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

Rs. in lacs, except per equity share data

	<b>CONSOLIDATED PERFORMANCE</b>				
	<b>Quarter Ended</b>		<b>Half-Year Ended</b>		<b>Year Ended</b>
	<b>Sept. 30, 2004</b>	<b>Sept. 30, 2003</b>	<b>Sept. 30, 2004</b>	<b>Sept. 30, 2003</b>	<b>March 31, 2004</b>
<b>For the Period</b>					
Revenue from Operations	2,415.55	2,033.71	4,501.50	3,851.34	8,009.07
Operating Profits (PBIDT)	475.39	362.57	905.17	624.48	1,524.91
Profit after Tax (PAT)	338.65	210.16	632.60	364.59	972.59
PBIDT as a % of Revenue from Operations	19.68%	17.83%	20.11%	16.21%	19.04%
PAT as a % of Revenue from Operations	14.02%	10.33%	14.05%	9.47%	12.14%
EPS	2.11	1.32	3.94	2.30	6.12
Dividend Per Share	—	—	—	—	2.50
Dividend Payout	—	—	—	—	200.79
<b>At the end of the Period</b>					
Total Assets			7,430.43	6,380.55	6,787.68
Net Fixed Assets			2,665.43	1,442.01	1,823.28
Current Assets			5,715.65	3,489.39	2,782.18
Cash & Cash Equivalents			3,277.62	1,092.25	889.29
Working Capital			1,153.99	2,455.97	1,480.87
Net Worth			7,425.75	6,369.74	6,786.18
Share Capital			1,609.23	794.15	803.29
Reserves & Surplus			5,818.45	5,575.59	5,982.89
Market Capitalisation			12,824.38	6,983.19	6,168.12
No. of Shareholders			6,945	4,934	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 half-year/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		Half-Year Ended		Year Ended
	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2003	March 31, 2004
<b>For the Period</b>					
Revenue from Operations	5,264	4,437	9,809	8,402	18,327
Operating Profits (PBIDT)	1,036	791	1,972	1,362	3,489
Profit after Tax (PAT)	738	458	1,379	795	2,226
PBIDT as a % of Revenue from Operations	19.68%	17.83%	20.11%	16.21%	19.04%
PAT as a % of Revenue from Operations	14.02%	10.33%	14.05%	9.47%	12.14%
EPS	0.05	0.03	0.09	0.05	0.14
Dividend Per Share	—	—	—	—	0.06
Dividend Payout	—	—	—	—	459
<b>At the end of the Period</b>					
Total Assets			16,192	13,919	15,532
Net Fixed Assets			5,808	3,146	4,172
Current Assets			12,455	7,612	6,366
Cash & Cash Equivalents			7,142	2,383	2,035
Working Capital			2,515	5,358	3,389
Net Worth			16,182	13,896	15,529
Share Capital			3,507	1,732	1,838
Reserves & Surplus			12,679	12,163	13,691
Market Capitalisation			27,946	15,234	14,115

**Notes:**

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

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

Above figures have been calculated at US\$ = Rs.45.89 for the quarter/half year ended September 30, 2004, 1 US\$ = Rs.45.84 for the quarter/half year ended September 30, 2003 and 1 US\$ = Rs.43.70 for the year ended March 31, 2004.



**Letter to the Shareholders**

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Dear Shareholder

I am delighted to communicate and share the results of Q2 and half-year of FY 2004-05.

At the outset, it gives us a great feeling of satisfaction to confirm that bonus shares in the ratio of one share for every share held as on the record date of August 9, 2004 have been allotted on August 10, 2004. The increased capital of Rs.16.09 crore places an immense responsibility on the management to deliver increased shareholder value and we are confident that we shall continue to grow and meet your expectations. Revenue growth is positive for the quarter and the half-year and there is significant increase as compared to the corresponding period of the previous year.

Consolidated revenue from operations for the quarter was Rs.24.16 crore against Rs.20.34 crore for Q2 of FY 2003-04, an increase of 18.78%. Total operating expenses for the quarter were Rs.19.40 crore against Rs.16.71 crore for Q2 of FY 2003-04, representing an increase of 16.10%. Consequently the operating profit for the quarter was Rs.4.75 crore against Rs.3.63 crore in Q2 of FY 2003-04, an increase of 30.85%.

Consolidated net profit for the quarter was Rs.3.39 crore against Rs.2.10 crore for Q2 of FY 2003-04, an increase of 61.43%. EPS for the quarter increased to Rs.2.11 against Rs.1.32 (adjusted for the issue of bonus shares in the ratio 1:1 in August 2004) for Q2 of FY 2003-04.

For the half-year, consolidated revenue from operations was Rs.45.01 crore against Rs.38.51 crore in half-year of FY 2003-04, an increase of 16.88%. The total operating expenses for the half-year were Rs.35.96 crore against Rs.32.27 crore, representing an increase of 11.43%. Consequently the operating profit for half-year was Rs.9.05 crore against Rs.6.24 crore for half-year of FY 2003-04, an increase of 45.03%.

Consolidated net profit for the half-year was Rs.6.33 crore against Rs.3.65 crore for half-year of FY 2003-04, an increase of 73.42%. EPS for half-year increased to Rs.3.94 against Rs.2.30 (adjusted for the issue of bonus shares in the ratio 1:1 in August 2004) for half-year of FY 2003-04.

The Company continues to enjoy high level of liquidity. The cash flow from operating activities has increased to Rs.35.29 crore in the half-year ended September 30, 2004 from Rs.10.90 crore for the corresponding half-year of FY 2003-04. Cash and bank balances and current investments stood at Rs.68.57 crore on September 30, 2004 against Rs.35.35 crore as on September 30, 2003. The Company believes in maintaining high level of liquidity as it provides immense support and comfort against contingencies.

The members are aware that the Company is always looking at deepening its understanding of processes within the markets in which our clients operate. As a major step in this direction, we are pleased to communicate that the Company and its nominees have, on October 1, 2004, purchased 10,040,000 Equity Shares of Chennai-based GMAC Financial Services India Limited (GMAC, India), the Indian automotive finance operation of General Motors Acceptance Corporation. This represents 25.1% of the equity capital of GMAC, India. The total investment by the Company is around Rs.13.65 crore.

The remaining 74.9% stake in the capital of GMAC, India will continue to be held by US-based General Motors Acceptance Corporation (GMAC), a US-based wholly owned subsidiary of General Motors and one of the largest financial services companies. Nucleus Software has entered into a shareholder agreement with GMAC.

We are pleased to inform that our new facility at NOIDA is complete, and fully operational. Our operations at Delhi and NOIDA have been consolidated at the new facility and with state of the art comprising infrastructure, reliable data communication links, physical access through a biometric system and access cards, and uninterrupted power back ups, the Company has entered into a new phase of expansion.

Our goal is to build a Company, which is an institution to be proud of, and we are confident that our focus on products and people are the right initiatives for long-term success. We thank you for your continued support.

Sincerely,

Vishnu R Dusad  
Managing Director

October 16, 2004



**Auditors' Report**

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To the Board of Directors  
Nucleus Software Exports Ltd.

As required by you, we have audited the attached Balance Sheet of Nucleus Software Exports Ltd. ("the Company") as at 30 September 2004, Profit and Loss Account for quarter and half year ended on that date and also the Cash Flow Statement of the Company for the half year 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 30 September 2004;
  - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the quarter and half year ended on that date; and
  - (iii) in the case of Cash Flow Statement, of the cash flows of the Company for the half year ended on that date.

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

Place : Gurgaon  
Date : 16 October, 2004

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

**NUCLEUS SOFTWARE EXPORTS LTD.****Balance Sheet as at 30 September 2004**

All amounts in Rupees

Particulars	Schedule	As at 30 September 2004	As at 30 September 2003	As at 31 March 2004
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Funds</b>				
Share Capital	1	160,923,120	79,414,500	80,329,060
Share Application Money Pending Allotment		275,000	1,081,560	150,000
Reserves & Surplus	2	537,097,455	542,656,716	584,931,335
		698,295,575	623,152,776	665,410,395
<b>TOTAL</b>		698,295,575	623,152,776	665,410,395
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	3	382,726,331	221,256,753	225,770,945
Less: Accumulated Depreciation		133,428,138	109,496,988	121,762,247
Net Block		249,298,193	111,759,765	104,008,698
Add: Capital Work in Progress (including capital advances)		8,429,464	22,993,672	71,549,151
		257,727,657	134,753,437	175,557,849
<b>Investments</b>	4	410,855,815	285,182,857	389,083,301
<b>Deferred Tax Asset</b> (Refer note 3, Schedule 17)		3,713,564	4,289,961	3,932,511
<b>Current Assets, Loans &amp; Advances</b>				
Sundry Debtors	5	137,706,514	181,306,558	114,926,279
Cash & Bank Balances	6	257,076,672	24,786,692	23,473,161
Loans & Advances	7	43,062,775	46,243,638	47,009,185
Other Current Assets	8	26,031,072	34,954,069	27,227,115
		463,877,033	287,290,957	212,635,740
<b>Less : Current Liabilities &amp; Provisions</b>				
Current Liabilities	9	423,100,164	78,597,542	79,499,698
Provisions	10	14,778,330	9,766,894	36,299,308
		437,878,494	88,364,436	115,799,006
<b>Net Current Assets</b>		25,998,539	198,926,521	96,836,734
<b>Miscellaneous Expenditure</b> (To the extent not written off or adjusted)	11	—	—	—
<b>TOTAL</b>		698,295,575	623,152,776	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**  
16 October, 2004

