

## CONTENTS

	<i>Page</i>
★ Financial Highlights .....	2
★ Letter to the Shareholders .....	4
<b>Financial Statements of Nucleus Software Exports Ltd.</b>	
★ Auditors' Report .....	5
★ Balance Sheet .....	6
★ Profit & Loss Account .....	7
★ Statement of Cash Flow .....	8
★ Schedules .....	9
<b>Consolidated Financial Statements of Nucleus Software Exports Ltd. and its Subsidiaries</b>	
★ Consolidated Financial Statements .....	35
★ Management's Discussion and Analysis of Financial Condition and..... Results of Consolidated Operations of Nucleus Software Exports Ltd. and its Subsidiary Companies	39
★ Additional Information to Shareholders .....	49
★ Consolidated Segment Information .....	54
★ Ratio-Analysis .....	55



**FINANCIAL HIGHLIGHTS**

Rs. in lacs, except per equity share data

	<b>CONSOLIDATED PERFORMANCE</b>				
	<b>Quarter Ended</b>		<b>Nine-Months Ended</b>		<b>Year Ended</b>
	<b>Dec. 31, 2005</b>	<b>Dec. 31, 2004</b>	<b>Dec. 31, 2005</b>	<b>Dec. 31, 2004</b>	<b>March 31, 2005</b>
<b>For the Period</b>					
Revenue from Operations	3,739.58	2,707.66	10,596.02	7,212.02	10,314.09
Operating Profits (PBIDT)	1,006.67	730.05	3,164.60	1,638.08	2,706.83
Profit after Tax (PAT)	881.59	588.81	2,618.07	1,221.40	2,074.97
PBIDT as a % of Revenue from Operations	26.92%	26.96%	29.87%	22.71%	26.24%
PAT as a % of Revenue from Operations	23.57%	21.75%	24.71%	16.94%	20.12%
PAT as a % of Networth	7.95%	7.34%	23.62%	15.23%	24.63%
EPS	5.47	3.66	16.27	7.60	12.90
Dividend Per Share	—	—	—	—	2.50
Dividend Payout	—	—	—	—	402.27
<b>At the end of the Period</b>					
Total Assets			11,091.58	8,022.86	8,427.85
Net Fixed Assets			3,007.35	2,723.98	2,838.76
Current Assets			5,483.16	4,540.43	5,227.44
Investments			6,142.21	4,970.60	4,871.18
Cash and Bank Balances			2,685.13	2,640.61	2,664.61
Working Capital			1,934.58	296.45	700.83
Net Worth			11,083.90	8,020.11	8,424.60
Share Capital			1,610.63	1,609.23	1,609.23
Reserves & Surplus			9,473.27	6,410.88	6,815.37
Market Capitalisation			62,943.47	24,763.76	28,754.28
No. of Shareholders			7,315	7,220	7,553
No. of Shares (Face Value of Rs 10.00)			16,104,812	16,090,812	16,090,812

**Notes:**

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

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



**FINANCIAL HIGHLIGHTS**

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

	<b>CONSOLIDATED PERFORMANCE</b>				
	<b>Quarter Ended</b>		<b>Nine-Months Ended</b>		<b>Year Ended</b>
	<b>Dec. 31, 2005</b>	<b>Dec. 31, 2004</b>	<b>Dec. 31, 2005</b>	<b>Dec. 31, 2004</b>	<b>March 31, 2005</b>
<b>For the Period</b>					
Revenue from Operations	8,294	6,232	23,500	16,598	23,554
Operating Profits (PBIDT)	2,233	1,680	7,018	3,770	6,181
Profit after Tax (PAT)	1,955	1,355	5,806	2,811	4,738
PBIDT as a % of Revenue from Operations	26.92%	26.96%	29.87%	22.71%	26.24%
PAT as a % of Revenue from Operations	23.57%	21.75%	24.71%	16.94%	20.12%
PAT as a % of Networth	7.95%	7.34%	23.62%	15.23%	24.63%
EPS	0.12	0.08	0.36	0.17	0.29
Dividend Per Share	—	—	—	—	0.06
Dividend Payout	—	—	—	—	919
<b>At the end of the Period</b>					
Total Assets			24,599	18,465	19,246
Net Fixed Assets			6,670	6,269	6,483
Current Assets			12,160	10,450	11,938
Investments			13,622	11,440	11,124
Cash and Bank Balances			5,955	6,077	6,085
Working Capital			4,290	682	1,600
Net Worth			24,582	18,458	19,239
Share Capital			3,572	3,704	3,675
Reserves & Surplus			21,010	14,755	15,564
Market Capitalisation			139,595	56,994	65,664

**Notes:**

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

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

Above figures have been calculated at 1US\$= Rs. 45.09 for the quarter/nine months ended December 31, 2005, 1 US\$= Rs. 43.45 for the quarter/nine months ended December 31, 2004 and 1US\$= Rs 43.79 for the year ended March 31, 2005.



## **Letter to the Shareholders**

---

Dear Shareholder,

It gives me immense pleasure to communicate and share the results of Q3 and nine months of FY 2005-06.

Consolidated revenue from operations for the quarter was Rs.37.40 crore against Rs. 27.08 crore in the corresponding quarter of the previous year, an increase of 38%. Total operating expense for the quarter was Rs.27.33 crore against Rs.19.78 crore in the corresponding quarter of the previous year, an increase of 38%. Operating profit is at Rs.10.07 crore, 27% of revenue, for the quarter, against Rs.7.30 crore, 27% of revenue in the corresponding quarter of the previous year.

Consolidated net profit for the quarter was Rs.8.82 crore, 24% of revenue, against Rs.5.89 crore, 22% of revenue, in the corresponding quarter of the previous year. Earnings per share was Rs.5.47 for the quarter against Rs.3.66 for corresponding quarter of the previous year.

For the nine-month period, consolidated revenue from operations was Rs.105.96 crore, against Rs.72.12 crore in nine months of FY 2004-05, an increase of 47%. The total operating expense for the nine months were Rs.74.31 crore against Rs.55.74 crore, representing an increase of 33%. Consequently the operating profit for nine months was Rs.31.65 crore, 30% of revenue, against Rs.16.38 crore, 23% of revenue for nine months of FY 2004-05.

Consolidated net profit for the nine months was Rs.26.18 crore, 25% of revenue against Rs 12.21 crore, 17% of revenue, for the nine months of FY 2004-05.

Our focus on products in the banking and financial services sector continues to deliver encouraging results. Product revenue, consisting of license fee and product related services, for the quarter, was at Rs.14.13 crore, 38% of total revenue and is 107% higher than Rs. 6.83 crore, 25% of total revenue for the corresponding quarter of the previous year. Product revenue for the nine months is Rs. 38.28 crore, 36% of total revenue, against Rs.16.81 crore, 23% of total revenue for the nine months of FY 2004-05.

The Company continues to enjoy high level of liquidity. 'Cash and Bank balances' and 'current investments' were at Rs.74.33 crore as on December 31, 2005. Cash flow from operating activities for the quarter is Rs.13.97 crore and for the nine month period is Rs.21.09 crore.

Your Company added 8 new clients during the quarter, taking the total customer base to 116. A leading Rural bank in Philippines has selected FinnOne™ Retail Banking application. The implementation will cover Loans, Deposits, Savings and General Ledger. The Company bagged another significant product order from one of the top leading Banks in UAE for FinnOne™ Margin Lending system.

One of the leading financial services Company in India, a JV of a leading Asian bank with one of the top leading private financial services company in India, will be implementing FinnOne™ LOS/Lending and Collections products to launch Retail operations. Our Relationship with one of the top leading private banks in India has expanded to cover FinnOne™ Retail in multiple countries. We have also received our first order for FinnOne™ application in a micro finance Company in India.

Our relationship with partners is moving to new levels and there is an increased acceptance of the product and a joint marketing activity in various regions across the world including collaterals, joint collaterals, joint participation in events and joint bids for various contracts. We are pleased to share that your Company has received the "Principal Partner Status" under the newly launched Sun Advantage Partner Program by Sun Microsystems. It is the penultimate level of partnership in the Worldwide Sun Partner network hierarchy.

The product development team continues to enhance the product capabilities to help our customers meet new business challenges. The FinnOne™ customer acquisition system which covers both retail and corporate loan origination will see its first implementation of the corporate loan origination functionality with a customer in Indonesia. This product has also been selected by our first customer from the African continent. Continuous investments have been made in our existing Lending and Collection system and new releases of the same would be made towards the end of this quarter.

The Board of Directors of your Company has approved setting up of a wholly owned subsidiary in Netherlands to address business opportunities in Netherlands and other European countries.

The total employee strength was 982 at the end of the quarter as on December 31, 2005 against 813 as on December 31, 2004 and 989 as on September 30, 2005.

Markets are not a limitation for our growth and today our challenges lie in recruiting and training manpower for speedy execution for product related business and other domain related projects. Simultaneously, we have to continuously invest in our new products and new features for existing products. We have drawn up an ambitious plan to increase our manpower strength by at least 200 persons within this quarter to ensure timely and quality delivery.

We are consistent in our endeavor to build a strong and value oriented organization and we thank you all for your continued support.

Vishnu R Dusad  
Managing Director

Date: January 17, 2006



**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 31 December 2005, the Profit and Loss Account for the quarter and nine months ended on that date and also Cash Flow Statement of the Company for the nine months ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We report that:

- a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of the books;
- c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable; and
- e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2005;
  - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the quarter and nine months ended on that date; and
  - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the nine months ended on that date.

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

Place : Gurgaon  
Date : 17 January, 2006

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



# NUCLEUS SOFTWARE EXPORTS LTD.

## Balance Sheet as at 31 December 2005

All amounts in Rupees

Particulars	Schedule	As at 31 December 2005	As at 31 December 2004	As at 31 March 2005
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Funds</b>				
Share Capital	1	161,063,120	160,923,120	160,923,120
Share Application Money Pending Allotment		767,500	275,000	325,000
Reserves & Surplus	2	821,423,579	583,811,735	618,417,082
<b>TOTAL</b>		<b>983,254,199</b>	<b>745,009,855</b>	<b>779,665,202</b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	3	428,856,511	390,107,895	402,276,461
Less: Accumulated Depreciation		(163,523,694)	(130,345,616)	(137,636,205)
Net Block		265,332,817	259,762,279	264,640,256
Add: Capital Work in Progress (including capital advances)		10,002,898	2,555,440	2,017,363
		275,335,715	262,317,719	266,657,619
<b>Investments</b>	4	671,337,527	551,727,256	544,233,932
<b>Deferred Tax Asset</b> (Refer note 3, Schedule 16)		1,244,946	3,915,665	2,199,000
<b>Current Assets, Loans &amp; Advances</b>				
Sundry Debtors	5	114,075,372	129,330,456	127,628,550
Cash & Bank Balances	6	146,480,280	141,592,521	190,561,641
Loans & Advances	7	39,227,571	38,144,200	42,743,405
Other Current Assets	8	50,129,668	24,691,090	26,637,290
		349,912,891	333,758,267	387,570,886
<b>Less : Current Liabilities &amp; Provisions</b>				
Current Liabilities	9	293,581,652	389,423,303	359,040,327
Provisions	10	20,995,228	17,285,749	61,955,908
		314,576,880	406,709,052	420,996,235
<b>Net Current Assets/(Liabilities)</b>		<b>35,336,011</b>	<b>(72,950,785)</b>	<b>(33,425,349)</b>
<b>TOTAL</b>		<b>983,254,199</b>	<b>745,009,855</b>	<b>779,665,202</b>
<b>Significant accounting policies and notes to the accounts</b>	16			

