

CONTENTS

	<i>Page</i>
★ Financial Highlights	2
★ Letter to the Shareholders.....	4
Financial Statements of Nucleus Software Exports Ltd.	
★ Auditors' Report.....	5
★ Balance Sheet	6
★ Profit & Loss Account.....	7
★ Statement of Cash Flow.....	8
★ Schedules	9
Consolidated Financial Statements of Nucleus Software Exports Ltd. and its Subsidiaries	
★ Consolidated Financial Statements	36
★ Management's Discussion and Analysis of Financial Condition and..... Results of Consolidated Operations of Nucleus Software Exports Ltd. and its Subsidiary Companies	40
★ Additional Information to Shareholders	51
★ Consolidated Segment Information	57
★ Ratio-Analysis	58

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

Rs. in lacs, except per equity share data

	CONSOLIDATED PERFORMANCE				
	Quarter Ended		Nine-Months Ended		Year Ended
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003	March 31, 2004
For the Period					
Revenue from Operations	2,707.66	1,837.32	7,212.02	5,734.16	8,009.07
Operating Profits (PBIDT)	730.05	281.87	1,638.08	930.40	1,524.91
Profit after Tax (PAT)	588.81	173.08	1,221.40	537.68	972.59
PBIDT as a % of Revenue from Operations	26.96%	15.34%	22.71%	16.23%	19.04%
PAT as a % of Revenue from Operations	21.75%	9.42%	16.94%	9.38%	12.14%
EPS	3.66	1.09	7.60	3.39	6.12
Dividend Per Share	—	—	—	—	2.50
Dividend Payout	—	—	—	—	200.79
At the end of the Period					
Total Assets			8,022.86	6,574.60	6,787.68
Net Fixed Assets			2,723.98	1,548.61	1,823.28
Current Assets			4,540.43	2,902.02	2,798.12
Cash and Cash Equivalents			2,640.61	1,058.87	889.29
Working Capital			296.45	2,057.37	1,480.87
Net Worth			8,020.11	6,554.17	6,786.18
Share Capital			1,609.23	794.15	803.29
Reserves & Surplus			6,410.88	5,760.02	5,982.90
Market Capitalisation			24,763.76	11,250.91	6,168.12
No. of Shareholders			7,220	6,115	6,459
No. of Shares (Face Value of Rs 10.00)			16,090,812	7,939,950	8,031,406

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.



NUCLEUS SOFTWARE EXPORTS LTD.

FINANCIAL HIGHLIGHTS

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

	CONSOLIDATED PERFORMANCE				
	Quarter Ended		Nine-Months Ended		Year Ended
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003	March 31, 2004
For the Period					
Revenue from Operations	6,232	4,033	16,598	12,586	18,327
Operating Profits (PBIDT)	1,680	619	3,770	2,042	3,489
Profit after Tax (PAT)	1,355	380	2,811	1,180	2,226
PBIDT as a % of Revenue from Operations	26.96%	15.34%	22.71%	16.23%	19.04%
PAT as a % of Revenue from Operations	21.75%	9.42%	16.94%	9.38%	12.14%
EPS	0.08	0.02	0.17	0.07	0.14
Dividend Per Share	—	—	—	—	0.06
Dividend Payout	—	—	—	—	459
At the end of the Period					
Total Assets			18,465	14,431	15,532
Net Fixed Assets			6,269	3,399	4,172
Current Assets			10,450	6,370	6,403
Cash and Cash Equivalents			6,077	2,324	2,035
Working Capital			682	4,516	3,389
Net Worth			18,458	14,386	15,529
Share Capital			3,704	1,743	1,838
Reserves & Surplus			14,755	12,643	13,691
Market Capitalisation			56,994	24,695	14,115

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. 43.45 for the quarter/nine months ended December 31, 2004, 1 US\$= Rs. 45.56 for the quarter/ nine months ended December 31, 2003 and 1US\$= Rs 43.70 for the year ended March 31, 2004.



Letter to the Shareholders

Dear Shareholder

It gives me great pleasure and satisfaction to communicate that our state of the art software development center and corporate office at Noida was formally inaugurated by Masamoto Yashiro, Chairman, President and CEO of Shinsei Bank, Japan on November 8, 2004. The facility currently consists of one building with 700 plus seats and we have space availability for two more similar buildings on the same campus, which would raise total seats to 2000 plus. This has been a dream come true for the company and we are now poised to move into our next stage of expansion. Revenue and profit growth is positive in the quarter and nine month period and we are confident of delivering greater value to you and our customers in the coming months and years.

Consolidated revenue from operations for the quarter was Rs.27.08 crore against Rs.18.37 crore for Q3 of FY 2003-04, an increase of 47%. Total operating expenses for the quarter were Rs.19.78 crore against Rs.15.55 crore for Q3 of FY 2003-04, representing an increase of 27%. Consequently the operating profit for the quarter was Rs.7.30 crore against Rs. 2.81 crore in Q3 of FY 2003-04, an increase of 159%.

Consolidated net profit for the quarter was Rs.5.89 crore against Rs.1.73 crore for Q3 of FY 2003-04, an increase of 240%. EPS for the quarter increased to Rs.3.66 against Rs.1.09 (adjusted for the issue of bonus shares in the ratio 1:1 in August 2004) for Q3 of FY 2003-04.

For the nine months, consolidated revenue from operations was Rs.72.12 crore against Rs.57.34 crore in nine months of FY 2003-04, an increase of 26%. The total operating expenses for the nine months were Rs.55.74 crore against Rs.48.04 crore, representing an increase of 16%. Consequently the operating profit for nine months was Rs.16.38 crore against Rs.9.30 crore for nine months of FY 2003-04, an increase of 76%.

Consolidated net profit for the nine months was Rs.12.21 crore against Rs.5.38 crore for nine months of FY 2003-04, an increase of 127%. EPS for nine months increased to Rs.7.60 against Rs.3.39 (adjusted for the issue of bonus shares in the ratio 1:1 in August 2004) for nine months of FY 2003-04.

The Company continues to enjoy high level of liquidity. The cash flow from operating activities has increased to Rs.44.44 crore in the nine months ended December 31, 2004 against Rs.16.96 crore for the corresponding nine months of FY 2003-04. Cash and bank balances and current investments stood at Rs.62.42 crore on December 31, 2004 against Rs.39.85 crore as on December 31, 2003. The Company believes in maintaining high level of liquidity as it provides immense support and comfort against contingencies.

The Company added 3 new customers during the quarter ended December 31, 2004, taking the total customers base to 90. The Company's consistent performance is testimony of success of our business model to focus on creating intellectual property and developing world-class products for our customers.

Deloitte Touche Tohmatsu has 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.

The Company strongly emphasizes on empowerment at every level. Encouraging leadership, rewarding performance, practicing delegation and creating opportunities for all individuals are an inherent part of our HR policy. The Company has launched a Competency Assessment Programme, which aims at making the rewarding system objective and fair and gauging the potential of employees.

It is our endeavor to build Nucleus into an organization, which is empowered in terms of knowledge and encourages adoption of best practices on a sustainable basis. We thank you for your continued support in accomplishing our goals and our pursuit of excellence.

Sincerely,

Vishnu R Dusat
Managing Director

18 January, 2005



Auditors' Report

To the Board of Directors
Nucleus Software Exports Ltd.

As required by you, we have audited the attached Balance Sheet of Nucleus Software Exports Ltd. ("the Company") as at 31 December 2004, 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 2004;
 - (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 : 18 January, 2005

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

**NUCLEUS SOFTWARE EXPORTS LTD.****Balance Sheet as at 31 December 2004**

All amounts in Rupees

Particulars	Schedule	As at 31 December 2004	As at 31 December 2003	As at 31 March 2004
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	160,923,120	79,414,500	80,329,060
Share Application Money Pending Allotment		275,000	2,043,944	150,000
Reserves & Surplus	2	583,811,735	560,288,760	584,931,335
TOTAL		745,009,855	641,747,204	665,410,395
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	3	390,107,895	223,033,893	225,770,945
Less: Accumulated Depreciation		130,345,616	115,650,384	121,762,247
Net Block		259,762,279	107,383,509	104,008,698
Add: Capital Work in Progress (including capital advances)		2,555,440	39,227,300	71,549,151
		262,317,719	146,610,809	175,557,849
Investments	4	551,727,256	333,548,636	389,083,301
Deferred Tax Asset (Refer note 3, Schedule 17)		3,915,665	4,529,216	3,932,511
Current Assets, Loans & Advances				
Sundry Debtors	5	129,330,456	134,332,195	114,926,279
Cash & Bank Balances	6	141,592,521	25,250,657	23,473,161
Loans & Advances	7	38,144,200	48,829,200	47,009,185
Other Current Assets	8	24,691,090	23,150,213	27,227,115
		333,758,267	231,562,265	212,635,740
Less : Current Liabilities & Provisions				
Current Liabilities	9	389,423,303	64,481,828	79,499,698
Provisions	10	17,285,749	10,021,894	36,299,308
		406,709,052	74,503,722	115,799,006
Net Current Assets/(Liabilities)		(72,950,785)	157,058,543	96,836,734
Miscellaneous Expenditure (To the extent not written off or adjusted)	11	—	—	—
TOTAL		745,009,855	641,747,204	665,410,395

Notes to the accounts 17

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

As per our report of even date

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

For and on behalf of the Board of Directors

Akhil Bansal
Partner
Membership No. 090906

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

Vishnu R Dusad
Managing Director

Gurgaon
18 January, 2005

NOIDA (U.P.)
18 January, 2005

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, 2004**

All amounts in Rupees

Particulars	Schedule	For the quarter ended		For the nine months ended		For the year ended 31st March, 2004
		31 December, 2004	31 December, 2003	31 December, 2004	31 December, 2003	
Sales and Services	12	169,797,311	117,356,566	448,540,494	373,203,602	540,613,254
Software Development Expenses	13	89,542,798	72,299,484	263,204,503	223,360,826	300,422,213
Gross profit		80,254,513	45,057,082	185,335,991	149,842,776	240,191,041
Selling and Marketing Expenses	14	12,979,707	9,738,907	35,301,415	30,877,370	44,247,858
General and Administration Expenses	15	16,830,538	10,126,979	43,344,584	31,180,612	45,512,567
Operating Profit Before Finance Charges, Depreciation and Withholding Tax		50,444,268	25,191,196	106,689,992	87,784,794	150,430,616
Finance Charges		—	—	—	13,697	13,697
Depreciation	3	9,732,826	6,382,155	21,398,717	20,460,656	26,851,770
Withholding Taxes Charged Off		9,660,204	8,859,497	28,750,986	21,767,408	32,841,653
Operating Profit After Finance Charges, Depreciation and Withholding Tax		31,051,238	9,949,544	56,540,289	45,543,033	90,723,496
Other Income	16	16,316,934	6,309,078	24,317,164	12,036,526	15,734,812
Profit before Taxation		47,368,172	16,258,622	80,857,453	57,579,559	106,458,308
Provision for Income Tax - current		(1,200,000)	—	(2,600,000)	(2,000,000)	(4,416,823)
- deferred		202,101	239,255	(16,846)	2,061,765	1,465,060
Provision for Wealth Tax		(18,331)	—	(18,331)	—	(18,300)
Profit after Taxation		46,351,942	16,497,877	78,222,276	57,641,324	103,488,245
Profit Available for Appropriation		46,351,942	16,497,877	78,222,276	57,641,324	103,488,245
Profit for the period		46,351,942	16,497,877	78,222,276	57,641,324	103,488,245
Add: Balance Brought Forward		131,942,692	110,430,086	100,123,809	69,286,639	69,286,639
Total Amount Available		178,294,634	126,927,963	178,346,085	126,927,963	172,774,884
Final Dividend		—	—	—	—	20,078,515
Dividend Tax		—	—	51,451	—	2,572,560
Transferred to General Reserve		—	—	—	—	50,000,000
Balance Carried Forward to Schedule 2		178,294,634	126,927,963	178,294,634	126,927,963	100,123,809
Earnings Per Share (Equity shares, par value Rs. 10 each) (Refer note 14, Schedule 17)						
Basic		2.88	1.04	4.86	3.64	6.51
Diluted		2.87	1.03	4.85	3.62	6.50
Number of Shares used in Computing Earnings Per Equity Share						
Basic		16,090,812	15,879,900	16,079,307	15,855,603	15,899,180
Diluted		16,112,207	15,957,604	16,100,702	15,933,307	15,910,505