**NOIDA (U.P.)**  
16 October, 2004

**P K Sanghi**  
Chief Financial Officer

**Poonam Bhasin**  
Company Secretary



## NUCLEUS SOFTWARE EXPORTS LTD.

### Profit and Loss Account for the quarter and half-year ended 30 September, 2004

All amounts in Rupees

Particulars	Schedule	For the quarter ended		For the half year ended		For the year ended 31st March, 2004
		30 September, 2004	30 September, 2003	30 September, 2004	30 September, 2003	
Sales and Services	12	148,494,337	138,007,101	278,759,381	256,127,458	540,645,710
Software Development Expenses	13	91,235,951	78,562,417	173,661,705	151,061,342	300,422,213
<b>Gross profit</b>		<b>57,258,386</b>	<b>59,444,684</b>	<b>105,097,676</b>	<b>105,066,116</b>	<b>240,223,497</b>
Selling and Marketing Expenses	14	13,637,425	12,327,772	22,321,708	21,138,462	44,247,858
General and Administration Expenses	15	16,605,725	10,644,034	26,514,046	21,118,402	45,512,567
<b>Operating Profit Before Finance Charges, Depreciation and Withholding Tax</b>		<b>27,015,236</b>	<b>36,472,878</b>	<b>56,261,922</b>	<b>62,809,252</b>	<b>150,463,072</b>
Finance Charges		—	—	—	13,697	13,697
Depreciation	3	6,370,987	6,466,666	11,665,891	14,078,501	26,851,770
Withholding Taxes Charged Off		10,868,170	7,513,180	19,090,782	12,907,911	32,841,653
<b>Withholding Tax</b>		<b>9,776,079</b>	<b>22,493,032</b>	<b>25,505,249</b>	<b>35,809,143</b>	<b>90,755,952</b>
Other Income	16	5,775,886	2,205,907	7,984,032	5,511,795	15,702,356
<b>Profit before Taxation</b>		<b>15,551,965</b>	<b>24,698,939</b>	<b>33,489,281</b>	<b>41,320,938</b>	<b>106,458,308</b>
Provision for Income Tax - current		(1,150,000)	(500,000)	(1,400,000)	(2,000,000)	(4,416,823)
- deferred		349,195	(984,048)	(218,947)	1,822,510	1,465,060
Provision for Wealth Tax		—	—	—	—	(18,300)
<b>Profit after Taxation</b>		<b>14,751,160</b>	<b>23,214,891</b>	<b>31,870,334</b>	<b>41,143,448</b>	<b>103,488,245</b>
<b>Profit Available for Appropriation</b>		<b>14,751,160</b>	<b>23,214,891</b>	<b>31,870,334</b>	<b>41,143,448</b>	<b>103,488,245</b>
Profit for the quarter/year		14,751,160	23,214,891	31,870,334	41,143,448	103,488,245
Add: Balance Brought Forward		117,191,532	87,215,194	100,123,809	69,286,639	69,286,639
<b>Total Amount Available</b>		<b>131,942,692</b>	<b>110,430,085</b>	<b>131,994,143</b>	<b>110,430,087</b>	<b>172,774,884</b>
Final Dividend		—	—	—	—	20,078,515
Dividend Tax		—	—	51,451	—	2,572,560
Transferred to General Reserve		—	—	—	—	50,000,000
<b>Balance Carried Forward to Schedule 2</b>		<b>131,942,692</b>	<b>110,430,085</b>	<b>131,942,692</b>	<b>110,430,087</b>	<b>100,123,809</b>
<b>Earnings Per Share (Equity shares, par value Rs. 10 each)</b> (Refer note 14, Schedule 17)						
Basic		0.92	1.46	1.98	2.60	6.51
Diluted		0.91	1.45	1.97	2.58	6.50
<b>Number of Shares used in Computing Earning Per Equity Share</b>						
Basic		16,084,116	15,864,248	16,073,522	15,843,389	15,899,180
Diluted		16,103,962	15,937,004	16,093,368	15,916,145	15,910,505
<b>Notes to the accounts</b>	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  
16 October, 2004

NOIDA (U.P.)  
16 October, 2004

P K Sanghi  
Chief Financial Officer

Poonam Bhasin  
Company Secretary



## NUCLEUS SOFTWARE EXPORTS LTD.

### Cash Flow Statement for the half-year ended 30 September 2004

All amounts in Rupees

	For the half-year ended 30 September 2004	For the half-year ended 30 September 2003	For the year ended 31 March 2004
<b>A. Cash flow from operating activities</b>			
Net profit before tax	33,489,281	41,320,938	106,458,308
<i>Adjustment for:</i>			
Depreciation	11,665,891	14,078,501	26,851,770
Exchange difference on translation of foreign currency accounts	329,017	(566,055)	2,165,054
Dividend income from investments	(644,628)	(707,098)	(1,562,012)
Interest income	(531,001)	(621,526)	(2,063,101)
Profit on sale of investments	(6,601,691)	(3,784,720)	(10,975,599)
Amortisation of employees stock compensation expenses	605,297	2,477,026	3,760,538
Interest expense	—	13,697	13,697
(Profit)/Loss on sale of fixed assets	—	(154,464)	172,877
Bad debts/advances written off	—	—	980,966
Provision for doubtful debts/advances	1,228,116	610,000	2,241,952
Provision for diminution in value of investments	—	64,769	—
Provision for gratuity and leave encashment	1,050,000	2,285,000	6,166,339
Miscellaneous expenditure written off	—	488,349	488,349
Operating profit before working capital changes	40,590,282	55,504,417	134,699,138
Decrease / (increase) in debtors	(23,592,902)	(5,725,642)	56,333,891
Decrease / (increase) in loans and advances	2,152,465	(20,019)	(2,985,594)
Decrease / (increase) in other current assets	1,345,878	(16,027,765)	(8,143,689)
(Decrease) / increase in current liabilities	327,954,450	28,605,507	27,476,084
	348,450,173	62,336,498	207,379,830
Direct taxes received / (paid)	1,394,660	(1,350,249)	(4,728,394)
<b>Net cash from operating activities (A)</b>	<b>349,844,833</b>	<b>60,986,249</b>	<b>202,651,436</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress	(81,525,923)	(21,841,411)	(75,231,381)
Sale of fixed assets	—	1,192,987	677,935
Purchase of investments (net)	(6,170,883)	(26,346,036)	(119,960,177)
Investment in subsidiaries	(8,999,940)	—	(3,030,655)
Loan and advances to subsidiaries (net)	1,131,743	3,643,842	7,399,154
Interest received	384,438	588,677	1,869,947
Dividend received from investments	644,628	707,098	1,562,012
<b>Net cash used in investing activities (B)</b>	<b>(94,535,937)</b>	<b>(42,054,843)</b>	<b>(186,713,165)</b>
<b>C. Cash flow from financing activities</b>			
Repayment of loans	—	(389,293)	(389,293)
Interest paid	—	(13,697)	(13,697)
Dividend paid	(21,796,751)	(17,771,134)	(17,795,990)
Receipt on account of share application money	196,000	—	—
Proceeds from employee stock option granted	265,000	403,200	1,683,584
<b>Net cash used in financing activities (C)</b>	<b>(21,335,751)</b>	<b>(17,770,924)</b>	<b>(16,515,396)</b>
Net increase in cash and cash equivalents (A+B+C)	<b>233,973,145</b>	<b>1,160,482</b>	<b>(577,125)</b>
Cash and cash equivalents opening balance	<b>23,473,161</b>	<b>23,599,082</b>	<b>23,599,082</b>
Exchange difference on translation of foreign currency accounts	(369,634)	27,128	451,205
Cash and cash equivalent closing balance	<b>257,076,672</b>	<b>24,786,692</b>	<b>23,473,161</b>

#### 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

**Akhil Bansal**  
Partner  
Membership No. 090906

**Gurgaon**  
16 October, 2004

For and on behalf of the Board of Directors

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

**Vishnu R Dusad**  
Managing Director

**NOIDA (U.P.)**  
16 October, 2004

**P K Sanghi**  
Chief Financial Officer

**Poonam Bhasin**  
Company Secretary



## NUCLEUS SOFTWARE EXPORTS LTD.

### Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 September 2004	As at 30 September 2003	As at 31 March 2004
<b>SCHEDULE—1</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised Capital</b> 20,000,000 (20,000,000; 20,000,000) equity shares of Rs. 10 each	200,000,000	200,000,000	200,000,000
<b>Issued, subscribed and paid up</b>			
<b>Issued</b> 16,093,612 (7,942,750; 8,034,206) equity shares of Rs. 10 each	160,936,120	79,427,500	80,342,060
<b>Subscribed and paid up</b> 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
<b>SCHEDULE—2</b>			
<b>RESERVES AND SURPLUS</b>			
<b>General Reserve</b> 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
<b>Securities premium account</b> Balance as at 1 April	240,546,769	230,198,361	230,198,361
Add: Adjusted on conversion of stock options issued to employees	1,610,000	1,440,000	10,348,408
Less: Amount utilised for issue share of 8,045,406 bonus shares of Rs. 10 each	80,454,060	—	—
	161,702,709	231,638,361	240,546,769
<b>Capital reserve account</b> Balance as at 1 April	1,480,030	1,463,030	1,463,030
Add: Amount forfeited against employees stock option plan	—	—	17,000
	1,480,030	1,463,030	1,480,030
<b>Employee stock options</b> 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
Less: Transferred to securities premium on exercise of stock option	1,414,000	1,036,800	8,664,824
	2,079,000	9,251,824	1,532,000
Less: Deferred employee compensation	(1,561,671)	(1,581,280)	(205,968)
	517,329	7,670,544	1,326,032
Profit and Loss Account balance	131,942,692	110,430,086	100,123,809
	537,097,455	542,656,716	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 1 April, 2004	Depreciation for the period	Deduction/ Adjustments	As at 30 Sept., 2004	As at 30 Sept., 2004	As at 31 March, 2004
Freehold land	3,360,720	—	—	—	—	—	—	3,360,720	3,360,720
Leasehold land	64,195,000	—	—	1,452,722	363,677	—	1,816,399	62,378,601	62,742,278
Building	3,036,721	98,288,950	—	1,411,617	371,141	—	1,782,758	99,542,913	1,731,912
Office and other equipment	14,936,837	33,284,858	—	9,169,970	1,796,684	—	10,966,654	37,255,041	5,766,867
Computers	61,661,539	14,910,606	—	40,211,007	6,866,238	—	47,077,245	29,494,900	21,450,532
Vehicles	7,423,398	1,109,940	—	4,783,211	709,461	—	5,492,372	3,040,966	2,640,187
Furniture and fixtures	15,578,426	9,361,032	—	12,120,153	759,456	—	12,879,609	12,059,849	3,458,273
Software package	55,578,304	—	—	52,613,567	799,534	—	53,413,101	2,165,203	2,964,737
<b>Total</b>	<b>225,770,945</b>	<b>156,955,386</b>	<b>—</b>	<b>121,762,247</b>	<b>11,665,891</b>	<b>—</b>	<b>133,428,138</b>	<b>249,298,193</b>	<b>104,008,698</b>
Previous period	217,531,435	5,484,590	(1,759,272)	96,139,236	14,078,501	(720,749)	109,496,988	111,759,765	
Previous year	217,531,435	10,319,081	(2,079,571)	96,139,236	26,851,770	(1,228,759)	121,762,247	104,008,698	