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

### 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**  
17 January, 2006

**NOIDA (U.P.)**  
17 January, 2006

**P K Sanghi**  
Chief Financial Officer

**Poonam Bhasin**  
Company Secretary



## NUCLEUS SOFTWARE EXPORTS LTD.

### Profit and Loss Account for the quarter and nine months ended 31 December, 2005

All amounts in Rupees

Particulars	Schedule	For the quarter ended		For the nine months ended		For the year ended 31st March, 2005
		31 December, 2005	31 December, 2004	31 December, 2005	31 December, 2004	
Sales and Services	11	224,930,987	169,797,311	674,885,692	448,540,494	670,323,536
Software Development Expenses	12	114,813,229	89,542,798	316,152,438	263,204,503	350,554,850
<b>Gross profit</b>		<b>110,117,758</b>	<b>80,254,513</b>	<b>358,733,254</b>	<b>185,335,991</b>	<b>319,768,686</b>
Selling and Marketing Expenses	13	16,179,842	12,979,707	53,531,902	35,301,415	50,501,210
General and Administration Expenses	14	20,503,105	16,830,538	55,406,745	43,344,584	65,831,231
<b>Operating Profit Before Finance Charges, Depreciation and Withholding Tax</b>		<b>73,434,811</b>	<b>50,444,268</b>	<b>249,794,607</b>	<b>106,689,992</b>	<b>203,436,245</b>
Depreciation	3	6,572,925	9,732,826	29,157,000	21,398,717	30,485,086
Withholding Taxes Charged Off		9,861,325	9,660,204	22,798,253	28,750,986	37,429,649
<b>Operating Profit After Finance Charges, Depreciation and Withholding Tax</b>		<b>57,000,561</b>	<b>31,051,238</b>	<b>197,839,354</b>	<b>56,540,289</b>	<b>135,521,510</b>
Other Income	15	11,620,322	16,316,934	20,532,812	24,317,164	31,014,773
<b>Profit before Taxation</b>		<b>68,620,883</b>	<b>47,368,172</b>	<b>218,372,166</b>	<b>80,857,453</b>	<b>166,536,283</b>
Provision for Tax - current		4,200,000	1,200,000	13,100,000	2,600,000	6,500,000
- fringe benefit		1,260,000	—	2,960,000	—	—
- deferred (refer Note 3, Schedule 16)		536,596	(202,101)	954,054	16,846	1,733,511
Provision for Wealth Tax		51,402	18,331	51,402	18,331	18,331
<b>Profit after Taxation</b>		<b>62,572,885</b>	<b>46,351,942</b>	<b>201,306,710</b>	<b>78,222,276</b>	<b>158,284,441</b>
<b>Profit Available for Appropriation</b>						
Profit for the period/year		62,572,885	46,351,942	201,306,710	78,222,276	158,284,441
Add: Balance Brought Forward		251,273,204	131,942,692	112,539,379	100,123,809	100,123,809
<b>Total Amount Available</b>		<b>313,846,089</b>	<b>178,294,634</b>	<b>313,846,089</b>	<b>178,346,085</b>	<b>258,408,250</b>
Final Dividend		—	—	—	—	40,227,030
Dividend Tax		—	—	—	51,451	5,641,841
Transferred to General Reserve		—	—	—	—	100,000,000
<b>Balance Carried Forward to the Balance Sheet</b>		<b>313,846,089</b>	<b>178,294,634</b>	<b>313,846,089</b>	<b>178,294,634</b>	<b>112,539,379</b>
<b>Earnings Per Equity Share (par value Rs. 10 each)</b> (Refer note 15, Schedule 16)						
Basic		3.89	2.88	12.51	4.86	9.84
Diluted		3.88	2.87	12.48	4.85	9.82
<b>Number of Shares used in Computing Earnings Per Equity Share</b>						
Basic		16,102,595	16,090,812	16,095,365	16,079,307	16,082,144
Diluted		16,146,731	16,112,207	16,133,186	16,100,702	16,106,121

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

16

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

#### As per our report of even date

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

**Akhil Bansal**  
Partner  
Membership No. 090906

**Gurgaon**  
17 January, 2006

For and on behalf of the Board of Directors

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

**Vishnu R Dusad**  
Managing Director

**NOIDA (U.P.)**  
17 January, 2006

**P K Sanghi**  
Chief Financial Officer

**Poonam Bhasin**  
Company Secretary



## NUCLEUS SOFTWARE EXPORTS LTD.

### Cash Flow Statement for the nine months ended 31 December 2005

All amounts in Rupees

	For the nine months ended		For the year ended
	31 December 2005	31 December 2004	31 March 2005
<b>A. Cash flow from operating activities</b>			
Net profit before tax	218,372,166	80,857,453	166,536,283
<i>Adjustment for:</i>			
Depreciation	29,157,000	21,398,717	30,485,086
Exchange difference on translation of foreign currency accounts	(354,534)	(9,113,685)	(7,542,219)
Dividend income from investments	(1,849,739)	(2,070,594)	(3,142,614)
Interest income	(5,099,065)	(2,529,607)	(4,576,121)
Profit on sale of investments	(11,890,954)	(11,160,371)	(11,545,008)
Amortisation of employees stock compensation expenses	1,493,787	967,635	1,328,237
Loss/(profit) on sale of fixed assets	(81,207)	(38,461)	(50,054)
Loss on assets discarded	67,551	312,741	312,741
Bad debts written off	1,523,236	78,911	1,769,799
Advances and other current assets written off	2,813,754	—	2,813,725
Provision for doubtful debts / advances	(1,484,153)	3,896,456	4,464,041
Operating profit before working capital changes	232,667,842	82,599,195	180,853,896
Decrease / (increase) in debtors	13,688,346	(19,318,947)	(18,815,522)
Decrease / (increase) in loans and advances	(2,825,326)	837,723	1,094,437
Decrease / (increase) in other current assets	(27,827,658)	4,371,240	829,024
(Decrease) / increase in current liabilities and provisions	(63,254,604)	306,922,360	273,655,146
	152,448,600	375,411,571	437,616,981
Direct taxes (paid) / received	(10,764,995)	553,748	(507,919)
<b>Net cash from operating activities (A)</b>	<b>141,683,605</b>	<b>375,965,319</b>	<b>437,109,062</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress	(39,001,085)	(99,202,930)	(116,725,059)
Sale of fixed assets	506,405	38,461	101,853
Purchase of current investments (net)	(112,712,641)	(3,862,994)	6,463,717
Investment in subsidiaries	—	(10,737,950)	(13,186,700)
Purchase of other long term investments	(2,500,000)	(136,882,640)	(136,882,640)
Loan and advances to subsidiaries (net)	6,860,745	11,955,708	8,927,637
Interest received	6,630,719	791,356	1,531,422
Tax paid	(2,808,989)	—	(1,405,011)
Dividend received from investments	1,849,739	2,070,594	3,142,614
<b>Net cash used in investing activities (B)</b>	<b>(141,175,107)</b>	<b>(235,830,395)</b>	<b>(248,032,167)</b>
<b>C. Cash flow from financing activities</b>			
Dividend paid (including tax thereon)	(45,587,752)	(22,443,432)	(22,445,134)
Proceeds from employee stock option exercised	28,000	196,000	196,000
Receipt of share application money	760,500	265,000	315,000
<b>Net cash used in investing activities (C)</b>	<b>(44,799,252)</b>	<b>(21,982,432)</b>	<b>(21,934,134)</b>
Net (decrease) / increase in cash and cash equivalents (A+B+C)	<b>(44,290,754)</b>	<b>118,152,492</b>	<b>167,142,761</b>
Opening cash and cash equivalents	<b>190,561,641</b>	<b>23,473,161</b>	<b>23,473,161</b>
Exchange difference on translation of foreign currency bank accounts	209,393	(33,132)	(54,281)
Closing cash and cash equivalents*	<b>146,480,280</b>	<b>141,592,521</b>	<b>190,561,641</b>

\*include fixed deposits amounting to Rs.9,152,686 (Rs.4,857,652; Rs.7,496,635) under lien with bank on account of guarantees issued on behalf of the Company

#### Notes:

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

#### As per our report of even date

**For BSR & Co.**  
(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**  
17 January, 2006

**NOIDA (U.P.)**  
17 January, 2006

**P K Sanghi**  
Chief Financial Officer

**Poonam Bhasin**  
Company Secretary



# NUCLEUS SOFTWARE EXPORTS LTD.

## Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2005	As at 31 December 2004	As at 31 March 2005
<b>SCHEDULE—1</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised Capital</b>			
20,000,000 (20,000,000; 20,000,000) equity shares of Rs. 10 each	200,000,000	200,000,000	200,000,000
<b>Issued, subscribed and paid up</b>			
<b>Issued</b>			
16,107,612 (16,093,612; 16,093,612) equity shares of Rs. 10 each	161,076,120	160,936,120	160,936,120
<b>Subscribed and paid up</b>			
16,104,812 (16,090,812; 16,090,812) equity shares of Rs. 10 each, fully paid up	161,048,120	160,908,120	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
	161,063,120	160,923,120	160,923,120
<b>SCHEDULE—2</b>			
<b>RESERVES AND SURPLUS</b>			
<b>General Reserve</b>			
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
<b>Securities premium account</b>			
Balance as at 1 April	161,702,709	240,546,769	240,546,769
Add: On conversion of stock options issued to employees	1,276,000	1,610,000	1,610,000
Less: Amount utilised for issuance of 8,045,406 bonus shares of Rs. 10 each	—	80,454,060	80,454,060
	162,978,709	161,702,709	161,702,709
<b>Capital reserve account</b>			
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
<b>Employee stock options</b>			
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 options	1,080,000	1,414,000	1,414,000
	4,439,238	2,079,000	2,304,350
Less: Deferred employee compensation	(2,785,182)	(1,199,333)	(1,064,081)
	1,654,056	879,667	1,240,269
Profit and Loss Account	313,846,089	178,294,634	112,539,379
	821,423,579	583,811,735	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 31 Dec., 2005	As at 1 April, 2005	Depreciation for the period	Deduction/ Adjustments	As at 31 December, 2005	As at 31 December, 2004	As at 31 March, 2005
<b>Tangibles</b>										
Freehold land	3,360,720	—	—	3,360,720	—	—	—	—	3,360,720	3,360,720
Leasehold land	64,195,000	—	—	64,195,000	2,174,158	540,572	—	2,714,730	61,480,270	62,020,842
Building	111,744,809	212,988	—	111,957,797	3,611,274	2,873,448	—	6,484,722	105,473,075	108,133,535
Office and other equipment	52,796,815	1,008,523	—	53,805,338	15,941,023	7,499,125	—	23,440,148	30,365,190	36,855,792
Computers	72,592,035	16,015,673	(1,974,560)	86,633,148	41,663,231	11,176,172	(1,907,009)	50,932,394	35,700,754	30,928,804
Vehicles	10,170,701	4,191,038	(330,938)	14,030,801	4,432,900	1,329,459	(223,557)	5,538,802	8,491,999	5,737,801
Furniture and fixtures	27,281,527	178,851	(1,456,762)	26,003,616	15,191,468	2,673,441	(1,138,945)	16,725,964	9,277,652	12,090,059
<b>Intangibles</b>										
Software	60,134,854	8,735,237	—	68,870,091	54,622,151	3,064,783	—	57,686,934	11,183,157	5,512,703
<b>Total</b>	<b>402,276,461</b>	<b>30,342,310</b>	<b>(3,762,260)</b>	<b>428,856,511</b>	<b>137,636,205</b>	<b>29,157,000</b>	<b>(3,269,511)</b>	<b>163,523,694</b>	<b>265,332,817</b>	<b>264,640,256</b>
Previous period	225,770,945	177,465,039	(13,128,089)	390,107,895	121,762,247	21,398,717	(12,815,348)	130,345,616	259,762,279	—
Previous year	225,770,945	191,481,184	(14,975,668)	402,276,461	121,762,247	30,485,086	(14,611,128)	137,636,205	264,640,256	—



# NUCLEUS SOFTWARE EXPORTS LTD.

## Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2005	As at 31 December 2004	As at 31 March 2005
<b>SCHEDULE—4</b>			
<b>INVESTMENTS</b>			
<b>Long term investments</b>			
<b>Equity shares - Non trade and unquoted</b>			
10,040,000 (10,040,000; 10,040,000) equity shares of Rs 10 each, fully paid up, in GMAC Financial Services India Limited [Of the above, 80,000 (80,000; 80,000) equity shares are held by nominees on behalf of the Company]	136,882,640	136,882,640	136,882,640
25,000 (Nil; Nil) equity shares of Rs 10 each, fully paid up, in Ujjivan Financial Services Pvt. Ltd.	2,500,000	—	—
	<u>139,382,640</u>	<u>136,882,640</u>	<u>136,882,640</u>
<b>Equity shares in wholly owned subsidiaries - Non-trade and unquoted</b>			
625,000 (625,000; 625,000) equity shares of SGD 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore, a wholly owned subsidiary	16,319,950	16,319,950	16,319,950
1,000,000 (1,000,000; 1,000,000) equity shares of USD 0.35 each, fully paid up, in Nucleus Software Inc., USA, a wholly owned subsidiary	16,293,150	16,293,150	16,293,150
200 (200; 200) equity shares of JPY 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaiga, Japan, a wholly owned subsidiary	4,092,262	4,092,262	4,092,262
316,000 (241,000; 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	7,342,205	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 (899,994; 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	10,000,000	10,000,000
	<u>57,116,202</u>	<u>54,667,452</u>	<u>57,116,202</u>
<b>Current investments</b>			
<b>Investments in bonds and mutual funds - Non trade and unquoted</b>			
Nil (10,317; 10,317) units of face value of Rs. 1,000 each of Templeton India Treasury Management - Growth	—	16,500,000	16,500,000
3,659,812 (2,638,527; 2,066,606) units of face value of Rs.10 each of HDFC Cash management Fund- Saving Plan-Growth	50,742,894	35,000,000	27,500,000
Nil (460,889; 460,889) units of face value of Rs. 10 each of HSBC Cash Fund -Growth	—	5,000,000	5,000,000
Nil (1,202,390; 1,202,390) units of face value of Rs. 10 each of Kotak Liquid- Institutional Plan -Growth	—	15,800,000	15,800,000
Nil (987,144; Nil) units of face value of Rs. 10 each of HSBC Cash Fund - Institutional Plan - Dividend	—	10,305,865	—
Nil (3,605,681; 3,605,681) units of face value of Rs. 10 each of J M High Liquidity Fund -Institutional Plan-Growth	—	39,000,000	39,000,000
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 (254,087; 254,087) units of face value of Rs. 10 each of Birla Cash Plus-Institutional Plan-Growth	—	4,500,000	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
Nil (1,216,524; 1,229,103) units of face value of Rs. 10 each of DSP Merrill Lynch Liquidity Fund-Daily Dividend	—	12,177,402	12,303,323
Nil (4,666,510; 4,714,328) units of face value of Rs. 10 each of Birla Cash Plus-Institutional Plan-Dividend	—	50,400,686	50,917,241