Notes to the accounts 17

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

As per our report of even date

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

For and on behalf of the Board of Directors

Akhil Bansal
Partner
Membership No. 090906

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

Vishnu R Dusad
Managing Director

Gurgaon
18 January, 2005

NOIDA (U.P.)
18 January, 2005

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

**NUCLEUS SOFTWARE EXPORTS LTD.****Cash Flow Statement for the nine months ended 31 December 2004**

All amounts in Rupees

	For the nine months ended		For the year ended
	31 December 2004	31 December 2003	31 March 2004
A. Cash flow from operating activities			
Net profit before tax	80,857,453	57,579,559	106,458,308
<i>Adjustment for:</i>			
Depreciation	21,398,717	20,460,656	26,851,770
Exchange difference on translation of foreign currency accounts	(9,113,685)	921,867	2,165,054
Dividend income from investments	(2,070,594)	(1,052,056)	(1,562,012)
Interest income	(2,529,607)	(1,710,038)	(2,063,101)
Profit on sale of investments	(11,160,371)	(7,365,930)	(10,975,599)
Amortisation of employees stock compensation expenses	967,635	3,594,193	3,760,538
Interest expense	—	13,697	13,697
(Profit) / Loss on sale of fixed assets	(38,461)	222,110	172,877
Loss on assets discarded	312,741	—	—
Bad debts / advances written off	78,911	15,966	980,966
Provision for doubtful debts / advances	3,896,456	786,816	2,241,952
Provision for gratuity and leave encashment	3,180,000	2,540,000	6,166,339
Miscellaneous expenditure written off	—	488,349	488,349
Operating profit before working capital changes	85,779,195	76,495,189	134,699,138
Decrease / (increase) in debtors	(19,318,947)	39,967,822	56,333,891
Decrease / (increase) in loans and advances	837,723	(1,751,840)	(2,985,594)
Decrease / (increase) in other current assets	4,371,240	(3,395,129)	(8,143,689)
(Decrease) / increase in current liabilities	303,742,360	14,511,949	27,476,084
	375,411,571	125,827,991	207,379,830
Direct taxes received / (paid)	553,748	(3,217,737)	(4,728,394)
<i>Net cash from operating activities (A)</i>	375,965,319	122,610,254	202,651,436
B. Cash flow from investing activities			
Purchase of fixed assets/capital work in progress	(99,202,930)	(40,775,659)	(75,231,381)
Sale of fixed assets	38,461	1,511,135	677,935
Purchase of investments (net)	(3,862,994)	(71,065,836)	(119,960,177)
Investment in subsidiaries	(10,737,950)	—	(3,030,655)
Other long term investment	(136,882,640)	—	—
Loan and advances to subsidiaries (net)	11,955,708	3,846,223	7,399,154
Interest received	791,356	848,066	1,869,947
Dividend received from investments	2,070,594	1,052,056	1,562,012
<i>Net cash used in investing activities (B)</i>	(235,830,395)	(104,584,015)	(186,713,165)
C. Cash flow from financing activities			
Repayment of loans	—	(389,293)	(389,293)
Interest paid	—	(13,697)	(13,697)
Dividend paid	(22,443,432)	(17,793,290)	(17,795,990)
Receipt from share application money	196,000	—	—
Proceeds from employee stock option granted	265,000	1,382,584	1,683,584
<i>Net cash used in investing activities (C)</i>	(21,982,432)	(16,813,696)	(16,515,396)
Net increase in cash and cash equivalents (A+B+C)	118,152,492	1,212,543	(577,125)
Cash and cash equivalents opening balance	23,473,161	23,599,082	23,599,082
Exchange difference on translation of foreign currency bank accounts	(33,132)	439,032	451,205
Cash and cash equivalent closing balance	141,592,521	25,250,657	23,473,161

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

As per our report of even date

For 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
18 January, 2005

NOIDA (U.P.)
18 January, 2005

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 2004	As at 31 December 2003	As at 31 March 2004
SCHEDULE—1			
SHARE CAPITAL			
Authorised Capital 20,000,000 (20,000,000; 20,000,000) equity shares of Rs. 10 each	200,000,000	200,000,000	200,000,000
Issued, subscribed and paid up			
Issued 16,093,612 (7,942,750; 8,034,206) equity shares of Rs. 10 each	160,936,120	79,427,500	80,342,060
Subscribed and paid up 16,090,812 (7,939,950; 8,031,406) equity shares of Rs. 10 each, fully paid up	160,908,120	79,399,500	80,314,060
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 period ended 30 September 2004 2,637,050 equity shares of Rs. 10 each have been issued as bonus shares by capitalisation of general reserve and securities premium account in the year ended 31 March 2002 1,452,270 equity shares of Rs. 10 each have been issued as bonus shares by capitalisation of general reserve in the year ended 31 March 1995 Add: 2,800 (2,800 ; 2,800) forfeited equity shares pending for reissue	15,000	15,000	15,000
	160,923,120	79,414,500	80,329,060
SCHEDULE—2			
RESERVES AND SURPLUS			
General Reserve Balance as at 1 April	241,454,695	191,454,695	191,454,695
Add: Transferred from Profit and Loss Account	—	—	50,000,000
	241,454,695	191,454,695	241,454,695
Securities premium account Balance as at 1 April	240,546,769	230,198,361	230,198,361
Add: On conversion of stock options issued to employees	1,610,000	1,440,000	10,348,408
Less: Amount utilised for issuance of 8,045,406 bonus shares of Rs. 10 each	80,454,060	—	—
	161,702,709	231,638,361	240,546,769
Capital reserve account Balance as at 1 April	1,480,030	1,463,030	1,463,030
Add: Amount forfeited against employees stock option plan	—	17,000	17,000
	1,480,030	1,480,030	1,480,030
Employee stock options Balance as at 1 April	1,532,000	10,288,624	10,288,624
Add: Options granted during the period/year	1,961,000	—	—
Less: Reversal on forfeiture of stock options granted	—	91,800	91,800
Less: Transferred to securities premium on exercise of stock option	1,414,000	1,036,800	8,664,824
	2,079,000	9,160,024	1,532,000
Less: Deferred employee compensation	(1,199,333)	(372,313)	(205,968)
	879,667	8,787,711	1,326,032
Profit and Loss Account balance	178,294,634	126,927,963	100,123,809
	583,811,735	560,288,760	584,931,335



Schedules forming part of the financial statements

**SCHEDULE—3
FIXED ASSETS**

Particulars	GROSS BLOCK		ACCUMULATED DEPRECIATION			NET BLOCK				
	As at 1 April, 2004	Additions	Deductions/ Adjustments	As at 31 Dec., 2004	As at 1 April, 2004	Depreciation for the period/year	Deduction/ Adjustments	As at 31 Dec., 2004	As at 31 Dec., 2003	As at 31 March, 2004
Freehold land	3,360,720	—	—	3,360,720	—	—	—	3,360,720	—	3,360,720
Leasehold land	64,195,000	—	—	64,195,000	1,452,722	544,522	—	62,197,756	62,923,123	62,742,278
Building	3,036,721	106,850,349	(313,600)	109,573,470	1,411,617	1,270,676	(859)	106,892,086	5,098,936	1,625,104
Office and other equipment	14,936,837	36,279,884	—	51,216,721	9,169,970	4,262,095	—	37,784,656	6,189,392	5,766,867
Computers (refer note 17, schedule 17)	61,661,539	19,334,273	(12,814,489)	68,181,323	40,211,007	10,705,987	(12,814,489)	30,078,818	22,536,758	21,450,532
Vehicles	7,423,398	1,109,940	—	8,533,338	4,783,211	1,032,388	—	2,717,739	3,065,822	2,640,187
Furniture and fixtures	15,578,426	10,550,103	—	26,128,529	12,120,153	2,251,543	—	11,756,833	4,522,995	3,458,273
Software package	55,578,304	3,340,490	—	58,918,794	52,613,567	1,331,506	—	4,973,721	3,106,483	2,964,737
Total	225,770,945	177,465,039	(13,128,089)	390,107,895	121,762,247	21,398,717	(12,815,348)	259,762,279	107,383,509	104,008,698
Previous period	217,531,435	8,185,211	(2,682,753)	223,033,893	96,139,236	20,460,656	(949,508)	107,383,509		
Previous year	217,531,435	10,319,081	(2,079,571)	225,770,945	96,139,236	26,851,770	(1,228,759)	104,008,698		



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2004	As at 31 December 2003	As at 31 March 2004
--	---------------------------	---------------------------	------------------------

SCHEDULE—4 INVESTMENTS

Long term investments

Equity shares - Trade and unquoted

10,040,000 (Nil ; Nil) equity shares of Rs. 10 each, fully paid up, in GMAC Financial Services India Limited (Of the above, 80,000 (Nil ; Nil) equity shares are held by nominees on behalf of the Company)	136,882,640	—	—
	<u>136,882,640</u>	<u>—</u>	<u>—</u>

Equity shares in wholly owned subsidiaries - Non-trade and unquoted

625,000 (625,000 ; 625,000) equity shares of SGD 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore, a wholly owned subsidiary	16,319,950	16,319,950	16,319,950
1,000,000 (1,000,000 ; 1,000,000) equity shares of USD 0.35 each, fully paid up, in Nucleus Software Inc., USA, a wholly owned subsidiary	16,293,150	16,293,150	16,293,150
200 (200 ; 200) equity shares of JPY 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaiga, Japan, a wholly owned subsidiary	4,092,262	4,092,262	4,092,262
241,000 (130,000; 219,000) equity shares of Aus \$ 1 each, fully paid up, in Nucleus Software (Australia) Pty. Ltd. Australia, a wholly owned subsidiary	7,342,205	3,573,600	6,604,255
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 (Nil; Nil) 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; Nil) equity shares are held by nominees on behalf of the Company)	10,000,000	—	—
	<u>54,667,452</u>	<u>40,898,847</u>	<u>43,929,502</u>

Current investments

Investments in bonds and mutual funds - Non trade and unquoted

Nil (3,764,682 ; 3,764,682) units of face value of Rs. 10 each of Alliance Cash Manager-Institutional Plan-Growth	—	39,037,251	39,037,251
Nil (Nil ; 56,595) units of face value of Rs. 10 each of Alliance Cash Manager-Institutional Plan-Dividend	—	—	565,790
10,317 (6,731 ; 6,731) units of face value of Rs. 1,000 each of Templeton India Treasury Management - Growth	16,500,000	10,500,000	10,500,000
Nil (168,180 ; Nil) units of face value of Rs. 10 each of Templeton India Liquid Fund -Growth	—	2,500,000	—



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2004	As at 31 December 2003	As at 31 March 2004
2,638,527 (1,592,675; 2,164,596) units of face value of Rs. 10 each of HDFC Cash management Fund-Saving Plan-Growth	35,000,000	20,700,000	28,200,000
Nil (535,801 ; Nil) units of face value of Rs. 10 each of Chola Liquid Fund-Cumulative	—	6,500,000	—
Nil (9,751 ; Nil) units of face value of Rs. 1000 each of UTI Liquid Advantage Fund-Growth	—	10,800,000	—
460,889 (3,463,510 ; 3,314,286) units of face value of Rs. 10 each of HSBC Cash Fund -Growth	5,000,000	36,115,153	34,600,000
Nil (1,747,230 ; Nil) units of face value of Rs. 10 each of J M High Liquidity Fund -Growth	—	29,000,000	—
Nil (1,417,345 ; Nil) units of face value of Rs. 10 each of Kotak Mahindra Liquid Scheme -Growth	—	17,034,982	—
1,202,390 (Nil ; 791,709) units of face value of Rs. 10 each of Kotak Liquid- Institutional Plan -Growth	15,800,000	—	10,000,000
Nil (1,027,898 ; 1,037,885) units of face value of Rs. 10 each of Kotak Liquid Institutional Plan -Dividend	—	10,303,850	10,404,104
Nil (1,289,115 ; 1,302,149) units of face value of Rs. 10 each of HSBC Cash Fund - Dividend	—	13,138,665	13,267,199
987,144 (Nil ; 958,196) units of face value of Rs. 10 each of HSBC Cash Fund - Institutional Plan - Dividend	10,305,865	—	10,000,981
3,605,681 (1,282,608 ; 3,746,373) units of face value of Rs. 10 each of J M High Liquidity Fund -Institutional Plan-Growth	39,000,000	13,000,000	38,740,071
Nil (Nil ; 997,875) units of face value of Rs. 10 each of J M High Liquidity Fund -Institutional Plan-Dividend	—	—	10,000,000
Nil (1,062,170 ; 1,062,170) units of face value of Rs. 10 each of Prudential ICICI Liquid Plan -Growth	—	16,000,000	16,000,000
Nil (2,717,484 ; 2,717,484) units of face value of Rs. 10 each of Reliance Liquid Fund Super Cash Plan -Growth	—	28,508,560	28,508,560
500,000 (Nil ; 500,000) units of face value of Rs. 10 each of Reliance Fixed Term Scheme-Annual Plan -3- Growth	5,000,000	—	5,000,000
Nil (17,331 ; 17,331) units of face value of Rs. 1000 each of UTI Liquid Advantage Fund-Institutional plan-Growth	—	20,151,828	20,151,828
Nil (15,356 ; 11,002) units of face value of Rs. 1000 each of UTI Liquid Advantage Fund-Institutional plan-Dividend	—	15,356,436	11,001,984
Nil (3,217 ; 3,248) units of face value of Rs. 1,000 each of Templeton India Treasury Management - Dividend	—	4,003,064	4,042,452
254,087 (Nil ; 2,558,657) units of face value of Rs. 10 each of Birla Cash Plus-Institutional Plan-Growth	4,500,000	—	43,600,000
Nil (Nil ; 367,107) units of face value of Rs. 10 each of Birla Cash Plus-Retail Plan-Dividend	—	—	6,000,587



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

	All amounts in Rupees		
	As at 31 December 2004	As at 31 December 2003	As at 31 March 2004
500,000 (Nil ; 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
1,216,524 (Nil ; 42,983) units of face value of Rs. 10 each of DSP Merrill Lynch Liquidity Fund-Dividend	12,177,402	—	532,992
4,666,510 (Nil ; Nil) units of face value of Rs. 10 each of Birla Cash Plus-Institutional Plan-Dividend	50,400,686	—	—
213,064 (Nil ; Nil) units of face value of Rs. 10 each of Prinicpal Cash Management Fund-Institutional Plan -Dividend	2,125,069	—	—
1,410,875 (Nil; Nil) units of face value of Rs. 10 each of HDFC Cash management Fund-Saving Plan-Dividend	15,006,629	—	—
3,635,141 (Nil ; Nil) units of face value of Rs. 10 each of HSBC Cash Fund - Institutional Plan - Growth	40,000,000	—	—
1,996,761 (Nil ; Nil) units of face value of Rs. 10 each of DSP Merrill Lynch Floating Rate Fund-Dividend	20,011,541	—	—
5,812,723 (Nil; Nil) units of face value of Rs. 10 each of Deutsche Insta Cash Plus Fund-Institutional Fund-Growth	59,349,972	—	—
500,000 (Nil ; Nil) units of face value of Rs. 10 each of UTI Fixed Maturity Plan-YFMP 11/2004-Growth	5,000,000	—	—
2,000,000 (Nil ; Nil) units of face value of Rs. 10 each of Prudential ICICI FMP Series 5-Instituitional-Growth	20,000,000	—	—
	<u>360,177,164</u>	<u>292,649,789</u>	<u>345,153,799</u>
	<u>551,727,256</u>	<u>333,548,636</u>	<u>389,083,301</u>

Notes:

1. Investments in mutual funds include unutilised proceeds raised by preferential issue of equity shares.
2. Net asset value (NAV) of current investments Rs. 362,768,806 (297,675,408 ; 349,664,838) as at 31 December 2004.
3. Refer note 6, schedule 17 for details of investments purchased and sold during the period ended 31 December 2004.