## NUCLEUS SOFTWARE EXPORTS LTD.

### Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 September 2004	As at 30 September 2003	As at 31 March 2004
<b>SCHEDULE—4</b>			
<b>INVESTMENTS</b>			
<b>Long term investments</b>			
<b>Equity shares in subsidiaries - Non-trade and unquoted</b>			
625,000 (625,000 ; 625,000) equity shares of SGD 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore, a wholly owned subsidiary	16,319,950	16,319,950	16,319,950
1,000,000 (1,000,000 ; 1,000,000) equity shares of USD 0.35 each, fully paid up, in Nucleus Software Inc., USA, a wholly owned subsidiary	16,293,150	16,293,150	16,293,150
200 (200 ; 200) equity shares of JPY 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaiga, Japan, a wholly owned subsidiary	4,092,262	4,092,262	4,092,262
219,000 (130,000; 219,000) equity shares of Aus \$ 1 each, fully paid up, in Nucleus Software (Australia) Pty. Ltd. Australia, a wholly owned subsidiary	6,604,255	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
899,994 (Nil; Nil) equity shares of Rs. 10 each, fully paid up, in Virstra i-Technology Services Limited, India, a wholly owned subsidiary	8,999,940	—	—
	52,929,442	40,898,847	43,929,502
<b>Current investments</b>			
<b>Investments in mutual funds - Non trade and unquoted</b>			
3,764,682 (Nil ; 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
17,048 (Nil ; 6,731) units of face value of Rs. 1,000 each of Templeton India Treasury Management-Growth	27,000,000	—	10,500,000
Nil (676,593 ; Nil) units of face value of Rs. 10 each of Templeton India Liquid Fund-Growth	—	10,000,000	—
3,568,789 (1,282,072 ; 2,164,596) units of face value of Rs. 10 each of HDFC Cash Management Fund-Saving Plan-Growth	46,700,000	15,800,000	28,200,000
Nil (1,160,806 ; Nil) units of face value of Rs. 10 each of Chola Liquid Fund-Cumulative	—	14,000,000	—
Nil (2,708,865 ; Nil) units of face value of Rs. 10 each of IL&FS Liquid Fund-Growth	—	29,869,848	—
839,297 (3,085,102 ; 3,314,286) units of face value of Rs. 10 each HSBC Cash Fund-Growth	9,000,000	32,115,153	34,600,000
Nil (724,823 ; Nil) units of face value of Rs. 10 each of IL&FS Liquid Fund-Dividend	—	7,305,304	—
Nil (1,747,230 ; Nil) units of face value of Rs. 10 each of J M High Liquidity Fund-Growth	—	29,000,000	—



## NUCLEUS SOFTWARE EXPORTS LTD.

### Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 September 2004	As at 30 September 2003	As at 31 March 2004
Nil (1,417,345 ; Nil) units of face value of Rs. 10 each of Kotak Mahindra Liquid Scheme-Growth	—	17,034,982	—
Nil (1,362,361 ; Nil) units of face value of Rs. 10 each of GCFG Grindlays Cash Fund-Growth	—	15,000,000	—
Nil (Nil ; 791,709) units of face value of Rs. 10 each of Kotak Liquid-Institutional Plan-Growth	—	—	10,000,000
Nil (1,017,306 ; 1,037,885) units of face value of Rs. 10 each of Kotak Liquid-Institutional Plan-Dividend	—	10,197,952	10,404,104
Nil (639,638 ; 1,302,149) units of face value of Rs. 10 each of HSBC Cash Fund-Dividend	—	6,516,980	13,267,199
4,790,199 (Nil ; 958,196) units of face value of Rs. 10 each of HSBC Cash Fund-Institutional Plan-Dividend	50,010,161	—	10,000,981
Nil (1,282,608 ; 3,746,373) units of face value of Rs. 10 each of J M High Liquidity Fund-Institutional Plan-Growth	—	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 Schedule-Annual Plan-3-Growth	5,000,000	—	5,000,000
17,731 (Nil ; 17,731) units of face value of Rs. 1000 each of UTI Liquid Advantage Fund-Institutional Plan-Growth	20,151,828	—	20,151,828
Nil (Nil ; 1,100,198) units of face value of Rs. 10 each of IL&FS Liquid Fund-Institutional Plan-Dividend	—	—	11,001,984
13,231 (Nil ; 3,248) units of face value of Rs. 1,000 each of Templeton India Treasury Management-Dividend	20,004,054	—	4,042,452
Nil (Nil ; 2,558,657) units of face value of Rs. 10 each of Birla Cash Plus-Institutional Plan-Growth	—	—	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
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
1,998,408 (Nil ; 42,983) units of face value of Rs. 10 each of DSP Merrill Lynch Liquidity Fund-Dividend	20,004,064	—	532,992
4,991,275 (Nil ; Nil) units of face value of Rs. 10 each of Deutsche Insta Cash Plus Fund-Institutional Fund-Dividend	50,005,048	—	—
3,703,721 (Nil ; Nil) units of face value of Rs. 10 each of Birla Cash Plus-Institutional Plan-Dividend	40,007,962	—	—
2,600,184 (Nil ; Nil) units of face value of Rs. 10 each of Principal Cash Management Fund-Institutional Plan-Dividend	26,006,005	—	—
	<u>357,926,373</u>	<u>244,348,779</u>	<u>345,153,799</u>
Less: Provision for diminution in value of investment	—	64,769	—
	<u>357,926,373</u>	<u>244,284,010</u>	<u>345,153,799</u>
	<u>410,855,815</u>	<u>285,182,857</u>	<u>389,083,301</u>

**Notes:**

- Investments in mutual funds include unutilised proceeds raised by preferential issue of equity shares.
- Net asset value (NAV) of current investments Rs. 362,445,288 (250,386,525 ; 349,664,838).
- Refer note 6, schedule 17 for details of investments purchased and sold during the period ended 30 September 2004.



## NUCLEUS SOFTWARE EXPORTS LTD.

### Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 September 2004	As at 30 September 2003	As at 31 March 2004
<b>SCHEDULE—5</b>			
<b>SUNDRY DEBTORS (UNSECURED)</b>			
Debts outstanding for a period exceeding six months			
—Considered good	7,070,538	5,926,503	3,733,053
—Considered doubtful	17,035,458	17,713,164	15,982,787
	24,105,996	23,639,667	19,715,840
Less: Provision for doubtful debts	(17,035,458)	(17,713,164)	(15,982,787)
	7,070,538	5,926,503	3,733,053
Other debts (considered good)	130,635,976	175,380,055	111,193,226
	137,706,514	181,306,558	114,926,279
<b>SCHEDULE—6</b>			
<b>CASH AND BANK BALANCES</b>			
Cash in hand (including cheques in hand)	355,584	2,078,752	806,589
Balances with scheduled banks			
—in current accounts	156,415,136	18,228,279	16,040,171
—in fixed deposit accounts	92,878,062	4,462,437	5,520,410
Balances with non scheduled banks			
—in current account (Citibank, United Kingdom) [Maximum amount outstanding Rs. 1,987,590 (Rs. 2,917,720 ; Rs. 2,917,720)]	1,987,590	17,224	1,105,991
Remittance in transit	5,440,300	—	—
	257,076,672	24,786,692	23,473,161
<b>SCHEDULE—7</b>			
<b>LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD)</b>			
Advances recoverable in cash or in kind or for value to be received	7,363,354	7,211,768	6,509,281
Loans and advances to subsidiaries*	26,664,551	28,711,538	25,568,488
Security deposits	6,221,057	5,581,341	9,028,917
Advance tax [net of provision NA (Rs. 16,176,454 ; Rs. 19,076,454)]	—	1,771,541	2,714,563
Prepaid expenses	2,813,813	2,967,450	3,187,936
	43,062,775	46,243,638	47,009,185
* includes a loan amounting to Rs. 5,430,000 (Rs. 21,184,000 ; 10,436,000) to Nucleus Software Solutions Pte Ltd., Singapore and Rs. 7,227,675 (Rs. 3,323,400 ; Rs. 6,882,750) to Nucleus Software Inc., USA, wholly owned subsidiaries of the Company.			
<b>SCHEDULE—8</b>			
<b>OTHER CURRENT ASSETS</b>			
Service income accrued but not due	25,231,060	34,461,358	26,576,938
Interest accrued but not due	800,012	492,711	650,177
	26,031,072	34,954,069	27,227,115



