,000)	—
Operating profit before working capital changes	88,624,826	19,418,532	181,401,862
Decrease / (increase) in debtors	(35,714,862)	10,207,164	(18,815,522)
Decrease / (increase) in loans and advances	(3,289,316)	(997,264)	1,094,437
Decrease / (increase) in other current assets	(17,423,702)	(2,659,921)	829,024
(Decrease) / increase in current liabilities	(29,827,140)	22,386,931	273,107,180
	2,369,806	48,355,442	437,616,981
Direct taxes received / (paid)	(730,327)	2,401,975	(507,919)
<i>Net cash from operating activities (A)</i>	1,639,479	50,757,417	437,109,062
B. Cash flow from investing activities			
Purchase of fixed assets/capital work in progress	(11,016,425)	(38,673,411)	(116,725,059)
Sale of fixed assets	196,050	—	101,853
Purchase of investments (net)	(68,166,824)	11,239,712	6,463,717
Investment in subsidiaries	—	(2,999,940)	(13,186,700)
Other long term investment	—	—	(136,882,640)
Loan and advances to subsidiaries (net)	1,048,585	(3,150,857)	8,927,637
Interest received	788,714	69,874	1,531,422
Tax paid	(252,538)	(250,000)	(1,405,011)
Dividend received from investments	905,878	456,614	3,142,614
<i>Net cash used in investing activities (B)</i>	(76,496,560)	(33,308,008)	(248,032,167)
C. Cash flow from financing activities			
Dividend paid	—	—	(22,445,134)
Proceeds from employee stock option exercised	—	—	196,000
Receipt from share application money	620,500	255,000	315,000
<i>Net cash used in financing activities (C)</i>	620,500	255,000	(21,934,134)
Net increase/(decrease) in cash and cash equivalents	(74,236,581)	17,704,409	167,142,761
Cash and cash equivalents opening balance	190,561,641	23,473,161	23,473,161
Exchange difference on translation of foreign currency bank accounts	(52,061)	351,720	(54,281)
Cash and cash equivalent closing balance	116,272,999	41,529,290	190,561,641

* Includes fixed deposits amounting to Rs.7,496,635 (Rs.5,419,488 ; Rs.7,496,635) under lien with bank for guarantees issued on behalf of the Company.

Notes:

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

As per our report of even date

For BSR & Co.
(formerly Bharat S Raut & Co.)
Chartered Accountants

Akhil Bansal
Partner
Membership No. 090906

Gurgaon
July 18, 2005

For and on behalf of the Board of Directors

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

Vishnu R Dusad
Managing Director

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

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

All amounts in Rupees

	As at 30 June 2005	As at 30 June 2004	As at 31 March 2005
SCHEDULE—1			
SHARE CAPITAL			
Authorised Capital			
20,000,000 (20,000,000; 20,000,000) equity shares of Rs. 10 each	200,000,000	200,000,000	200,000,000
Issued, subscribed and paid up			
Issued			
16,093,612 (8,034,206; 16,093,612) equity shares of Rs. 10 each	160,936,120	80,342,060	160,936,120
Subscribed and paid up			
16,090,812 (8,031,406; 16,090,812) equity shares of Rs. 10 each, fully paid up	160,908,120	80,314,060	160,908,120
Of the above:			
8,045,406 equity shares of Rs. 10 each have been issued as bonus shares by capitalisation of securities premium account in the year ended 31 March 2005			
2,637,050 equity shares of Rs. 10 each have been issued as bonus shares by capitalisation of general reserve and securities premium account in the year ended 31 March 2002			
1,452,270 equity shares of Rs. 10 each have been issued as bonus shares by capitalisation of general reserve in the year ended 31 March 1995			
Add: 2,800 (2,800 ; 2,800) forfeited equity shares pending for reissue	15,000	15,000	15,000
	160,923,120	80,329,060	160,923,120
SCHEDULE—2			
RESERVES AND SURPLUS			
General Reserve			
Balance as at 1 April	341,454,695	241,454,695	241,454,695
Add: Transferred from Profit and Loss Account	—	—	100,000,000
	341,454,695	241,454,695	341,454,695
Securities premium account			
Balance as at 1 April	161,702,709	240,546,769	240,546,769
Add: Conversion of stock options issued to employees	—	—	1,610,000
Less: Amount utilised for issuance of 8,045,406 bonus shares of Rs. 10 each	—	—	80,454,060
	161,702,709	240,546,769	161,702,709
Capital reserve account			
Balance as at 1 April	1,480,030	1,480,030	1,480,030
Add: Amount forfeited against employees stock option plan	10,000	—	—
	1,490,030	1,480,030	1,480,030
Employee stock options			
Balance as at 1 April	2,304,350	1,532,000	1,532,000
Add: Options granted during the period/year	3,288,888	1,961,000	2,186,350
Less: Reversal on forfeiture of stock options granted	74,000	—	—
Less: Transferred to securities premium on exercise of stock option	—	—	1,414,000
	5,519,238	3,493,000	2,304,350
Less: Deferred employee compensation	(3,806,894)	(1,924,009)	(1,064,081)
	1,712,344	1,568,991	1,240,269
Profit and Loss Account balance	185,167,736	117,191,532	112,539,379
	691,527,514	602,242,017	618,417,082



Schedules forming part of the financial statements

**SCHEDULE—3
FIXED ASSETS**

Particulars	GROSS BLOCK		ACCUMULATED DEPRECIATION		NET BLOCK		
	As at 1 April, 2005	Additions	Deductions/ Adjustments	As at 30 June, 2005	As at 30 June, 2005	As at 30 June, 2004	As at 31 March, 2005
Tangibles							
Freehold land	3,360,720	—	—	—	3,360,720	3,360,720	3,360,720
Leasehold land	64,195,000	—	—	2,353,038	61,841,962	62,559,446	62,020,842
Building	111,744,809	—	—	4,602,737	107,142,072	1,571,408	108,133,535
Office and other equipment	52,796,815	507,559	—	18,721,105	34,583,269	5,196,815	36,855,792
Computers	72,592,035	11,256,279	(60,210)	45,193,123	38,585,981	21,744,783	30,928,804
Vehicles	10,170,701	—	—	4,846,960	5,323,741	2,304,104	5,737,801
Furniture and fixtures	27,281,527	67,805	(446,050)	16,140,502	10,762,780	3,156,669	12,090,059
Intangibles							
Software	60,134,854	1,384,553	—	56,370,497	5,148,910	2,564,153	5,512,703
Total	402,276,461	13,216,196	(515,260)	137,636,205	266,749,435	102,458,098	264,640,256
Previous period	225,770,945	3,744,304	—	121,762,247	102,458,098	—	—
Previous year	225,770,945	191,481,184	(14,975,668)	121,762,247	30,465,086	(14,611,128)	137,636,205



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 June 2005	As at 30 June 2004	As at 31 March 2005
SCHEDULE—4			
INVESTMENTS			
Long term investments			
Equity shares - Non-Trade and unquoted			
10,040,000 (Nil ; 10,040,000) equity shares of Rs. 10 each, fully paid up, in GMAC Financial Services India Limited (Of the above, 80,000 (Nil ; 80,000) equity shares are held by nominees on behalf of the Company)	136,882,640	—	136,882,640
	136,882,640	—	136,882,640
Equity shares in wholly owned subsidiaries - Non-trade and unquoted			
625,000 (625,000 ; 625,000) equity shares of SGD 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore, a wholly owned subsidiary	16,319,950	16,319,950	16,319,950
1,000,000 (1,000,000 ; 1,000,000) equity shares of USD 0.35 each, fully paid up, in Nucleus Software Inc., USA, a wholly owned subsidiary	16,293,150	16,293,150	16,293,150
200 (200 ; 200) equity shares of JPY 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaiga, Japan, a wholly owned subsidiary	4,092,262	4,092,262	4,092,262
316,000 (219,000; 316,000) equity shares of Aus \$ 1 each, fully paid up, in Nucleus Software (Australia) Pty. Ltd. Australia, a wholly owned subsidiary	9,790,955	6,604,255	9,790,955
100,000 (100,000; 100,000) equity shares of HK \$ 1 each, fully paid up, in Nucleus Software (HK) Ltd. Hong Kong, a wholly owned subsidiary	619,885	619,885	619,885
1,000,000 (299,994; 1,000,000) equity shares of Rs. 10 each, fully paid up, in Virstra i-Technology Services Limited, India, a wholly owned subsidiary (of the above, 6 (Nil; 6) equity shares are held by nominees on behalf of the company)	10,000,000	2,999,940	10,000,000
	57,116,202	46,929,442	57,116,202
Current investments			
Investments in bonds and mutual funds - Non trade and unquoted			
Nil (3,764,682; Nil) units of face value of Rs. 10 each of Alliance Cash Manager-Institutional Plan-Growth	-	39,037,251	-
Nil (17,048; 10,317) units of face value of Rs. 1,000 each of Templeton India Treasury Management - Growth	-	27,000,000	16,500,000
4,322,224 (3,568,789; 2,066,606) units of face value of Rs. 10 each of HDFC Cash management Fund-Saving Plan-Growth	59,742,894	46,700,000	27,500,000
460,889 (3,314,286; 460,889) units of face value of Rs. 10 each of HSBC Cash Fund -Growth	5,000,000	34,600,000	5,000,000
1,202,390 (791,709; 1,202,390) units of face value of Rs. 10 each of Kotak Liquid- Institutional Plan -Growth	15,800,000	10,000,000	15,800,000