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2004	As at 31 December 2003	As at 31 March 2004
SCHEDULE—5			
SUNDRY DEBTORS (UNSECURED)			
Debts outstanding for a period exceeding six months			
—Considered good	8,490,297	8,447,995	3,733,053
—Considered doubtful	19,474,820	17,889,980	15,982,787
	27,965,117	26,337,975	19,715,840
Less: Provision for doubtful debts	(19,474,820)	(17,889,980)	(15,982,787)
	8,490,297	8,447,995	3,733,053
Other debts (considered good)	120,840,159	125,884,200	111,193,226
	129,330,456	134,332,195	114,926,279
SCHEDULE—6			
CASH AND BANK BALANCES			
Cash in hand (including cheques in hand)	353,876	1,028,261	806,589
Balances with scheduled banks			
—in current accounts	15,999,136	17,377,740	16,040,171
—in fixed deposit accounts	124,655,682	5,022,438	5,520,410
Balances with non scheduled banks			
—in current account (Citibank, United Kingdom) [Maximum amount outstanding Rs. 2,533,996 (Rs. 2,917,720 ; Rs. 2,917,720)]	583,827	1,822,218	1,105,991
	141,592,521	25,250,657	23,473,161
SCHEDULE—7			
LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD)			
Advances recoverable in cash or in kind or for value to be received	10,239,601	6,123,329	6,509,281
Loans and advances to subsidiaries*	19,782,569	27,697,847	25,568,488
Security deposits	5,741,697	9,228,917	9,028,917
Advance tax [net of provision NA (Rs. 16,676,454 ; Rs. 19,076,454)]	—	3,639,029	2,714,563
Prepaid expenses	2,380,333	2,140,078	3,187,936
	38,144,200	48,829,200	47,009,185
* includes loan amounting to Rs.5,320,000 (Rs.16,026,000 ; Rs.10,436,000) to Nucleus Software Solutions Pte. Ltd., Singapore and Rs.6,843,375 (Rs.5,581,100 ; Rs.6,882,750) to Nucleus Software Inc., USA, wholly owned subsidiaries of the Company.			
SCHEDULE—8			
OTHER CURRENT ASSETS			
Service income accrued but not due	22,205,698	21,828,378	26,576,938
Interest accrued but not due	2,485,392	1,321,835	650,177
	24,691,090	23,150,213	27,227,115



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2004	As at 31 December 2003	As at 31 March 2004
SCHEDULE—9			
CURRENT LIABILITIES			
Sundry Creditors*	65,595,097	43,905,503	54,500,094
Withholding tax	7,820,000	11,168,086	6,327,669
Due to subsidiaries	8,317,891	—	2,318,850
Advances from customers	302,640,289	5,594,371	13,247,743
Unclaimed dividends	469,934	259,861	262,491
Other liabilities	4,580,092	3,554,007	2,134,170
Book overdraft	—	—	708,681
	<u>389,423,303</u>	<u>64,481,828</u>	<u>79,499,698</u>

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

SCHEDULE—10

PROVISIONS

Gratuity	8,861,584	5,628,303	6,571,584
Leave encashment	7,966,649	4,393,591	7,076,649
Taxation [Net of advance tax Rs. 21,218,938 (NA; NA)]	457,516	—	—
Dividend	—	—	20,078,515
Dividend tax	—	—	2,572,560
	<u>17,285,749</u>	<u>10,021,894</u>	<u>36,299,308</u>

SCHEDULE—11

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

Preliminary expenses

Balance brought forward	—	18,077	18,077
Less: Written off during the period/year	—	18,077	18,077
	<u>—</u>	<u>—</u>	<u>—</u>

Public Issue Expenses

Balance brought forward	—	470,272	470,272
Less: Written off during the period/year	—	470,272	470,272
	<u>—</u>	<u>—</u>	<u>—</u>



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended 31 December, 2004	31 December, 2003	For the nine months ended 31 December, 2004	31 December, 2003	For the year ended 31st March, 2004
SCHEDULE—12					
SALES AND SERVICES					
Software development services and products					
— Domestic	27,861,301	24,913,754	72,016,044	95,348,786	124,671,897
— Overseas	141,936,010	92,442,812	376,524,450	277,854,816	415,941,357
	<u>169,797,311</u>	<u>117,356,566</u>	<u>448,540,494</u>	<u>373,203,602</u>	<u>540,613,254</u>
	<u>169,797,311</u>	<u>117,356,566</u>	<u>448,540,494</u>	<u>373,203,602</u>	<u>540,613,254</u>

SCHEDULE—13 SOFTWARE DEVELOPMENT EXPENSES

Salaries and allowances	44,131,103	36,052,290	132,361,939	103,962,477	143,781,346
Contribution to provident and other funds	2,551,195	1,828,609	6,961,960	5,857,362	8,088,528
Directors' remuneration	1,169,600	230,400	1,760,000	1,001,200	2,000,000
Employee's stock compensation expenses	311,466	1,027,753	803,465	3,309,094	3,420,906
Staff welfare	1,347,390	1,114,055	3,488,921	3,643,975	5,619,891
Conveyance	786,149	1,098,524	2,367,739	2,569,380	3,485,633
Communication	3,199,528	2,074,340	8,301,207	6,934,239	9,837,841
Rent, rates and taxes	1,705,417	2,002,689	5,304,032	5,384,726	7,585,488
Legal and professional	1,251,825	2,004,238	4,658,571	3,417,203	4,249,336
Repair and maintenance					
— Building	233,910	60,075	312,381	191,288	223,648
— Others	953,961	609,275	2,247,817	1,777,690	2,406,075
Training and recruitment	1,109,837	497,516	3,007,217	1,269,219	2,208,403
Printing and stationery	89,216	53,739	210,781	193,694	244,481
Insurance	229,917	176,105	625,778	517,917	794,574
Software and other development charges	1,750,187	1,339,897	5,494,741	4,676,236	5,830,777
Cost of software purchased for delivery to clients	—	—	3,081,018	11,584,088	15,833,826
Travelling	24,896,797	17,397,579	67,803,442	50,707,391	65,465,800
Consultancy charges	5,000	1,059,606	895,079	4,982,545	5,833,188
Power and fuel	2,075,591	2,103,421	8,868,300	7,186,332	8,632,963
IT expenses	662,627	786,621	1,966,674	1,675,821	2,259,388
Miscellaneous expenses	1,082,082	782,752	2,683,441	2,518,949	2,620,121
	<u>89,542,798</u>	<u>72,299,484</u>	<u>263,204,503</u>	<u>223,360,826</u>	<u>300,422,213</u>



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended 31 December, 2004	31 December, 2003	For the nine months ended 31 December, 2004	31 December, 2003	For the year ended 31st March, 2004
SCHEDULE—14					
SELLING AND MARKETING EXPENSES					
Salaries and allowances	3,984,722	2,949,997	9,982,742	9,184,699	11,808,696
Contribution to provident and other funds	233,665	132,210	582,328	394,721	549,533
Directors' remuneration	1,169,600	230,400	1,760,000	1,001,200	2,000,000
Employee's stock compensation expenses	25,436	62,121	88,363	197,811	231,355
Staff welfare	166,353	123,935	348,766	302,319	367,487
Conveyance	205,924	160,184	440,105	423,977	556,893
Communication	448,728	430,737	1,287,076	1,404,751	2,096,187
Rent, rates and taxes	464,118	305,461	1,361,672	796,486	1,218,604
Legal and professional	260,372	—	260,372	—	—
Repair and maintenance					
— Building	31,188	4,530	36,973	14,423	16,863
— Others	127,195	45,939	224,751	134,037	181,417
Training and recruitment	50,136	18,947	210,174	96,644	116,698
Printing and stationery	33,392	22,838	134,723	102,508	230,789
Insurance	16,604	12,066	59,531	40,939	51,553
Travelling	3,202,359	2,797,006	10,434,725	9,421,662	12,611,311
Advertisement and business promotion	1,511,755	928,899	3,290,871	4,450,544	5,232,864
Consultancy charges	—	92,820	—	469,979	1,235,792
Power and fuel	232,425	82,732	727,709	321,257	411,520
Conference, exhibition and seminar	729,310	1,127,179	1,776,098	1,593,637	1,791,214
IT expenses	53,347	65,552	133,365	111,909	126,526
Commission on sales	—	—	1,984,359	—	2,923,188
Miscellaneous expenses	33,078	145,354	176,712	413,867	489,368
	<u>12,979,707</u>	<u>9,738,907</u>	<u>35,301,415</u>	<u>30,877,370</u>	<u>44,247,858</u>



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended 31 December, 2004	31 December, 2003	For the nine months ended 31 December, 2004	31 December, 2003	For the year ended 31st March, 2004
SCHEDULE—15					
GENERAL AND ADMINISTRATION EXPENSES					
Salaries and allowances	4,918,243	3,419,343	14,512,253	9,886,222	14,883,436
Contribution to provident and other funds	339,004	233,092	930,530	696,290	949,179
Directors' remuneration	694,800	710,200	1,275,000	1,644,600	2,320,000
Employee's stock compensation expenses	25,436	27,294	75,807	87,289	108,277
Staff welfare	240,481	166,379	528,187	400,413	520,812
Conveyance	488,730	204,259	1,040,993	1,224,104	1,424,625
Communication	711,669	961,223	2,687,318	2,655,454	2,487,670
Rent, rates and taxes	688,955	368,778	1,543,802	1,509,186	1,574,594
Legal and professional	1,766,866	1,073,266	4,837,976	3,272,803	5,907,448
Repair and maintenance					
— Building	77,970	13,016	94,756	41,444	48,455
— Others	317,987	132,002	598,307	385,144	521,288
Training and recruitment	74,120	158,335	927,699	423,168	525,094
Printing and stationery	292,127	155,038	941,596	726,898	1,139,344
Loss on sale of fixed assets (net)	—	376,574	—	222,110	172,877
Loss on discarded assets	312,741	—	312,741	—	—
Insurance	92,711	25,808	200,222	121,268	140,845
Bank charges	215,929	98,594	586,875	221,396	377,943
Public issue expenses written off	—	—	—	470,272	470,272
Preliminary expenses written off	—	—	—	18,077	18,077
Travelling	283,200	299,024	860,535	1,320,988	2,140,359
Advertisement	52,095	227,449	208,434	747,993	916,466
Power and fuel	578,380	212,085	2,017,275	937,505	1,132,136
Conference, exhibition and seminar	38,244	14,000	79,026	72,058	127,525
IT expenses	85,636	84,281	249,715	178,998	298,239
Bad debts/ advances/ other current assets written off	78,911	15,966	78,911	15,966	980,966
Provision for doubtful debts	2,668,340	176,816	3,896,456	786,816	2,241,952
Miscellaneous expenses	1,787,963	974,157	4,860,170	3,114,150	4,084,688
	16,830,538	10,126,979	43,344,584	31,180,612	45,512,567

SCHEDULE—16 OTHER INCOME

Dividend received from non-trade investments	1,425,966	344,958	2,070,594	1,052,056	1,562,012
Gain on foreign exchange fluctuation (net)	8,254,481	1,150,484	8,270,679	1,430,906	32,456
Interest [Gross of tax deducted at source Rs. 10,877 (Rs 37,747 ; Rs 14,300 ; Rs 72,257 ; Rs. 225,792)]	1,998,606	1,088,511	2,529,607	1,710,038	2,063,101
Profit on sale of fixed assets (net)	38,461	—	38,461	—	—
Profit on sale of investments (net)	4,558,680	3,645,979	11,160,371	7,365,930	10,975,599
Miscellaneous income	40,740	79,146	247,452	477,596	1,101,644
	16,316,934	6,309,078	24,317,164	12,036,526	15,734,812



Schedules forming part of the financial statements

**SCHEDULE—17
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 2004, 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, U.S.A, Japan, Australia, Hong-Kong and India. The Company's business broadly 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 the 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.