## NUCLEUS SOFTWARE EXPORTS LTD.

### Schedules forming part of the financial statements

All amounts in Rupees

	As at 30 September 2004	As at 30 September 2003	As at 31 March 2004
<b>SCHEDULE—9</b>			
<b>CURRENT LIABILITIES</b>			
Sundry creditors*	88,088,253	55,515,157	54,500,094
Withholding tax	10,898,515	13,209,689	6,327,669
Due to subsidiaries	4,749,315	—	2,318,850
Advances from customers	313,194,162	6,040,622	13,247,743
Unclaimed dividends	1,168,266	281,378	262,491
Other liabilities	5,001,653	3,550,696	2,134,170
Book overdraft	—	—	708,681
	<u>423,100,164</u>	<u>78,597,542</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	8,071,584	5,158,303	6,571,584
Leave encashment	6,626,649	4,608,591	7,076,649
Taxation [Net of advance tax Rs. 20,396,357 (NA; NA)]	80,097	—	—
Dividend	—	—	20,078,515
Dividend tax	—	—	2,572,560
	<u>14,778,330</u>	<u>9,766,894</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
	—	—	—

##### Public Issue Expenses

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



## NUCLEUS SOFTWARE EXPORTS LTD.

### Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended 30 September, 2004	30 September, 2003	For the half year ended 30 September, 2004	30 September, 2003	For the year ended 31st March, 2004
<b>SCHEDULE—12</b>					
<b>SALES AND SERVICES</b>					
Software development services and products					
(a) Domestic	22,874,438	34,909,582	44,154,743	70,435,032	124,671,897
(b) Overseas	125,469,603	103,736,021	234,588,440	185,412,004	415,941,357
	148,344,041	138,645,603	278,743,183	255,847,036	540,613,254
Gain/(loss) on foreign exchange fluctuation (net)	150,296	(638,502)	16,198	280,422	32,456
	148,494,337	138,007,101	278,759,381	256,127,458	540,645,710

### SCHEDULE—13 SOFTWARE DEVELOPMENT EXPENSES

Salaries and allowances	47,081,301	35,839,775	88,230,836	67,910,187	143,781,346
Contribution to provident and other funds	2,256,271	1,914,656	4,410,765	4,028,753	8,088,528
Directors' remuneration	230,400	540,400	590,400	770,800	2,000,000
Employee's stock compensation expenses	311,466	1,127,652	491,999	2,281,341	3,420,906
Staff welfare	872,250	1,104,786	2,141,531	2,529,920	5,619,891
Conveyance	756,937	876,708	1,581,590	1,470,856	3,485,633
Communication	3,331,643	2,258,772	5,101,679	4,859,899	9,837,841
Rent, rates and taxes	1,819,699	1,501,915	3,598,615	3,382,037	7,585,488
Legal and professional	1,194,492	727,923	3,406,746	1,412,965	4,249,336
Repair and maintenance					
—Building	56,990	40,265	78,471	131,213	223,648
—Others	733,479	570,986	1,293,856	1,168,415	2,406,075
Training and recruitment	657,499	627,545	1,897,380	771,703	2,208,403
Printing and stationery	59,997	67,233	121,565	139,955	244,481
Insurance	234,072	181,139	395,861	341,812	794,574
Software and other development charges	1,594,739	2,145,164	3,744,554	3,336,339	5,830,777
Cost of software purchased for delivery to clients	854,243	9,196,920	3,081,018	11,584,088	15,833,826
Travelling	23,847,701	14,729,281	42,906,645	33,309,812	65,465,800
Consultancy charges	54,000	1,352,057	890,079	3,922,939	5,833,188
Power and fuel	4,012,566	2,460,536	6,792,709	5,082,911	8,632,963
IT expenses	247,128	533,479	1,304,479	889,200	2,259,388
Miscellaneous expenses	1,029,078	765,225	1,601,359	1,736,197	2,620,121
	91,235,951	78,562,417	173,661,705	151,061,342	300,422,213



## NUCLEUS SOFTWARE EXPORTS LTD.

### Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended 30 September, 2004	30 September, 2003	For the half year ended 30 September, 2004	30 September, 2003	For the year ended 31st March, 2004
<b>SCHEDULE—14</b>					
<b>SELLING AND MARKETING EXPENSES</b>					
Salaries and allowances	3,721,614	3,671,777	5,998,020	6,234,702	11,808,696
Contribution to provident and other funds	210,205	101,464	348,663	262,511	549,533
Directors' remuneration	230,400	540,400	590,400	770,800	2,000,000
Employee's stock compensation expenses	25,436	63,403	62,927	135,690	231,355
Staff welfare	110,669	57,994	182,413	178,384	367,487
Conveyance	82,715	143,766	234,181	263,793	556,893
Communication	409,562	297,109	838,348	974,014	2,096,187
Rent, rates and taxes	434,535	249,927	897,554	491,025	1,218,604
Repair and maintenance					
—Building	4,297	3,036	5,785	9,893	16,863
—Others	55,304	43,052	97,556	88,098	181,417
Training and recruitment	140,289	61,843	160,038	77,697	116,698
Printing and stationery	56,227	45,371	101,331	79,670	230,789
Insurance	22,968	19,814	42,927	28,873	51,553
Travelling	4,126,732	3,309,910	7,232,366	6,624,656	12,611,311
Advertisement and business promotion	977,688	2,940,191	1,779,116	3,521,645	5,232,864
Consultancy charges	—	377,159	—	377,159	1,235,792
Power and fuel	313,596	114,048	495,284	238,525	411,520
Conference, exhibition and seminar	803,231	94,328	1,046,788	466,458	1,791,214
IT expenses	20,140	18,396	80,018	46,357	126,526
Commission on sales	1,817,309	—	1,984,359	—	2,923,188
Miscellaneous expenses	74,508	174,784	143,634	268,512	489,368
	<b>13,637,425</b>	<b>12,327,772</b>	<b>22,321,708</b>	<b>21,138,462</b>	<b>44,247,858</b>



## NUCLEUS SOFTWARE EXPORTS LTD.

### Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended 30 September, 2004	30 September, 2003	For the half year ended 30 September, 2004	30 September, 2003	For the year ended 31st March, 2004
<b>SCHEDULE—15</b>					
<b>GENERAL AND ADMINISTRATION EXPENSES</b>					
Salaries and allowances	5,934,481	3,549,187	9,594,010	6,466,879	14,883,436
Contribution to provident and other funds	337,806	242,218	591,526	463,198	949,179
Directors' remuneration	320,200	340,200	580,200	934,400	2,320,000
Employee's stock compensation expenses	25,436	27,570	50,371	59,995	108,277
Staff welfare	175,144	106,298	287,706	234,034	520,812
Conveyance	265,287	358,748	552,263	1,019,845	1,424,625
Communication	1,116,869	1,107,630	1,975,649	1,694,231	2,487,670
Rent, rates and taxes	467,559	831,809	854,847	1,140,408	1,574,594
Legal and professional	1,683,489	1,099,431	3,071,110	2,199,537	5,907,448
Repair and maintenance					
—Building	12,347	8,724	16,786	28,428	48,455
—Others	158,912	123,707	280,320	253,142	521,288
Training and recruitment	655,765	113,057	853,579	264,833	525,094
Printing and stationery	346,977	57,879	649,469	571,860	1,139,344
Loss on sale of fixed assets (net)	—	(154,464)	—	(154,464)	172,877
Insurance	—	70,648	107,511	95,460	140,845
Bank charges	205,403	82,791	370,946	122,802	377,943
Public issue expenses written off	—	418,019	—	470,272	470,272
Preliminary expenses written off	—	14,462	—	18,077	18,077
Travelling	218,773	608,805	577,335	1,021,964	2,140,359
Advertisement	46,799	199,887	156,339	520,544	916,466
Power and fuel	919,586	381,798	1,438,895	725,420	1,132,136
Conference, exhibition and seminar	8,384	43,558	40,782	58,058	127,525
IT expenses	39,736	61,319	164,079	94,717	298,239
Bad debts/advances/other current assets written off	—	—	—	—	980,966
Provision for doubtful debts	1,775,950	—	1,228,116	610,000	2,241,952
Miscellaneous expenses	1,890,822	950,753	3,072,207	2,204,762	4,084,688
	<b>16,605,725</b>	<b>10,644,034</b>	<b>26,514,046</b>	<b>21,118,402</b>	<b>45,512,567</b>

### SCHEDULE—16 OTHER INCOME

Dividend received from non-trade investments	188,014	318,565	644,628	707,098	1,562,012
Interest [Gross of tax deducted at source Rs.52 (Rs.22,929 ; Rs.3,423)]	330,463	348,322	531,001	621,527	2,063,101
Profit on sale of investments (net)	5,247,718	1,184,541	6,601,691	3,784,720	10,975,599
Miscellaneous income	9,691	354,479	206,712	398,450	1,101,644
	<b>5,775,886</b>	<b>2,205,907</b>	<b>7,984,032</b>	<b>5,511,795</b>	<b>15,702,356</b>



**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 30 September 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 and Hong-Kong. Further, during the current period, the Company has set up a wholly owned subsidiary named VirStra i-Technology Services Limited in Pune, India. The Company's business broadly consists of software product development and marketing and software development and support services mainly for corporate business entities in the banking and financial services sector.

**2. Significant accounting policies**

**(i) Basis of preparation**

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

Accounting policies followed in the interim financial statements are the same as those followed in most recent annual financial statements except for change in accounting policy related to foreign currency transactions.

**(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.

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**

Revenue 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**

The accounting policy for transactions in foreign currencies entered into before 1 April 2004 is as follows:

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 are adjusted in the carrying cost of such fixed assets.

Foreign currency assets and liabilities denominated in foreign currencies at the year-end and covered by the foreign exchange contract are translated at the forward rates and resultant gains/losses are recognised over the life of the contract other than those relating to the fixed assets which are adjusted to the carrying cost of the respective fixed assets.