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 June 2005	As at 30 June 2004	As at 31 March 2005
Nil (2,407,515; Nil) units of face value of Rs. 10 each of HSBC Cash Fund - Institutional Plan - Dividend	-	25,129,261	-
3,605,681 (2,463,766; 3,605,681) units of face value of Rs. 10 each of J M High Liquidity Fund -Institutional Plan-Growth	39,000,000	25,740,071	39,000,000
Nil (2,368,948; Nil) units of face value of Rs. 10 each of J M High Liquidity Fund -Institutional Plan-Dividend	-	23,736,494	-
Nil (2,717,484; Nil) units of face value of Rs. 10 each of Reliance Liquid Fund Super Cash Plan -Growth	-	28,508,560	-
Nil (500,000; 500,000) units of face value of Rs. 10 each of Reliance Fixed Term Scheme-Annual Plan -3- Growth	-	5,000,000	5,000,000
Nil (17,331; Nil) units of face value of Rs. 1000 each of UTI Liquid Advantage Fund-Institutional Plan-Growth	-	20,151,828	-
Nil (856; Nil) units of face value of Rs. 1,000 each of Templeton India Treasury Management - Dividend	-	1,064,595	-
254,087 (2,558,506; 254,087) units of face value of Rs. 10 each of Birla Cash Plus-Institutional Plan-Growth	4,500,000	43,600,000	4,500,000
Nil (500,000; 500,000) units of face value of Rs. 10 each of Birla FMP Yearly GR. 14 Plan B-Growth	-	5,000,000	5,000,000
992,418 (Nil; 1,229,103) units of face value of Rs. 10 each of DSP Merrill Lynch Liquidity Fund-Daily Dividend	9,934,102	-	12,303,323
1,741,470 (Nil; 4,714,328) units of face value of Rs. 10 each of Birla Cash Plus-Institutional Plan-Dividend	18,812,962	-	50,917,241
Nil (Nil; 2,269,873) units of face value of Rs. 10 each of HDFC Cash management Fund-Saving Plan-Dividend	-	-	24,143,277
3,635,141 (Nil; 3,635,141) units of face value of Rs. 10 each of HSBC Cash Fund - Institutional Plan - Growth	40,000,000	-	40,000,000
2,040,247 (Nil; 2,017,680) units of face value of Rs. 10 each of DSP Merrill Lynch Floating Rate Fund-Daily Dividend	20,447,368	-	20,221,277
5,874,919 (Nil; 5,812,723) units of face value of Rs. 10 each of Deutsche Insta Cash Plus Fund-Institutional Plan-Growth	59,999,972	-	59,349,972
500,000 (Nil; 500,000) units of face value of Rs. 10 each of UTI Fixed Maturity Plan-YFMP 11/2004-Growth	5,000,000	-	5,000,000
2,000,000 (Nil; 2,000,000) units of face value of Rs. 10 each of Prudential ICICI FMP Series 5-Institutional-Growth	20,000,000	-	20,000,000
10,000,000 (Nil; Nil) units of face value of Rs. 10 each of Reliance Fixed Maturity Fund-SeriesII-Annual Paln-I-Growth	10,000,000	-	-



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 June 2005	As at 30 June 2004	As at 31 March 2005
1,228,350 (Nil; Nil) units of face value of Rs. 10 each of DSP Merrill Lynch Liquidity Fund-Daily Growth	20,000,000	-	-
2,985,857 (Nil; Nil) units of face value of Rs. 10 each of SBI Magnum Institutional Income Fund-Saving-Growth	32,000,000	-	-
1,229,594 (Nil; Nil) units of face value of Rs. 10 each of Reliance Liquid Fund-Treasury Plan-Institutional -Growth	20,000,000	-	-
1,975,869 (Nil; Nil) units of face value of Rs. 10 each of ABN Amro Cash Fund-Institutional-Growth	20,500,000	-	-
1,000,319 (Nil; Nil) units of face value of Rs. 10 each of ABN Amro Cash Fund-Institutional-Dividend	10,003,191	-	-
951,565 (Nil; Nil) units of face value of Rs. 10 each of ING Vysya Liquid Fund Institutional-Growth	10,000,000	-	-
	<u>420,740,489</u>	<u>335,268,060</u>	<u>350,235,090</u>
	<u>614,739,331</u>	<u>382,197,502</u>	<u>544,233,932</u>

Notes:

1. Investments in mutual funds include unutilised proceeds raised by preferential issue of equity shares.
2. Net asset value (NAV) of current investments Rs. 428,087,503 (Rs 341,771,336; 355,639,033) as at 30 June 2005.
3. Refer note 7, schedule 16 for details of investments purchased and sold during the quarter ended 30 June 2005.



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 June 2005	As at 30 June 2004	As at 31 March 2005
SCHEDULE—5			
SUNDRY DEBTORS (UNSECURED)			
Debts outstanding for a period exceeding six months			
—Considered good	5,089,901	5,242,214	4,273,016
—Considered doubtful	20,044,627	15,434,953	19,975,336
	25,134,528	20,677,167	24,248,352
Less: Provision for doubtful debts	(20,044,627)	(15,434,953)	(19,975,336)
	5,089,901	5,242,214	4,273,016
Other debts (considered good)	156,143,975	100,944,679	123,355,534
	161,233,876	106,186,893	127,628,550

SCHEDULE—6 **CASH AND BANK BALANCES**

Cash in hand [including cheques in hand Rs.5,063,359 (Nil ; Rs.3,267,878)]	5,198,634	158,324	3,778,025
Balances with scheduled banks			
—in current accounts	15,851,165	35,083,291	35,964,325
—in fixed deposit accounts*	94,997,635	5,419,488	127,297,635
Balances with non scheduled banks			
—in current account (Citibank, United Kingdom) [Maximum amount outstanding Rs.918,769 (Rs.1,105,991 ; Rs.2,533,996)]	225,565	868,187	237,336
Remittance in transit	—	—	23,284,320
	116,272,999	41,529,290	190,561,641

* include fixed deposits amounting to Rs.7,496,635 (Rs.5,419,488 ; Rs.7,496,635) under lien with bank on account of guarantees issued on behalf of the Company.

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

Advances recoverable in cash or in kind or for value to be received	10,240,438	8,125,581	7,365,173
Loans and advances to subsidiaries*	28,182,373	29,486,863	25,591,425
Security deposits	4,465,270	9,089,917	4,302,697
Advance income tax [net of provision Nil (Rs.19,326,454 ; Nil)]	—	312,588	—
Prepaid expenses	6,127,778	2,507,900	5,484,110
	49,015,859	49,522,849	42,743,405

* includes loan amounting to Rs.5,168,000 (Rs.10,728,000 ; Rs.5,308,000) to Nucleus Software Solutions Pte. Ltd., Singapore and Rs.5,113,600 (Rs.7,256,025 ; Rs.5,145,325) to Nucleus Software Inc., USA, wholly owned subsidiaries of the Company.



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 June 2005	As at 30 June 2004	As at 31 March 2005
SCHEDULE—8			
OTHER CURRENT ASSETS			
Service income accrued but not due	37,552,362	29,236,859	22,942,414
Interest accrued but not due	4,939,241	791,923	3,694,876
	<u>42,491,603</u>	<u>30,028,782</u>	<u>26,637,290</u>

SCHEDULE—9 **CURRENT LIABILITIES**

Sundry creditors*	53,390,199	73,672,002	62,484,546
Withholding tax	6,783,175	5,677,080	4,477,020
Due to subsidiaries	14,106,674	2,290,410	10,602,021
Advances from customers	252,847,326	18,916,620	274,870,717
Unclaimed dividends	443,423	262,491	467,532
Other liabilities	5,399,772	4,359,671	6,138,491
Book overdraft	—	4,160,931	—
	<u>332,970,569</u>	<u>109,339,205</u>	<u>359,040,327</u>

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

SCHEDULE—10 **PROVISIONS**

Gratuity	8,629,978	7,396,584	8,367,978
Leave encashment	6,173,221	5,601,649	5,828,221
Income tax [Net of advance tax Rs.19,845,945 (Nil ; Rs.19,098,728)]	5,007,973	—	1,890,838
Fringe benefit tax	875,000	—	—
Dividend	40,227,030	20,078,515	40,227,030
Corporate Dividend tax	5,641,841	2,624,011	5,641,841
	<u>66,555,043</u>	<u>35,700,759</u>	<u>61,955,908</u>



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended 30 June 2005	For the quarter ended 30 June 2004	For the year ended 31 March 2005
SCHEDULE—11			
SALES AND SERVICES			
Software development services and products			
— Domestic	39,802,797	21,280,305	113,988,623
— Overseas	175,560,444	109,118,837	556,334,913
	<u>215,363,241</u>	<u>130,399,142</u>	<u>670,323,536</u>

SCHEDULE—12

SOFTWARE DEVELOPMENT EXPENSES

Salaries and allowances	43,442,022	41,149,535	174,097,981
Contribution to provident and other funds	2,405,610	2,154,494	9,432,850
Directors' remuneration	1,760,000	360,000	3,600,000
Employee's stock compensation expenses	377,811	180,533	1,113,439
Staff welfare	1,425,704	1,269,281	5,663,785
Conveyance	819,442	824,653	3,162,336
Communication	2,492,049	1,770,036	10,890,087
Rent	775,777	1,778,916	6,573,552
Legal and professional	1,255,840	2,212,254	5,743,476
Repair and maintenance			
—Building	75,154	21,481	357,028
—Others	865,279	560,377	3,237,811
Training and recruitment	1,261,824	1,239,881	4,030,130
Printing and stationery	67,042	61,568	308,342
Insurance	565,420	161,789	972,056
Software and other development charges	900,009	2,149,815	6,733,076
Cost of software purchased for delivery to clients	1,905,981	2,226,775	4,032,905
Travelling	27,666,429	19,058,944	93,414,713
Consultancy charges	—	836,079	895,079
Power and fuel	2,361,839	2,780,143	10,636,468
Information technology expenses	349,725	1,056,919	2,582,044
Miscellaneous expenses	225,234	572,281	3,077,692
	<u>90,998,191</u>	<u>82,425,754</u>	<u>350,554,850</u>



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended 30 June 2005	For the quarter ended 30 June 2004	For the year ended 31 March 2005
SCHEDULE—13			
SELLING AND MARKETING EXPENSES			
Salaries and allowances	6,882,475	2,276,406	14,897,026
Contribution to provident and other funds	370,297	138,458	872,966
Directors' remuneration	1,760,000	360,000	3,600,000
Employee's stock compensation expenses	53,989	37,491	113,677
Staff welfare	300,257	71,744	656,334
Conveyance	252,542	151,466	655,027
Communication	378,749	428,786	1,858,727
Rent	367,900	463,019	1,791,476
Legal and professional	1,114,843	—	353,365
Repair and maintenance			
—Building	7,515	1,488	41,438
—Others	86,528	42,252	323,750
Training and recruitment	86,380	19,749	242,963
Printing and stationery	43,723	45,104	280,341
Insurance	74,568	19,959	120,381
Travelling	3,485,419	3,105,634	13,748,887
Advertisement and business promotion	1,380,038	801,428	4,798,247
Power and fuel	228,394	181,688	896,950
Conference, exhibition and seminar	136,068	243,557	2,540,545
Information technology expenses	46,436	59,878	181,400
Commission on sales	585,656	167,050	2,307,299
Miscellaneous expenses	41,367	69,126	220,411
	<u>17,683,144</u>	<u>8,684,283</u>	<u>50,501,210</u>