Management periodically assess 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. 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 materials and fixed price contracts. Revenue from time and materials basis is recognised as the services are rendered. Revenue from fixed price contracts is recognised in accordance with the percentage completion method under which the sales value of performance including earnings thereon is recognised on the basis of effort incurred in respect of each contract as a proportion of total effort expected to be incurred. Anticipated losses, if any, upto the completion of contract are recognised immediately.



NUCLEUS SOFTWARE EXPORTS LTD.

Revenue from sale of licenses for the use of software applications is recognised on transfer of title in the user license. Further, in case of unusual delays in the delivery of licence to the customers, revenue recognition is deferred to the time of such delivery.

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 the 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.

(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/year 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/year. Assets costing less than Rs. 5,000 are fully depreciated in the period/year of purchase.

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

<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 package	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, and provision is made to recognise any decline in the carrying value.

(viii) Research and development

Research expenditure incurred on research and development is expensed as incurred. Capital



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

(ix) Foreign exchange transactions

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realised gains and losses on foreign exchange transactions during the period, other than those relating to fixed assets, 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 fixed assets, 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, the difference between the forward rate and the exchange rate on the date of the transaction is recognised as income or expense over the life of the contract. Exchange differences on forward contracts are recognised in the Profit and Loss Account of the reporting period in which the exchange rate change.

(x) Retirements benefits

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

(xi) Employee stock option based compensation

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

(xii) Operating leases

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

(xiii) Earnings per share

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

(xiv) Taxation

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax based on the tax liability computed after considering tax allowances and exemptions. The differences that result between the profit offered for income taxes and the profit as per the financial statements are identified and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantially enacted regulations. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only to the extent there is virtual certainty of realisation of such assets. In other situations, deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Such assets are reviewed at each balance sheet date for realisability.



3. Deferred tax asset

Components of deferred tax asset:

(Amounts in Rupees)

	As at 31 December 2004	As at 31 December 2003	As at 31 March 2004
Deferred tax asset			
Provision for doubtful debts	1,409,746	2,245,227	1,561,021
Provision for retirement benefits	2,156,873	1,679,226	1,949,856
Excess depreciation as per books over the depreciation as per Income-tax Act, 1961	349,046	604,763	421,634
	<u>3,915,665</u>	<u>4,529,216</u>	<u>3,932,511</u>

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.

In fiscal 2000, the Company instituted the 1999 plan. The Shareholders and the Board of Directors approved the 1999 Plan in December 1999. The 1999 Plan provides for the issue of 170,000 equity shares to eligible employees. The 1999 Plan is administered by a Compensation Committee comprising of four members, the majority of whom are independent Directors.

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

	Quarter ended 31 December		Nine months ended 31 December		Year ended 31 March,
	2004	2003	2004	2003	2004
Options outstanding at the beginning of the period/year	27,500	108,156	15,000	136,956	136,956
Options granted	—	—	26,500	—	—
Options forfeited	—	(1,700)	—	(1,700)	(1,700)
Options exercised	—	—	(14,000)	(28,800)	(120,256)
	27,500	106,456	27,500	106,456	15,000



NUCLEUS SOFTWARE EXPORTS LTD.

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

(Amounts in Rupees)

	Quarter ended 31 December		Nine months ended 31 December		Year ended 31 March,
	2004	2003	2004	2003	2004
Balance brought forward	1,561,671	1,581,280	205,968	4,058,306	4,058,306
Add: Recognised during the period/year	—	—	1,961,000	—	—
Less: Amortisation expense	362,338	1,117,168	967,635	3,594,194	3,760,538
Less: Reversal due to forfeiture	—	91,800	—	91,800	91,800
Balance carried forward	1,199,333	372,312	1,199,333	372,312	205,968

5. Managerial Remuneration

(Amounts in Rupees)

	Quarter ended 31 December		Nine months ended 31 December		Year ended 31 March,
	2004	2003	2004	2003	2004
A) Managing Director					
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	1,798,000	280,000	1,972,000	1,089,000	2,696,000
	2,374,000	856,000	3,700,000	2,817,000	5,000,000
B) Non Executive Directors					
Commission	550,000	145,000	700,000	560,000	1,000,000
Sitting Fee	110,000	170,000	395,000	270,000	320,000
	660,000	315,000	1,095,000	830,000	1,320,000

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 2005.
- 2 The above remuneration does not include expense towards retirement benefits as the same is based on actuarial valuation/estimates carried out for the Company as a whole.



6. Details of investments purchased and sold during the nine months ended 31 December 2004

Name of the investment	Face value	Purchased during the period		Sold during the period	
	Amount (Rupees)	Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
HSBC Cash Fund-(Dividend) HSBC Cash Fund (Institutional)-(Dividend)	10	1,451,744	15,153,591	1,451,744	15,170,409
Kotak Liquid (Institutional)- Weekly Dividend	10	3,831,381	40,000,000	3,831,381	40,000,000
Alliance Cash Manager - IP- Daily Dividend	10	6,201	62,123	6,201	62,170
Birla Cash Plus Retail Plan- Dividend Reinvestment	10	302	3,081	302	3,019
DSP Merrill Lynch Liquidity Fund - Weekly Dividend	10	2,587	43,505	2,587	42,293
HSBC Cash Fund- (Institutional) Growth	10	799,435	8,002,906	799,435	8,002,908
Birla Cash Plus (Institutional) Growth	10	3,132,002	34,098,303	3,132,002	34,253,448
JM High Liquidity (Institutional) Dividend	10	175,076	3,000,000	175,076	3,000,000
Templeton TMA Dividend	1000	2,229,286	22,353,226	2,229,286	22,372,808
Deutsche Insta Cash Fund (Dividend)	10	21,324	30,090,725	21,324	30,095,302
Principal Cash Management Fund-(Institutional)-(Dividend)	10	5,025,198	50,349,972	5,025,198	50,349,972
	10	2,999,460	30,000,000	2,999,460	30,000,000

7. 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 ICAI. The segmentation is based on the Geographies (reportable primary segment) in which Company operates and internal reporting systems.

(ii) Composition of reportable segments

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

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

Segment assets and liabilities represent the net assets put up and liabilities of that segment. All the fixed assets of the Company are located in India. These have not been identified to any of the reportable



NUCLEUS SOFTWARE EXPORTS LTD.

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 2004

(Amounts in Rupees)

Description	India	Far East	Singapore	Others	Total
Revenue from external customers	27,861,301	45,375,531	56,769,416	39,791,063	169,797,311
Expenses	29,451,507	34,673,614	31,294,326	22,239,587	117,659,034
Segment result	(1,590,206)	10,701,917	25,475,090	17,551,476	52,138,277
Unallocated corporate expenditure					21,087,039
Operating profit before taxation					39,305,719
Other income					16,316,934
Profit before taxation					47,368,172
Provision for taxation					(1,016,230)
Profit after taxation					46,351,942

For the Quarter ended 31 December 2003

(Amounts in Rupees)

Description	India	Far East	Singapore	Others	Total
Revenue from external customers	25,284,886	46,478,953	39,881,283	5,711,444	117,356,566
Expenses	31,063,013	33,474,612	23,246,693	3,606,815	91,391,133
Segment result	(5,778,127)	13,004,341	16,634,590	2,104,629	25,965,433
Unallocated corporate expenditure					16,015,889
Operating profit before taxation					9,949,544
Other income					6,309,078
Profit before taxation					16,258,622
Provision for taxation					239,255
Profit after taxation					16,497,877

**NUCLEUS SOFTWARE EXPORTS LTD.****For the nine months ended 31 December 2004***(Amounts in Rupees)*

Description	India	Far East	Singapore	Others	Total
Revenue from external customers	72,016,044	140,490,783	152,341,744	83,691,923	448,540,494
Expenses	89,216,884	114,469,864	92,135,251	50,261,666	346,083,665
Segment result	(17,200,840)	26,020,919	60,206,493	33,430,257	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					(2,635,177)
Profit after taxation					78,222,276

For the nine months ended 31 December 2003*(Amounts in Rupees)*

Description	India	Far East	Singapore	Others	Total
Revenue from external customers	97,438,481	110,266,367	116,068,085	49,430,669	373,203,602
Expenses	96,749,008	76,066,784	70,849,309	38,259,952	281,925,053
Segment result	689,473	34,199,583	45,218,776	11,170,717	91,278,549
Unallocated corporate expenditure					45,721,819
Operating profit before taxation					45,556,730
Other income					12,036,526
Finance charges					(13,697)
Profit before taxation					57,579,559
Provision for taxation					61,765
Profit after taxation					57,641,324



NUCLEUS SOFTWARE EXPORTS LTD.

For the year ended 31 March 2004

(Amounts in Rupees)

Description	India	Far East	Singapore	Others	Total
Revenue from external customers	126,661,627	165,973,032	153,315,537	94,663,058	540,613,254
Expenses	128,276,488	113,777,737	88,659,557	60,165,908	390,879,690
Segment result	(1,614,861)	52,195,295	64,655,980	34,497,150	149,733,564
Unallocated corporate expenditure					58,996,371
Operating profit before taxation					90,737,193
Other income					15,734,812
Finance charges					(13,697)
Profit before taxation					106,458,308
Provision for taxation					(2,970,063)
Profit after taxation					103,488,245

Assets and liabilities of reportable primary segment are as follows:

As at 31 December 2004

(Amounts in Rupees)

Description	India	Far East	Singapore	Others	Total
Segment assets	28,932,439	36,775,342	50,398,697	55,212,247	171,318,725
Unallocated corporate assets					980,400,182
Total assets					1,151,718,907
Segment liabilities	15,420,244	21,043,966	10,710,232	298,172,329	345,346,771
Unallocated corporate liabilities					61,362,281
Total liabilities					406,709,052
Capital employed					745,009,855

As at 31 December 2003

(Amounts in Rupees)

Description	India	Far East	Singapore	Others	Total
Segment assets	27,140,296	55,128,170	49,324,604	52,265,350	183,858,420
Unallocated corporate assets					532,392,506
Total assets					716,250,926
Segment liabilities	13,830,483	8,041,458	1,491,370	1,301,074	24,664,385
Unallocated corporate liabilities					49,839,337
Total liabilities					74,503,722
Capital employed					641,747,204



NUCLEUS SOFTWARE EXPORTS LTD.

As at 31 March 2004

(Amounts in Rupees)

Description	India	Far East	Singapore	Others	Total
Segment assets	23,903,920	31,497,126	51,237,244	60,433,414	167,071,704
Unallocated corporate assets					614,137,697
Total assets					781,209,401
Segment liabilities	19,274,500	13,238,323	7,725,042	7,597,232	47,835,097
Unallocated corporate liabilities					67,963,909
Total liabilities					115,799,006
Capital employed					665,410,395

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 2004

(Amounts in Rupees)

Description	India	Far East	Singapore	Others	Total
Capital expenditure (unallocated)					20,509,653
Total capital expenditure					20,509,653
Depreciation expenditure (unallocated)					9,732,826
Amortisation (unallocated) (miscellaneous expenditure amortised during the quarter)					-
Total depreciation and amortisation					9,732,826
Segment non-cash expense other than depreciation	203,056	75,073	93,923	2,737,537	3,109,589
Total non cash expenditure other than depreciation and amortisation	203,056	75,073	93,923	2,737,537	3,109,589

**NUCLEUS SOFTWARE EXPORTS LTD.****For the quarter ended 31 December 2003***(Amounts in Rupees)*

Description	India	Far East	Singapore	Others	Total
Capital expenditure (unallocated)					2,700,621
Total capital expenditure					2,700,621
Depreciation expenditure (unallocated)					6,382,155
Amortization (Unallocated) (miscellaneous expenditure amortized during the period)					-
Total depreciation and amortization					6,382,155
Segment non-cash expense other than depreciation	1,160,766	471,088	(301,757)	(20,147)	1,309,950
Total non cash expenditure other than depreciation and amortization	1,160,766	471,088	(301,757)	(20,147)	1,309,950

For the nine months ended 31 December 2004*(Amounts in Rupees)*

Description	India	Far East	Singapore	Others	Total
Capital expenditure (unallocated)					177,465,039
Total capital expenditure					177,465,039
Depreciation expenditure (unallocated)					21,398,717
Amortization (Unallocated) (miscellaneous expenditure amortized during the year)					-
Total depreciation and amortization					21,398,717
Segment non-cash expense other than depreciation	351,604	233,125	248,884	4,109,389	4,943,002
Total non cash expenditure other than depreciation and amortization	351,604	233,125	248,884	4,109,389	4,943,002



NUCLEUS SOFTWARE EXPORTS LTD.