## NUCLEUS SOFTWARE EXPORTS LTD.

### Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2005	As at 31 December 2004	As at 31 March 2005
Nil (1,410,875; 2,269,873) units of face value of Rs. 10 each of HDFC Cash management Fund-Saving Plan-Dividend	—	15,006,629	24,143,277
Nil (3,635,141; 3,635,141) units of face value of Rs. 10 each of HSBC Cash Fund - Institutional Plan - Growth	—	40,000,000	40,000,000
Nil (2,017,680; 2,017,680) units of face value of Rs. 10 each of DSP Merrill Lynch Floating Rate Fund-Daily Dividend	—	20,011,541	20,221,277
940,631 (4,991,275; 5,812,723) units of face value of Rs. 10 each of Deutsche Insta Cash Plus Fund-Institutional Plan-Growth	9,650,000	59,349,972	59,349,972
Nil (500,000; 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
1,000,000 (Nil; Nil) units of face value of Rs. 10 each of UTI Fixed Maturity Plan-YFMP 07/05-Growth	10,000,000	—	—
2,000,000 (Nil; Nil) units of face value of Rs. 10 each of UTI Fixed Maturity Plan-YFMP 07/05-Growth	20,000,000	—	—
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	20,000,000
1,000,000 (Nil; Nil) units of face value of Rs. 10 each of Reliance Fixed Maturity Fund-SeriesII-Annual Paln-I-Growth	10,000,000	—	—
2,413,992 (Nil; Nil) units of face value of Rs. 10 each of DSP Merrill Lynch Liquidity Fund-Daily Growth	40,000,000	—	—
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	—	—
2,972,613 (Nil; Nil) units of face value of Rs. 10 each of ABN Amro Cash Fund-Institutional-Growth	31,000,000	—	—
1,419,231 (Nil; Nil) units of face value of Rs. 10 each of ING Vysya Liquid Fund Institutional-Growth	15,000,000	—	—
26,544 (Nil; Nil) units of face value of Rs. 1000 each of UTI Liquid Cash Plan Institutional-Growth	29,895,490	—	—
Nil (2,600,184; Nil) units of face value of Rs. 10 each of Principal Cash management Fund-Institutional-Dividend	—	2,125,069	—
1,187,620 (Nil; Nil) units of face value of Rs. 10 each of Prudential ICICI Institutional Liquid Plan-Growth	20,000,000	—	—
1,070,274 (Nil; Nil) units of face value of Rs. 10 each of Chola Liquid Institutional plus-Cumulative	15,000,000	—	—
202,101 (Nil; Nil) units of face value of Rs. 10 each of ABN Amro Cash Fund-Institutional-Dividend	2,020,976	—	—
881,780 (Nil; Nil) units of face value of Rs. 10 each of Birla Sun Life Cash manager-Institutional Plan-Growth	10,000,000	—	—
750,000 (Nil; Nil) units of face value of Rs. 10 each of Magnum Debt Fund Serires-13 Months (Oct 05)-Growth	7,500,000	—	—
800,000 (Nil; Nil) units of face value of Rs. 10 each of Grindlays Fixed Maturity-16th Plan A-Growth	8,000,000	—	—
511,740 (Nil; Nil) units of face value of Rs. 10 each of Chola Liquid Institutional plus-Dividend	6,003,529	—	—
1,647,023 (Nil; Nil) units of face value of Rs. 10 each of LICMF Liquid Fund-Dividend	18,006,645	—	—
4,090,509 (Nil; Nil) units of face value of Rs. 10 each of Kotak Liquid Institutional Premium-Dividend	50,019,151	—	—
4,574,565 (Nil; Nil) units of face value of Rs. 10 each of Birla Cash Plus-Institutional Premium-Growth	50,000,000	—	—
	<b>474,838,685</b>	<b>360,177,164</b>	<b>350,235,090</b>
	<b>671,337,527</b>	<b>551,727,256</b>	<b>544,233,932</b>

#### Notes:

- Investments in mutual funds include unutilised proceeds raised by preferential issue of equity shares.
- Net asset value (NAV) of current investments Rs. 483,673,484 (Rs 362,768,806; 355,639,033) as at 31 December 2005.
- Refer note 7, schedule 16 for details of investments purchased and sold during the period ended 31 December 2005.



## NUCLEUS SOFTWARE EXPORTS LTD.

### Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2005	As at 31 December 2004	As at 31 March 2005
<b>SCHEDULE—5</b>			
<b>SUNDRY DEBTORS (UNSECURED)</b>			
Debts outstanding for a period exceeding six months			
—Considered good	6,014,632	8,490,297	4,273,016
—Considered doubtful	17,814,978	19,474,820	19,975,336
	<u>23,829,610</u>	<u>27,965,117</u>	<u>24,248,352</u>
Less: Provision for doubtful debts	(17,814,978)	(19,474,820)	(19,975,336)
	<u>6,014,632</u>	<u>8,490,297</u>	<u>4,273,016</u>
Other debts (considered good)	108,060,740	120,840,159	123,355,534
	<u>114,075,372</u>	<u>129,330,456</u>	<u>127,628,550</u>

### SCHEDULE—6 CASH AND BANK BALANCES

Cash in hand [including cheques in hand Rs. 185,196 (Nil ; Rs.3,267,878)]	429,578	353,876	3,778,025
Balances with scheduled banks			
—in current accounts	15,246,166	15,999,136	35,964,325
—in fixed deposit accounts*	109,452,786	124,655,682	127,297,635
Balances with non scheduled banks			
—in current account (Citibank, United Kingdom) [Maximum amount outstanding Rs.Nil (Rs.2,533,996 ; Rs.2,533,996)]	—	583,827	237,336
Remittance in transit	21,351,750	—	23,284,320
	<u>146,480,280</u>	<u>141,592,521</u>	<u>190,561,641</u>

\* include fixed deposits amounting to Rs.9,152,686 (Rs.4,857,652 ; 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	10,506,442	10,239,601	7,365,173
Loans and advances to subsidiaries*	19,424,516	19,782,569	25,591,425
Security deposits	4,408,236	5,741,697	4,302,697
Prepaid expenses	4,888,377	2,380,333	5,484,110
	<u>39,227,571</u>	<u>38,144,200</u>	<u>42,743,405</u>

\* includes loan amounting to Rs.5,420,000 (Rs.5,320,000 ; Rs.5,308,000) to Nucleus Software Solutions Pte. Ltd., Singapore and Rs.5,275,530 (Rs.6,843,375 ; 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 31 December 2005	As at 31 December 2004	As at 31 March 2005
<b>SCHEDULE—8</b>			
<b>OTHER CURRENT ASSETS</b>			
Service income accrued but not due	47,956,318	22,205,698	22,942,414
Interest accrued but not due	2,173,350	2,485,392	3,694,876
	<u>50,129,668</u>	<u>24,691,090</u>	<u>26,637,290</u>

### **SCHEDULE—9** **CURRENT LIABILITIES**

Sundry creditors*	72,827,234	65,595,097	62,484,546
Withholding tax	11,235,972	7,820,000	4,477,020
Due to subsidiaries	10,182,055	8,317,891	10,602,021
Advances from customers	192,489,284	302,640,289	274,870,717
Unclaimed dividends	716,517	469,934	467,532
Other liabilities	6,130,590	4,580,092	6,138,491
	<u>293,581,652</u>	<u>389,423,303</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	9,997,530	8,861,584	8,367,978
Leave encashment	6,569,442	7,966,649	5,828,221
Income tax [Net of advance tax Rs.30,459,274 (21,218,938 ; Rs.19,098,728)]	3,394,647	457,516	1,890,838
Fringe benefit tax	1,033,609	—	—
Dividend	—	—	40,227,030
Corporate Dividend tax	—	—	5,641,841
	<u>20,995,228</u>	<u>17,285,749</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 31 December 2005	31 December 2004	For the nine months ended 31 December 2005	31 December 2004	For the year ended 31st March 2005
<b>SCHEDULE—11</b>					
<b>SALES AND SERVICES</b>					
Software development services and products					
— Domestic	55,471,566	27,861,301	144,644,822	72,016,044	113,988,623
— Overseas	169,459,421	141,936,010	530,240,870	376,524,450	556,334,913
	<u>224,930,987</u>	<u>169,797,311</u>	<u>674,885,692</u>	<u>448,540,494</u>	<u>670,323,536</u>
<b>SCHEDULE—12</b>					
<b>SOFTWARE DEVELOPMENT EXPENSES</b>					
Salaries and allowances	59,551,188	44,131,103	163,525,667	132,361,939	174,097,981
Contribution to provident and other funds	3,223,025	2,551,195	8,725,760	6,961,960	9,432,850
Directors' remuneration	1,472,000	1,169,600	4,972,000	1,760,000	3,600,000
Employee's stock compensation expenses	510,856	311,466	1,250,263	803,465	1,113,439
Staff welfare	1,643,882	1,347,390	4,680,585	3,488,921	5,663,785
Conveyance	1,014,765	786,149	2,860,104	2,367,739	3,162,336
Communication	2,116,878	3,199,528	6,670,671	8,301,207	10,890,087
Rent	677,216	1,705,417	2,097,803	5,304,032	6,573,552
Legal and professional	883,041	1,251,825	3,424,050	4,658,571	5,743,476
Repair and maintenance					
— Building	101,107	233,910	297,647	312,381	357,028
— Others	978,124	953,961	2,529,811	2,247,817	3,237,811
Training and recruitment	1,753,881	1,109,837	4,159,230	3,007,217	4,030,130
Printing and stationery	42,453	89,216	253,015	210,781	308,342
Insurance	575,777	229,917	1,170,780	625,778	972,056
Software and other development charges	4,846,572	1,750,187	7,168,306	5,494,741	6,733,076
Cost of software purchased for delivery to clients	2,448,672	—	7,279,568	3,081,018	4,032,905
Travelling	29,615,924	24,896,797	84,425,013	67,803,442	93,414,713
Consultancy charges	—	5,000	—	895,079	895,079
Power and fuel	2,254,748	2,075,591	7,341,347	8,868,300	10,636,468
Information technology expenses	348,073	662,627	1,112,042	1,966,674	2,582,044
Miscellaneous expenses	755,047	1,082,082	2,208,776	2,683,441	3,077,692
	<u>114,813,229</u>	<u>89,542,798</u>	<u>316,152,438</u>	<u>263,204,503</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 31 December 2005	31 December 2004	For the nine months ended 31 December 2005	31 December 2004	For the year ended 31st March 2005
<b>SCHEDULE—13</b>					
<b>SELLING AND MARKETING EXPENSES</b>					
Salaries and allowances	6,621,382	3,984,722	20,618,054	9,982,742	14,897,026
Contribution to provident and other funds	303,111	233,665	991,081	582,328	872,966
Directors' remuneration	1,472,000	1,169,600	4,972,000	1,760,000	3,600,000
Employee's stock compensation expenses	—	25,436	145,736	88,363	113,677
Staff welfare	207,278	166,353	754,212	348,766	656,334
Conveyance	203,896	205,924	724,349	440,105	655,027
Communication	397,847	448,728	1,115,662	1,287,076	1,858,727
Rent	341,233	464,118	1,025,242	1,361,672	1,791,476
Legal and professional	149,956	260,372	644,190	260,372	353,365
Repair and maintenance					
— Building	10,111	31,188	29,765	36,973	41,438
— Others	97,812	127,195	252,981	224,751	323,750
Training and recruitment	102,737	50,136	295,512	210,174	242,963
Printing and stationery	139,987	33,392	230,900	134,723	280,341
Insurance	38,390	16,604	116,602	59,531	120,381
Travelling	3,310,760	3,202,359	11,193,125	10,434,725	13,748,887
Advertisement and business promotion	2,035,153	1,511,755	4,789,140	3,290,871	4,798,247
Power and fuel	246,565	232,425	752,198	727,709	896,950
Conference, exhibition and seminar	114,065	729,310	1,326,913	1,776,098	2,540,545
Information technology expenses	22,844	53,347	99,991	133,365	181,400
Commission on sales	231,360	—	1,681,337	1,984,359	2,307,299
Market survey expenses	—	—	1,394,695	—	—
Miscellaneous expenses	133,355	33,078	378,217	176,712	220,411
	16,179,842	12,979,707	53,531,902	35,301,415	50,501,210