The accounting policy for transactions in foreign currencies entered into on or after 1 April 2004 is as follows:

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 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 tax rates. 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 30 September 2004	As at 30 September 2003	As at 31 March 2004
<b>Deferred tax asset</b>			
Provision for doubtful debts	1,512,723	2,161,317	1,561,021
Provision for diminution of investments	—	23,236	—
Provision for retirement benefits	1,883,871	1,634,859	1,949,856
Excess depreciation as per books over depreciation as per Income-tax Act, 1961	316,970	470,549	421,634
	<u>3,713,564</u>	<u>4,289,961</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 are 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 on 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.



## NUCLEUS SOFTWARE EXPORTS LTD.

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

	Quarter ended 30 September		Half Year ended 30 September		Year ended 31 March,
	2004	2003	2004	2003	2004
Options outstanding at the beginning of the period/year	41,500	136,956	15,000	136,956	136,956
Options granted	—	—	26,500	—	—
Options forfeited	—	—	—	—	(1,700)
Options exercised	(14,000)	(28,800)	(14,000)	(28,800)	(120,256)
	<b>27,500</b>	<b>108,156</b>	<b>27,500</b>	<b>108,156</b>	<b>15,000</b>

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

*(All amounts in Rs.)*

	Quarter ended 30 September		Half Year ended 30 September		Year ended 31 March,
	2004	2003	2004	2003	2004
Balance brought forward	1,924,009	2,799,904	205,968	4,058,306	4,058,306
Add: Recognised during the period/year	—	—	1,961,000	—	—
Less: Amortisation expense	362,338	1,218,624	605,297	2,477,026	3,760,538
Less: Reversal due to forfeiture	—	—	—	—	91,800
Balance carried forward	<b>1,561,671</b>	<b>1,581,280</b>	<b>1,561,671</b>	<b>1,581,280</b>	<b>205,968</b>

### 5. Managerial Remuneration

*(All amounts in Rs.)*

	Quarter ended 30 September		Half Year ended 30 September		Year ended 31 March,
	2004	2003	2004	2003	2004
<b>A) Managing Director</b>					
Salary and perquisites	540,000	540,000	1,080,000	1,080,000	2,160,000
Contribution to provident and other funds	36,000	36,000	72,000	72,000	144,000
Commission	—	535,000	174,000	809,000	2,696,000
	<b>576,000</b>	<b>1,111,000</b>	<b>1,326,000</b>	<b>1,961,000</b>	<b>5,000,000</b>
<b>B) Non Executive Directors</b>					
Commission	—	240,000	150,000	415,000	1,000,000
Sitting Fee	205,000	70,000	285,000	100,000	320,000
	<b>205,000</b>	<b>310,000</b>	<b>435,000</b>	<b>515,000</b>	<b>1,320,000</b>

#### Notes:

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



**6. Details of investments purchased and sold during the six months ended 30 September 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)	10	1,451,744	15,153,591	1,451,744	15,170,409
Kotak Liquid (Institutional)- Weekly Dividend	10	6,201	62,123	6,201	62,170
Alliance Cash Manager - IP-Daily Dividend	10	302	3,081	302	3,019
Birla Cash Plus Retail Plan- Dividend Reinvestment	10	2,587	43,505	2,587	42,293
DSP Merrill Lynch Liquidity Fund - Weekly Dividend	10	234	2,906	234	2,908
HSBC Cash Fund-(Institutional) Growth	10	3,132,002	34,098,303	3,132,002	34,253,448
Birla Cash Plus (Institutional) Growth	10	175,076	30,000,000	175,076	30,648,483
JM High Liquidity (Institutional) Dividend	10	2,229,286	22,353,226	2,229,286	22,372,808
Templeton TMA Dividend	1,000	8,040	10,004,629	8,040	10,009,206

**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 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.



## NUCLEUS SOFTWARE EXPORTS LTD.

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

### For the quarter ended 30 September 2004

(Amounts in Rupees)

Description	India	Far East	Singapore	Others	Total
Revenue from external customers	22,874,438	54,429,668	45,723,322	25,466,909	148,494,337
Expenses	32,638,625	45,971,630	29,488,455	16,690,078	124,788,788
Segment result	(9,764,187)	8,458,038	16,234,867	8,776,831	23,705,549
Unallocated corporate expenditure					13,929,470
Operating profit before taxation					9,776,079
Other income					5,775,886
Finance charges					-
Profit before tax and prior period adjustments					15,551,965
Provision for taxation - current					(1,150,000)
Provision for taxation - deferred					349,195
<b>Profit after taxation</b>					<b>14,751,160</b>

### For the quarter ended 30 September 2003

(Amounts in Rupees)

Description	India	Far East	Singapore	Others	Total
Revenue from external customers	35,085,945	56,255,207	11,272,288	35,393,661	138,007,101
Expenses	34,314,216	27,541,447	7,028,957	30,933,880	99,818,500
Segment result	771,729	28,713,760	4,243,331	4,459,781	38,188,601
Unallocated corporate expenditure					15,695,569
Operating profit before taxation					22,493,032
Other income					2,205,907
Finance charges					-
Profit before tax					24,698,939
Provision for taxation - current					(500,000)
Provision for taxation-deferred					(984,048)
<b>Profit after taxation</b>					<b>23,214,891</b>

**NUCLEUS SOFTWARE EXPORTS LTD.****For the half year ended 30 September 2004***(All amounts in Rs.)*

<b>Description</b>	<b>India</b>	<b>Far East</b>	<b>Singapore</b>	<b>Others</b>	<b>Total</b>
Revenue from external customers	44,154,744	95,130,294	95,565,706	43,908,637	278,759,381
Expenses	59,765,377	79,796,250	60,840,925	28,022,079	228,424,631
Segment result	(15,610,633)	15,334,044	34,724,781	15,886,558	50,334,750
Unallocated corporate expenditure	-	-	-	-	24,829,501
Operating profit before taxation	-	-	-	-	25,505,249
Other income	-	-	-	-	7,984,032
Finance charges	-	-	-	-	-
Profit before tax	-	-	-	-	33,489,281
Provision for taxation - current	-	-	-	-	(1,400,000)
Provision for taxation-deferred	-	-	-	-	(218,947)
<b>Profit after taxation</b>	-	-	-	-	<b>31,870,334</b>

**For the half year ended 30 September 2003***(All amounts in Rs.)*

<b>Description</b>	<b>India</b>	<b>Far East</b>	<b>Singapore</b>	<b>Others</b>	<b>Total</b>
Revenue from external customers	72,153,595	103,700,604	36,680,655	43,592,604	256,127,458
Expenses	65,685,995	61,962,719	25,462,533	37,422,673	190,533,920
Segment result	6,467,600	41,737,885	11,218,122	6,169,931	65,593,538
Unallocated corporate expenditure					29,770,698
Operating profit before taxation					35,822,840
Other income					5,511,795
Finance charges					(13,697)
Profit before tax					41,320,938
Provision for taxation - current					(2,000,000)
Provision for taxation-deferred					1,822,510
<b>Profit after taxation</b>					<b>41,143,448</b>



## 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	166,036,057	153,797,973	94,150,053	540,645,710
Expenses	128,276,488	113,777,737	88,659,557	60,165,908	390,879,690
Segment result	(1,614,861)	52,258,320	65,138,416	33,984,145	149,766,020
Unallocated corporate expenditure					58,996,371
Operating profit before taxation					90,769,649
Other income					15,702,356
Finance charges					(13,697)
Profit before tax and prior period adjustments					106,458,308
Provision for taxation - current					(4,416,823)
Provision for taxation-deferred					1,465,060
Provision for wealth tax					(18,300)
<b>Profit after taxation</b>					<b>103,488,245</b>

Assets and liabilities of reportable primary segment are as follows:

As at 30 September 2004

(Amounts in Rupees)

Description	India	Far East	Singapore	Others	Total
Segment assets	29,310,519	54,015,605	53,630,044	52,645,956	189,602,124
Unallocated corporate assets					946,571,945
<b>Total assets</b>					<b>1,136,174,069</b>
Segment liabilities	21,337,039	27,084,536	12,493,498	310,932,139	371,847,212
Unallocated corporate liabilities					66,031,282
<b>Total liabilities</b>					<b>437,878,494</b>
<b>Capital employed</b>					<b>698,295,575</b>

As at 30 September 2003

(Amounts in Rupees)

Description	India	Far East	Singapore	Others	Total
Segment assets	51,431,971	64,994,029	76,059,438	51,994,016	244,479,454
Unallocated corporate assets					467,037,758
<b>Total assets</b>					<b>711,517,212</b>
Segment liabilities	1,6846,782	6,501,773	1,868,801	5,844,353	31,061,709
Unallocated corporate liabilities					57,302,727
<b>Total liabilities</b>					<b>88,364,436</b>
<b>Capital employed</b>					<b>623,152,776</b>



## 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
<b>Total assets</b>					<b>781,209,401</b>
Segment liabilities	19,274,500	13,238,323	7,725,042	7,597,232	47,835,097
Unallocated corporate liabilities					67,963,909
<b>Total liabilities</b>					<b>115,799,006</b>
<b>Capital employed</b>					<b>665,410,395</b>

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

For the quarter ended 30 September 2004

(Amounts in Rupees)

Description	India	Far East	Singapore	Others	Total
Capital expenditure (unallocated)					153,211,082
<b>Total capital expenditure</b>					<b>153,211,082</b>
Depreciation expenditure (unallocated)					6,370,987
Amortisation (unallocated) (miscellaneous expenditure amortised during the quarter)					
<b>Total depreciation and amortisation</b>					<b>6,370,987</b>
Segment non-cash expense other than depreciation	925,121	100,353	84,601	1,028,513	2,138,288
<b>Total non cash expenditure other than depreciation and amortisation</b>	<b>925,151</b>	<b>100,353</b>	<b>84,301</b>	<b>1,028,513</b>	<b>2,138,288</b>