For the nine months ended 31 December 2003

Description	(Amounts in Rupees)				Total
	India	Far East	Singapore	Others	
Capital expenditure (unallocated)					8,185,211
Total capital expenditure					8,185,211
Depreciation expenditure (unallocated)					20,460,656
Amortization (Unallocated) (miscellaneous expenditure amortized during the period)					488,350
Total depreciation and amortization					20,949,006
Segment non-cash expense other than depreciation	2,764,216	1,177,829	(35,753)	474,717	4,381,009
Total non cash expenditure other than depreciation and amortization	2,764,216	1,177,829	(35,753)	474,717	4,381,009

For the year ended 31 March 2004

Description	(Amounts in Rupees)				Total
	India	Far East	Singapore	Others	
Capital expenditure (unallocated)					10,319,081
Total capital expenditure					10,319,081
Depreciation expenditure (unallocated)					26,851,770
Amortization (Unallocated) (miscellaneous expenditure amortised during the year)					488,349
Total depreciation and amortisation					27,340,119
Segment non-cash expense other than depreciation	5,270,273	1,216,685	(9,772)	506,270	6,983,456
Total non cash expenditure other than depreciation and amortisation	5,270,273	1,216,685	(9,772)	506,270	6,983,456

8. 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 related parties with whom transactions have taken place during the period/year:

Key managerial personnel:

- Vishnu R Dusad (Managing Director)

**NUCLEUS SOFTWARE EXPORTS LTD.****b) Transactions with related parties***(Amounts in Rupees)*

	Quarter ended 31 December		Nine months ended 31 December		Year ended 31 March,
	2004	2003	2004	2003	2004
i. Software development services and products					
Wholly owned subsidiaries	112,384,287	74,622,974	298,702,223	187,106,287	274,211,704
ii. Managerial Remuneration					
Key Managerial Personnel	2,374,000	856,000	3,700,000	2,817,000	5,000,000
iii. Reimbursement of Expenses					
From wholly owned subsidiaries	5,395,367	3,251,113	18,936,289	8,643,521	15,260,373
To wholly owned subsidiaries	4,571,549	3,328,714	11,699,624	8,136,741	11,551,645
iv. Commission paid					
To wholly owned subsidiary company	201,193	—	562,044	—	1,748,000
v. Interest received					
From wholly owned subsidiary company	144,533	1,036,513	551,146	1,215,405	1,414,489
vi. Loans given					
Given to wholly owned subsidiary companies	—	2,257,700	—	5,581,100	6,882,750
Repaid by wholly owned subsidiary companies	—	5,158,000	5,298,000	10,384,000	15,974,000
vii. Investments made					
VirStra i-Technology Services Limited	1,000,060	—	10,000,000	—	—
Nucleus Software (Australia) Pty. Ltd.	737,950	—	737,950	—	3,030,655



NUCLEUS SOFTWARE EXPORTS LTD.

Outstanding Balances as at period/year end

(Amounts in Rupees)

	As at 31 December 2004		As at 31 December 2003		As at 31 March 2004
Loans and Advances					
Loans and advances to wholly owned subsidiaries	19,782,569		27,697,847		25,568,488
Loans and advances from wholly owned subsidiaries	8,317,891		—		2,318,850
Debtors					
Wholly owned subsidiaries	73,535,096		74,682,902		60,500,385
Service income accrued but not due					
Wholly owned subsidiaries	—		328,787		1,290,286
Interest income accrued but not due					
Wholly owned subsidiaries	523,316		1,045,635		90,950
	Quarter ended 31 December 2004		Nine months ended 31 December 2004		Year ended 31 March, 2004
9. Legal and professional includes payment to auditors					
- Audit fees (includes service tax)	110,200	108,000	762,600	572,400	1,220,400
- Other services	28,750	44,800	83,850	131,200	158,200
- Out of pocket expenses	42,100	45,250	133,700	118,500	143,880
Total	181,050	198,050	980,150	822,100	1,522,480
10. CIF value of imports					
Capital goods	5,929,106	984,623	15,403,897	2,226,430	3,577,811
Total	5,929,106	984,623	15,403,897	2,226,430	3,577,811
11. Expenditure in foreign currency					
Travel expenses	23,543,243	15,377,131	64,188,346	52,119,699	63,381,788
Professional and consultancy charges	151,444	927,362	1,734,170	4,331,315	7,596,988
Others	982,296	505,903	5,259,366	5,476,542	5,524,369
Total	24,676,983	16,810,396	71,181,882	61,927,556	76,503,145

**NUCLEUS SOFTWARE EXPORTS LTD.**

	Quarter ended 31 December		Nine months ended 31 December		Year ended 31 March,
	2004	2003	2004	2003	2004
12. Earnings in foreign currency					
Income from software development services and products	141,936,010	92,442,812	376,524,450	277,854,816	415,941,357
Interest	144,533	1,038,487	557,836	1,046,777	1,426,940
Total	142,080,543	93,481,299	377,082,286	278,901,593	417,368,297
13. Dividend remitted in foreign currency					
Amount remitted (net of tax)					
Final dividend (2003)	-	-	-	-*	-*
Final dividend (2004)	-	-	-*	-	-
Number of shares held					
Final dividend (2003)	-	-	-	27,847	27,847
Final dividend (2004)	-	-	132,324	-	-
Number of non-resident shareholders					
Final dividend (2003)	-	-	-	31	31
Final dividend (2004)	-	-	98	-	-
* Dividend was remitted in Indian Rupees.					
14. Earnings per share					
Profit after taxation available to equity shareholders (Rupees)	46,351,942	16,497,877	78,222,276	57,641,324	103,488,245
Weighted average number of equity shares used in calculating basic earnings per share	16,090,812	15,879,900	16,079,307	15,855,603	15,899,180
Add: Effect of dilutive issue of shares	21,395	77,704	21,395	77,704	11,325
Weighted average number of equity shares used in calculating diluted earnings per share	16,112,207	15,957,604	16,100,702	15,933,307	15,910,505
Basic earnings per share (Rupees)	2.88	1.04	4.86	3.64	6.51
Diluted earnings per share (Rupees)	2.87	1.03	4.85	3.62	6.50



15. 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.1,674,116 (Rs.57,416,363; 39,124,257).
 - b. Claim against the Company not acknowledged as debt Rs.324,000 (Rs.324,000; 324,000).
- 16.** 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.
- 17.** During the current quarter ended 31 December 2004, the Company has discarded fixed assets amounting to Rs.9,628,384. There is no effect on the profit and loss account as these assets were fully depreciated and written down value of these assets was nil.
- 18.** During the current quarter, the Company (together with its nominees) has 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), Company incorporated in the United States of America. The Company has entered into a shareholders 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.
- 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	2003	31 December	2003	31 March,
	2004		2004		2004
Salaries and allowances	53,034,068	42,421,630	156,856,934	123,033,398	170,473,478
Contribution to provident and other funds	3,123,864	2,193,911	8,474,818	6,948,373	9,587,240
Directors' remuneration	3,034,000	1,171,000	4,795,000	3,647,000	6,320,000
Employee's stock compensation expenses	362,338	1,117,168	967,635	3,594,194	3,760,538
Staff welfare	1,754,224	1,404,369	4,365,874	4,346,707	6,508,190
Training and Recruitment	1,234,093	674,798	4,145,090	1,789,031	2,850,195
Software and other development charges	1,750,187	1,339,897	5,494,741	4,676,236	5,830,777
Cost of software purchased for delivery to clients	—	—	3,081,018	11,584,088	15,833,826
Travelling					
- Foreign	26,509,094	18,457,819	73,525,429	55,536,793	72,781,571
- Domestic	1,873,262	2,035,790	5,573,273	5,913,248	7,435,899

**NUCLEUS SOFTWARE EXPORTS LTD.**

	Quarter ended 31 December		Nine months ended 31 December		Year ended 31 March,
	2004	2003	2004	2003	2004
Conveyance	1,480,803	1,462,967	3,848,837	4,217,461	5,467,151
Communication	4,359,925	3,466,300	12,275,601	10,994,444	14,421,698
Rent, rates and taxes	2,858,490	2,676,928	8,209,506	7,690,398	10,378,686
Legal and professional	3,279,063	3,077,504	9,756,919	6,690,006	10,156,784
Consultancy charges	5,000	1,152,426	895,079	5,452,524	7,068,980
Power and fuel	2,886,396	2,398,238	11,613,284	8,445,094	10,176,619
Repair and maintenance					
- Building	343,068	77,621	444,110	247,155	288,966
- Others	1,399,143	787,216	3,070,875	2,296,871	3,108,780
Advertisement and business promotion	1,563,850	1,156,348	3,499,305	5,198,537	6,149,330
Conference, exhibition and seminar	767,554	1,141,179	1,855,124	1,665,695	1,918,739
IT expenses	801,610	936,454	2,349,754	1,966,728	2,684,153
Bad debts/advances/other current assets written off	78,911	15,966	78,911	15,966	980,966
Commission on sales	—	—	1,984,359	—	2,923,188
Provision for doubtful debts	2,668,340	176,816	3,896,456	786,816	2,241,952
Printing and stationery	414,735	231,615	1,287,100	1,023,100	1,614,614
Loss on discarded assets	312,741	—	312,741	—	—
Loss on sale of fixed assets (net)	—	376,574	—	222,110	172,877
Insurance	339,232	213,979	885,531	680,124	986,972
Bank charges	215,929	98,594	586,875	221,396	377,943
Miscellaneous expenses	2,903,123	1,902,263	7,720,323	6,046,966	7,194,177
Public issue expenses written off	—	—	—	470,272	470,272
Preliminary expenses written off	—	—	—	18,077	18,077
	119,353,043	92,165,370	341,850,502	285,418,808	390,182,638

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 Dusat
Managing Director

NOIDA (U.P.)
18 January, 2005

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary



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

Basis of Preparation of the Financial Statements

The accompanying financial statements for the quarter and nine months ended December 31, 2004 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 2004 (Unaudited)

All amounts in Rupees

Particulars	As at 31 December 2004	As at 31 December 2003	As at 31 March 2004
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	160,923,120	79,414,500	80,329,060
Share Application Money Pending Allotment	275,000	2,043,944	150,000
Reserves & Surplus	641,087,549	576,001,777	598,288,985
TOTAL	802,285,669	657,460,221	678,768,045
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	419,498,407	239,875,011	248,890,843
Less: Accumulated Depreciation	150,594,074	124,241,197	138,112,014
Net Block	268,904,333	115,633,814	110,778,829
Add: Capital Work in Progress (including capital advances)	3,493,546	39,227,300	71,549,151
	272,397,879	154,861,114	182,327,980
Investments	497,059,804	292,649,789	345,153,799
Deferred Tax Asset	3,182,630	4,212,296	3,199,476
Current Assets, Loans & Advances			
Sundry Debtors	133,563,026	135,612,171	130,723,713
Cash & Bank Balances	264,060,795	105,886,942	88,929,203
Loans & Advances	30,244,319	26,598,742	33,136,419
Other Current Assets	26,174,548	22,104,578	27,022,263
	454,042,688	290,202,433	279,811,598
Less : Current Liabilities & Provisions			
Current Liabilities	401,398,943	71,733,732	93,263,470
Provisions	22,998,389	12,731,679	38,461,338
	424,397,332	84,465,411	131,724,808
Net Current Assets	29,645,356	205,737,022	148,086,790
Miscellaneous Expenditure (To the extent not written off or adjusted)	—	—	—
TOTAL	802,285,669	657,460,221	678,768,045



NUCLEUS SOFTWARE EXPORTS LTD.

Consolidated Profit and Loss Account for the quarter and nine months ended 31 December, 2004 (Unaudited)

All amounts in Rupees

Particulars	For the quarter ended		For the nine months ended		For the year ended 31st March, 2004
	31 December, 2004	31 December, 2003	31 December, 2004	31 December, 2003	
					(Audited)
Sales and Services	270,766,311	183,731,898	721,202,366	573,415,745	800,906,672
Software Development Expenses	155,556,829	123,565,163	444,868,521	379,481,255	508,841,089
Gross profit	115,209,482	60,166,735	276,333,845	193,934,490	292,065,583
Selling and Marketing Expenses	19,391,656	18,972,902	56,583,538	57,971,253	78,208,350
General and Administration Expenses	22,812,860	13,006,650	55,941,973	42,858,920	61,366,330
Operating Profit Before Finance Charges, Depreciation and Withholding Tax	73,004,966	28,187,183	163,808,334	93,104,317	152,490,903
Finance Charges	—	—	—	13,697	13,697
Depreciation	11,347,724	7,907,839	25,348,346	24,981,070	32,426,483
Withholding Taxes Charged Off	9,660,204	8,859,497	28,750,987	21,767,408	32,841,653
Operating Profit After Finance Charges, Depreciation and Withholding Tax	51,997,038	11,419,847	109,709,001	46,342,142	87,209,070
Other Income	10,569,118	6,688,397	20,294,908	9,512,497	14,431,516
Profit Before Taxation	62,566,156	18,108,244	130,003,909	55,854,639	101,640,586
Provision for Income Tax - current	(3,869,207)	(1,039,019)	(7,828,291)	(4,148,743)	(5,412,009)
- deferred	202,101	239,255	(16,846)	2,061,765	1,048,938
Provision for Wealth Tax	(18,331)	—	(18,331)	—	(18,300)
Profit After Taxation	58,880,719	17,308,480	122,140,441	53,767,661	97,259,215
Profit Available for Appropriation	58,880,719	17,308,480	122,140,441	53,767,661	97,259,215
Profit for the Quarter/Year	58,880,719	17,308,480	122,140,441	53,767,661	97,259,215
Add: Balance Brought Forward	176,689,729	125,332,499	113,481,458	88,873,319	88,873,319
Total Amount Available	235,570,448	142,640,979	235,621,899	142,640,980	186,132,534
Final Dividend	—	—	—	—	20,078,515
Dividend Tax	—	—	51,451	—	2,572,560
Transferred to General Reserve	—	—	—	—	50,000,000
Balance Carried Forward to Balance Sheet	235,570,448	142,640,979	235,570,448	142,640,980	113,481,459
Earnings Per Share (Equity shares, par value Rs. 10 each)					
Basic	3.66	1.09	7.60	3.39	6.12
Diluted	3.65	1.08	7.59	3.37	6.11
Number of Shares used in Computing Earnings Per Equity Share					
Basic	16,090,812	15,879,900	16,079,307	15,855,603	15,899,180
Diluted	16,112,207	15,957,604	16,100,702	15,933,307	15,910,505



NUCLEUS SOFTWARE EXPORTS LTD.