**Schedules forming part of the financial statements**

All amounts in Rupees

	For the quarter ended 31 December 2005	31 December 2004	For the nine months ended 31 December 2005	31 December 2004	For the year ended 31st March 2005
<b>SCHEDULE—14</b>					
<b>GENERAL AND ADMINISTRATION EXPENSES</b>					
Salaries and allowances	6,308,260	4,918,243	17,326,409	14,512,253	20,817,323
Contribution to provident and other funds	375,120	339,004	1,056,131	930,530	1,340,031
Directors' remuneration	811,000	694,800	2,756,000	1,275,000	2,265,000
Employee's stock compensation expenses	—	25,436	97,788	75,807	101,121
Staff welfare	272,961	240,481	797,789	528,187	1,023,862
Conveyance	322,013	488,730	870,946	1,040,993	1,301,240
Communication	1,034,213	711,669	2,907,051	2,687,318	3,676,577
Rent	56,000	360,499	193,500	1,543,802	1,284,630
Rates and taxes	424,993	672,206	1,240,315	—	631,482
Legal and professional	3,664,629	1,766,866	8,307,349	4,837,976	7,606,823
Repair and maintenance					
— Building	35,387	77,970	104,176	94,756	110,382
— Others	342,342	317,987	885,431	598,307	944,804
Training and recruitment	179,156	74,120	331,912	927,699	1,005,597
Printing and stationery	555,228	292,127	1,221,181	941,596	1,358,733
Loss on discarded assets	—	312,741	67,551	312,741	312,741
Insurance	61,206	92,711	260,792	200,222	294,084
Bank charges	641,500	215,929	1,353,158	586,875	1,042,019
Travelling	323,173	283,200	1,577,469	860,535	1,291,601
Advertisement	262,477	52,095	778,532	208,434	260,656
Power and fuel	695,164	578,380	2,277,232	2,017,275	2,586,423
Conference, exhibition and seminar	34,000	38,244	34,000	79,026	341,554
Information technology expenses	34,266	85,636	106,958	249,715	325,013
Bad debts written off	—	78,911	1,523,236	—	1,769,799
Advances/other current assets written off	—	—	2,813,754	78,911	2,813,725
Provision for doubtful debts/advances/other current assets	643,066	2,668,340	(1,484,153)	3,896,456	4,464,041
Loss on foreign exchange fluctuation (net)	2,250,830	—	3,770,567	—	—
Miscellaneous expenses	1,176,121	1,444,213	4,231,671	4,860,170	6,861,970
	<b>20,503,105</b>	<b>16,830,538</b>	<b>55,406,745</b>	<b>43,344,584</b>	<b>65,831,231</b>

**SCHEDULE—15**  
**OTHER INCOME**

Dividend received from non-trade investments	404,016	1,425,966	1,849,739	2,070,594	3,142,614
Gain on foreign exchange fluctuation (net)	—	8,254,481	—	8,270,679	6,874,670
Interest on fixed deposits and loans to subsidiaries [Gross of tax deducted at source Rs.1,325,269 (Rs.10,877; Rs.1,328,692; Rs.14,300; Rs.66,586)]	1,462,958	1,998,606	5,099,065	2,529,607	4,576,121
Profit/(loss) on sale of fixed assets (net)	95,090	38,461	81,207	38,461	50,054
Profit on sale of investments (net)	9,275,499	4,558,680	11,890,954	11,160,371	11,545,008
Miscellaneous income	382,759	40,740	1,611,847	247,452	4,826,306
	<b>11,620,322</b>	<b>16,316,934</b>	<b>20,532,812</b>	<b>24,317,164</b>	<b>31,014,773</b>



**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 31 December 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 amortization, if no impairment loss had been recognized.

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

**(iii) Revenue recognition**

Revenue from software development services comprises income from time and material and fixed price contracts. Revenue from time and material basis is recognised as the services are rendered. Revenue



from fixed price contracts and sale of license and related customisation and implementation is recognised in accordance with the percentage completion method. 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 expense for the period.

**(x) Retirements benefits**

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

**(xi) Employee stock option based compensation**

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

**(xii) Operating leases**

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

**(xiii) Earnings per share**

Basic earnings per share are computed using the weighted average number of equity shares outstanding during the period. Diluted earnings per share are 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 are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only to the extent there is virtual certainty of realisation of such assets. In other situations, deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Such assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized. Deferred tax assets or liabilities arising due to timing differences, originating during the tax holiday period and reversing after the tax holiday period are recognised in the period in which the timing difference originate.

### 3. Deferred tax asset

Components of net deferred tax asset:

*(Amounts in Rupees)*

	As at 31 December 2005	As at 31 December 2004	As at 31 March 2005
<b>Deferred tax asset</b>			
Provision for doubtful debts	771,019	1,409,746	1,291,511
Provision for retirement benefits	1,576,672	2,156,873	1,679,592
Excess depreciation as per books over the depreciation as per the Income-tax Act, 1961	—	—	—
	<b>2,347,691</b>	<b>3,566,619</b>	<b>2,971,103</b>
<b>Deferred tax liability</b>			
Excess depreciation as per the Income-tax Act, 1961 over depreciation as per books	(1,102,745)	349,046	(772,103)
<b>Net deferred tax asset</b>	<b>1,244,946</b>	<b>3,915,665</b>	<b>2,199,000</b>

### 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		Nine months ended		Year ended
	31 December		31 December		31 March
	2005	2004	2005	2004	2005
Options outstanding at the beginning of the period	24,500	27,500	27,500	15,000	15,000
Options granted	—	—	—	26,500	26,500
Options forfeited	—	—	(1,000)	—	—
Options exercised	—	—	(2,000)	(14,000)	(14,000)
	<b>24,500</b>	<b>27,500</b>	<b>24,500</b>	<b>27,500</b>	<b>27,500</b>

### 2002 Stock Option Scheme

	Quarter ended		Nine months ended		Year ended
	31 December		31 December		31 March
	2005	2004	2005	2004	2005
Options outstanding at the beginning of the period	64,250	—	5,000	—	—
Options granted	—	—	59,250	—	5,000
	<b>64,250</b>	<b>—</b>	<b>64,250</b>	<b>—</b>	<b>5,000</b>

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

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

*(Amounts in Rupees)*

	Quarter ended		Nine months ended		Year ended
	31 December		31 December		31 March
	2005	2004	2005	2004	2005
Balance brought forward	3,296,038	1,561,671	1,064,081	205,968	205,968
Add: Recognised during the period	—	—	3,288,888	1,961,000	2,186,350
Less: Amortisation expense	510,856	362,338	1,496,787	967,635	1,328,237
Less: Reversal due to forfeiture	—	—	74,000	—	—
Balance carried forward	2,785,182	1,199,333	2,782,182	1,199,333	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. 40,565 (Rs. 101,107; Rs. 199,098). As at 31 December 2005, the Company has outstanding forward contracts for USD 1,927,008 (USD 1,200,000; USD 2,000,000).



**6. Managerial remuneration**

*(Amounts in Rupees)*

	Quarter ended		Nine months ended		Year ended
	31 December	31 December	31 December	31 December	31 March
	2005	2004	2005	2004	2005
<b>A. Managing Director</b>					
Salary and perquisites	540,000	540,000	1,620,000	1,620,000	2,160,000
Contribution to provident and other funds	36,000	36,000	108,000	108,000	144,000
Commission	2,724,000	1,798,000	8,872,000	1,972,000	5,196,000
	3,300,000	2,374,000	10,600,000	3,700,000	7,500,000
<b>B. Non Executive Directors</b>					
Commission	380,000	550,000	1,830,000	700,000	1,500,000
Sitting fees	75,000	110,000	270,000	395,000	465,000
	455,000	660,000	2,100,000	1,095,000	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 Nine Months ended 31 December 2005**

Name of the investment	Face value	Purchased during the period		Sold during the period	
	Amount (Rupees)	Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
Templeton TMA-(D)	1000	8,300	12,550,479	8,300	12,550,479
HDFC Cash Management SP-(D)	10	9,366	99,617	9,366	99,617
DSP Merrill Lynch Liquidity fund-(D)	10	14,352	143,663	14,352	143,663
DSP Merrill Lynch Floating Rate fund-(D)	10	25,208	252,654	25,208	252,684
UTI Liquid Cash Paln-IP-(Div)	1000	56,300	57,162,368	56,300	57,165,490
ABN Amro Cash Fund-IP-(D)	10	6,219,892	62,198,921	6,219,892	62,198,951
Birla Cash Plus-IP-(D)	10	500,868	5,410,630	500,868	5,410,630
Birla Cash Sun Life Cash manager-IP-(D)	10	504,858	5,049,588	504,858	5,049,588
ABN Amro -Floater-(D)	10	1,004,731	10,047,311	1,004,731	10,047,311
SBI Short term Floater-(D)	10	197,320	2,009,171	197,320	2,009,877
Prudential ICICI Liquid-IP-(D)	10	857,419	10,160,587	857,419	10,160,587

**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 categorized based on items that are individually identifiable to that segment, while the remainder of the costs is categorized 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.

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 31 December 2005**

*(Amounts in Rupees)*

Description	India	Far East	Singapore	Europe	Others	Total
Revenue from external customers	55,471,566	47,483,192	62,017,250	28,500,916	31,458,063	224,930,986
Expenses	42,035,028	36,310,321	34,544,729	15,875,525	18,490,715	147,256,319
Segment result	13,436,538	11,172,870	27,472,520	12,625,390	12,967,348	77,674,667
Unallocated corporate expenditure						20,674,107
Operating profit before taxation						57,000,560
Other income						11,620,322
Profit before tax						68,620,882
Provision for taxation - current						4,200,000
Provision for taxation - fringe benefit						1,260,000
Provision for taxation-deferred						536,596
Provision for wealth tax						51,402
<b>Net profit after taxation</b>						<b>62,572,884</b>

**For the quarter ended 31 December 2004**

*(Amounts in Rupees)*

Description	India	Far East	Singapore	Europe	Others	Total
Revenue from external customers	27,861,301	45,375,531	56,769,416	8,455,667	31,335,396	169,797,311
Expenses	27,213,998	35,388,923	32,189,251	5,099,144	17,767,717	117,659,034
Segment result	647,303	9,986,608	24,580,165	3,356,523	13,567,679	52,138,277
Unallocated corporate expenditure						21,087,039
Operating profit before taxation						31,051,238
Other income						16,316,934
Profit before tax						47,368,172
Provision for taxation - current						(1,218,331)
Provision for taxation-fringe benefit						
Provision for taxation-deferred						2,02,101
Provision for wealth tax						
<b>Net profit after taxation</b>						<b>46,351,942</b>



## NUCLEUS SOFTWARE EXPORTS LTD.

### For the nine months ended 31 December 2005

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	Others	Total
Revenue from external customers	144,644,822	111,660,307	190,670,664	117,563,323	110,346,576	674,885,691
Expenses	104,072,900	82,827,523	100,537,977	62,556,482	59,068,259	409,062,900
Segment result	40,571,922	28,833,024	90,132,687	55,006,841	51,278,317	265,822,791
Unallocated corporate expenditure						67,983,438
Operating profit before taxation						197,839,353
Other income						20,532,812
Profit before tax						218,372,165
Provision for taxation - current						13,100,000
Provision for taxation - fringe benefit						2,960,000
Provision for taxation-deferred						954,054
Provision for wealth tax						51,402
<b>Net profit after taxation</b>						<b>201,306,709</b>

### For the nine months ended 31 December 2004

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	Others	Total
Revenue from external customers	72,016,045	140,490,783	152,341,744	12,770,945	70,920,977	448,540,494
Expenses	82,174,867	116,926,954	94,739,577	8,447,648	43,794,618	346,083,665
Segment result	(10,158,822)	23,563,829	57,602,167	4,323,297	27,126,359	102,456,829
Unallocated corporate expenditure						45,916,540
Operating profit before taxation						56,540,289
Other income						24,317,164
Profit before tax						80,857,453
Provision for taxation - current						(2,618,331)
Provision for taxation-fringe benefit						
Provision for taxation-deferred						(16,846)
Provision for wealth tax						
<b>Net profit after taxation</b>						<b>78,222,276</b>