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended 30 June 2005	For the quarter ended 30 June 2004	For the year ended 31 March 2005
SCHEDULE—14			
GENERAL AND ADMINISTRATION EXPENSES			
Salaries and allowances	4,655,507	3,659,529	20,817,323
Contribution to provident and other funds	299,714	253,720	1,340,031
Directors' remuneration	970,000	260,000	2,265,000
Employee's stock compensation expenses	40,275	24,935	101,121
Staff welfare	247,644	112,562	1,023,862
Conveyance	260,897	286,976	1,301,240
Communication	979,841	858,780	3,676,577
Rent	68,500	305,010	1,284,630
Rates and taxes	423,120	82,278	631,482
Legal and professional	1,966,957	1,387,621	7,606,823
Repair and maintenance			
—Building	26,304	4,439	110,382
—Others	302,847	121,408	944,804
Training and recruitment	54,939	197,814	1,005,597
Printing and stationery	410,527	302,492	1,358,733
Loss on sale of fixed assets (net)	121,767	—	—
Loss on discarded assets	67,551	—	312,741
Insurance	104,806	107,511	294,084
Bank charges	416,163	165,543	1,042,019
Travelling	822,395	358,562	1,291,601
Advertisement	227,235	109,540	260,656
Power and fuel	736,009	519,309	2,586,423
Conference, exhibition and seminar	—	32,398	341,554
Information technology expenses	35,553	124,343	325,013
Bad debts written off	1,385,000	—	1,769,799
Advances/other current assets written off	2,813,754	—	2,813,725
Provision for doubtful debts/advances/other current assets	69,251	(547,834)	4,464,041
Miscellaneous expenses	1,445,108	1,181,385	6,861,970
	<u>18,951,664</u>	<u>9,908,321</u>	<u>65,831,231</u>
SCHEDULE—15			
OTHER INCOME			
Dividend received from non-trade investments	905,878	456,614	3,142,614
Gain/(loss) on foreign exchange fluctuation (net)	528,978	(134,098)	6,874,670
Interest on fixed deposits and loans to subsidiaries [Gross of tax deducted at source Rs.93,398 (Rs.3,371 ; Rs.66,586)]	2,033,679	200,538	4,576,121
Profit on sale of fixed assets (net)	—	—	50,054
Profit on sale of investments (net)	2,338,575	1,353,973	11,545,008
Miscellaneous income	542,057	197,021	4,826,306
	<u>6,349,167</u>	<u>2,074,048</u>	<u>31,014,773</u>



Schedules forming part of the financial statements

SCHEDULE—16

Significant accounting policies and notes to the accounts

1. Background

Nucleus Software Exports Ltd. ('Nucleus' or 'the Company') was incorporated on 9 January 1989 in India as a private limited company. It was subsequently converted into a public limited company on 10 October 1994. The Company made an initial public offer (IPO) in August 1995. As at 30 June 2005, the Company is listed on three stock exchanges in India namely National Stock Exchange, Bombay Stock Exchange and Madras Stock Exchange. The Company has wholly owned subsidiaries in Singapore, USA, Japan, Australia, Hong-Kong and India. The Company's business consists of software product development and marketing and providing support services mainly for corporate business entities in the banking and financial services sector.

2. Significant accounting policies

(i) Basis of preparation

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") and mandatory accounting standards issued by the Institute of Chartered Accountants of India ("ICAI"). All income and expenditure having a material bearing on the financial statements are recognised on the accrual basis.

Accounting policies followed in the interim financial statements are the same as those followed in most recent annual financial statements.

(ii) Use of estimates

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

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

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

(iii) Revenue recognition

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



recognised in accordance with the percentage completion method. Anticipated losses, if any, upto the completion of contract are recognised immediately.

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

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

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

(iv) Expenditure

Expenses are accounted for on accrual basis and provisions are made for all known losses and liabilities. Gratuity and leave encashment are recognised on the basis of actuarial valuation.

(v) Fixed assets

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

(vi) Depreciation

Depreciation on fixed assets, except leasehold land, is provided on the straight-line method based on useful lives of respective assets as estimated by the management. Leasehold land is amortised over the balance period of lease of 88 years. Depreciation is charged on a pro-rata basis for assets purchased/sold during the period. Assets costing less than Rs. 5,000 are fully depreciated in the period of purchase.

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

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

(vii) Investments

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

(viii) Research and development expenses for software products

Research and development costs are expensed as incurred. Software product development costs incurred subsequent to the achievement of technological feasibility are not material and are expensed as incurred.



(ix) Foreign exchange transactions

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

In the case of forward contracts:

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

(x) Retirements benefits

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

(xi) Employee stock option based compensation

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

(xii) Operating leases

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

(xiii) Earnings per share

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

(xiv) Taxation

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax based on the tax liability computed after considering tax allowances and exemptions. The differences that result between the profit offered for income taxes and the profit as per the financial statements are identified and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely



the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantially enacted regulations. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only to the extent there is virtual certainty of realisation of such assets. In other situations, deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Such assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized. Deferred tax assets or liabilities arising due to timing differences, originating during the tax holiday period and reversing after the tax holiday period are recognised in the period in which the timing difference originates.

3. Deferred tax asset

Components of net deferred tax asset:

(Amounts in Rupees)

	As at 30 June 2005	As at 30 June 2004	As at 31 March 2005
Deferred tax asset			
Provision for doubtful debts	1,058,478	1,259,133	1,291,511
Provision for retirement benefits	1,599,196	1,783,900	1,679,592
Excess depreciation as per books over the depreciation as per the Income-tax Act, 1961	—	321,336	—
	2,657,674	3,364,369	2,971,103
Deferred tax liability			
Excess depreciation as per the Income-tax Act, 1961 over depreciation as per books	(1,036,643)	—	(772,103)
Net deferred tax asset	1,621,031	3,364,369	2,199,000

4. Employees Stock Option Plan ("ESOP")

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

The Company has instituted three ESOP schemes: ESOP scheme - 1999 in fiscal 2000, ESOP scheme - 2002 in fiscal 2002 and ESOP scheme - 2005 in fiscal 2005. These schemes were duly approved by the Board of Directors and shareholders in their respective meetings. The 1999 scheme provides for the issue of 170,000 equity shares, 2002 scheme for 225,000 equity shares and 2005 scheme for 600,000 equity shares to eligible employees. These schemes are administered by a Compensation Committee comprising of four members, the majority of whom are independent directors.



NUCLEUS SOFTWARE EXPORTS LTD.

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

(Amounts in Rupees)

1999 Stock Option Scheme

	Quarter ended		Year ended
	30 June 2005	30 June 2004	31 March 2005
Options outstanding at the beginning of the period	27,500	15,000	15,000
Options granted	—	26,500	26,500
Options forfeited	(1,000)	—	—
Options exercised	—	—	(14,000)
	26,500	41,500	27,500

2002 Stock Option Scheme

	Quarter ended		Year ended
	30 June 2005	30 June 2004	31 March 2005
Options outstanding at the beginning of the period	5,000	—	—
Options granted	59,250	—	5,000
Options forfeited	—	—	—
Options exercised	—	—	—
	64,250	—	5,000

No options have so far been granted under the 2005 stock option scheme.

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

(Amounts in Rupees)

	Quarter ended		Year ended
	30 June 2005	30 June 2004	31 March 2005
Balance brought forward	1,064,081	205,968	205,968
Add: Recognised during the period	3,288,888	1,961,000	2,186,350
Less: Amortisation expense	472,075	242,959	1,328,237
Less: Reversal due to forfeiture	74,000	—	—
Balance carried forward	3,806,894	1,924,009	1,064,081

5. Forward contracts

Exchange gain in respect of forward exchange contracts to be recognised in the Profit and Loss account of the subsequent accounting period is Rs. 289,047 (Rs. 15,525; Rs. 199,098). As at 30 June 2005, the Company has outstanding forward contracts for USD 2,791,200 (USD 900,000; USD 2,000,000).



6. Managerial remuneration

(Amounts in Rupees)

	Quarter ended		Year ended
	30 June 2005	30 June 2004	31 March 2005
A. Managing Director			
Salary and perquisites	540,000	540,000	2,160,000
Contribution to provident and other funds	36,000	36,000	144,000
Commission	3,074,000	174,000	5,196,000
	3,650,000	750,000	7,500,000
B. Non Executive Directors			
Commission	750,000	150,000	1,500,000
Sitting fees	90,000	80,000	465,000
	840,000	230,000	1,965,000

Notes:

1. The limits for the purpose of computing managerial remuneration as per Section 349 of the Companies Act, 1956 apply only with reference to the financial year of the Company for the purpose of the Companies Act, 1956, which ends on 31 March 2006.
2. The above remuneration does not include expense towards retirement benefits as the same is based on actuarial valuation.

7. Details of investments purchased and sold during the quarter ended 30 June 2005

Name of the investment	Face value	Purchased during the quarter		Sold during the quarter	
	Amount (Rupees)	Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
Templeton TMA-(D)	1,000	8,300	12,550,479	8,300	12,550,479
HDFC Cash Management SP-(D)	10	9,366	99,619	9,366	99,619

8. Segment reporting - Basis of preparation

(i) Segment accounting policies

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

(ii) Composition of reportable segments

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

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



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

For the quarter ended 30 June 2005

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	Others	Total
Revenue from external customers	39,802,797	25,954,972	71,963,805	39,905,198	37,736,469	215,363,241
Expenses	29,765,450	17,944,116	35,400,190	19,956,238	18,563,195	121,629,189
Segment result	10,037,347	8,010,856	36,563,615	19,948,960	19,173,274	93,734,052
Unallocated corporate expenditure						21,901,893
Operating profit before taxation						71,832,159
Other income						6,349,167
Profit before tax						78,181,326
Provision for taxation - current						(4,100,000)
Provision for taxation - fringe benefit						(875,000)
Provision for taxation-deferred						(577,969)
Net profit after taxation						72,628,357

For the quarter ended 30 June 2004

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	Others	Total
Revenue from external customers	21,280,305	40,750,706	49,903,712	3,198,869	15,265,550	130,399,142
Expenses	24,864,435	34,464,898	32,136,561	2,339,372	9,830,577	103,635,843
Segment result	(3,584,130)	6,285,808	17,767,151	859,497	5,434,973	26,763,299
Unallocated corporate expenditure						10,900,031
Operating profit before taxation						15,863,268
Other income						2,074,048
Profit before tax						17,937,316
Provision for taxation - current						(250,000)
Provision for taxation-fringe benefit						-
Provision for taxation-deferred						(568,142)
Net profit after taxation						17,119,174

**NUCLEUS SOFTWARE EXPORTS LTD.****For the year ended 31 March 2005***(Amounts in Rupees)*

Description	India	Far East	Singapore	Europe	Others	Total
Revenue from external customers	113,709,274	183,347,306	222,706,473	44,782,090	105,778,393	670,323,536
Expenses	115,451,238	143,553,633	125,637,729	23,763,640	58,621,727	467,027,967
Segment result	(1,741,964)	39,793,673	97,068,744	21,018,450	47,156,666	203,295,569
Unallocated corporate expenditure						67,774,059
Operating profit before taxation						135,521,510
Other income						31,014,773
Profit before tax						166,536,283
Provision for taxation - current						(6,500,000)
Provision for taxation-fringe benefit						-
Provision for taxation-deferred						(1,733,511)
Provision for wealth tax						(18,331)
Net profit after taxation						158,284,441

Assets and liabilities of reportable primary segment are as follows:

As at 30 June 2005*(Amounts in Rupees)*

Description	India	Far East	Singapore	Europe	Others	Total
Segment assets	49,641,783	33,221,340	87,450,586	-	56,716,744	227,030,453
Unallocated corporate assets						1,025,881,293
Total assets						1,252,911,746
Segment liabilities	15,646,605	22,735,632	7,779,445	236,979,692	11,532,791	294,674,165
Unallocated corporate liabilities						104,851,447
Total liabilities						399,525,612
Capital employed						853,386,134