Consolidated Cash Flow Statement for the nine months ended 31 December 2004

	For the nine months ended		For the year ended
	31 December 2004	31 December 2003	31 March 2004
A. Cash flow from operating activities			
Net profit before tax	130,003,909	55,854,639	101,640,586
<i>Adjustment for:</i>			
Depreciation	25,348,346	24,981,071	32,426,483
Exchange difference on translation of foreign currency accounts	(7,315,032)	1,384,187	47,161
Dividend income from investments	(2,084,081)	(1,052,056)	(1,562,012)
Interest income	(1,984,613)	(616,915)	(792,262)
Profit on sale of investments	(11,160,371)	(7,365,930)	(10,975,599)
Amortisation of employees compensation expenses	967,635	3,594,193	3,760,538
Interest expense	—	13,697	13,697
Profit/(Loss) on sale of fixed assets	(38,461)	222,110	172,877
Loss on assets discarded	312,741	—	—
Bad debts / advances written off	78,911	15,966	980,966
Provision for doubtful debts / advances	5,791,214	1,037,754	2,241,952
Provision for diminishing in value of investment	—	—	—
Provision for gratuity and leave encashment	3,699,177	1,919,290	5,470,323
Miscellaneous expenditure written off	—	488,349	488,349
Operating profit before working capital changes	143,619,375	80,476,355	133,913,059
Decrease / (increase) in debtors	(11,009,691)	95,028,918	97,471,510
Decrease / (increase) in loans and advances	894,364	4,756,713	(187,651)
Decrease / (increase) in other current assets	2,435,488	(3,395,129)	(8,212,467)
(Decrease) / increase in current liabilities	311,221,429	(1,347,628)	20,447,225
	447,160,965	175,519,229	243,431,676
Direct taxes paid	(2,764,360)	(5,904,217)	(9,251,553)
<i>Net cash from operating activities (A)</i>	444,396,605	169,615,012	234,180,123
B. Cash flow from investing activities			
Purchase of fixed assets/capital work in progress	(105,524,483)	(42,239,432)	(76,596,157)
Sale of fixed assets	38,461	1,511,135	1,004,807
Purchase of investments (net)	(3,862,994)	(71,065,835)	(119,960,176)
Other long term investment	(136,882,640)	—	—
Miscellaneous exp.	—	—	—
Interest received	1,816,712	590,512	665,512
Dividend received from investments	2,084,081	1,052,056	1,562,012
<i>Net cash used in investing activities (B)</i>	(242,330,863)	(110,151,564)	(193,324,002)
C. Cash flow from financing activities			
Repayment of loans	—	(389,293)	(389,293)
Interest paid	—	(13,697)	(13,697)
Dividend paid	(22,443,432)	(17,793,290)	(17,795,990)
Proceeds from employee stock option granted	196,000	403,200	1,683,584
Receipt from mshare application money	265,000	979,384	—
<i>Net cash used in investing activities (C)</i>	(21,982,432)	(16,813,696)	(16,515,396)
Net increase in cash and cash equivalents	180,083,310	42,649,751	24,340,725
Cash and cash equivalents opening balance	88,929,203	64,137,273	64,137,273
Exchange difference on translation of foreign currency accounts	(4,951,718)	(900,082)	451,205
Cash and cash equivalent closing balance	264,060,795	105,886,942	88,929,203



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

OVERVIEW

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 are prepared using uniform accounting policies for the transactions and other events in similar circumstances.

The discussion on the financial conditions covers historic as well as the future projections. The forward-looking statements involve risks and uncertainties. Although the management has considered future risks as part of the discussions, future uncertainties are not limited to the management perceptions.

A. COMPANY BACKGROUND

The Company was incorporated on 9th January 1989 as Nucleus Software Exports Pvt. Ltd. with its registered office at 33-35, Thyagraj Nagar Market, New Delhi-110003 and was subsequently converted into a public limited company on 10th October 1994. Three enterprising technocrats Mr. Vishnu R. Dusad, Mr. Yogesh Andlay and Mr. Arun Jain with an object to deliver quality information technology solutions to the business world promoted Nucleus Software Exports Ltd.

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

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.

Pursuit of excellence in all facets of business model and processes is a goal for the Company. Nucleus has undertaken a major six-sigma initiative to increase customer involvement and satisfaction and to eliminate product defects and reduce cycle time. The Company strives to ensure timely delivery of quality services and products to clients and meeting their requirements. The Company believes that six-sigma initiative would help in streamlining organizational process and increasing operational performance to gain competitive advantage.

Development Centres of the Company in India at New Delhi, NOIDA and Chennai and the 100% subsidiary in 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 (SEI).

Some of the 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.



NUCLEUS SOFTWARE EXPORTS LTD.

- The Company's flagship product FinnOne has been ranked as India's No # 3 selling universal banking solution for 2002 by International Banking Systems (IBS), UK. Nucleus' FinnOne has been rated No.15 in the overall worldwide listing in the same report.
- Deloitte Touche Tohmatsu has 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 entered in global marketing alliances with IBM, Sun Microsystems, HP, Oracle, and Fujitsu Siemens.
- 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.

B. SEGMENT WISE PERFORMANCE

The revenue of the Company from its product business constituted 25% of revenue and from projects and professional services constituted 75% of revenue for the quarter under review.

The following table provides historical data relating to geographical concentration (based on Indian GAAP)

GEOGRAPHICAL AREA	Quarter Ended		Year Ended
	December 31, 2004	December 31, 2003	March 31, 2004
India	8.07%	13.49%	15.81%
Far East	50.30%	44.56%	37.43%
South East Asia	31.48%	33.34%	36.48%
Others	10.15%	8.61%	10.28%
Total	100.00%	100.00%	100.00%

C. RISKS AND CONCERNS

1. Business Risks

1.1. Client concentration

The Company has added 3 new clients during the quarter and earned 80 % of its revenues from top five clients.

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

	Quarter Ended		Year Ended
	December 31, 2004	December 31, 2003	March 31, 2004
Active Clients	90	77	79
Clients added during the quarter/year	3	3	8
% Of Revenue from the top-five clients	80%	73%	66%
Clients accounting for >10% of revenue	2	2	2

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



1.2 Geographical concentration

The Company derived a major portion of its revenue from Far East and South East Asia. This proposition makes the revenue susceptible to volatility and uncertainty peculiar to the region. The Company has gained adequate experience over the recent years in handling the problems arising out of operating in different countries. In addition, the Company is proactively looking for business operations in new geographical areas and thereby mitigating the risk of economic slowdown in a region.

1.3 Market risks

Our revenues historically have fluctuated and may fluctuate in the future depending on a number of factors, including:

- ✓ The size, timing and profitability of significant projects or product orders;
- ✓ The proportion of services we perform at our clients' sites rather than at our offshore facilities;
- ✓ Seasonal changes that effect the change in the mix of services we provide to our clients or in the relative proportion of services and product revenues.

Approximately 50% of our total operating expenses are fixed in advance of any particular quarter. As a result, unanticipated variations in the number and timing of our projects or employee utilization rates may cause significant variations in operating results in any particular quarter. We believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indications of future performance.

2. Financial Risks

2.1 Foreign currency rate fluctuations

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

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

As on	December 31, 2004 Rs.	September 30, 2004 Rs.	% change
USD	43.45	45.89	-5.32%
Japanese Yen	0.4240	0.4148	2.22%
GBP	83.91	82.90	1.23%
SGD	26.60	27.15	-2.03%

D. LIQUIDITY

As a part of financial strategy the Company maintains a high level of liquid assets. The proportion of liquid assets to revenue is 231% and to total assets is 78%.



NUCLEUS SOFTWARE EXPORTS LTD.

The following table gives the data on the liquidity position of the Company based on Indian GAAP.

RATIO	Quarter Ended		Year Ended
	December 31, 2004	December 31, 2003	March 31, 2004
Operating cash flow as % of revenue	164.13%	89.07%	29.24%
Days of sale receivable	45	67	60
Cash and equivalents as % of assets	32.91%	16.11%	13.10%
Cash and equivalents as % of revenue	97.52%	55.61%	11.10%
Current investments as % of assets	44.89%	44.51%	50.85%
Current investments as % of revenue	133.02%	153.69%	43.10%

The major cost components of any export oriented software industry are personnel and marketing costs. Apart from this, capital expenditure to upgrade technology is another regular feature of the cash outflow. Considering the recurring need of funds and to adapt to the rapid technological changes, Nucleus maintains a high level of liquid assets as a part of its financial policy.

E. FINANCIALS

1. Share Capital

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

During the nine month period ended December 31, 2004, the Share Capital of the Parent Company increased from 8,031,406 Equity Shares of Rs.10/- each as on March 31, 2004 to 16,090,812 Equity Shares of Rs.10/- each as on December 31, 2004. Consequently, the paid up Share Capital increased from Rs.803.29 lacs as on March 31, 2004 to Rs.1609.23 lacs as on December 31, 2004 (Rs.794.14 lacs as on December 31, 2003), including the amount in share forfeiture account.

The increase is consequent to:

- Allotment of 14,000 fully paid up Equity Shares of Rs. 10/- each to employees in pursuance of stock options exercised in July 2004.

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

The total stock options granted to employees under Employee Stock Option Scheme (1999) and outstanding as on December 31, 2004 is 27,500.

Share capital of all the 6 Subsidiary Companies is wholly owned by the Parent Company and has been netted off with investments of the holding company on consolidation.



NUCLEUS SOFTWARE EXPORTS LTD.

Share Capital of the subsidiaries as on December 31, 2004 is given below:

Name of Subsidiary Company	As at Dec. 31, 2004		As at Dec. 31, 2003		
	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\$.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., Hongkong. 100,000 equity shares of HK\$ 1 each	HK\$	100,000	6.20	100,000	6.20
Nucleus Software (Australia) Pty Ltd., 241,000 equity shares of Aus\$ 1 each.	Aus\$	241,000	73.42	130,000	35.74
Virstra Technology Services Limited, India. 1,000,000 equity shares of Rs.10 each.	INR	—	100.00	—	—

During the quarter, the Company subscribed to 22,000 shares of Aus\$ 1 each in the subsidiary Company in Australia.

2. Retained Earnings

During the quarter ended December 31, 2004 Company earned consolidated net profit of Rs. 588.81 lacs on a consolidated turnover of Rs. 2707.66 lacs as against consolidated net profit of Rs.173.08 lacs on a consolidated turnover of Rs. 1837.32 lacs for the quarter ended December 31, 2003.

The Reserves and Surplus of the Company including balance in the Profit and Loss Account is Rs. 6410.87 lacs as on December 31, 2004 (Rs. 5760.02 lacs as on December 31, 2003).

During the nine month period ended December 31, 2004, an amount of Rs. 804.54 lacs from the Securities Premium account, forming a part of Reserves and Surplus of the Company, was utilized for issue of 8,045,406 bonus shares of Rs. 10/- each to the shareholders.

3. Fixed Assets

As at December 31, 2004, gross block of fixed assets including investment in technology assets was Rs.4194.98 lacs (Rs.2398.75 lacs as on December 31, 2003). The increase in gross block of fixed assets is primarily on account of capitalization of capital expenditure incurred on our new state-of -the-art facility in Sector-62, NOIDA.



NUCLEUS SOFTWARE EXPORTS LTD.

The net fixed assets after depreciation are Rs.2689.04 lacs as on December 31, 2004 compared to Rs.1156.34 lacs as on December 31, 2003.

4. Current Investments

Current investments of the Company, as on December 31, 2004 are Rs. 3601.77 lacs (Rs. 2926.50 lacs as on December 31,2003) and all of them are in low risk liquid mutual funds in India.

The Current Investments are:

- Rs. 165.00 lacs in Templeton India Treasury Management-Growth,
- Rs. 350.00 lacs in HDFC Cash Management Fund-Saving Plan-Growth,
- Rs. 50.00 lacs in HSBC Cash Fund-Growth,
- Rs. 158.00 lacs in Kotak Liquid-Institutional Plan-Growth,
- Rs. 103.06 lacs in HSBC Cash Fund-Institutional Plan-Dividend,
- Rs. 390.00 lacs in JM High Liquidity Fund-Institutional Plan-Growth,
- Rs. 50.00 lacs in Reliance Fixed Term Scheme-Annual Plan-3- Growth,
- Rs. 45.00 lacs in Birla Cash Plus-Institutional Plan-Growth,
- Rs. 50.00 lacs in Birla FMP Yearly Plan B-Growth,
- Rs. 121.77 lacs in DSP Merrill Lynch Liquidity Fund-Dividend,
- Rs. 504.01 lacs in Birla Cash Plus-Institutional Plan-Dividend,
- Rs. 21.26 lacs in Principal Cash Management Fund-Institutional Plan-Dividend,
- Rs. 150.07 lacs in HDFC Cash Management Fund-Saving Plan-Dividend,
- Rs. 400.00 lacs in HSBC Cash Fund-Institutional Plan-Growth
- Rs. 200.11 lacs in DSP Merrill Lynch Floating Rate Fund-Dividend,
- Rs. 593.49 lacs in Deutsche Insta Cash Plus Fund-Institutional Fund-Growth,
- Rs. 50.00 lacs in UTI Fixed Maturity Plan-Growth,
- Rs. 200.00 lacs in Prudential ICICI FMP Series 5-Institutional-Growth

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

5. Other Long-Term Investments

During the current quarter, the Company (together with its nominees) has 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 of America. The Company has entered into a shareholder agreement with GMAC whereby under the terms of the agreement, the Company has an option to exit the investment in favour of GMAC or a designee of GMAC.