## 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
<b>Net profit after taxation</b>						<b>158,284,441</b>

Assets and liabilities of reportable primary segment are as follows:

As at 31 December 2005

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	Others	Total
Segment assets	31,223,120	56,911,621	16,723,239	-	76,598,226	181,456,206
Unallocated corporate assets						1,116,374,873
<b>Total assets</b>						<b>1,297,831,079</b>
Segment liabilities	17,595,233	24,202,154	11,305,723	177,989,919	10,548,751	241,641,781
Unallocated corporate liabilities						72,935,100
<b>Total liabilities</b>						<b>314,576,880</b>
<b>Capital employed</b>						<b>983,254,199</b>

As at 31 December 2004

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	Others	Total
Segment assets	28,932,439	36,775,342	50,398,697	6,317,257	48,894,990	171,318,725
Unallocated corporate assets						980,400,182
<b>Total assets</b>						<b>1,151,718,907</b>
Segment liabilities	14,485,279	21,342,865	11,084,185	291,271,497	7,162,945	345,346,771
Unallocated corporate liabilities						61,362,282
<b>Total liabilities</b>						<b>406,709,052</b>
<b>Capital employed</b>						<b>745,009,855</b>



## NUCLEUS SOFTWARE EXPORTS LTD.

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
<b>Total assets</b>						<b>1,200,661,437</b>
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
<b>Total liabilities</b>						<b>420,996,235</b>
<b>Capital employed</b>						<b>779,665,202</b>

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

For the quarter ended 31 December 2005

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	Others	Total
Capital expenditure (unallocated)						16,805,607
<b>Total capital expenditure</b>						<b>16,805,607</b>
Depreciation expenditure (unallocated)						6,572,925
<b>Total depreciation</b>						<b>6,572,925</b>
Segment non-cash expense/(income) other than depreciation	557,481	86,909	(73,216)	(46,075)	628,823	1,153,922
<b>Total non cash expenditure/(income) other than depreciation</b>	<b>557,481</b>	<b>86,909</b>	<b>(73,216)</b>	<b>(46,075)</b>	<b>628,823</b>	<b>1,153,922</b>



## NUCLEUS SOFTWARE EXPORTS LTD.

### For the quarter ended 31 December 2004

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	Others	Total
Capital expenditure (unallocated)						20,509,653
<b>Total capital expenditure</b>						<b>20,509,653</b>
Depreciation expenditure (unallocated)						9,732,826
<b>Total depreciation</b>						<b>9,732,826</b>
Segment non-cash expense/income other than depreciation	190,305	79,149	99,023	251,374	2,489,738	3,109,589
<b>Total non cash expenditure/(income) other than depreciation</b>	<b>190,305</b>	<b>79,149</b>	<b>99,023</b>	<b>251,374</b>	<b>2,489,738</b>	<b>3,109,589</b>

### For the nine months ended 31 December 2005

(Amounts in Rupees)

Description	India	Far East	Singapore	Europe	Others	Total
Capital expenditure (unallocated)						38,327,845
<b>Total capital expenditure</b>						<b>38,327,845</b>
Depreciation expenditure (unallocated)						29,157,000
<b>Total depreciation</b>						<b>29,157,000</b>
Segment non-cash expense/(income) other than depreciation	294,078	306,412	180,734	(2,902)	3,568,301	4,346,624
<b>Total non cash expenditure/(income) other than depreciation</b>	<b>294,078</b>	<b>306,412</b>	<b>180,734</b>	<b>(2,902)</b>	<b>3,568,301</b>	<b>4,346,624</b>



## NUCLEUS SOFTWARE EXPORTS LTD.

### For the nine months ended 31 December 2004

*(Amounts in Rupees)*

Description	India	Far East	Singapore	Europe	Others	Total
Capital expenditure (unallocated)						177,465,039
<b>Total capital expenditure</b>						<b>177,465,039</b>
Depreciation expenditure (unallocated)						21,398,717
<b>Total depreciation</b>						<b>21,398,717</b>
Segment non-cash expense/(income) other than depreciation	316,934	246,170	262,788	332,399	3,784,739	4,943,030
<b>Total non cash expenditure/(income) other than depreciation</b>	<b>316,934</b>	<b>246,170</b>	<b>262,788</b>	<b>332,399</b>	<b>3,784,739</b>	<b>4,943,030</b>

### For the year ended 31 March 2005

*(Amounts in Rupees)*

Description	India	Far East	Singapore	Europe	Others	Total
Capital expenditure (unallocated)						121,949,396
<b>Total capital expenditure</b>						<b>121,949,396</b>
Depreciation expenditure (unallocated)						30,485,086
<b>Total depreciation</b>						<b>30,485,086</b>
Segment non-cash expense/(income) other than depreciation	2,256,570	307,697	701,927	469,355	6,640,253	10,375,802
<b>Total non cash expenditure/(income) other than depreciation</b>	<b>2,256,570</b>	<b>307,697</b>	<b>701,927</b>	<b>469,355</b>	<b>6,640,253</b>	<b>10,375,802</b>

## 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 period:*

Key managerial personnel:

- Vishnu R Dusad (Managing Director)



## NUCLEUS SOFTWARE EXPORTS LTD.

### b) Transactions with related parties

(All Amounts in Rupees)

	Quarter ended 31 December		Nine months ended 31 December		Year ended 31 March
	2005	2004	2005	2004	2005
<b>i. Software development services and products</b>					
Wholly owned subsidiary companies	120,694,098	112,384,287	341,058,719	298,702,223	434,189,582
<b>ii. Other income</b>					
Wholly owned subsidiary company	382,759	—	1,100,815	—	4,196,752
<b>iii. Managerial remuneration</b>					
Key managerial personnel	3,300,000	2,374,000	10,600,000	3,700,000	7,500,000
<b>iv. Reimbursement of expenses</b>					
From wholly owned subsidiary companies	5,011,474	5,395,367	14,050,235	18,936,289	25,769,408
To wholly owned subsidiary companies	5,533,415	4,571,549	20,633,705	11,699,624	15,773,375
<b>v. Commission paid</b>					
To wholly owned subsidiary companies	79,268	201,193	471,092	562,044	544,659
<b>vi. Interest received</b>					
From wholly owned subsidiary companies	169,304	144,533	441,474	551,146	708,743
<b>vii. Loans and advances</b>					
Given to wholly owned subsidiary companies	—	—	8,800,000	—	11,551,259
Repaid by wholly owned subsidiary companies	—	—	8,800,000	5,298,000	15,283,505
<b>viii. Investments</b>					
VirStra i-Technology Services Limited	—	1,000,060	—	10,000,000	10,000,000
Nucleus Software (Australia) Pty. Ltd.	—	737,950	—	737,950	3,186,700



## NUCLEUS SOFTWARE EXPORTS LTD.

### c) Outstanding Balances as at period/year end

(Amounts in Rupees)

	As at 31 December 2005	As at 31 December 2004	As at 31 March 2005
<b>Loans and Advances</b>			
To wholly owned subsidiary companies	19,424,516	19,982,569	25,591,425
From wholly owned subsidiary companies	7,470,633	8,317,891	10,602,021
<b>Debtors</b>			
Wholly owned subsidiary companies	54,455,453	73,535,096	81,763,093
<b>Service income accrued but not due</b>			
Wholly owned subsidiary companies	—	—	—
<b>Interest income accrued but not due</b>			
Wholly owned subsidiary companies	498,914	523,316	97,301

(Amounts in Rupees)

	Quarter ended 31 December		Nine months ended 31 December		Year ended 31 March
	2005	2004	2005	2004	2005
<b>10. Legal and professional (includes payment to auditors)</b>					
- Audit fees (includes service tax)	469,950	110,200	1,241,350	726,600	1,644,200
- Other services	165,300	28,750	264,480	83,850	221,475
- Out of pocket expenses	29,500	42,100	93,400	133,700	163,300
<b>Total</b>	<b>664,750</b>	<b>181,050</b>	<b>1,599,230</b>	<b>944,150</b>	<b>2,028,975</b>
<b>11. CIF value of imports</b>					
Capital goods	2,449,234	5,929,106	14,583,984	15,403,897	19,837,449
<b>Total</b>	<b>2,449,234</b>	<b>5,929,106</b>	<b>14,583,984</b>	<b>15,403,897</b>	<b>19,837,449</b>
<b>12. Expenditure in foreign currency</b>					
Travel expenses	27,802,563	23,543,243	78,391,331	64,188,346	89,400,350
Professional charges	113,522	151,444	1,727,117	1,734,170	2,022,656
Others	3,456,081	982,296	9,041,126	5,259,366	8,242,847
<b>Total</b>	<b>31,372,166</b>	<b>24,676,983</b>	<b>89,159,574</b>	<b>71,181,882</b>	<b>99,665,853</b>



## NUCLEUS SOFTWARE EXPORTS LTD.

	Quarter ended 31 December		Nine months ended 31 December		Year ended 31 March
	2005	2004	2005	2004	2005
<b>13. Earnings in foreign currency</b>					
Income from software development	169,459,421	141,936,010	530,240,870	376,524,450	556,334,913
Interest	169,304	144,533	442,936	557,836	718,420
<b>Total</b>	<b>169,628,725</b>	<b>142,080,543</b>	<b>530,683,806</b>	<b>377,082,286</b>	<b>557,053,333</b>
<b>14. Dividend remitted in foreign currency</b>					
<b>Amount remitted (net of tax)</b>					
Final dividend (2005)	-	-	-*	-	-
Final dividend (2004)	-	-	-	-*	-*
<b>Number of shares held</b>					
Final dividend (2005)	-	-	303,884	-	-
Final dividend (2004)	-	-	-	132,324	132,324
<b>Number of non-resident shareholders</b>					
Final dividend (2005)	-	-	61	-	-
Final dividend (2004)	-	-	-	98	98
* Dividend was remitted in Indian Rupees.					
<b>15. Earnings per share</b>					
Profit after taxation available to equity shareholders (Rupees)	62,572,885	46,351,942	201,306,710	78,222,276	158,284,441
Weighted average number of equity shares used in calculating basic earnings per share	16,102,595	16,090,812	16,095,365	16,079,307	16,082,144
Add: Effect of dilutive issue of shares	44,137	21,395	37,821	21,395	23,977
Weighted average number of equity shares used in calculating diluted earnings per share	16,146,731	16,112,207	16,133,186	16,100,702	16,106,121
Basic earnings per share (Rupees)	3.89	2.88	12.51	4.86	9.84
Diluted earnings per share (Rupees)	3.88	2.87	12.48	4.85	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.25,398,163 (Rs.1,674,116 ; 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.