**NUCLEUS SOFTWARE EXPORTS LTD.****As at 30 June 2004***(Amounts in Rupees)*

Description	India	Far East	Singapore	Europe	Others	Total
Segment assets	26,851,753	28,071,163	51,637,791	4,923,043	53,426,865	164,910,615
Unallocated corporate assets						663,105,426
Total assets						828,016,041
Segment liabilities	21,103,881	17,028,234	13,770,417	731,451	11,361,418	63,995,401
Unallocated corporate liabilities						81,044,563
Total liabilities						145,039,964
Capital employed						682,976,077

As at 31 March 2005*(Amounts in Rupees)*

Description	India	Far East	Singapore	Europe	Others	Total
Segment assets	44,911,193	20,280,237	64,519,729	376,712	46,074,516	176,162,387
Unallocated corporate assets						1,024,499,050
Total assets						1,200,661,437
Segment liabilities	16,157,854	18,338,595	8,386,327	264,209,164	5,799,733	312,891,673
Unallocated corporate liabilities						108,104,562
Total liabilities						420,996,235
Capital employed						779,665,202

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

For the quarter ended 30 June 2005*(Amounts in Rupees)*

Description	India	Far East	Singapore	Europe	Others	Total
Capital expenditure (unallocated)						13,216,196
Total capital expenditure						13,216,196
Depreciation expenditure (unallocated)						10,721,649
Total depreciation						10,721,649
Segment non-cash expense other than depreciation	853,618	47,329	514,464	72,768	3,251,901	4,740,080
Total non cash expenditure other than depreciation	853,618	47,329	514,464	72,768	3,251,901	4,740,080



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For the quarter ended 30 June 2004

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	Others	Total
Capital expenditure (unallocated)						3,744,304
Total capital expenditure						3,744,304
Depreciation expenditure (unallocated)						5,294,904
Total depreciation						5,294,904
Segment non-cash expense other than depreciation	(785,419)	61,003	74,705	4,789	340,047	(304,875)
Total non cash expenditure other than depreciation	(785,419)	61,003	74,705	4,789	340,047	(304,875)

For the year ended 31 March 2005

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	Others	Total
Capital expenditure (unallocated)						191,481,184
Total capital expenditure						191,481,184
Depreciation expenditure (unallocated)						30,485,086
Total depreciation						30,485,086
Segment non-cash expense other than depreciation	2,256,570	307,697	701,927	469,355	6,640,253	10,375,802
Total non cash expenditure other than depreciation	2,256,570	307,697	701,927	469,355	6,640,253	10,375,802

9. Related party disclosures

a) List of related parties

Parties where control exists:

Wholly owned subsidiary companies

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

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

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

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

Key managerial personnel:

- Vishnu R Dusad (Managing Director)

**NUCLEUS SOFTWARE EXPORTS LTD.****b) Transactions with related parties***(All amounts in Rs.)*

	Quarter ended 30 June 2005	Quarter ended 30 June 2004	Year ended 31 March 2005
i. Software development services and products			
Wholly owned subsidiary companies	113,088,979	82,628,185	434,189,582
ii. Other income			
Wholly owned subsidiary company	359,028	—	4,196,752
iii. Managerial remuneration			
Key managerial personnel	3,650,000	750,000	7,500,000
iv. Reimbursement of expenses			
From wholly owned subsidiary companies	4,731,622	7,412,623	25,769,408
To wholly owned subsidiary companies	6,134,657	2,415,978	15,773,375
v. Commission paid			
To wholly owned subsidiary company	—	167,050	544,659
vi. Interest received			
From wholly owned subsidiary companies	123,690	196,545	708,743
vii. Loans and advances			
Given to wholly owned subsidiary company	4,100,000	—	11,551,259
Repaid by wholly owned subsidiary company	4,100,000	—	15,283,505
viii. Investments			
VirStra I-Technology Services Limited	—	2,999,940	10,000,000
Nucleus Software (Australia) Pty. Ltd.	—	—	3,186,700

c) Outstanding Balances as at period/year end*(Amounts in Rupees)*

	As at 30 June 2005	As at 30 June 2004	As at 31 March 2005
Loans and Advances			
To wholly owned subsidiary companies	28,182,373	29,486,863	25,591,425
From wholly owned subsidiary companies	14,106,674	2,290,410	10,602,021
Debtors			
Wholly owned subsidiary companies	124,593,331	44,151,268	81,763,093
Service income accrued but not due			
Wholly owned subsidiary companies	225,371	6,494,033	—
Interest income accrued but not due			
Wholly owned subsidiary companies	220,391	481,257	97,301

**NUCLEUS SOFTWARE EXPORTS LTD.***(Amounts in Rupees)*

	Quarter ended 30 June 2005	30 June 2004	Year ended 31 March 2005
10. Legal and professional includes payment to auditors			
- Audit fees (includes service tax)	551,000	432,000	1,644,200
- Other services	—	—	221,475
- Out of pocket expenses	32,400	52,500	163,300
Total	583,400	484,500	2,028,975
11. CIF value of imports			
Capital goods	10,387,446	1,430,404	19,837,449
Software packages	—	1,142,536	—
Total	10,387,446	2,572,940	19,837,449
12. Expenditure in foreign currency			
Travel expenses	25,360,772	17,765,947	89,400,350
Professional charges	1,025,130	1,517,059	2,022,656
Others	2,320,906	700,961	8,242,847
Total	28,706,808	19,983,967	99,665,853
13. Earnings in foreign currency			
Income from software development services and products	175,560,444	109,118,837	556,334,913
Interest	123,690	199,516	718,420
Total	175,684,134	109,318,353	557,053,333
14. Dividend remitted in foreign currency			
Amount remitted (net of tax)			
Final dividend (2004)	—	—	—*
Number of shares held			
Final dividend (2004)	—	—	132,324
Number of non-resident shareholders			
Final dividend (2004)	—	—	98

* Dividend was remitted in Indian Rupees.



(Amounts in Rupees)

	Quarter ended 30 June 2005	30 June 2004	Year ended 31 March 2005
15. Earnings per share			
Profit after taxation available to equity shareholders (Rupees)	72,628,357	17,119,174	158,284,441
Weighted average number of equity shares used in calculating basic earnings per share	16,090,812	16,062,812	16,082,144
Add: Effect of dilutive issue of shares	33,399	31,151	23,977
Weighted average number of equity shares used in calculating diluted earnings per share	16,124,211	16,093,963	16,106,121
Basic earnings per share (Rupees)	4.51	1.07	9.84
Diluted earnings per share (Rupees)	4.50	1.06	9.82

16. Capital commitments and contingent liabilities

- a. Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances) Rs. 4,115,669 (Rs. 36,301,257; Rs. 4,979,961).
- b. Claim against the Company not acknowledged as debt Rs. 324,000 (Rs. 324,000; 324,000).

17. The Company is constantly revisiting its transfer pricing model in respect of its transactions with the overseas subsidiaries and accordingly, is in the process of revising its system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income-tax Act, 1961, which require existence of these records latest by 31 October 2005. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

18. During the year ended 31 March 2005, the Company (together with its nominees) invested in 10,040,000 equity shares of face value of Rs. 10 each in GMAC Financial Services India Limited, representing 25.1% of the total equity share capital of the said company. GMAC Financial Services India Limited is a subsidiary of General Motors Acceptance Corporation (GMAC), a company incorporated in United States. The shareholders agreement between GMAC and the Company grants options to both the parties to exit the investment by 30 June 2008 at a price higher of the purchase price (including interest) and fair market value of investment.



NUCLEUS SOFTWARE EXPORTS LTD.

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

(Amounts in Rupees)

	Quarter ended		Year ended
	30 June 2005	30 June 2004	31 March 2005
Salaries and allowances	54,980,004	47,085,470	209,812,330
Contribution to provident and other funds	3,075,621	2,546,672	11,645,847
Directors' remuneration	4,490,000	980,000	9,465,000
Employee's stock compensation expenses	472,075	242,959	1,328,237
Staff welfare	1,973,605	1,453,587	7,343,981
Training and Recruitment	1,403,143	1,457,444	5,278,690
Software and other development charges	900,009	2,149,815	6,733,076
Cost of software purchased for delivery to clients	1,905,981	2,226,775	4,032,905
Travelling	31,974,243	22,523,140	108,455,201
Conveyance	1,332,881	1,263,095	5,118,603
Communication	3,850,639	3,057,602	16,425,391
Rent	1,212,177	2,546,945	9,649,658
Rates and taxes	423,120	82,278	631,482
Legal and professional	4,337,640	3,599,875	13,703,664
Consultancy charges	—	836,079	895,079
Power and fuel	3,326,242	3,481,140	14,119,841
Repair and maintenance			
- Building	108,973	27,408	508,848
- Others	1,254,654	724,037	4,506,365
Advertisement and business promotion	1,607,273	910,968	5,058,903
Conference, exhibition and seminar	136,068	275,955	2,882,099
Information technology expenses	431,714	1,241,140	3,088,457
Bad debts written off	1,385,000	—	1,769,799
Advances/ other current assets written off	2,813,754	—	2,813,725
Commission on sales	585,656	167,050	2,307,299
Provision for doubtful debts	69,251	(547,834)	4,464,041
Printing and stationery	521,292	409,164	1,947,416
Loss on discarded assets	67,551	—	312,741
Loss on sale of fixed assets (net)	121,767	—	—
Insurance	744,794	289,259	1,386,521
Bank charges	416,163	165,543	1,042,019
Miscellaneous expenses	1,711,709	1,822,792	10,160,073
	127,632,999	101,018,358	466,887,291

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

For and on behalf of the Board of Directors

Lt. Gen T P Singh (Retd.)
Chairman

Vishnu R Dusat
Managing Director

NOIDA (U.P.)
July 18, 2005

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary



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

Basis of Preparation of the Financial Statements

The accompanying financial statements for the quarter ended June 30, 2005 have been prepared incorporating Accounting Policies of the parent Company under the historical cost convention, in compliance with Indian Generally Accepted Accounting Practices ("GAAP") in accordance with mandatory and relevant Accounting Standards issued by the Institute of Chartered Accountants of India and in compliance with the provisions of The Companies Act, 1956.

Use of Estimates

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



NUCLEUS SOFTWARE EXPORTS LTD.