**NUCLEUS SOFTWARE EXPORTS LTD.****For the quarter ended 30 September 2003***(Amounts in Rupees)*

<b>Description</b>	<b>India</b>	<b>Far East</b>	<b>Singapore</b>	<b>Others</b>	<b>Total</b>
Capital expenditure (unallocated)					3,751,490
<b>Total capital expenditure</b>					<b>3,751,490</b>
Depreciation expenditure (unallocated)					6,466,666
Amortization (Unallocated) (miscellaneous expenditure amortized during the period)					432,481
<b>Total depreciation and amortization</b>					<b>6,899,147</b>
Segment non-cash expense other than depreciation	604,631	335,600	67,247	211,146	1,218,624
<b>Total non cash expenditure other than depreciation and amortization</b>	<b>604,631</b>	<b>335,600</b>	<b>67,247</b>	<b>211,146</b>	<b>1,218,624</b>

**For the half year ended 30 September 2004***(All amounts in Rs.)*

<b>Description</b>	<b>India</b>	<b>Far East</b>	<b>Singapore</b>	<b>Others</b>	<b>Total</b>
Capital expenditure (unallocated)					156,955,386
<b>Total capital expenditure</b>					<b>156,955,386</b>
Depreciation expenditure (unallocated)					11,665,891
Amortization (Unallocated) (miscellaneous expenditure amortized during the year)					
<b>Total depreciation and amortization</b>					<b>11,665,891</b>
Segment non-cash expense other than depreciation	148,548	158,053	154,961	1,371,851	1,833,413
<b>Total non cash expenditure other than depreciation and amortization</b>	<b>148,548</b>	<b>158,053</b>	<b>154,961</b>	<b>1,371,851</b>	<b>1,833,413</b>



## NUCLEUS SOFTWARE EXPORTS LTD.

### For the half year ended 30 September 2003

(All amounts in Rs.)

Description	India	Far East	Singapore	Others	Total
Capital expenditure (unallocated)					5,484,590
<b>Total capital expenditure</b>					<b>5,484,590</b>
Depreciation expenditure (unallocated)					14,078,501
Amortization (Unallocated) (miscellaneous expenditure amortized during the period)					488,349
<b>Total depreciation and amortization</b>					<b>14,566,850</b>
Segment non-cash expense other than depreciation	1,619,414	706,741	266,004	494,867	3,087,026
<b>Total non cash expenditure other than depreciation and amortization</b>	<b>1,619,414</b>	<b>706,741</b>	<b>266,004</b>	<b>494,867</b>	<b>3,087,026</b>

### For the year ended 31 March 2004

(Amounts in Rupees)

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

## 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***(All Amounts in Rupees)*

	Quarter ended 30 September		Half Year ended 30 September		Year ended 31 March,
	2004	2003	2004	2003	2004
<b>i. Software Development Services and Products</b>					
Wholly owned subsidiaries	103,689,751	58,237,721	186,317,936	112,483,313	274,211,704
<b>ii. Managerial Remuneration</b>					
Key Managerial Personnel	576,000	1,111,000	1,326,000	1,961,000	5,000,000
<b>iii. Reimbursement of Expenses</b>					
From wholly owned subsidiaries	6,128,299	3,140,807	13,540,922	5,392,408	15,260,373
To wholly owned subsidiaries	4,712,097	2,461,765	7,128,075	4,808,027	11,551,645
<b>iv. Commission paid</b>					
To wholly owned subsidiary	193,801	—	360,851	—	1,748,000
<b>v. Interest received</b>					
From wholly owned subsidiary	210,068	87,987	406,613	178,892	1,414,489
<b>vi. Loans given</b>					
Given to wholly owned subsidiaries	—	1,685,050	—	3,323,400	6,882,750
Repaid by wholly owned subsidiaries	5,298,000	5,196,000	5,298,000	5,226,000	15,974,000
<b>vii. Investments made</b>					
VirStra i-Technology Services Limited	6,000,000	—	8,999,440	—	—
Nucleus Software (Australia) Pty. Ltd.	—	—	—	—	3,030,655



## NUCLEUS SOFTWARE EXPORTS LTD.

### Outstanding Balances as at period/year end

(Amounts in Rupees)

	As at 30 September 2004		As at 30 September 2003		As at 31 March 2004
<b>Loans and Advances</b>					
Loans and advances to wholly owned subsidiaries	26,664,551		28,711,538		25,568,488
Loans and advances from wholly owned subsidiaries	4,749,315		—		2,318,850
<b>Debtors</b>					
Wholly owned subsidiaries	88,150,880		104,673,111		60,500,385
<b>Service income accrued but not due</b>					
Wholly owned subsidiaries	818,632		—		1,290,286
<b>Interest income accrued but not due</b>					
Wholly owned subsidiaries	386,615		179,281		90,950
	Quarter ended 30 September 2004	2003	Half Year ended 30 September 2004	2003	Year ended 31 March, 2004
<b>9. Legal and professional includes payment to auditors</b>					
- Audit fees (includes service tax)	220,400	108,000	652,400	464,400	1,220,400
- Other services	55,100	86,400	55,100	86,400	158,200
- Out of pocket expenses	39,100	34,400	91,600	73,250	143,880
<b>Total</b>	<b>314,600</b>	<b>228,800</b>	<b>799,100</b>	<b>624,050</b>	<b>1,522,480</b>
<b>10. CIF value of imports</b>					
Capital goods	8,044,387	777,516	9,474,791	1,241,807	3,577,811
Software package	1,142,536	—	—	—	10,116,921
<b>Total</b>	<b>9,186,923</b>	<b>777,516</b>	<b>9,474,791</b>	<b>1,241,807</b>	<b>13,694,732</b>
<b>11. Expenditure in foreign currency</b>					
Travel expenses	22,879,156	16,396,539	40,645,103	36,742,568	63,381,788
Professional and consultancy charges	65,667	1,029,057	1,582,726	3,403,953	7,596,988
Others	3,576,109	3,493,565	4,277,070	4,970,639	5,524,369
<b>Total</b>	<b>26,520,932</b>	<b>20,922,161</b>	<b>46,504,899</b>	<b>45,117,160</b>	<b>76,503,145</b>



## NUCLEUS SOFTWARE EXPORTS LTD.

	Quarter ended 30 September		Half Year ended 30 September		Year ended 31 March,
	2004	2003	2004	2003	2004
<b>12. Earnings in foreign currency</b>					
Income from software development services and products	125,469,603	103,736,021	234,588,440	185,412,004	415,941,357
Interest	213,787	3,535	413,303	8,290	1,426,940
<b>Total</b>	<b>125,683,390</b>	<b>103,739,556</b>	<b>235,001,743</b>	<b>185,420,294</b>	<b>417,368,297</b>
<b>13. Dividend remitted in foreign currency</b>					
<b>Amount remitted (net of tax)</b>					
Final dividend (2003)	-	-*	-	-*	-*
Final dividend (2004)	-*	-	-*	-	-
<b>Number of shares held</b>					
Final dividend (2003)	-	27,847	-	27,847	27,847
Final dividend (2004)	132,324	-	132,324	-	-
<b>Number of non-resident shareholders</b>					
Final dividend (2003)	-	31	-	31	31
Final dividend (2004)	98	-	98	-	-
* Dividend was remitted in Indian Rupees.					
<b>14. Earnings per share</b>					
Profit after taxation available to equity shareholders (Rupees)	14,751,160	23,214,891	31,870,334	41,143,448	103,488,245
Weighted average number of equity shares used in calculating basic earnings per share	16,084,116	15,864,248	16,073,522	15,843,389	15,899,180
Add: Effect of dilutive issue of shares	19,846	72,756	20,046	72,756	11,325
Weighted average number of equity shares used in calculating diluted earnings per share	16,103,962	15,937,004	16,093,368	15,916,145	15,910,505
Basic earnings per share (Rupees)	0.92	1.46	1.98	2.60	6.51
Diluted earnings per share (Rupees)	0.91	1.45	1.97	2.58	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. 6,684,486 (Rs. 36,566,299; 39,124,257).
  - b. Claim against the Company not acknowledged as debt Rs. 481,411 (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 2004. 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.** In October 2004, 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 the Indian arm of General Motors Acceptance Corporation.
- 18.** 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		Half Year ended		Year ended
	30 September		30 September		31 March,
	2004	2003	2004	2003	2004
Salaries and allowances	56,737,396	43,060,739	103,822,866	80,611,768	170,473,478
Contribution to provident and other funds	2,804,282	2,258,338	5,350,954	4,754,462	9,587,240
Directors' remuneration	781,000	1,421,000	1,761,000	2,476,000	6,320,000
Employee's stock compensation expenses	362,338	1,218,625	605,297	2,477,026	3,760,538
Staff welfare	1,158,063	1,269,078	2,611,650	2,942,338	6,508,190
Training and Recruitment	1,453,553	802,445	2,910,997	1,114,233	2,850,195
Software and other development charges	1,594,739	2,145,164	3,744,554	3,336,339	5,830,777
Cost of software purchased for delivery to clients	854,243	9,196,920	3,081,018	11,584,088	15,833,826
Travelling					
- Foreign	26,087,691	16,565,421	47,016,335	37,078,974	72,781,571
- Domestic	2,105,515	2,082,575	3,700,011	3,877,458	7,435,899
Conveyance	1,104,939	1,379,222	2,368,034	2,754,494	5,467,151
Communication	4,858,074	3,663,511	7,915,676	7,528,144	14,421,698
Rent, rates and taxes	2,721,793	2,583,651	5,351,016	5,013,470	10,378,686
Legal and professional	2,877,981	1,827,354	6,477,856	3,612,502	10,156,784
Consultancy charges	54,000	1,729,216	890,079	4,300,098	7,068,980
Power and fuel	5,245,748	2,956,382	8,726,888	6,046,856	10,176,619