**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		Nine months ended		Year ended
	31 December		31 December		31 March
	2005	2004	2005	2004	2005
Salaries and allowances	72,480,830	53,034,068	201,470,130	156,856,934	209,812,330
Contribution to provident and other funds	3,901,256	3,123,864	10,772,972	8,474,818	11,645,847
Directors' remuneration	3,755,000	3,034,000	12,700,000	4,795,000	9,465,000
Employee's stock compensation expenses	510,856	362,338	1,493,787	967,635	1,328,237
Staff welfare	2,124,121	1,754,224	6,232,586	4,365,874	7,343,981
Training and Recruitment	2,035,774	1,234,093	2,750,880	4,145,090	5,278,690
Software and other development charges	4,846,572	1,750,187	7,168,306	5,494,741	6,733,076
Cost of software purchased for delivery to clients	2,448,672	-	7,279,568	3,081,018	4,032,905
Travelling	33,249,857	28,382,356	97,195,607	79,098,702	108,455,201
Conveyance	1,540,674	1,480,803	4,455,399	3,848,837	5,118,603
Communication	3,548,938	4,359,925	10,693,384	12,275,601	16,425,391
Rent	1,074,449	2,530,034	3,316,545	8,209,506	9,649,658
Rates and taxes	424,993	672,206	1,240,315	-	631,482
Legal and professional	4,697,626	3,279,063	12,375,589	9,756,919	13,703,664
Consultancy charges	-	5,000	-	895,079	895,079
Power and fuel	3,196,477	2,886,396	10,370,777	11,613,284	14,119,841

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

	Quarter ended		Nine months ended		Year ended
	31 December		31 December		31 March
	2005	2004	2005	2004	2005
Repair and maintenance					
- Building	146,605	343,068	431,588	444,110	508,848
- Others	1,418,278	1,399,143	3,668,223	3,070,875	4,506,365
Advertisement and business promotion	2,297,630	1,563,850	5,567,672	3,499,305	5,058,903
Conference, exhibition and seminar	148,065	767,554	1,360,913	1,855,124	2,882,099
Information technology expenses	405,183	801,610	1,318,991	2,349,754	3,088,457
Bad debts written off	-	78,911	1,523,236	78,911	1,769,799
Advances/other current assets written off	-	-	2,813,754	-	2,813,725
Commission on sales	231,360	-	1,681,337	1,984,359	2,307,299
Provision for doubtful debts	643,066	2,668,340	(1,484,153)	3,896,456	4,464,041
Printing and stationery	737,668	414,735	1,705,096	1,287,100	1,947,416
Loss on discarded assets	-	312,741	67,551	312,741	312,741
Insurance	675,373	339,232	1,548,174	885,531	1,386,521
Bank charges	641,500	215,929	1,353,158	586,875	1,042,019
Marketing Survey	-	-	1,394,695	-	-
Loss on foreign exchange fluctuation	2,250,830	-	3,770,567	-	-
Miscellaneous expenses	2,064,523	2,559,373	6,818,664	7,720,323	10,160,073
	<b>151,496,176</b>	<b>119,353,043</b>	<b>425,091,085</b>	<b>341,850,502</b>	<b>466,887,291</b>

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

For and on behalf of the Board of Directors

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

**Vishnu R Dusad**  
*Managing Director*

**Place : NOIDA (U.P.)**

**Dated : 17 January, 2006**

**P K Sanghi**  
*Chief Financial Officer*

**Poonam Bhasin**  
*Company Secretary*



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

---

**Basis of Preparation of the Financial Statements**

The accompanying financial statements for the quarter and nine months ended December 31, 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 31 December 2005 (Unaudited)

All amounts in Rupees

Particulars	As at 31 December 2005	As at 31 December 2004	As at 31 March 2005
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	161,063,120	160,923,120	160,923,120
Share Application Money Pending Allotment	767,500	275,000	325,000
Reserves & Surplus	947,326,996	641,087,549	681,536,943
<b>TOTAL</b>	<b>1,109,157,616</b>	<b>802,285,669</b>	<b>842,785,063</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	481,315,030	419,498,407	436,241,317
Less: Accumulated Depreciation	(191,311,819)	(150,594,074)	(158,912,213)
Net Block	290,003,211	268,904,333	277,329,104
Add: Capital Work in Progress (including capital advances)	10,731,516	3,493,546	6,546,841
	300,734,727	272,397,879	283,875,945
<b>Investments</b>	614,221,325	497,059,804	487,117,730
<b>Deferred Tax Asset</b>	743,650	3,182,630	1,708,063
<b>Current Assets, Loans &amp; Advances</b>			
Sundry Debtors	186,170,433	133,563,026	192,203,388
Cash & Bank Balances	268,513,420	264,060,795	266,461,406
Loans & Advances	40,519,190	30,244,319	36,593,389
Other Current Assets	53,113,330	26,174,547	27,485,346
	548,316,372	454,042,687	522,743,529
<b>Less : Current Liabilities &amp; Provisions</b>			
Current Liabilities	324,473,437	401,398,944	382,905,304
Provisions	30,385,022	22,998,388	69,754,900
	354,858,459	424,397,332	452,660,204
<b>Net Current Assets</b>	193,457,914	29,645,355	70,083,325
<b>Miscellaneous Expenditure</b> (To the extent not written off or adjusted)	—	—	—
<b>TOTAL</b>	<b>1,109,157,616</b>	<b>802,285,668</b>	<b>842,785,063</b>



## NUCLEUS SOFTWARE EXPORTS LTD.

### Consolidated Profit and Loss Account for the quarter and nine months ended 31 December, 2005 (Unaudited)

All amounts in Rupees

Particulars	For the quarter ended		For the nine months ended		For the year ended 31st March 2005
	31 December 2005	31 December 2004	31 December 2005	31 December 2004	
					<b>(Audited)</b>
Sales and Services	373,958,044	270,766,310	1,059,601,560	721,202,365	1,031,408,859
Software Development Expenses	218,596,487	155,556,829	586,684,299	444,868,521	597,131,248
<b>Gross profit</b>	<b>155,361,556</b>	<b>115,209,480</b>	<b>472,917,261</b>	<b>276,333,844</b>	<b>434,277,611</b>
Selling and Marketing Expenses	27,813,560	19,391,655	87,015,049	56,583,538	82,240,047
General and Administration Expenses	26,880,734	22,812,861	69,441,901	55,941,974	81,354,190
<b>Operating Profit Before Finance Charges, Depreciation and Withholding Tax</b>	<b>100,667,262</b>	<b>73,004,964</b>	<b>316,460,310</b>	<b>163,808,332</b>	<b>270,683,374</b>
Depreciation	8,715,592	11,347,724	35,199,609	25,348,346	35,407,537
Withholding Taxes Charged Off	9,861,325	9,660,204	23,092,674	28,750,986	39,220,150
<b>Operating Profit After Finance Charges, Depreciation and Withholding Tax</b>	<b>82,090,344</b>	<b>51,997,036</b>	<b>258,168,027</b>	<b>109,709,000</b>	<b>196,055,687</b>
Other Income	13,603,666	10,569,118	26,099,722	20,294,909	25,940,505
<b>Profit before Taxation</b>	<b>95,694,010</b>	<b>62,566,154</b>	<b>284,267,749</b>	<b>130,003,909</b>	<b>221,996,192</b>
Provision for Tax - current	5,686,911	3,869,207	18,494,871	7,828,291	12,994,929
- fringe benefit	1,260,000	—	2,960,000	—	—
- deferred	536,596	(202,101)	954,054	16,846	1,485,742
Provision for Wealth Tax	51,402	18,331	51,402	18,331	18,331
<b>Profit after Taxation</b>	<b>88,159,101</b>	<b>58,880,717</b>	<b>261,807,422</b>	<b>122,140,441</b>	<b>207,497,190</b>
<b>Profit Available for Appropriation</b>	<b>88,159,101</b>	<b>58,880,717</b>	<b>261,807,422</b>	<b>122,140,441</b>	<b>207,497,190</b>
Profit for the quarter/year	88,159,101	58,880,717	261,807,422	122,140,441	207,497,190
Add: Balance Brought Forward	348,758,099	176,689,729	175,109,779	113,481,458	113,481,459
<b>Total Amount Available</b>	<b>436,917,200</b>	<b>235,570,446</b>	<b>436,917,201</b>	<b>235,621,899</b>	<b>320,978,649</b>
Final Dividend	—	—	—	—	40,227,030
Dividend Tax	—	—	—	51,451	5,641,841
Transferred to General Reserve	—	—	—	—	100,000,000
<b>Balance Carried Forward to Balance Sheet</b>	<b>436,917,200</b>	<b>235,570,446</b>	<b>436,917,201</b>	<b>235,570,448</b>	<b>175,109,778</b>
<b>Earnings Per Equity Share (par value Rs. 10 each)</b>					
Basic	5.47	3.66	16.27	7.60	12.90
Diluted	5.46	3.65	16.23	7.59	12.88
<b>Number of Shares used in Computing Earning Per Share</b>					
Basic	16,102,595	16,090,812	16,095,365	16,079,307	16,082,144
Diluted	16,146,731	16,112,207	16,133,186	16,100,702	16,106,121



## NUCLEUS SOFTWARE EXPORTS LTD.

### Consolidated Cash Flow Statement for the nine months ended 31 December 2005

	For the nine months ended		For the year ended
	31 December 2005	31 December 2004	31 March 2005
<b>A. Cash flow from operating activities</b>			
Net profit before tax	284,267,749	130,003,909	221,996,192
<i>Adjustment for:</i>			
Depreciation	35,199,609	25,348,346	35,407,537
Exchange difference on translation of foreign currency accounts	3,471,077	(7,315,032)	(6,216,586)
Dividend income from investments	(1,894,641)	(2,084,081)	(3,156,100)
Interest income	(4,746,751)	(1,984,613)	(3,980,365)
Profit on sale of investments	(11,893,477)	(11,160,371)	(11,545,008)
Amortisation of employees compensation expenses	1,493,787	967,635	1,328,237
Interest expense	—	—	—
Loss on sale of fixed assets (net)	(81,207)	(38,461)	43,321
Loss on assets discarded	67,551	312,741	312,741
Bad debts/advances written off	1,523,236	78,911	4,583,524
Advances and other current assets written off	2,918,754	—	4,464,041
Provision for doubtful debts/advances	(1,087,754)	5,791,214	—
Operating profit before working capital changes	309,237,934	139,920,198	243,237,534
Decrease / (increase) in debtors	6,229,910	(11,009,691)	(70,790,686)
Decrease / (increase) in loans and advances	(4,100,052)	894,364	(5,521,775)
Decrease / (increase) in other current assets	(30,464,851)	2,435,488	2,761,502
(Decrease) / increase in current liabilities	(54,380,777)	314,920,606	291,898,265
	226,522,164	447,160,964	461,584,840
Direct taxes paid	(15,666,887)	(2,764,360)	(2,637,378)
<i>Net cash from operating activities (A)</i>	<b>210,855,277</b>	<b>444,396,604</b>	<b>458,947,462</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress	(53,177,321)	(105,524,483)	(131,850,506)
Sale of fixed assets	506,405	38,461	103,695
Sale/(Purchase) of current investments (net)	(112,710,118)	(3,862,994)	6,463,717
Miscellaneous expenses	—	—	—
Purchase of Long Term Investment	(2,500,000)	(136,882,640)	(136,882,640)
Interest received	6,664,864	1,816,712	755,780
Tax Paid	(2,808,989)	—	(1,405,011)
Dividend received from investments	1,894,641	2,084,081	3,156,100
<i>Net cash used in investing activities (B)</i>	<b>(162,130,518)</b>	<b>(242,330,863)</b>	<b>(259,658,865)</b>
<b>C. Cash flow from financing activities</b>			
Dividend paid	(46,149,990)	(22,443,432)	(22,445,134)
Proceeds from employee stock option exercised	28,000	196,000	196,000
Receipt from share application money	760,500	265,000	315,000
<i>Net cash used in financing activities (C)</i>	<b>(45,361,490)</b>	<b>(21,982,432)</b>	<b>(21,934,134)</b>
Net increase in cash and cash equivalents	<b>3,363,269</b>	<b>180,083,309</b>	<b>177,354,463</b>
Cash and cash equivalents opening balance	<b>266,461,406</b>	<b>88,929,203</b>	<b>88,929,203</b>
Exchange difference on translation of foreign currency accounts	(1,311,255)	(4,951,718)	177,740
Cash and cash equivalent closing balance	<b>268,513,420</b>	<b>264,060,794</b>	<b>266,461,406</b>



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

---

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

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

### **COMPANY BACKGROUND**

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

In August 1995, Nucleus made an Initial Public Offer and is currently listed on National Stock Exchange Association Ltd., Bombay Stock Exchange Ltd. 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 116 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.

### **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 735 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.



## **NUCLEUS SOFTWARE EXPORTS LTD.**

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 Decembers 31, 2005 the Company won four new product orders for flagship product FinnOne™.

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.

## **RISKS AND CONCERNS**

### **Client Concentration**

The Company has added 8 new clients during the quarter and earned 75% of its revenues from top five clients.

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

	Quarter ended	
	December 31, 2005	December 31, 2004
Active clients	116	90
Clients added during the quarter	8	3
% of Revenue from the top-five clients	75%	80%
Clients accounting for > 10% of revenues	2	2



## NUCLEUS SOFTWARE EXPORTS LTD.

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.

### 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.

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

GEOGRAPHICAL AREA	Quarter ended	
	December 31, 2005	December 31, 2004
India	10.82%	8.07%
Far East	42.97%	50.30%
South East Asia	28.49%	31.48%
Europe	7.95%	3.12%
USA and Canada	5.68%	1.20%
Middle East	3.55%	3.36 %
Rest of the World	0.54%	2.47 %

### 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.

### 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.



## NUCLEUS SOFTWARE EXPORTS LTD.

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

As on	December 31, 2005	September 30, 2005	% Change
USD	45.09	44.04	2.38
Japanese Yen	0.3846	0.3886	-1.03
GBP	77.89	77.71	0.23
SGD	27.10	26.01	4.19

### 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 December 31, 2005 the cash and bank balances stood at Rs.2,685.13 lacs (Rs.2,640.60 lacs on December 31, 2004 and current investments in liquid schemes of mutual funds were Rs.4,748.39 lacs (Rs.3,601.77 lacs on December 31, 2004).