Consolidated Balance Sheet as at 30 June 2005 (Unaudited)

All amounts in Rupees

Particulars	As at 30 June 2005	As at 30 June 2004	As at 31 March 2005
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	160,923,120	80,329,060	160,923,120
Share Application Money Pending Allotment	935,500	405,000	325,000
Reserves & Surplus	767,892,761	627,875,640	681,536,943
TOTAL	929,751,381	708,609,700	842,785,063
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	456,789,336	253,042,130	436,241,317
Less: Accumulated Depreciation	(170,760,155)	(144,556,751)	(158,912,213)
Net Block	286,029,181	108,485,379	277,329,104
Add: Capital Work in Progress (including capital advances)	1,842,276	112,728,258	6,546,841
	287,871,457	221,213,637	283,875,945
Investments	557,623,129	335,268,060	487,117,730
Deferred Tax Asset	1,143,043	2,631,334	1,708,063
Current Assets, Loans & Advances			
Sundry Debtors	261,216,263	149,872,261	192,203,388
Cash & Bank Balances	181,270,092	108,934,602	266,461,406
Loans & Advances	40,051,291	28,552,082	36,593,389
Other Current Assets	46,480,218	30,833,060	27,485,346
	529,017,864	318,192,005	522,743,529
Less : Current Liabilities & Provisions			
Current Liabilities	368,399,881	129,516,540	382,905,304
Provisions	77,504,231	39,372,115	69,754,900
	445,904,112	168,888,655	452,660,204
Net Current Assets	83,113,752	149,303,350	70,083,325
Miscellaneous Expenditure (To the extent not written off or adjusted)	—	193,320	—
TOTAL	929,751,381	708,609,701	842,785,063



NUCLEUS SOFTWARE EXPORTS LTD.

Consolidated Profit and Loss Account for the quarter ended 30 June 2005 (Unaudited)

All amounts in Rupees

Particulars	For the quarter ended 30 June 2005	For the quarter ended 30 June 2004	For the year ended 31 March 2005
			(Audited)
Sales and Services	328,433,980	209,249,744	1,031,408,859
Software Development Expenses	168,059,677	136,791,716	597,131,248
Gross profit	160,374,303	72,458,028	434,277,611
Selling and Marketing Expenses	29,225,184	15,598,998	82,240,047
General and Administration Expenses	23,304,345	13,226,216	81,354,190
Operating Profit Before Finance Charges, Depreciation and Withholding Tax	107,844,774	43,632,814	270,683,374
Depreciation	12,506,633	6,444,736	35,407,537
Withholding Taxes Charged Off	6,947,535	8,222,612	39,220,150
Operating Profit After Finance Charges, Depreciation and Withholding Tax	88,390,606	28,965,466	196,055,687
Other Income	6,207,705	2,562,487	25,940,505
Profit before Taxation	94,598,311	31,527,952	221,996,192
Provision for Tax - current	7,071,600	1,564,661	12,994,929
- fringe benefit	1,075,000	—	—
- deferred	577,969	568,142	1,485,742
Provision for Wealth Tax	—	—	18,331
Profit after Taxation	85,873,742	29,395,149	207,497,190
Profit Available for Appropriation			
Profit for the quarter/year	85,873,742	29,395,149	207,497,190
Add: Balance Brought Forward	175,109,779	113,481,458	113,481,459
Total Amount Available	260,983,521	142,876,607	320,978,649
Final Dividend	—	—	40,227,030
Dividend Tax	—	51,451	5,641,841
Transferred to General Reserve	—	—	100,000,000
Balance Carried Forward to Balance Sheet	260,983,521	142,825,156	175,109,778
Earnings Per Equity Share (par value Rs. 10 each)			
Basic	5.34	1.83	12.90
Diluted	5.33	1.83	12.88
Number of Shares used in Computing Earning Per Share			
Basic	16,084,116	16,062,812	16,082,144
Diluted	16,103,962	16,093,963	16,106,121



NUCLEUS SOFTWARE EXPORTS LTD.

Consolidated Cash Flow Statement for the quarter ended 30 June 2005

All amounts in Rupees

	For the quarter ended 30 June 2005	For the quarter ended 30 June 2004	For the year ended 31 March 2005
A. Cash flow from operating activities			
Net profit before tax	94,598,311	31,527,952	221,996,192
<i>Adjustment for:</i>			
Depreciation	12,506,633	6,444,736	35,407,537
Exchange difference on translation of foreign currency accounts	(1,544,546)	466,472	(6,216,586)
Dividend income from investments	(918,280)	(456,614)	(3,156,100)
Interest income	(1,940,451)	(5,793)	(3,980,365)
Profit on sale of investments	(2,338,575)	(1,353,973)	(11,545,008)
Amortisation of employees compensation expenses	472,075	242,959	1,328,237
Interest expense	—	—	—
Loss on sale of fixed assets (net)	121,767	—	43,321
Loss on assets discarded	67,551	—	312,741
Bad debts/advances written off	1,385,000	—	4,583,524
Advances and other current assets written off	2,813,754	—	4,464,041
Provision for doubtful debts/advances	570,650	(547,834)	—
Provision for gratuity and leave encashment	932,970	(634,935)	698,208
Miscellaneous expenditure written off	—	—	—
Operating profit before working capital changes	106,726,858	35,682,970	243,935,742
Decrease / (increase) in debtors	(69,801,166)	(17,680,770)	(70,790,686)
Decrease / (increase) in loans and advances	(3,457,902)	2,991,024	(5,521,775)
Decrease / (increase) in other current assets	(20,685,391)	(3,876,678)	2,761,502
(Decrease) / increase in current liabilities	(15,186,206)	28,772,054	291,200,057
Direct taxes paid	(2,403,807)	45,888,599	461,584,840
<i>Net cash from operating activities (A)</i>	(3,734,046)	47,411,511	457,542,451
B. Cash flow from investing activities			
Purchase of fixed assets/capital work in progress	(15,606,323)	(39,080,394)	(131,850,506)
Sale of fixed assets	196,050	—	103,695
Sale/(Purchase) of current investments (net)	(68,166,824)	11,239,712	6,463,717
Miscellaneous expenses	—	(193,320)	—
Purchase of Long Term Investment	—	—	(136,882,640)
Interest received	1,209,406	82,756	755,780
Dividend received from investments	918,280	456,614	3,156,100
<i>Net cash used in investing activities (B)</i>	(81,449,410)	(27,494,632)	(258,253,854)
C. Cash flow from financing activities			
Repayment of loans	—	—	—
Interest paid	—	—	—
Dividend paid	—	—	(22,445,134)
Proceeds from employee stock option granted	—	—	196,000
Receipt from share application money	620,500	255,000	315,000
<i>Net cash used in financing activities (C)</i>	620,500	255,000	(21,934,134)
Net increase in cash and cash equivalents	(84,562,956)	20,171,879	177,354,463
Cash and cash equivalents opening balance	266,461,406	88,929,203	88,929,203
Exchange difference on translation of foreign currency accounts	(628,358)	(166,482)	177,740
Cash and cash equivalent closing balance	181,270,092	108,934,602	266,461,406



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

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

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

A. COMPANY BACKGROUND

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

In August 1995, Nucleus made an Initial Public Offer and is currently listed on National Stock Exchange Association Ltd., The Stock Exchange Mumbai and Madras Stock Exchange Ltd.

Over the last sixteen years Nucleus has built a distinguished reputation of providing innovative and comprehensive software solutions and products in the BFSI Vertical. The geographical spectrum of 99 clients is spread over 25 countries. Multi-product, multi-service, multi-currency and multi-lingual implementation has led to worldwide acceptability and customer satisfaction. Nucleus operates through integrated and well-networked subsidiaries in Singapore, Japan, USA, Australia, Hongkong and India and a branch office in UK. Since 1995, the Company has deliberately chosen to develop software products and invested heavily in creation of intellectual property. The product offerings have been well received and Nucleus has carved out a special niche in Products for retail Lending Solutions and Cash management.

B. COMPANY STRENGTHS

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

Nucleus is a multi-product, multi-service Company with customers in more than 25 countries. Nucleus has 200+ product installations and more than 731 projects have been delivered, implemented and supported successfully for leading banks and financial institutions in India, Canada, USA, China, Norway, Oman, Jordan, Saudi Arabia, Thailand, Singapore, Philippines, Taiwan, Australia, Malaysia, UK, Indonesia, Mauritius, Bangladesh and Mongolia. Over time Nucleus has developed good relations with its clients and 90% of revenue is generated through repeat orders. The Company has required scale and skills to meet all the customers' requirements. This has enabled the Company to create value proposition for the clients on sustainable basis. This customer centric approach helps in better articulation of the value added services offered by the Company.



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Nucleus' basket of products stand out in the marketplace due to tailor made customization, which takes into consideration the unique legal frameworks within which financial service providers have to operate in different countries. The Company has meticulously perfected the various modules individually and then compiled into one consolidated package, ensuring that specific configuration needs are addressed with the highest operational efficiency. The Company has been focusing on the emerging markets to de-risk the topline from over dependence on a particular region or country. During the quarter ended June 30, 2005 the Company won five new product orders for flagship product FinnOne™ and Cash@will™. These orders were bagged from top banks in Nigeria, Middle East, South East Asia and India. The Company is optimistic on its product business and foresees increasing demand for niche products.

Nucleus continues to leverage the technical expertise of partners. It is our endeavor to create a symbiotic relationship with them, which would lead to growth and prosperity.

Our relationship level with partner have moved up as following:

- Oracle- from Certified Partner we have become Certified Advantage Partner
- IBM- from ISV Advantage Partner we have become Optimized Premier Partner
- Sun- from Member Partner we have become Tier-I Force Partner
- HP- from DSPP Partner we have become Tier I Partner

The Company, in pursuit of excellence, has been felicitated for being a pioneer in the BFSI vertical.

Some of the notable accolades won by Nucleus are:

- The Parent Company Nucleus Software Exports Ltd, and wholly owned Subsidiary Nucleus Software Pte, Singapore have been assessed at SW-CMM Level 5 based on the Capability Maturity Model (CMM) developed by Carnegie Mellon University's Software Engineering Institute.
- The Company's flagship product FinnOne™ has been ranked as India's No # 3 selling universal banking solution for 2004 and 2002 by International Banking Systems (IBS), UK. Nucleus' FinnOne™ has been ranked No.10 and No. 15 in 2004 and 2002 respectively in the overall worldwide listing in the same report.
- Deloitte Touche Tohmatsu has, in 2004 , rated Nucleus for the third consecutive year as one of the fastest growing Companies in its "Deloitte Touche Tohmatsu Asia Pacific Technology Fast 500" program.
- Nasscom ranked Nucleus as one of the Top 5 Indian Product Companies in its annual software and services industry performance report for the financial year 2002.
- Nucleus has received the best Partner award for "Building World Class Loan Management Solution on 9iAS technology" by Oracle Corporation in 2003.
- Nucleus has received the best Partner award for "Most Innovative ISV" by Oracle Corporation in 2004.

C. RISKS AND CONCERNS

1. Business Risks

1.1 Client Concentration

The Company has added 3 new clients during the quarter and earned 77% of its revenues from top five clients.



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

	Quarter ended	
	June 30, 2005	June 30, 2004
Active clients	99	85
Clients added during the quarter	3	6
% of Revenue from the top-five clients	77%	75%
Clients accounting for > 10% of revenues	3	2

The Company is committed to diversify and consolidate the customer base to achieve a maximum of 40% of the revenue from the top 5 clients in the medium term.