**NUCLEUS SOFTWARE EXPORTS LTD.**

*(Amounts in Rupees)*

	Quarter ended 30 September		Half Year ended 30 September		Year ended 31 March,
	2004	2003	2004	2003	2004
Repair and maintenance					
- Building	73,634	52,025	101,042	169,534	288,966
- Others	947,695	737,745	1,671,732	1,509,656	3,108,780
Advertisement and business promotion	1,024,487	3,140,078	1,935,455	4,042,189	6,149,330
Conference, exhibition and seminar	811,615	137,886	1,087,570	524,516	1,918,739
IT expenses	307,004	613,194	1,548,144	1,030,274	2,684,153
Bad debts/advances/ other current assets written off	-	-	-	-	980,966
Commission on sales	1,817,309	-	1,984,359	-	2,923,188
Provision for doubtful debts	1,775,950	-	1,228,116	610,000	2,241,952
Printing and stationery	463,201	170,483	872,365	791,485	1,614,614
Loss on sale of fixed assets (net)	-	(154,464)	-	(154,464)	172,877
Insurance	257,040	271,602	546,299	466,145	986,972
Bank charges	205,403	82,791	370,946	122,802	377,943
Miscellaneous expenses	2,994,408	1,890,762	4,817,200	4,209,471	7,194,177
Public issue expenses written off	-	418,019	-	470,272	470,272
Preliminary expenses written off	-	14,462	-	18,077	18,077
	<b>121,479,101</b>	<b>101,534,223</b>	<b>222,497,459</b>	<b>193,318,206</b>	<b>390,182,638</b>

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

For and on behalf of the Board of Directors

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

**Vishnu R Dusad**  
*Managing Director*

**NOIDA (U.P.)**  
**16 October, 2004**

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

**Poonam Bhasin**  
*Company Secretary*



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

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**Basis of Preparation of the Financial Statements**

The accompanying financial statements for the quarter and half year ended September 30, 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 30 September 2004 (Unaudited)

All amounts in Rupees

Particulars	As at 30 September 2004	As at 30 September 2003	As at 31 March 2004
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	160,923,120	79,414,500	80,329,060
Share Application Money Pending Allotment	275,000	1,081,560	150,000
Reserves & Surplus	581,844,552	557,559,129	598,288,985
<b>TOTAL</b>	<b>743,042,672</b>	<b>638,055,189</b>	<b>678,768,045</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	407,225,453	245,024,102	248,890,843
Less: Accumulated Depreciation	152,061,698	123,816,640	138,112,014
Net Block	255,163,755	121,207,462	110,778,829
Add: Capital Work in Progress (including capital advances)	11,379,464	22,993,672	71,549,151
	266,543,219	144,201,134	182,327,980
<b>Investments</b>	357,926,373	244,284,010	345,153,799
<b>Deferred Tax Asset</b>	2,980,529	3,973,041	3,199,476
<b>Current Assets, Loans &amp; Advances</b>			
Sundry Debtors	187,004,878	179,092,532	130,723,713
Cash & Bank Balances	327,762,056	109,225,174	88,929,203
Loans & Advances	28,469,291	25,846,060	33,136,419
Other Current Assets	28,328,843	34,774,758	27,022,263
	571,565,069	348,938,524	279,811,598
<b>Less : Current Liabilities &amp; Provisions</b>			
Current Liabilities	436,804,806	88,357,624	93,263,470
Provisions	19,361,092	14,983,896	38,461,338
	456,165,899	103,341,520	131,724,808
<b>Net Current Assets</b>	115,399,170	245,597,004	148,086,790
<b>Miscellaneous Expenditure</b> (To the extent not written off or adjusted)	193,380	—	—
<b>TOTAL</b>	<b>743,042,671</b>	<b>638,055,189</b>	<b>678,768,045</b>



## NUCLEUS SOFTWARE EXPORTS LTD.

### Consolidated Profit and Loss Account for the quarter and half-year ended 30 September, 2004 (Unaudited)

All amounts in Rupees

Particulars	For the quarter ended		For the half year ended		For the year ended 31st March, 2004
	30 September, 2004	30 September, 2003	30 September, 2004	30 September, 2003	
					<b>(Audited)</b>
Sales and Services	241,555,215	203,371,111	450,149,913	385,133,713	800,906,672
Software Development Expenses	152,519,976	132,202,340	289,311,692	255,916,093	508,841,089
<b>Gross profit</b>	<b>89,035,239</b>	<b>71,168,771</b>	<b>160,838,221</b>	<b>129,217,620</b>	<b>292,065,583</b>
Selling and Marketing Expenses	21,592,886	20,657,591	37,191,883	38,998,351	78,208,350
General and Administration Expenses	19,902,896	14,254,082	33,129,113	27,771,193	61,366,330
<b>Operating Profit Before Finance Charges, Depreciation and Withholding Tax</b>	<b>47,539,458</b>	<b>36,257,098</b>	<b>90,517,225</b>	<b>62,448,076</b>	<b>152,490,903</b>
Finance Charges	—	—	—	13,697	13,697
Depreciation	7,555,886	7,995,148	14,000,622	17,073,231	32,426,483
Withholding Taxes Charged Off	10,868,170	7,513,180	19,090,782	12,907,911	32,841,653
<b>Operating Profit After Finance Charges, Depreciation and Withholding Tax</b>	<b>29,115,401</b>	<b>20,748,770</b>	<b>57,425,819</b>	<b>32,453,237</b>	<b>87,209,069</b>
Other Income	6,794,403	2,630,944	10,011,935	5,293,157	14,431,516
<b>Profit Before Taxation</b>	<b>35,909,803</b>	<b>23,379,714</b>	<b>67,437,754</b>	<b>37,746,394</b>	<b>101,640,585</b>
Provision for Tax - current	(2,394,423)	(1,379,799)	(3,959,084)	(3,109,724)	(5,412,009)
- deferred	349,195	(984,048)	(218,947)	1,822,510	1,048,938
Provision for Wealth Tax	—	—	—	—	(18,300)
<b>Profit After Taxation</b>	<b>33,864,576</b>	<b>21,015,867</b>	<b>63,259,723</b>	<b>36,459,180</b>	<b>97,259,214</b>
<b>Profit Available for Appropriation</b>	<b>33,864,576</b>	<b>21,015,867</b>	<b>63,259,723</b>	<b>36,459,180</b>	<b>97,259,214</b>
Profit for the Quarter/Year	33,864,576	21,015,867	63,259,723	36,459,180	97,259,214
Add: Balance Brought Forward	142,825,154	104,316,632	113,481,458	88,873,319	88,873,319
<b>Total Amount Available</b>	<b>176,689,730</b>	<b>125,332,499</b>	<b>176,741,181</b>	<b>125,332,499</b>	<b>186,132,533</b>
Final Dividend	—	—	—	—	20,078,515
Dividend Tax	—	—	51,451	—	2,572,560
Transferred to General Reserve	—	—	—	—	50,000,000
<b>Balance Carried Forward to Balance Sheet</b>	<b>176,689,730</b>	<b>125,332,499</b>	<b>176,689,730</b>	<b>125,332,499</b>	<b>113,481,458</b>
<b>Earnings Per Share (Equity shares, par value Rs. 10 each)</b>					
Basic	2.11	1.32	3.94	2.30	6.12
Diluted	2.10	1.32	3.93	2.29	6.11
<b>Number of Shares used in Computing Earning Per Equity Share</b>					
Basic	16,084,116	15,864,248	16,073,522	15,843,389	15,899,180
Diluted	16,103,962	15,937,004	16,093,368	15,916,145	15,910,505



## NUCLEUS SOFTWARE EXPORTS LTD.

### Consolidated Cash Flow Statement for the half-year ended 30 September 2004

All amounts in Rupees

	For the half-year ended 30 September 2004	For the half-year ended 30 September 2003	For the year ended 31 March 2004
<b>A. Cash flow from operating activities</b>			
Net profit before tax	67,437,754	37,746,395	101,640,586
<i>Adjustment for:</i>			
Depreciation	14,000,622	17,073,231	32,426,483
Exchange difference on translation of foreign currency accounts	822,296	1,613,768	47,161
Dividend income from investments	(644,628)	(707,098)	(1,562,012)
Interest income	(127,908)	(534,062)	(792,262)
Profit on sale of investments	(6,601,691)	(3,784,720)	(10,975,599)
Amortisation of employees compensation expenses	605,297	2,477,026	3,760,538
Interest expense	—	13,697	13,697
(Profit)/Loss on sale of fixed assets	95,171	(154,464)	172,877
Bad debts/advances written off	—	—	980,966
Provision for doubtful debts/advances	1,228,116	661,011	2,241,952
Provision for diminution in value of investments	—	64,769	—
Provision for gratuity and leave encashment	1,004,096	2,064,626	5,470,323
Miscellaneous expenditure written off	—	488,349	488,349
Operating profit before working capital changes	77,819,126	57,022,528	133,913,059
Decrease / (increase) in debtors	(57,093,751)	49,864,224	97,471,510
Decrease / (increase) in loans and advances	2,898,370	5,509,395	(187,651)
Decrease / (increase) in other current assets	(1,269,730)	(15,848,798)	(8,212,467)
(Decrease) / increase in current liabilities	330,325,785	15,254,108	20,447,225
	352,679,800	111,801,457	243,431,676
Direct taxes paid	180,962	(2,758,319)	(9,251,553)
<i>Net cash from operating activities (A)</i>	<b>352,860,761</b>	<b>109,043,138</b>	<b>234,180,123</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress	(86,001,399)	(22,976,891)	(76,596,157)
Sale of fixed assets	—	1,192,987	1,004,807
Purchase of investments (net)	(6,170,883)	(26,346,036)	(119,960,176)
Miscellaneous expenses	(193,380)	—	—
Interest received	94,330	291,148	665,512
Dividend received from investments	644,628	707,098	1,562,012
<i>Net cash used in investing activities (B)</i>	<b>(91,626,704)</b>	<b>(47,131,694)</b>	<b>(193,324,002)</b>
<b>C. Cash flow from financing activities</b>			
Repayment of loans	—	(389,293)	(389,293)
Interest paid	—	(13,697)	(13,697)
Dividend paid	(21,796,551)	(17,771,134)	(17,795,990)
Proceeds from employee stock option granted	196,000	403,200	1,683,584
Proceeds from share application money	265,000	—	—
<i>Net cash used in financing activities (C)</i>	<b>(21,335,551)</b>	<b>(17,770,924)</b>	<b>(16,515,396)</b>
Net increase in cash and cash equivalents	<b>239,898,505</b>	<b>44,140,520</b>	<b>24,340,725</b>
Cash and cash equivalents opening balance	<b>88,929,203</b>	<b>64,137,273</b>	<b>64,137,273</b>
Exchange difference on translation of foreign currency accounts	(1,065,653)	947,381	451,205
Cash and cash equivalent closing balance	<b>327,762,056</b>	<b>109,225,174</b>	<b>88,929,203</b>



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

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**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.