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

RATIO	Quarter Ended	
	December 31, 2005	December 31, 2004
Days of sale receivable	46	45
Cash and Bank Balances as % of assets	24.21%	32.91%
Cash and Bank Balances as % of revenue	71.80%	97.52%
Current investments as % of assets	42.81%	44.89%
Current investments as % of revenue	126.98%	133.02%

### FINANCIALS

#### Share Capital

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

Share Capital of the Parent Company consists of 16,104,812 Equity Shares of Rs.10/- each as on December 31, 2005. The Share Capital increased from 16,090,812 Equity Shares of Rs.10/- each as on December 31, 2004 to 16,104,812 Equity Shares of Rs.10/- each as on December 31, 2005.

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 and October 2005.

The total stock options granted to employees under Employee Stock Option Scheme (1999) and Employee Stock Options Scheme (2002) and outstanding as on December 31, 2005 is 76,750.

Paid-up Share Capital of the Subsidiaries as on December 31, 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



## NUCLEUS SOFTWARE EXPORTS LTD.

Name of Subsidiary Company	Currency	As at Dec. 31, 2005		As at Dec. 31, 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	241,000	73.42
VirStra I-Technology Services Limited. India. 1,000,000 equity shares of Rs.10 each	INR	-	100.00	-	100.00
<b>Step down Subsidiary of Nucleus Software Exports Ltd.</b> 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.

### Retained Earnings

During the quarter ended December 31, 2005, the Company earned consolidated net profit of Rs.881.59 lacs on a consolidated turnover of Rs.3,739.58 lacs as against consolidated net profit of Rs.588.81 lacs on a consolidated turnover of Rs.2,707.66 lacs for the quarter ended December 31, 2004.

The Reserves and Surplus of the Company including balance in the Profit and Loss account is Rs.9,473.27 lacs as on December 31, 2005 (Rs.6,410.88 lacs as on December 31, 2004.)

### Fixed Assets

As at December 31, 2005, gross block of fixed assets including investment in technology assets was Rs.4,813.15 lacs (Rs.4,194.98 lacs as on December 31, 2004). The increase in gross block of fixed assets is primarily on account of capital expenditure on computers, software, office and other equipments.

The net fixed assets after depreciation are Rs.2,900.03 lacs as on December 31, 2005 compared to Rs.2,689.04 lacs as on December 31, 2004.



### **Current Investments**

Current Investments of the Company as on December 31, 2005 was Rs.4,748.39 lacs against Rs.3,601.77 lacs as on December 31, 2004. All of them are in low risk liquid mutual funds in India.

The Current Investments are:

- Rs. 507.43 lacs in HDFC Cash Management Fund- Saving Plan-Growth
- Rs. 96.50 lacs in Deutsche Insta Cash Plus Fund- Institutional Plan- Growth
- Rs. 100.00 lacs in UTI FMP-Growth YFMP 07/05
- Rs. 200.00 lacs in ICICI FMP Series-Institutional-Growth
- Rs. 100.00 lacs in Reliance FMP-SeriesII-Growth
- Rs. 400.00 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. 310.00 lacs in ABN Amro Cash Fund-Institutional-Growth
- Rs. 20.21 lacs in ABN Amro Cash Fund-Institutional- Dividend
- Rs. 150.00 lacs in ING Vysya Liquid Fund- Institutional Growth
- Rs. 298.95 lacs in UTI Liquid Cash Plan Institutional-Growth
- Rs. 200.00 lacs in Prudential ICICI Institutional Liquid Plan-Growth
- Rs. 200.00 lacs in UTI Fixed Maturity Plan-YFMP 07/05-Growth
- Rs. 150.00 lacs in Chola Liquid Institutional plus-Cumulative
- Rs. 100.00 lacs in Birla Sun Life Cash manager-Institutional Plan-Growth
- Rs. 0.75 lacs in Magnum Debt Fund Serires-13 Months (Oct 05)-Growth
- Rs. 80.00 lacs in Grindlays Fixed Maturity-16th Plan A-Growth
- Rs. 60.03 lacs in Chola Liquid Institutional plus-Dividend
- Rs. 180.06 lacs in LICMF Liquid Fund-Dividend
- Rs. 500.19 lacs in Kotak Liquid Institutional Premium-Dividend
- Rs. 500.00 lacs in Birla Cash Plus-Institutional Premium-Growth

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

### **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.

### **Sundry Debtors**

Sundry Debtors amount to Rs.1,861.70 lacs (net of provision for bad and doubtful debts) as on December 31, 2005 (Rs.1,335.63 lacs, net of provision for bad and doubtful debts as on December 31, 2004).

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

As at	December 31, 2005	December 31, 2004
Less than 6 months	86.65%	93.65%
More than 6 months	13.35%	6.35%
Days of sales receivables (Gross)	46	45



## NUCLEUS SOFTWARE EXPORTS LTD.

### Cash and Bank Balances

	<i>(Rs. in lacs)</i>	
As at	December 31, 2005	December 31, 2004
Cash and cheques in hand	4.44	4.54
Balances with Bank		
—In Current Accounts	1,583.00	1,388.01
—In Fixed Deposit Account	1,097.69	1,248.06
Total	2,685.13	2,640.61

Cash and bank balance represent 24.21% and 32.91% of the total assets as on December 31, 2005 and December 31, 2004 respectively.

### 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.175.83 lacs as on December 31, 2005 (Rs.125.08 lacs as on December 31, 2004.).

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs.140.19 lacs as on December 31, 2005 (Rs.132.05 lacs as on December 31, 2004)

Prepaid expenses stood at Rs.89.18 lacs as on December 31, 2005 (Rs.45.32 lacs as on December 31, 2004). The increase in prepaid expenses is attributable to due prepayment under the heads: insurance, exhibition, training and recruitment.

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.54.20 lacs, is outstanding on December 31, 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.52.98 lacs, is outstanding on December 31, 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.

### Current Liabilities

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

The total amount of Sundry Creditors as on December 31, 2005 is Rs.954.56 lacs (Rs.794.32 lacs as on December 31, 2004).

Other liabilities represent amounts accrued for statutory dues related to taxes and staff benefits etc. The total amount of other liabilities as on December 31, 2005 is Rs.149.87 lacs (Rs.97.02 lacs as on December 31, 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 December 31, 2005 is Rs.97.13 lacs (Rs.78.20 lacs as on December 31, 2004).



## NUCLEUS SOFTWARE EXPORTS LTD.

The amount of Unclaimed Dividend as on December 31, 2005 is Rs.7.17 lacs (Rs.4.70 lacs as on December 31, 2004).

Advances from customers as on December 31, 2005 is Rs.2,036.01 lacs (Rs.3,039.75 lacs as on December 31, 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.

### Provisions

Provisions at Rs.303.85 lacs as on December 31, 2005 (Rs.229.98 lacs as on December 31, 2004) includes provision for taxation, gratuity and leave encashment.

## RESULTS OF OPERATIONS

### 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 December 31, 2005 is Rs.3,739.58 lacs as against Rs.2,707.66 lacs for the quarter ended December 31, 2004, representing an increase of 38.11%.

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

### Expenditure

#### *Software Development Expenses:*

Quarter Ended December 31,

Particulars	2005	% of Revenue	2004	% of Revenue	Growth %
Employee Costs	1,260.70	33.71	1,005.26	37.13	25.41
Travel Expenses	410.52	10.98	276.49	10.21	48.47
Rent, Rates and Taxes	44.78	1.20	44.01	1.63	1.75
Cost of Software Purchased for Delivery to Clients	24.49	0.65	-3.46	-0.13	-807.71
Communication	31.76	0.85	41.81	1.54	-24.04
Consultancy Charges	257.10	6.88	49.68	1.83	417.51
Power and Fuel	24.99	0.67	22.75	0.84	9.83
Software and Other Development Charges	48.47	1.30	21.14	0.78	129.26
Legal and Professional	10.46	0.28	25.75	0.95	-59.39
Conveyance	12.76	0.34	9.43	0.35	35.27
IT Expenses	5.50	0.15	8.31	0.31	-33.83
Repairs and Maintenance	12.25	0.33	13.22	0.49	-7.34
Training and Recruitment	18.48	0.49	13.22	0.49	39.78
Others	23.08	0.62	27.96	1.03	-17.45
<b>Total Software Development Expenses</b>	<b>2,185.96</b>	<b>58.45</b>	<b>1,555.57</b>	<b>57.45</b>	<b>40.52</b>
<b>Revenue</b>	<b>3,739.58</b>	<b>100.00</b>	<b>2,707.66</b>	<b>100.00</b>	<b>38.11</b>



## NUCLEUS SOFTWARE EXPORTS LTD.

The Company incurred total software development expenses of Rs.2,185.96 lacs at 58.45% of revenue during the quarter ended December 31, 2005 against Rs.1,555.57 lacs at 57.45% 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 40.53% in absolute terms, whereas revenue has increased by 38.11%.

The Gross Margin consequently increased from Rs.1,152.09 lacs to Rs.1,553.62 lacs representing an increase of 34.85%.

### *Selling and Marketing Expenses*

Quarter ended December 31

Particulars	2005	% of Revenue	2004	% of Revenue	Growth %
Employee Costs	165.23	0.47	91.24	3.37	-80.61
Travel Expenses	41.66	1.11	49.95	1.84	-16.60
Rent, Rates and Taxes	17.41	0.47	9.25	0.34	88.23
Advertisement and Business Promotion	22.99	0.61	15.23	0.56	50.97
Communication	10.49	0.28	8.99	0.33	16.70
Conference, Exhibition and Seminar	1.14	0.03	7.29	0.27	-84.35
Commission on Sales	1.52	0.04	(2.62)	(0.10)	-158.05
Others	17.69	0.47	14.58	0.54	21.33
<b>Total Selling and Marketing Expenses</b>	<b>278.14</b>	<b>7.44</b>	<b>193.91</b>	<b>7.16</b>	<b>43.44</b>
<b>Revenue</b>	<b>3739.58</b>	<b>100.00</b>	<b>2707.66</b>	<b>100.00</b>	<b>38.11</b>

The Company incurred selling and marketing expenses at 7.44% of revenue during the quarter ended December 31, 2005 against 7.16% 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 43.44% in absolute terms.

### *General and Administrative Expenses*

Quarter ended December 31

Particulars	2005	% of Revenue	2004	% of Revenue	Growth %
Employee Costs	102.69	2.75	81.06	2.99	26.68
Travel Expenses	4.08	0.11	3.15	0.12	29.40
Legal and Professional	48.35	1.29	25.92	0.96	86.52
Communication	12.06	0.32	8.57	0.32	40.70
Rent, Rates and Taxes	7.56	0.20	9.71	0.36	-22.14
Provision for Doubtful Debts	6.43	0.17	45.63	1.69	-85.91
Printing and Stationery	7.33	0.20	4.32	0.16	69.63
Conveyance	4.35	0.12	5.54	0.20	-21.56
Power and Fuel	7.19	0.19	5.93	0.22	21.17
Advertisement	2.63	0.07	0.53	0.02	396.51
Training and Recruitment	2.88	0.08	0.92	0.03	213.18
Consultancy Charges	2.38	0.06	1.99	0.07	19.37
Others	60.90	1.63	34.86	1.29	74.71
<b>Total General and Administrative Expenses</b>	<b>268.81</b>	<b>7.19</b>	<b>228.13</b>	<b>8.43</b>	<b>17.83</b>
<b>Revenue</b>	<b>3739.58</b>	<b>100.00</b>	<b>2,707.66</b>	<b>100.00</b>	<b>38.11</b>



## **NUCLEUS SOFTWARE EXPORTS LTD.**

---

The Company incurred general and administrative expenses amounting to 7.19% of revenue during the quarter ended December 31, 2005 against 8.43% 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 17.83%.

### **Operating Profit**

During the quarter ended December 31, 2005 the Company earned consolidated operating profit (profit before interest, depreciation and withholding tax) of Rs.1,006.67 lacs representing 26.91% of revenue as compared with Rs.730.05 lacs representing 26.96% of revenue for the quarter ended December 31, 2004.

### **Depreciation**

Depreciation at Rs.87.16 lacs on fixed assets is 2.33% of the revenue for the quarter ended December 31, 2005 as against Rs.113.48 lacs, 4.19% of the revenue for the quarter ended December 31, 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.

### **Withholding Taxes**

Withholding taxes charged off represent withholding taxes charged to Profit and Loss Account during the quarter ended December 31, 2005, of Rs.98.61 lacs (Rs.96.60 lacs for the quarter ended December 31, 2004) These relate to the Parent Company and Subsidiary in Japan.

### **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 December 31, 2005 is Rs.136.04 lacs against Rs.105.69 lacs for the quarter ended December 31, 2004.

### **Provision for Income Tax**

The Company has made a provision for current tax of Rs.56.87 lacs (Rs.38.69 lacs for the quarter ended December 31, 2004), 1.52% of revenue, deferred tax expense of Rs.5.37 lacs (Rs.(2.02) lacs expense for the quarter ended December 31, 2004) and fringe benefit tax of Rs.12.60 lacs.