1.2 Geographical Risks

The Company derives a significant portion of revenue from South East Asia and Far East, which increases the susceptibility of the revenue to events that take place in these geographies. Though political risk, by any acceptable measure, is limited in Japan and Singapore, the two major countries where we work in this region, there are risks of changes in taxation policy, regulations regarding deputation of skilled manpower, civil unrest, and Wars.

Geographical risk is attributable to all the factors, which are peculiar or sensitive to a region. Traditionally, our business has come from these regions. With sizeable business signed for Europe for the next few years, this geographical concentration is likely to reduce in the future years thereby mitigating the risk. As the Company's products find greater acceptance, we are confident that this risk will not be a constraint in the future. During the quarter your Company had a breakthrough in Africa. The Company bagged a major order from a leading bank in Nigeria, which marks a beginning of our footprints in this continent.

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

GEOGRAPHICAL AREA	Quarter ended	
	June 30, 2005	June 30, 2004
India	8%	10%
Far East	39%	47%
South East Asia	37%	33%
Europe	12%	2%
North America	2%	3%
Rest of the World	3%	5%

1.3 Market Risks

The Company operates in an environment, which is highly competitive. Any increase in competition, movement in exchange rates, changes in government policy shall have a direct impact on the revenue and profitability of the Company. Nucleus is committed to mitigate the risks arising due to macro level uncertainties.

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



2. Financial Risks

2.1 Exchange Rate Risk

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

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

As on	June 30, 2005	March 31, 2005	% Change
USD	43.52	43.79	-0.62%
Japanese Yen	0.3956	0.4084	-3.13%
GBP	79.09	81.84	-3.36%
SGD	25.84	26.54	-2.64%

D. LIQUIDITY AND CAPITAL RESOURCES

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

As of June 30, 2005 the cash and bank balances stood at Rs.1,812.70 lacs (Rs.1,089.35 lacs on June 30, 2004 and current investments in liquid schemes of mutual funds were Rs.4,207.40 lacs (Rs.3,352.68 lacs on June 30, 2004).

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

RATIO	Quarter ended	
	June 30, 2005	June 30, 2004
Days of sale receivable	73	67
Cash and Bank balances as % of assets	19.50%	15.37%
Cash and Bank balances as % of revenue	55.19%	52.23%
Current investments as % of assets	45.25%	47.31%
Current investments as % of revenue	128.10%	160.73%

E. FINANCIALS

1. Share Capital

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

Share Capital of the Parent Company consists of 16,090,812 Equity Shares of Rs.10/- each as on June 30, 2005. The Share Capital increased from 8,031,406 Equity Shares of Rs.10/- each as on June 30, 2004 to 16,090,812 Equity Shares of Rs.10/- each as on June 30, 2005.

Consequently the paid up Share Capital increased from Rs. 803.29 lacs as on June 30, 2004 to Rs.1,609.23 lacs as on June 30, 2005, including the amount in share forfeiture account.



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The increase is consequent to :

- Allotment of 14,000 fully paid up Equity Shares of Rs. 10/- each to employees in pursuance of stock options exercised in July 2004.
- Allotment of 8,045,406 fully paid up Equity Shares of Rs. 10/- each as bonus shares by capitalization of Securities Premium account in the ratio of 1:1 to shareholders holding equity shares of the Company on August 9, 2004, the record date . The issue of bonus shares was in pursuance of the approval of the members of the Company in the Annual General Meeting held on July 8, 2004.

The total stock options granted to employees under Employee Stock Option Scheme (1999) and Employee Stock Options Scheme (2002) and outstanding as on June 30, 2005 is 90,750.

Paid-up Share Capital of the Subsidiaries as on June 30, 2005 is given below. As 100% of the Share Capital of the Subsidiaries is held by Nucleus Software Exports Limited and nominees, on consolidation of accounts these amounts are contra with investments in Subsidiaries amount in the account of the Parent Company.

Name of Subsidiary Company	Currency	As at June 30, 2005		As at June 30, 2004	
		In foreign Currency	Eqv. Rupees (in lacs)	In foreign Currency	Eqv. Rupees (in lacs)
Nucleus Software Solutions Pte. Ltd. Singapore. 625,000 equity shares of S\$ 1 each.	SGD	625,000	163.20	625,000	163.20
Nucleus Software Inc., USA. 1,000,000 shares of US\$ 0.35 cents each	USD	350,000	162.93	350,000	162.93
Nucleus Software Japan Kabushiki Kaiga, Japan. 200 equity shares of JPY 50,000 each	JPY	10,000,000	40.92	10,000,000	40.92
Nucleus Software (HK) Ltd., Hong Kong. 100,000 equity shares of HK\$ 1 each.	HKD	100,000	6.20	100,000	6.20
Nucleus Software (Australia) Pty Ltd., 316,000 (219,000) equity shares of Aus \$ 1 each	Aus \$	316,000	97.91	219,000	66.04
VirStra I-Technology Services Limited. India. 1,000,000 equity shares of Rs. 10 each	INR	-	100.00	-	30
Step down Subsidiary of Nucleus Software Exports Ltd. Virstra (Singapore) Pte Limited. 100,000 equity shares of S\$ 1 each	SGD	100,000	26.67	-	-

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



2. Retained Earnings

During the quarter ended June 30, 2005, the Company earned consolidated net profit of Rs.858.74 lacs on a consolidated turnover of Rs.3,284.34 lacs as against consolidated net profit of Rs.293.95 lacs on a consolidated turnover of Rs.2,092.50 lacs for the quarter ended June 30, 2004.

The Reserves and Surplus of the Company including balance in the Profit and Loss account is Rs.7,678.92 lacs as on June 30, 2005 (Rs.6,278.76 lacs as on June 30, 2004.)

3. Fixed Assets

As at June 30, 2005, gross block of fixed assets including investment in technology assets was Rs.4,567.89 lacs (Rs.2,530.42 lacs as on June 30, 2004). The increase in gross block of fixed assets is primarily on account of capitalization of capital expenditure incurred on our new state-of -the-art facility in Sector-62, NOIDA.

The net fixed assets after depreciation are Rs.2,878.71 lacs as on June 30, 2005 compared to Rs.2,212.14 lacs as on June 30, 2004.

4. Current Investments

Current Investments of the Company as on June 30, 2005 was Rs.4,207.40 lacs against Rs.3,352.68 lacs as on June 30, 2004. All of them are in low risk liquid mutual funds in India.

The Current Investments are:

- Rs. 597.43 lacs in HDFC Cash Management Fund- Saving Plan-Growth
- Rs. 50.00 lacs in HSBC Cash Fund-Growth,
- Rs. 158.00 lacs in Kotak Liquid-Institutional Plan-Growth,
- Rs. 390.00 lacs in JM High Liquidity Fund-Institutional Plan-Growth
- Rs. 45.00 lacs in Birla Cash Plus-Institutional Plan- Growth
- Rs. 99.34 lacs in DSP Merrill Lynch Liquidity Fund- Dividend
- Rs. 188.13 lacs in Birla Cash Plus- Institutional Plan-Dividend
- Rs. 400.00 lacs in HSBC Cash Fund-Institutional Plan-Growth
- Rs. 204.47 lacs in DSP Merrill Lynch Floating Rate Fund- Dividend
- Rs. 599.99 lacs in Deutsche Insta Cash Plus Fund- Institutional Plan- Growth
- Rs. 50.00 lacs in UTI FMP-Growth
- Rs. 200.00 lacs in ICICI FMP Series-Institutional-Growth
- Rs. 100.00 lacs in Reliance FMP-SeriesII-Growth
- Rs. 200.00 lacs in DSP Merrill Lynch Liquidity Fund- Daily Growth
- Rs. 320.00 lacs in SBI Magnum Institutional Income Fund-Saving- Growth
- Rs. 200.00 lacs in Reliance Liquid Fund -Treasury Plan-Institutional -Growth
- Rs. 205.00 lacs in ABN Amro Cash Fund-Institutional-Growth
- Rs. 100.03 lacs in ABN Amro Cash Fund-Institutional- Dividend
- Rs. 100.00 lacs in ING Vysya Liquid Fund- Institutional Growth

All the investments are by the Parent Company in India. No investments have been made by the Subsidiary Companies.



5. Other Long-Term Investment

Other long-term investment comprise of investment in 10,040,000 Equity Shares of face value of Rs.10 each in GMAC Financial Services India Limited made by the Company (together with its nominees). This investment represents 25.1% of the total Equity Share capital of the said Company.

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

6. Sundry Debtors

Sundry Debtors amount to Rs.2,612.16 lacs (net of provision for bad and doubtful debts) as on June 30, 2005 (Rs.1,498.72 lacs, net of provision for bad and doubtful debts as on June 30, 2004).

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

As at	June 30, 2005	June 30, 2004
Less than 6 months	97.94%	96.50%
More than 6 months	2.06%	3.50%
Days of sales receivables	73	67

7. Cash and Bank Balances

(Rs. in lacs)

As at	June 30, 2005	June 30, 2004
Cash and cheques in hand	52.72	3.24
Balances with Bank		
-In Current Accounts	808.34	1,028.81
-In Fixed Deposit Account	951.64	57.29
Total	1,812.70	1,089.37

Cash and bank balance represent 19.50% and 15.37% of the total assets as on June 30, 2005 and June 30, 2004 respectively.

8. Loans and Advances

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

The amount is Rs.170.04 lacs as on June 30, 2005 (Rs.1,11.38 lacs as on June 30, 2004.)

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs.129.94 lacs as on June 30, 2005 (Rs.125.60 lacs as on June 30, 2004).

Prepaid expenses stood at Rs.100.53 lacs as on June 30, 2005 (Rs.48.54 lacs as on June 30, 2004). The increase in prepaid expenses is attributable to due prepayment under the heads: insurance, exhibition, training and recruitment.



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The Parent Company has following loans outstanding from the Subsidiaries. These loans do not appear in the consolidated accounts, as they are contra in the consolidation.

- (a) Loan of S \$ 200,000 equivalent to Rs.51.68 lacs, is outstanding on June 30, 2005 from the wholly owned Subsidiary, Nucleus Software Solutions Pte. Ltd. The total loan disbursed in September 2002 was S\$ 1 million, at an interest rate of 3% (revised) over S \$ LIBOR with a repayment schedule of 5 equal annual installments starting from the financial year 2003-2004. The subsidiary has already repaid S\$ 800,000 in four installments.
- (b) Loan of US\$ 117,500 equivalent to Rs.51.14 lacs, is outstanding on June 30, 2005 from the wholly owned Subsidiary, Nucleus Software Inc. The total loan disbursed in installments in financial year 2003-04 was US \$ 157,500, at an interest rate of 3 % over LIBOR, with a repayment schedule of 5 equal installments starting from financial year 2004-05. The first installment of US \$ 40,000 has been repaid in the previous financial year.

9. Current Liabilities

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

The total amount of Sundry Creditors as on June 30, 2005 is Rs.737.72 lacs (Rs.821.83 lacs as on June 30, 2004). The decrease is on account of decrease in liabilities related to staff and suppliers.