6. Sundry Debtors

Sundry Debtors amount to Rs.1335.63 lacs (net of provision for bad and doubtful debts) as on December 31, 2004 (Rs.1356.12 lacs, net of provision for bad and doubtful debts, as on December 31, 2003).



NUCLEUS SOFTWARE EXPORTS LTD.

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

As at	December 31, 2004	December 31, 2003
Less than 6 months	93.65%	82.42%
More than 6 months	6.35%	17.58%
Days of sales receivables	45	67

7. Cash and Bank Balances

(Rs. in lacs)

As at	December 31, 2004	December 31, 2003
Cash and cheques in hand	4.54	10.40
Balances with Bank		
—In Current Accounts	1388.01	998.24
—In Fixed Deposit Accounts	1248.06	50.22
Total	2640.61	1058.86

Cash and bank balance represent 32.91% and 16.11% of the total assets as on December 31, 2004 and December 31, 2003 respectively.

8. Loans and Advances

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

The amount is Rs.125.08 lacs as on December 31, 2004 (Rs.96.84 lacs as on December 31, 2003.)

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs.132.05 lacs as on December 31, 2004 (Rs. 129.62 lacs as on December 31, 2003)

Prepaid expenses stood at Rs.45.32 lacs as on December 31, 2004 (Rs. 39.52 lacs as on December 31, 2003)

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

- Loan of S \$ 200,000 equivalent to Rs.53.20 lacs, is outstanding on December 31, 2004 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 loan is being repaid ahead of schedule and S \$ 800,000 has already been repaid in four installments.
- Loan of US\$ 157,500 equivalent to Rs.68.43 lacs, is outstanding on December 31, 2004 from the wholly owned subsidiary, Nucleus Software Inc. The loan was disbursed in installments in financial year 2003-04 at an interest rate of 3% over LIBOR with a repayment schedule of 5 equal installments starting from financial year 2004-05.



9. Current Liabilities

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

The total amount of Sundry Creditors as on December 31, 2004 is Rs.794.32 lacs (Rs.500.13 lacs as on December 31, 2003). The increase is on account of increase in liabilities related to staff and suppliers.

Other liabilities represent amounts accrued for statutory dues related to taxes and staff benefits etc. The total amount of other liabilities as on December 31, 2004 is Rs.97.02 lacs (Rs. 46.99 lacs as on December 31, 2003).

Withholding tax payable represents the amount 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, 2004 is Rs.78.20 lacs (Rs.111.68 lacs as on December 31, 2003).

The amount of Unclaimed Dividend as on December 31, 2004 is Rs.4.70 lacs (Rs. 2.60 lacs as on December 31, 2003).

Advances from customers as on December 31, 2004 is Rs.3039.75 lacs (Rs. 55.94 lacs as on December 31, 2003). These consist of advance payments received from customers and "Unearned Revenue"; Unearned Revenue defined as client billing for which related costs have not been incurred or product license delivery is at later date.

10. Provisions

Provisions at Rs.229.98 lacs as on December 31, 2004 (Rs.127.32 lacs as on December 31, 2003) include provision for taxation, gratuity and leave encashment.

F. RESULTS OF OPERATIONS

1. Income

The Company derives its income from software products and software services.

The Company's consolidated revenue from operations for the quarter ended December 31, 2004 is Rs.2707.66 lacs as against Rs.1837.32 lacs for the quarter ended December 31, 2004, representing an increase of 47.37%.

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



2. Expenditure

2.1 Software Development Expenses:

Quarter ended December 31, Rs. in lacs

Particulars	2004	% of Revenue	2003	% of Revenue	Growth %
Employee and related costs	1005.26	37.13	826.54	44.99	21.62
Travel Expenses	276.49	10.21	181.07	9.86	52.70
Cost of software purchased for delivery to clients	(3.46)	-0.13	—	0.00	—
Communication	41.81	1.54	32.20	1.75	29.84
Power and Fuel	22.75	0.84	23.10	1.26	-1.52
Rent, rates and taxes	44.01	1.63	54.61	2.97	-19.41
Consultancy Charges	49.68	1.83	30.27	1.65	64.12
Software and other development charges	21.14	0.78	13.4	0.73	57.76
Legal and professional	25.75	0.95	20.04	1.09	28.49
Conveyance	9.43	0.35	11.83	0.64	-20.29
Training and recruitment	13.22	0.49	4.98	0.27	165.46
IT Expenses	8.31	0.31	9.41	0.51	-11.69
Repair and maintenance	13.22	0.49	7.83	0.43	68.84
Others	27.96	1.03	20.37	1.11	37.26
Total Software Development Expenses	1555.57	57.45	1235.65	67.25	25.89
Revenue	2707.66	100.00	1837.32	100.00	47.37

The Company incurred total software development expenses of Rs.1555.57 lacs at 57.45% of revenue during the quarter ended December 31, 2004 against Rs.1235.65 lacs at 67.25% 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 25.89% in absolute terms, whereas revenue has increased by 47.37%. The Gross Margin consequently increased from Rs.601.67 lacs to Rs.1152.09 lacs representing an increase of 91%.

2.2 Selling and Marketing Expenses

Quarter ended December 31, Rs. In lacs

Particulars	2004	% of Revenue	2003	% of Revenue	Growth %
Employee and related costs	91.24	3.37	90.21	4.91	1.14
Travel Expenses	49.95	1.84	41.65	2.27	19.93
Advertisement and business promotion	15.23	0.56	9.44	0.51	61.33
Commission on Sales	(2.62)	(0.10)	—	0.00	0.00
Communication	8.99	0.33	9.76	0.53	-7.89
Conference, exhibition and seminar	7.29	0.27	11.33	0.62	-35.66
Rent, rates and taxes	9.25	0.34	15.32	0.83	-39.62
Others	14.58	0.54	12.01	0.65	21.40
Total Selling and Marketing Expenses	193.91	7.16	189.72	10.33	2.21
Revenue	2707.66	100.00	1837.32	100.00	47.37



NUCLEUS SOFTWARE EXPORTS LTD.

The Company incurred selling and marketing expenses at 7.16% of revenue during the quarter ended December 31, 2004 against 10.33% 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 2.21% in absolute terms.

2.3 General and Administrative Expenses

Quarter ended December 31,		Rs. in lacs			
Particulars	2004	% of Revenue	2003	% of Revenue	Growth %
Employee and related costs	81.06	2.99	57.89	3.15	40.02
Travel Expenses	3.15	0.12	3.84	0.21	-17.97
Legal and Professional Charges	25.92	0.96	14.56	0.79	78.02
Communication	8.57	0.32	10.22	0.56	-16.14
Provision for Doubtful Debts	45.63	1.69	3.77	0.21	1110.34
Rent, rates and taxes	9.71	0.36	6.12	0.33	58.66
Conveyance	5.54	0.20	2.16	0.12	156.48
Printing and Stationary	4.32	0.16	3.04	0.17	42.11
Power and fuel	5.93	0.22	2.26	0.12	162.39
Consultancy Charges	1.99	0.07	2.00	0.11	-0.50
Advertisement	0.53	0.02	2.28	0.12	-76.75
Training and Recruitment	0.92	0.03	1.67	0.09	-44.91
Others	34.86	1.29	20.26	1.10	72.06
Total General and Administrative Expenses	228.13	8.43	130.07	7.08	75.39
Revenue	2707.66	100.00	1837.32	100.00	47.37

The Company incurred general and administrative expenses amounting to 8.43% of revenue during the quarter ended December 31, 2004 against 7.08% 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 75.39%. The increase is primarily on account of increase in provision for doubtful debt, which is Rs.45.63 lacs during the quarter ended December 31, 2004 against Rs.3.77 lacs during the corresponding quarter of previous year.

3. Operating Profit

During the quarter ended December 31, 2004, the Company earned consolidated operating profit (profit before interest, depreciation and withholding tax) of Rs.730.05 lacs representing 26.96% of revenue as compared with Rs.281.87 lacs representing 15.34% of revenue for the quarter ended December 31, 2003.

4. Depreciation

Depreciation at Rs.113.48 lacs on fixed assets is 4.19% of the revenue for the quarter ended December 31, 2004 as against Rs.79.08 lacs, 4.30% of the revenue for the quarter ended December 31, 2003.



NUCLEUS SOFTWARE EXPORTS LTD.

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

5. Withholding taxes

Withholding taxes charged off represent withholding taxes charged to Profit and Loss Account during the quarter ended December 31, 2004 of Rs.96.60 lacs (Rs.88.59 lacs for the quarter ended December 31, 2003). These relate entirely to the Parent Company.

7. Other Income

Other Income represents income received in the form of dividends from non-trade investments, interest on fixed deposits, profit on sale of investments both long-term and short-term, profits on sale of fixed asset and gain or loss on foreign exchange fluctuation.

Other income for the quarter ended December 31, 2004 is Rs.105.69 lacs against Rs.66.88 lacs for the quarter ended December 31, 2003.

8. Provision for Tax

The Company has made a provision for current tax Rs.38.88 lacs (Rs.10.39 lacs for the quarter ended December 31, 2003); 1.44% of the revenue and written back Rs.2.02 lacs of deferred tax (write back of Rs.2.39 lacs for the quarter ended December 31, 2003); 0.07% of the revenue for the quarter ended December 31, 2004.

9. Net Profit

During the quarter ended December 31, 2004, Company has earned a net profit of Rs.588.81 lacs. (Rs.173.08 lacs for the quarter ended December 31, 2003) after provision for current income tax of Rs.38.88 lacs (Rs.10.39 lacs in the quarter ended December 31, 2003) and write back of deferred tax of Rs.2.02 lacs (write back of Rs.2.39 lacs for the quarter ended December 31, 2003). The net profit represents 21.75% of revenue for the quarter ended December 31, 2004 as compared to 9.42% of revenue for the quarter ended December 31, 2003.



Additional Information to Shareholders

- | | |
|--|--|
| 1. Date of Incorporation | 9th January, 1989 |
| 2. Registered Office | 33-35, Thyagraj Nagar Market
New Delhi-110003
India |
| 3. Listing on Stock Exchanges | Nucleus shares are listed at

National Stock Exchange Association Ltd.
w.e.f December 19, 2002

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

The Madras Stock Exchange Limited
w.e.f November 2, 1995 |
| 4. Scrip Code (BSE)
(NSE) | 531209
NUCLEUS |
| 5. International Securities Identification
Number (ISIN code-NSDL and CDSL) | INE096B01018 |
| 6. Registrar and Share Transfer Agent

Share transfers in physical form
and other communication regarding
Share Certificates, Dividend, Change
of address etc. may be addressed to: | RCMC Share Registry Private Limited
1515, 1st Floor, Bhisham Pitamah Marg
Kotla Mubarkpur
Near South Extension
Delhi-110003 |
| 7. Financial Calendar
(tentative and subject to change) | |
| Financial reporting for the first quarter
ending June 30, 2004. | July 22, 2004 |
| Financial reporting for the second quarter
ending September 30, 2004. | October 16, 2004 |
| Financial reporting for the third quarter
ending December 31, 2004. | January 18, 2005 |
| Financial results for the year ending
March 31, 2005. | between 20th to 30th of April, 2005 |
| 8. 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 New Delhi, NOIDA (U.P) and Chennai



NUCLEUS SOFTWARE EXPORTS LTD.

under the Software Technology Park scheme of the Government of India. The subsidiary at Singapore also operates a development center at Singapore. The subsidiary in India operates a development center in Pune.

The new facility at Sec 62, NOIDA, India is complete and fully operational now. The facility will accommodate 700+ Nucleites.

9. Stock market data relating to shares listed in India

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

	BSE					NSE				
	Open	High	Low	Close	Volume	Open	High	Low	Close	Volume
October-04	82.45	137.90	81.00	131.70	2,914,756	83.00	137.30	80.60	132.00	9,153,022
November-04	131.20	159.90	125.70	147.85	1,160,631	132.50	159.95	125.50	148.35	3,414,822
December-04	148.90	172.80	143.50	155.15	1,132,001	150.00	173.00	144.05	153.90	2,946,313

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

Quarter Ended	High (Rs.)	Low (Rs.)
December 31, 2002	123.95	104.00
March 31, 2003	124.00	57.00
June 30, 2003	89.50	61.25
September 30, 2003	91.00	61.90
December 31, 2003	159.20	67.25
March 31, 2004	152.00	72.05
June 30, 2004	103.95	92.20
September 30, 2004	82.50	57.50
December 31, 2004	173.00	144.05

10. 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 Share Transfer Committee is authorised to approve transfer of shares and the said Committee approves transfer of shares on a fortnightly basis. The Company has extended the facility of simultaneous transfer and dematerialisation of shares to its shareholders. Under the system, the relative share certificate(s) are held back after the share transfer is effected and a letter of option is mailed to the transferee.



If the transferee wishes to dematerialise the shares, he may submit the option letter to his Depository Participant (DP) who would in turn generate a demat request. On receipt of demat request from the DP, the Company dematerialises the shares. If the transferee elects to hold shares in physical form or does not respond within 30 days of letter of option, the Registrar shall mail the duly transferred share certificate(s) to the transferee.

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 91.62% of the paid up share capital as at December 31, 2004.