### **Net Income**

During the quarter ended December 31, 2005, Company has earned a net profit of Rs.881.59 lacs (Rs.588.81 lacs for the quarter ended December 31, 2004). The net profit represents 23.57% of revenue for the quarter ended December 31, 2005 as compared to 21.75% of revenue for the quarter ended December 31, 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-201307  
India
4. Annual General Meeting July 8, 2005 at 10.00 a.m
5. Financial Calendar  
(tentative and subject to change)  
  
Financial reporting for the first quarter  
ending June 30, 2005. 18th July, 2005  
  
Financial reporting for the second quarter  
ending September 30, 2005. 17th October, 2005  
  
Financial reporting for the third quarter  
ending December 31, 2005. 17th January, 2006  
  
Financial results for the year ending  
March 31, 2006. between 21st to 30th of April, 2006
6. Date of Book Closure for AGM  
and payment of Dividend July 1, 2005 to July 8, 2005  
(both days inclusive)
7. Listing on Stock Exchanges Nucleus shares are listed at:  
  
The National Stock Exchange of India Ltd.  
w.e.f. December 19, 2002  
  
Bombay Stock Exchange Ltd.  
w.e.f November 6, 1995  
  
The Madras Stock Exchange Limited  
w.e.f November 2, 1995
8. Scrip Code (NSE) NUCLEUS  
Scrip Code (BSE) 531209  
  
The Company's shares are traded in "Group B-1"  
category at the Bombay Stock Exchange Ltd.



## NUCLEUS SOFTWARE EXPORTS LTD.

9. International Securities Identification Number (ISIN code-NSDL and CDSL) INE096B01018
10. Registrar of Company RCMC Share Registry Private Limited  
1515, 1st Floor, Bhisham Pitamah Marg  
Kotla Mubarakpur, Near South Extension  
Delhi-110003

### 11. 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.

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.

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

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

	BSE					NSE				
	Open	High	Low	Close	Volume	Open	High	Low	Close	Volume
October-05	286.70	298.90	257.10	291.55	478,410	277.00	300.00	256.70	290.90	1,206,871
November-05	300.00	366.00	288.15	351.90	971,372	295.00	366.10	287.10	351.85	2,418,131
December-05	352.00	414.40	350.00	388.50	524,635	354.85	417.00	350.00	390.80	1,605,223

- The highest share price of the Nucleus scrip at Bombay Stock Exchange Ltd. was Rs.414.40 in December 2005 and the lowest share price was Rs.257.10 in October 2005.
- The highest share price of the Nucleus scrip at National Stock Exchange was Rs.417.00 in December 2005 and the lowest share price was Rs.256.70 in October 2005.

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

During Quarter ended	BSE		NSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
March 31, 2005	206.00	151.00	206.00	150.15
June 30, 2005	309.90	225.55	309.80	223.15
September 30, 2005	324.00	254.60	323.00	253.00
December 31, 2005	414.40	257.10	417.00	256.70



13. 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 and the said Committee approves transfer of shares on a fortnightly basis.

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

The Company has De-materialised 15,007,110 shares (93.18% of the paid up share capital) as at December 31, 2005.

14. 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.

15. 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	23	23	Nil
2.	Issue of Duplicate Share Certificates	3	3	Nil
3.	Request for Stop Transfer	Nil	Nil	Nil
4.	Non-receipt of Share Certificate	7	7	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.

16. Legal Proceedings

There are no legal proceeding pending against the Company.



## NUCLEUS SOFTWARE EXPORTS LTD.

### 17. Distribution of Shareholding

No. of equity shares held	As on December 31, 2005				As on December 31, 2004			
	No. of share-holders	% of share-holders	No. of shares	% of share-holding	No. of share-holders	% of share-holders	No. of shares	% of share-holding
1-100	3,829	52.34	195,176	1.21	3,192	44.21	189,422	1.18
101-200	1,062	14.52	191,699	1.19	1,208	16.73	220,909	1.37
201-500	1,351	18.47	471,574	2.94	1,653	22.89	571,033	3.55
501-1000	518	7.08	401,561	2.49	637	8.82	481,640	2.99
1001-5000	423	5.78	965,384	5.99	406	5.62	903,622	5.62
5001-10000	48	0.66	352,909	2.19	50	0.69	348,006	2.16
10001 and above	84	1.15	13,526,509	83.99	74	1.02	13,376,180	83.13
Total	7,315	100.00	16,104,812	100.00	7,220	100.00	16,090,812	100.00

### 18. Categories of Shareholders

Category	As on December 31, 2005			As on December 31, 2004		
	No. of share-holders	Voting Strength (%)	No. of shares held	No. of share-holders	Voting Strength (%)	No. of shares held
Individuals	6,744	24.59	3,960,902	6,617	26.92	4,331,708
Companies	393	46.14	7,431,564	486	51.69	8,317,063
OCBs and NRIs	150	1.59	255,340	102	1.46	235,223
FII's	6	2.11	339,390	—	—	—
Directors/relatives	11	20.01	3,222,084	12	19.92	3,206,018
Mutual Funds	11	5.56	895,532	3	0.01	800
Total	7,315	100.00	16,104,812	7,220	100.00	16,090,812

### 19. Investors' correspondence may be addressed to:

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



## NUCLEUS SOFTWARE EXPORTS LTD.

### 20. Employee Strength of Nucleus

Nucleus employed 977 people as on December 31, 2005 as compared to 813 people on December 31, 2004.

The distribution of the employees is:

As at	December 31, 2005		December 31, 2004	
Technical Staff	805	82.40%	641	78.84%
Non-Technical Staff including Business Development Group	172	17.60%	172	21.16%

The gender classification of employees is:

Male	772	79.02%	665	81.80%
Female	205	20.98%	148	18.20%
Total	977	100.00%	813	100.00%

The age profile of employees is:

As at	December 31, 2005		December 31, 2004	
Between 20 and 25 years	207	21.19%	159	19.56%
Between 26 and 30 years	442	45.24%	412	50.68%
Between 31 and 40 years	287	29.38%	219	26.94%
Between 41 and 50 years	32	3.28%	19	2.34%
Between 51 and 60 years	9	0.91%	4	0.48%
Total	977	100.00%	813	100.00%

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

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

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

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

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

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

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



**Consolidated Segment Information of Nucleus Software Group**

*Figure in Rs. Lakhs*

<b>REVENUE BY</b>	Quarter Ended		Nine Months Ended		Year Ended	
	Dec. 31,	% of	Dec. 31,	% of	March 31,	% of
	2005	Revenue	2005	Revenue	2005	Revenue
<b><i>GEOGRAPHICAL SEGMENTS</i></b>						
India	404.72	10.82	996.45	9.40	857.09	8.07
Far East	1,606.91	42.97	4,229.25	39.91	5,098.35	48.01
South East Asia	1,065.57	28.49	3,318.94	31.32	3,191.41	30.05
Europe/U.K.	297.22	7.95	1,219.20	11.51	466.99	4.40
USA & Canada	212.37	5.68	460.29	4.34	216.70	2.04
Middle East	132.68	3.55	325.87	3.08	305.26	2.87
Rest of the World	20.11	0.54	46.02	0.43	483.55	4.55
<b>Total</b>	<b>3,739.58</b>	<b>100.00</b>	<b>10,596.02</b>	<b>100.00</b>	<b>10,619.35</b>	<b>100.00</b>
<b><i>CURRENCY SEGMENTS</i></b>						
US\$	2,230.08	59.63	6,289.33	59.36	5,242.97	50.83
Sing\$	656.64	17.56	1,778.99	16.79	2,428.42	23.54
Japanese Yen	437.08	11.69	1,304.27	12.31	1,727.20	16.75
Great Britain Pound	—	0.00	0.08	0.00	54.43	0.53
Indian Rupee	404.72	10.82	993.22	9.37	857.09	8.31
Oman Riyal	—	0.00	—	0.00	3.98	0.04
Malasyian Ringet	11.06	0.30	230.13	2.17	—	0.00
<b>Total</b>	<b>3,739.58</b>	<b>100.00</b>	<b>10,596.02</b>	<b>100.00</b>	<b>10,314.09</b>	<b>100.00</b>
<b><i>BUSINESS SEGMENTS</i></b>						
Products	1,413.21	37.79	3,827.60	36.12	2,641.73	25.62
Projects	1,964.37	52.53	5,841.85	55.13	6,858.11	66.49
Professional Services	362.00	9.68	926.57	8.74	814.25	7.89
<b>Total</b>	<b>3,739.58</b>	<b>100.00</b>	<b>10,596.02</b>	<b>100.00</b>	<b>10,314.09</b>	<b>100.00</b>

**BUSINESS SEGMENT**



**Ratio-Analysis**

Particulars	CONSOLIDATED PERFORMANCE				
	Quarter ended		Nine-Months Ended		Year ended
	December 31 2005	December 31 2004	December 31 2005	December 31 2004	March 31 2005
<b>Ratios-Financial Performance</b>					
Export Revenue/Revenue (%)	85.17%	89.71%	86.35%	90.01%	91.66%
Domestic Revenue/Revenue (%)	14.83%	10.29%	13.65%	9.99%	8.34%
Gross Profit/Revenue (%)	41.55%	42.55%	44.63%	38.32%	42.11%
Software Development Expenses/Revenue (%)	58.45%	57.45%	55.37%	61.68%	57.89%
Selling and Marketing Expenses/Revenue (%)	7.44%	7.16%	8.21%	7.85%	7.97%
General and Administrative Expenses/Revenue (%)	7.19%	8.43%	6.55%	7.76%	7.89%
Total Operating Expenses/Revenue (%)	73.08%	73.04%	70.13%	77.29%	73.76%
Operating Profit/Revenue (%)	26.92%	26.96%	29.87%	22.71%	26.24%
Depreciation/Revenue (%)	2.33%	4.19%	3.32%	3.51%	3.43%
Other Income/Revenue (%)	3.64%	3.90%	2.46%	2.81%	2.52%
Tax/Revenue (%)	2.02%	1.36%	2.12%	1.09%	1.41%
Tax/PBT (%)	7.87%	5.89%	7.90%	6.05%	6.53%
PAT from Ordinary Activities/Revenue	19.94%	17.84%	22.24%	14.12%	17.60%
PAT from Ordinary Activities/Net Worth	6.73%	6.02%	21.27%	12.70%	21.55%
ROCE(PBIT/Average Capital Employed) (%)	9.00%	8.10%	29.13%	16.83%	29.18%
RONW (PAT/Average Net Worth) (%)	8.30%	7.62%	26.84%	15.82%	27.28%
<b>Ratios Balance Sheet</b>					
Debtors Turnover (Days)	46	45	48	51	68
Asset Turnover Ratio	0.34	0.34	0.96	0.90	1.22
Current Ratio	1.55	1.07	1.55	1.07	1.15
Cash and Equivalents/Total Assets (%)	67.02%	32.91%	67.02%	32.91%	73.17%
Cash and Equivalents/Revenue (%)	198.78%	97.52%	70.15%	36.61%	59.79%
Depreciation/Average Gross Block(%)	1.84%	2.75%	7.67%	6.13%	10.34%
Technology Investment/Revenue (%)	3.88%	2.87%	3.49%	3.14%	3.68%
<b>Ratios - Growth</b>					
Growth in Export Revenue (%)	31.12%	52.95%	40.94%	35.79%	39.81%
Growth in Revenue (%)	38.11%	47.37%	46.92%	25.77%	28.78%
Operating Expenses Growth (%)	38.19%	27.14%	33.32%	16.03%	17.32%
Operating Profit Growth (%)	37.89%	159.00%	93.19%	76.06%	77.51%
PAT Growth (%)	49.72%	240.19%	114.35%	127.16%	113.34%
EPS Growth (%)	49.45%	235.78%	114.08%	124.19%	113.22%
<b>Per-Share Data (Period End) *</b>					
Earning Per Share from Ordinary Activities (Rs.)	4.63	3.00	14.64	6.33	11.28
Earning Per Share (Including Other Income) (Rs.)	5.47	3.66	16.26	7.59	12.90
Cash Earning Per Share from Ordinary Activities (Rs.)	5.17	3.71	16.82	7.90	13.48
Cash Earning Per Share (Including Other Income)(Rs.)	6.02	4.36	18.44	9.17	15.10
Book Value (Rs.)	68.82	49.84	68.82	49.84	52.36
Price/Earning (Annualized)	17.85	10.51	18.03	15.21	13.86
Price/Cash Earning (Annualized)	16.24	8.82	15.89	12.59	11.84
Price/Book Value	5.68	3.09	5.68	3.09	3.41

**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.