Other liabilities represent amounts accrued for statutory dues related to taxes and staff benefits etc. The total amount of other liabilities as on June 30, 2005 is Rs.150.37 lacs (Rs.145.53 lacs as on June 30, 2004).

Withholding tax payable represents the amount of liability of withholding taxes to be deducted/deductible by overseas clients/Subsidiaries on income billed to them by the Parent Company. The total amount of withholding tax liability as on June 30, 2005 is Rs.91.57 lacs (Rs.56.77 lacs as on June 30, 2004).

The amount of Unclaimed Dividend as on June 30, 2005 is Rs.4.43 lacs (Rs.2.62 lacs as on June 30, 2004).

Advances from customers as on June 30, 2005 is Rs.2,653.99 lacs (Rs.226.80 lacs as on June 30, 2004). These consist of advance payments received from customers and "Unearned Revenue"; Unearned Revenue is defined as client billing for which related costs have not been incurred or product license delivery is at later date.

10. Provisions

Provisions at Rs.775.04 lacs as on June 30, 2005 (Rs.393.72 lacs as on June 30, 2004) includes provision for taxation, gratuity and leave encashment.

F. RESULTS OF OPERATIONS

1. Income

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

The Company's consolidated revenue from operations for the quarter ended June 30, 2005 is Rs.3,284.34 lacs as against Rs.2,092.50 lacs for the quarter ended June 30, 2004, representing an increase of 56.96%.

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



2. Expenditure

2.1 Software Development Expenses

Quarter Ended June 30

Particulars	2005	% of Revenue	2004	% of Revenue	Growth %
Employee Costs	1,103.74	33.61	881.85	42.14	25.16
Travel Expenses	285.07	8.68	198.17	9.47	43.85
Rent, Rates and Taxes	48.58	1.48	62.57	2.99	(22.36)
Cost of Software Purchased for Delivery to Clients	19.06	0.58	22.27	1.06	(14.41)
Communication	38.91	1.18	27.13	1.30	43.42
Consultancy Charges	79.40	2.42	36.07	1.72	120.12
Power and Fuel	26.19	0.80	29.86	1.43	(12.29)
Software and Other Development Charges	9.00	0.27	21.50	1.03	(58.14)
Legal and Professional	14.36	0.44	26.05	1.24	(44.88)
Conveyance	10.06	0.31	8.99	0.43	11.90
IT Expenses	7.18	0.22	13.00	0.62	(44.77)
Repairs and Maintenance	10.54	0.32	7.43	0.36	41.86
Training and Recruitment	13.91	0.42	16.70	0.80	(16.71)
Others	14.60	0.44	16.34	0.79	(10.65)
Total Software Development Expenses	1,680.60	51.17	1,367.92	65.37	22.86
Revenue	3,284.34	100.00	2,092.50	100.00	56.96

The Company incurred total software development expenses of Rs.1,680.60 lacs at 51.17% of revenue during the quarter ended June 30, 2005 against Rs.1,367.92 lacs at 65.37% of revenue during the corresponding quarter of the previous year. In comparison to the corresponding quarter of previous year, the software development expenses have increased by 22.86% in absolute terms, whereas revenue has increased by 56.96%.

The Gross Margin consequently increased to Rs.1,603.74 lacs from Rs.724.58 lacs representing an increase of 121.33%.

2.2 Selling and Marketing Expenses

Quarter Ended June 30

Particulars	2005	% of Revenue	2004	% of Revenue	Growth %
Employee Costs	145.09	4.42	68.92	3.30	110.52
Travel Expenses	79.72	2.43	43.81	2.10	81.97
Rent, Rates and Taxes	10.73	0.33	11.40	0.55	(5.88)
Advertisement and Business Promotion	14.08	0.43	8.04	0.39	75.12
Communication	11.68	0.36	10.69	0.51	9.26
Conference, Exhibition and Seminar	1.41	0.04	2.44	0.12	(42.21)
Commission on Sales	5.86	0.18	2.59	0.12	126.25
Others	23.95	0.73	8.11	0.39	195.31
Total Selling and Marketing Expenses	292.25	8.90	155.99	7.48	87.35
Revenue	3,284.34	100.00	2,092.50	100.00	56.96



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The Company incurred selling and marketing expenses at 8.90% of revenue during the quarter ended June 30, 2005 against 7.45% of revenue during the corresponding quarter of previous year. In comparison to corresponding quarter of previous year, the selling and marketing expenses have increased by 87.35% in absolute terms.

2.3 General and Administrative Expenses

Quarter Ended June 30

Particulars	2005	% of Revenue	2004	% of Revenue	Growth %
Employee Costs	80.52	2.45	58.25	2.79	38.23
Travel Expenses	9.49	0.29	5.25	0.25	80.76
Legal and Professional	26.40	0.80	19.32	0.93	26.65
Communication	11.06	0.34	10.45	0.50	5.84
Rent, Rates and Taxes	7.08	0.22	6.05	0.29	17.02
Provision for Doubtful Debts	5.71	0.17	(5.47)	(0.26)	-
Printing and Stationery	5.94	0.18	4.38	0.21	35.62
Conveyance	3.04	0.09	3.28	0.16	(7.32)
Power and Fuel	7.50	0.23	5.35	0.26	40.19
Bad Debts/Advances/Other Current Assets Written off	41.99	1.28	-	-	100
Advertisement	2.28	0.07	1.51	0.07	50.99
Training and Recruitment	1.50	0.05	1.98	0.09	(24.24)
Consultancy Charges	1.94	0.6	2.01	0.10	(3.48)
Others	28.59	0.87	19.91	1.05	43.60
Total General and Administrative Expenses	233.04	7.06	132.26	6.32	76.20
Revenue	3,284.34	100.00	2,092.50	100.00	56.96

The Company incurred general and administrative expenses amounting to 7.10% of revenue during the quarter ended June 30, 2005 against 6.32% of revenue during the corresponding quarter of previous year.

'Others' head consists of expenses incurred on maintenance, bank charges, insurance, miscellaneous expenses, IT expenses, loss on sale of fixed assets., conference, seminar and exhibition, etc.

In comparison to corresponding quarter of previous year administrative and other expenses have increased by 76.20%. The increase is primarily on account of increase in employee costs, which is Rs.80.52 lacs during the quarter ended June 30, 2005 against Rs.58.25 lacs during the corresponding quarter of previous year and traveling expense, which has increased by 80.76%.

3. Operating Profit

During the quarter ended June 30, 2005 the Company earned consolidated operating profit (profit before interest, depreciation and withholding tax) of Rs.1,078.45 lacs representing 32.84% of revenue as compared with Rs.436.33 lacs representing 20.85% of revenue for the quarter ended June 30, 2004.



4. Depreciation

Depreciation at Rs.125.07 lacs on fixed assets is 3.81% of the revenue for the quarter ended June 30, 2005 as against Rs.64.45 lacs, 3.08% of the revenue for the quarter ended June 30, 2004.

During the previous year, the Company has fully capitalized the expenditure incurred with respect to its facility in Sector 62, NOIDA and depreciation has been provided as per estimated useful life of assets.

5. Withholding Taxes

Withholding taxes charged off represent withholding taxes charged to Profit and Loss Account during the quarter ended June 30, 2005, of Rs.69.48 lacs (Rs.82.23 lacs for the quarter ended June 30, 2004). These relate to the Parent Company and Subsidiary in Japan.

6. Other Income

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

Other income for the quarter ended June 30, 2005 is Rs.62.08 lacs against Rs.25.62 lacs for the quarter ended June 30, 2003.

Dividends from mutual funds increased to Rs.9.18 lacs for the quarter ended June 30, 2005 against Rs.4.57 lacs for the quarter ended June 30, 2004. Interest on Fixed Deposits with banks increased to Rs.19.40 lacs as against Rs.0.06 lacs in corresponding quarter of previous year. During the quarter, the Company recorded foreign exchange gain of Rs.15.24 lacs compared to a loss of Rs.6.55 lacs in the corresponding quarter of previous year. Profit on sale of investment in mutual funds was Rs.23.39 lacs for the quarter ended June 30, 2005 against Rs.13.54 lacs in the corresponding quarter of previous year. Miscellaneous income was Rs.19.75 lacs against Rs.3.74 lacs in the corresponding quarter of previous year. During the quarter foreign exchange loss on consolidation was Rs.24.89 lacs.

7. Provision for Income Tax

The Company has made a provision for current tax of Rs.70.72 lacs (Rs.15.65 lacs for the quarter ended June 30, 2004), 2.15% of revenue, deferred tax expense of Rs.5.78 lacs (expense of Rs.5.68 lacs for the quarter ended June 30, 2004) and fringe benefit tax of Rs.10.75 lacs.

8. Net Income

During the quarter ended June 30, 2005, Company has earned a net profit of Rs.858.74 lacs (Rs.293.95 lacs for the quarter ended June 30, 2004) . The net profit represents 26.12% of revenue for the quarter ended June 30, 2005 as compared to 14.05% of revenue for the quarter ended June 30, 2004.



Additional Information to Shareholders

- | | |
|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Date of Incorporation | 9th January, 1989 |
| 2. Registered Office | 33-35, Thyagraj Nagar Market
New Delhi-110003
India |
| 3. Corporate Office | A-39, Sector 62
NOIDA, UP-201301
India |
| 4. Financial Calendar
(tentative and subject to change) | |
| Financial reporting for the first quarter
ending June 30, 2005. | 18th of July 2005 |
| Financial reporting for the second quarter
ending September 30, 2005. | between 20th to 31st of October, 2005 |
| Financial reporting for the third quarter
ending December 31, 2005. | between 20th to 31st of January, 2006 |
| Financial results for the year ending
March 31, 2006. | between 21st to 30th of April, 2006 |
| 5. Listing on Stock Exchanges | Nucleus shares are listed at

The National Stock Exchange of India Ltd.
w.e.f. December 19, 2002

The Stock Exchange, Mumbai
w.e.f. November 6, 1995

The Madras Stock Exchange Limited
w.e.f. November 2, 1995 |
| 6. Scrip Code (NSE)
Scrip Code (BSE) | NUCLEUS
531209

The Company's shares are traded in "Group B-1"
category at the Stock Exchange, Mumbai. |
| 7. International Securities Identification
Number (ISIN code-NSDL and CDSL) | INE096B01018 |



NUCLEUS SOFTWARE EXPORTS LTD.