11. Increase in Share Capital

During the nine-month period ended December 31, 2004, the Share Capital of the Company has increased from 8,031,406 as on March 31, 2004 to 16,090,812 Equity Shares of Rs.10/- each as on December 31, 2004. The paid up Share Capital has simultaneously increased from Rs.803.29 lacs as on March 31, 2004 to Rs.1609.23 lacs as on December 31, 2004.

The increase is consequent to:

-Allotment of 14,000 fully paid up Equity Shares of Rs.10/- each to employees in pursuance of stock options exercised in July 2004.

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

12. Stock Option Scheme

The Board of Directors approved the Employee's Stock Option Scheme in November 1999 and the same was approved by the shareholders in the Annual General Meeting held in December 1999. The Board of Directors also approved Employee's Stock Option Scheme-2002 in May 2002 and the same was approved by the shareholders in the Annual General Meeting held in July 2002. The Compensation Committee of the Board of Directors administers the above plans. Majority of the members of the Compensation Committee are Independent Directors. Under the plan, options will be issued to permanent employees including non-promoter Indian working Directors and Non-Executive Directors.

The Company allotted 14000 fully paid up equity shares of Rs.10/- each to employees in pursuance of stock options exercised in July, 2004.

13. Investors' Services

Details of request/complaints received during the quarter.

<i>S. No.</i>	<i>Nature of Requests</i>	<i>Received</i>	<i>Attended</i>	<i>Pending</i>
1.	Revalidation of Dividend Warrants	17	17	NIL
2.	Issue of Duplicate Share Certificates	1	1	NIL
3.	Request for stop transfer	4	4	NIL
4.	Non-receipt of Share Certificate (Bonus Shares)	3	3	NIL
5.	D'mat queries	NIL	NIL	NIL



NUCLEUS SOFTWARE EXPORTS LTD.

The Company has attended to most of the investors' grievances/correspondence within a period of 10 days from the date of receipt of the same, during the quarter from October 1, 2004 to December 31, 2004.

14. Legal Proceedings

There are no pending legal proceedings against the Company.

15. Distribution of Shareholding

No. of equity shares held	As on December 31, 2004				As on December 31, 2003			
	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	3,192	44.21	189,422	1.18	3,003	49.11	176,233	2.22
101 - 200	1,208	16.73	220,909	1.37	1,631	26.67	263,296	3.32
201 - 500	1,653	22.89	571,033	3.55	887	14.51	314,278	3.96
501 - 1000	637	8.82	481,640	2.99	320	5.23	239,848	3.02
1001 - 5000	406	5.62	903,622	5.62	212	3.47	430,797	5.42
5001 - 10000	50	0.69	348,006	2.16	21	0.34	136,825	1.72
10001 and above	74	1.02	13,376,180	83.13	41	0.67	6,378,673	80.34
Total	7,220	100.00	16,090,812	100.00	6,115	100.00	7,939,950	100.00

The Company allotted 8,045,406 Equity Shares of Rs.10/- each as Bonus Shares in the ratio of 1:1 to shareholders holding equity shares of the Company on August 9, record date. The Company also allotted 14000 fully paid up Equity Shares to employees in pursuance of stock options exercised by them.

16. Categories of Shareholders

Category	As on December 31, 2004			As on December 31, 2003		
	No. of share-holders	Voting Strength (%)	No. of shares held	No. of share-holders	Voting Strength (%)	No. of shares held
Individuals	6,617	26.92	4,331,708	5,549	28.09	2,230,720
Companies	486	51.69	8,317,063	478	51.24	4,067,740
OCBs and NRIs	102	1.46	235,223	73	0.43	34,181
Directors/relatives	12	19.92	3,206,018	13	20.24	1,607,009
Mutual funds, Banks, FI's	3	0.00	800	2	0.00	300
Total	7,220	100.00	16,090,812	6,115	100.00	7,939,950



NUCLEUS SOFTWARE EXPORTS LTD.

17. Investors' queries and complaints may be addressed to:

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

18. Major Shareholders of the Company

The following table sets forth the information regarding the ownership of the equity shares as on December 31, 2004 by each person or group known by the Company to own beneficially 5% or more of the outstanding equity shares.

Name of the Beneficial owner	Class of Security	No. of Shares held	% of Shares
Vishnu R Dusad and Associates	Equity	7,318,470	45.48
Yogesh Andlay and Associates	Equity	1,882,918	11.70
Arun Jain and Associates	Equity	958,330	5.96

19. Employee strength of Nucleus

Nucleus employed 813 people as on December 31, 2004 as compared to 621 people on December 31, 2003.

The distribution of the employees is:

As at	December 31, 2004	December 31, 2003
Technical Staff	641	547
Non Technical Staff including Business Development Group	172	74

The gender classification of employees is

	December 31, 2004	December 31, 2003
Male	665	514
Female	148	107
Total	813	621

The age profile of employees is:

As at	December 31, 2004	December 31, 2003
Between 20 and 25 years	159	118
Between 26 and 30 years	412	345
Between 31 and 40 years	219	141
Between 41 and 50 years	19	15
Between 51 and 60 years	4	2
Total	813	621



NUCLEUS SOFTWARE EXPORTS LTD.

20. 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) 2404034 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) 2407036 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) 2404050 E Mail: poonam@nucleussoftware.com



NUCLEUS SOFTWARE EXPORTS LTD.

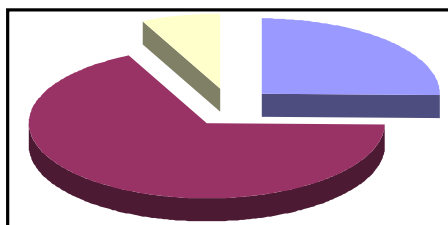
Consolidated Segment Information of Nucleus Software Group

Figure in Rs. Lakhs

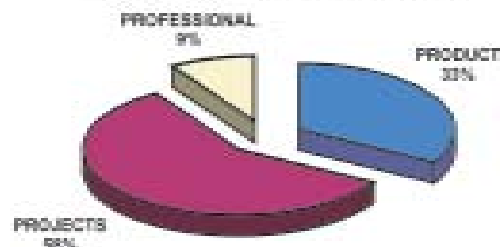
REVENUE BY	Quarter Ended		Nine Months Ended		Year Ended	
	Dec. 31, 2004	% of Revenue	Dec. 31, 2004	% of Revenue	March 31, 2004	% of Revenue
GEOGRAPHICAL SEGMENTS						
INDIA	218.61	8.07	620.16	8.60	1266.62	15.81
FAR EAST	1361.88	50.30	3610.75	50.07	2998.04	37.43
SOUTH EAST ASIA	852.30	31.48	2337.00	32.40	2921.61	36.48
EUROPE/U.K.	84.56	3.12	146.88	2.04	150.32	1.88
USA & CANADA	32.55	1.20	161.92	2.25	353.92	4.42
REST OF THE WORLD	157.76	5.83	335.31	4.65	318.56	3.98
TOTAL	2707.66	100.00	7212.02	100.00	8009.07	100.00
CURRENCY SEGMENTS						
US\$	1564.73	57.79	4437.31	61.53	3469.78	43.32
SING\$	463.39	17.11	924.30	12.82	2098.61	26.20
JAPANESE YEN	450.85	16.65	1173.04	16.27	1003.54	12.53
GREAT BRITAIN POUND	10.08	0.37	53.23	0.74	150.32	1.88
INR	218.61	8.07	620.16	8.60	1248.62	15.59
OMAN RIYAL	—	0.00	3.98	0.06	38.20	0.48
TOTAL	2707.66	100.00	7212.02	100.00	8009.07	100.00
BUSINESS SEGMENTS						
PRODUCTS	682.76	25.22	1681.39	23.31	2658.58	33.19
PROJECTS	1827.07	67.48	4894.60	67.87	4637.50	57.90
PROFESSIONAL SERVICES	197.83	7.31	636.03	8.82	712.99	8.90
TOTAL	2707.66	100.00	7212.02	100.00	8009.07	100.00

BUSINESS SEGMENT

BUSINESS SEGMENT
QUARTER ENDED DECEMBER 31, 2004



YEAR ENDED MARCH 31, 2004





Ratio-Analysis

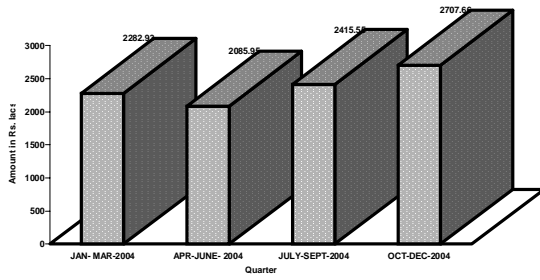
Particulars	CONSOLIDATED PERFORMANCE				
	Quarter ended		Nine-Months Ended		Year ended
	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003	March 31 2004
Ratio-Financial Performance					
Export Revenue/ Revenue (%)	89.71%	86.44%	90.01%	83.37%	84.43%
Domestic Revenue/ Revenue (%)	10.29%	13.56%	9.99%	16.63%	15.57%
Software Development Expenses/ Revenue (%)	57.45%	67.25%	61.68%	66.18%	63.53%
Selling and Marketing Expenses/ Revenue (%)	7.16%	10.33%	7.85%	10.11%	9.76%
General and Administrative Expenses/ Revenue (%)	8.43%	7.08%	7.76%	7.49%	7.66%
Total Operating Expenses/ Revenue (%)	73.04%	84.66%	77.29%	83.77%	80.96%
Depreciation/ Revenue (%)	4.19%	4.30%	3.51%	4.36%	4.05%
Other Income/ Revenue (%)	3.90%	3.64%	2.81%	1.67%	1.80%
Tax/ Revenue (%)	1.36%	0.44%	1.09%	0.36%	0.55%
Tax/ PBT (%)	5.89%	4.42%	6.05%	3.88%	4.31%
PAT from Ordinary Activities/ Revenue (%)	17.84%	5.78%	14.12%	7.71%	10.34%
PAT from Ordinary Activities/ Net Worth (%)	6.02%	1.62%	12.70%	6.74%	12.21%
ROCE(PBIT/Average Capital Employed) (%)	8.10%	2.80%	16.83%	8.30%	15.92%
ROANW (PAT/ Average Net Worth) (%)	7.62%	2.68%	15.82%	8.32%	15.25%
Ratios Balance Sheet					
Debtors Turnover (Days)	45	68	51	65	60
Asset Turnover Ratio	0.34	0.28	0.90	0.87	1.18
Current Ratio	1.07	3.44	1.07	3.44	2.12
Cash and Equivalents/Total Assets (%)	32.91%	16.11%	32.91%	16.11%	13.10%
Cash and Equivalents/ Revenue (%)	97.52%	57.63%	36.61%	18.47%	11.10%
Depreciation/Average Gross Block(%)	2.75%	3.26%	6.13%	10.30%	13.26%
Technology Investment/ Revenue (%)	2.87%	1.22%	3.14%	0.87%	1.05%
Ratios - Growth					
Growth in Export Revenue (%)	52.95%	-13.64%	35.79%	-16.46%	-13.20%
Growth in Revenue (%)	47.37%	-18.17%	25.77%	-12.42%	-9.84%
Operating Expenses Growth (%)	27.14%	-17.02%	16.03%	-13.25%	-10.95%
Operating Profit Growth (%)	159.00%	-23.96%	76.06%	-7.92%	-4.79%
Per- Share Data (Period End)					
Earning Per Share from Ordinary Activities (Rs.)	3.00	0.67	6.33	2.78	5.16
Earning Per Share (Including Extraordinary Items) (Rs.)	3.66	1.09	7.59	3.39	6.05
Cash Earning Per Share from Ordinary Activities (Rs.)	3.71	1.17	7.90	4.36	7.18
Cash Earning Per Share (Including Extraordinary Items) (Rs.)	4.36	1.59	9.17	4.96	8.09
Book Value (Rs.)	49.84	41.27	49.84	41.27	42.25
Price/Earning (Annualized)	10.51	16.25	15.21	15.69	6.34
Price/ Cash Earning (Annualized)	8.82	11.15	12.59	10.72	4.75
Price/Book Value	3.09	1.72	3.09	1.72	0.91

Note: 1) While calculating the consolidated figures of group, inter group transactions have been ignored.
 2) Earnings per share have been adjusted.
 3) Per Share data not annualised unless otherwise stated.

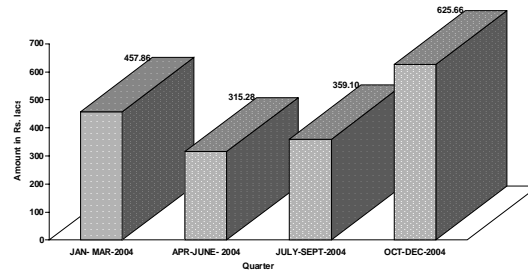


NUCLEUS SOFTWARE EXPORTS LTD.

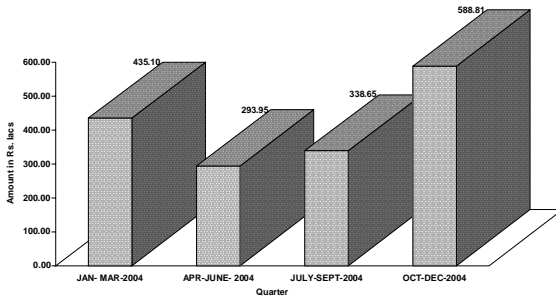
REVENUE FROM OPERATIONS



PROFIT BEFORE TAX



PROFIT AFTER TAX



EARNING PER SHARE