8. Registrars of Company

RCMC Share Registry Private Limited
1515, 1st Floor, Bhisham Pitamah Marg
Kotla Mubarkpur, Near South Extension
Delhi-110003

9. Locations

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

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

10. Stock market data relating to shares listed in India

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

	BSE					NSE				
	Open	High	Low	Close	Volume	Open	High	Low	Close	Volume
April-05	181.40	202.00	160.20	183.65	788,556	182.80	201.80	163.10	183.55	1,880,059
May-05	186.70	235.50	180.00	222.60	1,186,434	185.70	234.70	180.00	222.80	3,166,105
June-05	226.60	309.90	225.55	257.00	3,074,866	225.00	309.80	223.15	255.70	11,535,824

1. The highest share price of the Nucleus scrip at Mumbai Stock Exchange was Rs.309.80 in June, 2005 and the lowest share price was Rs.160.20 in April, 2005.
2. The highest share price of the Nucleus scrip at National Stock Exchange was Rs.309.80 in June, 2005 and the lowest share price was Rs.163.10 in April, 2005.

B. Quarterly high-low price history of the shares for the past year.

	BSE		NSE	
During Quarter ended	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
September 30, 2004	83.00	46.10	58.00	47.50
December 31, 2004	172.80	81.00	173.00	80.60
March 31, 2005	206.00	151.00	206.00	150.15
June 30, 2005	309.90	225.55	309.80	223.15



11. Share Transfer System

The Company at its registered office address or at its Registrar's address receives the application for transfers, transmission and transposition. As the Company's shares are currently traded in dematerialised form the 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 in physical form and the said Committee approves transfer of shares on a fortnightly basis.

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

The Company has De-materialised 14,851,112 shares (92.29% of the paid up share capital) as at June 30, 2005.

12. Employee Stock Option Schemes

The Company launched a new ESOP scheme-ESOP 2005. The scheme was approved by the Board of Directors in April 2005 and by the shareholders in the Annual General Meeting held in July 2005. The Company earlier instituted an ESOP scheme 1999 in year 2000 and ESOP scheme 2002 was instituted in 2002. These schemes were duly approved by the Board of Directors and Share holders in their respective meetings. The 1999 scheme provides for the issue of 170,000 Equity Shares, 2002 scheme for 225,000 Equity Shares and 2005 scheme for 600,000 Equity Shares to eligible employees. These schemes are administered by a Compensation Committee of Board of Directors.

13. Investors' Services

Details of request/complaints received during the quarter.

<i>S. No.</i>	<i>Nature of Requests</i>	<i>Received</i>	<i>Attended</i>	<i>Pending</i>
1.	Revalidation of Dividend Warrants	5	5	Nil
2.	Issue of Duplicate Share Certificates	3	3	Nil
3.	Request for Stop Transfer	1	1	Nil
4.	Non-receipt of Share Certificate	Nil	Nil	Nil
5.	D'mat Queries	Nil	Nil	Nil

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

14. Legal Proceedings

There are no pending legal proceedings against the Company.



15. Distribution of Shareholding

<i>No. of equity shares held</i>	<i>As on June 30, 2005</i>				<i>As on June 30, 2004</i>			
	<i>No. of share-holders</i>	<i>% of share-holders</i>	<i>No. of shares</i>	<i>% of share-holding</i>	<i>No. of share-holders</i>	<i>% of share-holders</i>	<i>No. of shares</i>	<i>% of share-holding</i>
1-100	4,310	51.07	234,240	1.46	3,641	53.12	214,604	2.67
101-200	1,275	15.11	231,910	1.44	1,670	24.37	272,397	3.39
201-500	1,601	18.97	560,353	3.48	954	13.92	340,997	4.25
501-1000	664	7.87	514,894	3.21	317	4.63	242,035	3.01
1001-5000	457	5.42	1,061,031	6.59	214	3.12	418,679	5.21
5001-10000	52	0.62	380,387	2.37	18	0.26	121,808	1.52
10001 and above	80	0.94	13,107,997	81.45	40	0.58	6,420,886	79.95
Total	8,439	100.00	16,090,812	100.00	6,854	100.00	8,031,406	100.00

The Company allotted 8,045,406 equity shares of Rs.10/- each as Bonus Shares in the ratio of 1:1 to shareholders holding Equity Shares of the Company on August 9, 2004 record date. The Company also allotted 14,000 fully paid up Equity Shares to employees during the previous year in pursuance of stock options exercised by them.

Consequently, the total Equity Shares increased from 8,031,406 as on June 30, 2004 to 16,090,812 as on June 30, 2005.

16. Categories of Shareholders

<i>Category</i>	<i>As on June 30, 2005</i>			<i>As on June 30, 2004</i>		
	<i>No. of share-holders</i>	<i>Voting Strength (%)</i>	<i>No. of shares held</i>	<i>No. of share-holders</i>	<i>Voting Strength (%)</i>	<i>No. of shares held</i>
Individuals	7,753	28.28	4,551,205	6,449	28.90	2,320,603
Companies	530	49.90	8,029,105	294	49.16	3,949,320
OCBs and NRIs	140	1.52	243,884	96	1.65	132,324
FII's	2	0.37	60,000	0	0.00	0
Directors/relatives	12	19.93	3,206,018	13	20.28	1,608,759
Mutual Funds	2	0.00	600	2	0.01	300
Total	8,439	100.00	16,090,812	6,854	100.00	8,031,406



NUCLEUS SOFTWARE EXPORTS LTD.

17. Investors' Queries and Complaints May be Addressed to:

The Company Secretary
Nucleus Software Exports Ltd.
33-35, Thyagraj Nagar Market,
New Delhi-110003
India
Tel: ++91-(120)-2403964, 2403962 Fax: ++91-(120)-2403972
Email: investorrelations@nucleussoftware.com

18. Employee Strength of Nucleus

Nucleus employed 935 people as on June 30, 2005 as compared to 709 people on June 30, 2004.

The distribution of the employees is:

As at	June 30, 2005		June 30, 2004	
Technical Staff	769	82.30	560	78.98%
Non-Technical Staff including Business Development Group	166	17.70	149	21.02%

The gender classification of employees is:

Male	735	78.54	577	81.38%
Female	200	21.46	132	18.62%
Total	935	100.00%	709	100.00%

The age profile of employees is:

As at	June 30, 2005		June 30, 2004	
Between 20 and 25 years	208	22.10%	129	18.19%
Between 26 and 30 years	430	46.03%	367	51.08%
Between 31 and 40 years	269	28.86%	192	27.08%
Between 41 and 50 years	23	2.47%	18	2.54%
Between 51 and 60 years	5	0.54%	3	0.43%
Total	935	100.00%	709	100.00%

The figures are global and include employees of subsidiaries.

**NUCLEUS SOFTWARE EXPORTS LTD.****Consolidated Segment Information of Nucleus Software Group***(Rs. in lacs)*

REVENUE BY	Quarter Ended		Year Ended	
	June 30, 2005	% of Revenue	March 31, 2005	% of Revenue
<i>GEOGRAPHICAL SEGMENTS</i>				
India	248.02	7.55	857.09	8.31
Far East	1,260.99	38.39	5,098.35	49.43
South East Asia	1,201.42	36.58	3,191.41	30.94
Europe/U.K.	399.05	12.16	466.69	4.53
USA & Canada	66.47	2.02	216.70	2.10
Rest of the World	108.39	3.30	483.55	4.69
Total	3,284.34	100.00	10,314.09	100.00
<i>CURRENCY SEGMENTS</i>				
US\$	1,851.81	56.38	5,242.97	50.83
Sing\$	603.40	18.37	2,428.42	23.54
Japanese Yen	495.29	15.08	1,727.20	16.75
Great Britain Pound	0.04	0.00	54.43	0.53
Indian Rupee	244.81	7.45	857.09	8.31
Oman Riyal	88.99	2.72	3.98	0.04
Total	3,284.34	100.00	10,314.09	100.00
<i>BUSINESS SEGMENTS</i>				
Product	1,131.60	34.45	2,641.73	25.61
Projects	1,931.86	58.82	6,858.11	66.49
Professional Services	220.88	6.73	814.25	7.89
Total	3,284.34	100.00	10,314.09	100.00

BUSINESS SEGMENT



Ratio-Analysis

Particulars	CONSOLIDATED PERFORMANCE		
	Quarter ended		Year ended
	June 30, 2005	June 30, 2004	March 31 2005
Ratios-Financial Performance			
Export Revenue/Revenue (%)	92.45%	89.83%	91.66%
Domestic Revenue/Revenue (%)	7.55%	10.17%	8.34%
Gross Profit/Revenue (%)	48.83%	34.63%	42.11%
Software Development Expenses/Revenue (%)	51.17%	65.37%	57.89%
Selling and Marketing Expenses/Revenue (%)	8.90%	7.45%	7.97%
General and Administrative Expenses/Revenue (%)	7.10%	6.32%	7.89%
Total Operating Expenses/Revenue (%)	67.16%	79.15%	73.76%
Operating Profit/Revenue (%)	32.84%	20.85%	26.24%
Depreciation/Revenue (%)	3.81%	3.08%	3.43%
Other Income/Revenue (%)	1.89%	1.22%	2.52%
Tax/Revenue (%)	2.66%	1.02%	1.41%
Tax/PBT (%)	9.22%	6.76%	6.53%
PAT from Ordinary Activities/Revenue (%)	24.26%	12.82%	17.60%
PAT from Ordinary Activities/Net Worth (%)	8.58%	3.79%	21.55%
ROCE (PBIT/Average Capital Employed) (%)	10.67%	4.55%	29.18%
ROANW (Average PAT/Net Worth) (%)	9.70%	4.24%	27.28%
Ratios Balance Sheet			
Debtors Turnover (Days)	72	65	68
Asset Turnover Ratio	0.35	0.30	1.22
Current Ratio	1.19	1.88	1.15
Cash and Equivalents/Total Assets (%)	64.75%	62.69%	73.17%
Cash and Equivalents/Revenue (%)	183.30%	212.28%	59.79%
Depreciation/Average Gross Block (%)	2.80%	2.57%	10.34%
Technology Investment/Revenue (%)	3.85%	2.04%	3.68%
Ratios-Growth			
Growth in Export Revenue (%)	61.53%	28.54%	39.81%
Growth in Revenue (%)	56.96%	15.12%	28.78%
Operating Expenses Growth (%)	33.19%	6.03%	17.32%
Operating Profit Growth (%)	147.16%	70.66%	77.51%
PAT Growth (%)	192.14%	90.34%	113.34%
EPS Growth (%)	191.80%	87.69%	113.22%
Per-Share Data (Period End)*			
Earning Per Share from Ordinary Activities (Rs.)	4.95	1.67	11.28
Earning Per Share (Including Other Income) (Rs.)	5.34	1.95	12.90
Cash Earning Per Share from Ordinary Activities (Rs.)	5.73	2.07	13.48
Cash Earning Per Share (Including Other Income) (Rs.)	6.11	2.23	15.10
Book Value (Rs.)	57.72	44.08	52.36
Price/Earning (Annualized)	11.98	6.31	13.86
Price/Cash Earning (Annualized)	10.46	5.52	11.84
Price/Book Value	4.43	1.12	3.41

* Adjusted for the issue of Bonus Shares in ratio 1:1 in August 2004.

Note: 1. While calculating the consolidated figures of group, inter group transactions have been ignored.
2. Cash and Equivalents includes cash and bank balances and current investments.