**INDUSTRY STRUCTURE AND DEVELOPMENT**

Software Industry continues to experience robust growth. Cutting edge technology and increase in use of emerging principles and methodologies have given desired impetus to the Software Industry globally.

Indian Software Companies continue to be export oriented with sales to overseas clients accounting for the bulk of the sector turnover. Several initiatives have been undertaken by the Software Industry in India to promote indigenously developed intellectual property. This would help the Companies in gaining technological prowess in handling complexities in development of products and better insight about the processes and methodologies. Software Companies envisage providing products and services that can be seamlessly integrated with the technological set up working at the client side.

**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.

The Company believes that quality on all fronts is critical in pursuit of excellence. Nucleus has undertaken a major six-sigma initiative to dramatically increase customer involvement and satisfaction and to eliminate product defects and reduce cycle time. This initiative would help the Company in streamlining organizational processes and increasing operational performance to gain competitive advantage.



## NUCLEUS SOFTWARE EXPORTS LTD.

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.
- 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 second consecutive year as one of the fastest growing companies in its "Top 250 Deloitte Touche Tohmatsu Asia Pacific Technology Fast 500-2004" 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 18% of revenue and from projects and professional services constituted 82% 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
	September 30, 2004	September 30, 2003	March 31, 2004
India	7.81%	17.25%	15.81%
Far East	52.41%	29.84%	37.43%
South East Asia	32.93%	41.98%	36.48%
Others	6.85%	10.93%	10.28%
Total	100.00%	100.00%	100.00%

### C. RISKS AND CONCERNS

#### 1. Business Risks

##### 1.1. Client concentration

The Company has added 2 new clients during the quarter and earned 77 % of its revenues from top five clients.



## NUCLEUS SOFTWARE EXPORTS LTD.

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

	Quarter Ended		Year Ended
	September 30, 2004	September 30, 2003	March 31, 2004
Active Clients	87	74	79
Clients added during the quarter/year	2	2	8
% of Revenue from the top-five clients	77%	65%	66%
Clients accounting for >10% of total 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 at	September 30, 2004	June 30, 2004	% change
	Rs.	Rs.	
USD	45.89	46.07	-0.39%
Japanese Yen	0.4148	0.4247	-2.33%
GBP	82.90	83.33	-0.52%
SGD	27.15	26.82	1.23%



## NUCLEUS SOFTWARE EXPORTS LTD.

### 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 284% and to total assets is 92%.

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

RATIO	Quarter Ended		Year Ended
	September 30, 2004	September 30, 2003	March 31, 2004
Operating cash flow as % of revenue	126.45%	31.27%	29.24%
Days of sale receivable	71	81	60
Cash and equivalents as % of assets	44.11%	17.12%	13.10%
Cash and equivalents as % of revenue	135.69%	53.71%	11.10%
Current investments as % of assets	48.17%	38.29%	50.85%
Current investments as % of revenue	148.18%	120.12%	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

During the quarter, the Share Capital of the Parent Company has increased from 8,031,406 Equity Shares of Rs.10/- each as on June 30, 2004 to 16,090,812 Equity Shares of Rs.10/- each as on September 30, 2004. The paid up Share Capital has simultaneously increased from Rs. 803.29 lacs as on June 30, 2004 to Rs.1609.23 lacs as on September 30, 2004 (Rs.794.15 lacs as on September 30, 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 is 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 September 30, 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 September 30, 2004 is given below:

Name of Subsidiary Company	As at Sept. 30, 2004		As at Sept. 30, 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., 219,000 equity shares of Aus\$ 1 each.	Aus\$	219,000	66.04	130,000	35.74
Virstra i-Technology Services Limited, India. 899,994 equity shares of Rs. 10 each.	INR	—	89.99	—	—

### 2. Retained Earnings

During the quarter ended September 30, 2004 Company earned consolidated net profit of Rs.338.65 lacs on a consolidated turnover of Rs.2415.55 lacs as against consolidated net profit of Rs.210.16 lacs on a consolidated turnover of Rs.2033.71 lacs for the quarter ended September 30, 2003.

The Reserves and Surplus of the Company including balance in the Profit and Loss Account is Rs.5818.45 lacs as on September 30, 2004 (Rs.5575.59 lacs as on September 30, 2003).

During the quarter an amount of Rs.804.54 lacs from the Securities Premium account, forming a part of Reserves and Surplus of the Company, were utilized for issue of 8,045,406 bonus shares of Rs.10/-each to the shareholders.

### 3. Fixed Assets

As at September 30, 2004, gross block of fixed assets including investment in technology assets was Rs.4072.25 lacs (Rs.2450.24 lacs as on September 30, 2003).

The net fixed assets after depreciation are Rs.2551.64 lacs as on September 30, 2004 compared to Rs.1212.07 lacs as on September 30, 2003.

During the quarter, the Company has capitalized a sum of Rs.1491.77 lacs on commencement of operations at the new state of the art facility in NOIDA, India.



#### **4. Investments**

Current investments of the Company, as on September 30, 2004 are Rs.3,579.26 lacs (Rs.2443.48 lacs as on September 30, 2003) and all of these are in low risk liquid mutual funds in India.

The Current Investments are:

- Rs.390.37 lacs in Alliance Cash Manager-Institutional-Growth,
- Rs.270.00 lacs in Templeton India Treasury Management-Growth,
- Rs.467.00 lacs in HDFC Cash Management Fund-Saving Plan-Growth,
- Rs.90.00 lacs in HSBC Cash Fund-Growth,
- Rs.500.10 lacs in HSBC Cash Fund-Institutional Plan-Dividend,
- Rs.50.00 lacs in Reliance Fixed Term Scheme-Annual lan-3-Growth,
- Rs.201.52 lacs in UTI Liquid Advantage Fund-Institutional Plan-Growth,
- Rs.200.04 lacs in Templeton India Treasury Management-Dividend,
- Rs.50.00 lacs in Birla FMP Yearly GR.14 Plan B-Growth,
- Rs.200.04 lacs in DSP Merrill Lynch Liquidity Fund-Dividend,
- Rs.500.05 lacs in Deutsche Insta Cash Plus Fund-Institutional Plan-Dividend,
- Rs.400.08 lacs in Birla Cash Plus- Institutional Plan-Dividend,
- Rs.260.06 lacs in Principal Cash Management Fund-Institutional Plan-Dividend.

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

#### **5. Sundry Debtors**

Sundry Debtors amount to Rs.1870.05 lacs (net of provision for bad and doubtful debts) as on September 30, 2004 (Rs.1790.93 lacs, net of provision for bad and doubtful debts, as on September 30, 2003).

The age profile of the debtors is given below:

As at	September 30, 2004	September 30, 2003
Less than 6 months	96.22%	96.69%
More than 6 months	3.78%	3.31%
Days of sales receivables	71	81

#### **6. Cash and Bank Balances**

*(Rs. in lacs)*

As at	September 30, 2004	September 30, 2003
Cash and cheques in hand	5.18	21.93
Balances with Bank		
—In Current Accounts	2,342.16	1,025.70
—In Fixed Deposit Account	930.28	44.62
Total	3,277.62	1,092.25

Cash and bank balance represent 44.11% and 17.12% of the total assets as on September 30, 2004 and September 30, 2003 respectively.



## **7. 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. 106.41 lacs as on September 30, 2004 (Rs.115.80 lacs as on September 30, 2003.)

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs.126.82 lacs as on September 30, 2004 (Rs.98.50 lacs as on September 30, 2003).

Prepaid expenses stood at Rs.51.46 lacs as on September 30, 2004 (Rs.44.16 lacs as on September 30, 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.

- (a) Loan of S \$ 200,000 equivalent to Rs.54.30 lacs, is outstanding on September 30, 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.
- (b) Loan of US\$ 157,500 equivalent to Rs.72.28 lacs, is outstanding on September 30, 2004 from the wholly owned subsidiary, Nucleus Software Inc. The loan was disbursed in installments in the last financial year at an interest rate of 3% over LIBOR with a repayment schedule of 5 equal installments starting from financial year 2004-05.

## **8. Current Liabilities**

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

The total amount of Sundry Creditors as on September 30, 2004 is Rs.953.04 lacs (Rs.645.75 lacs as on September 30, 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 September 30, 2004 is Rs.125.64 lacs (Rs.42.51 lacs as on September 30, 2003). The increase in Other liabilities is attributed to the increase in statutory obligations pertaining to TDS and other taxes.

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 September 30, 2004 is Rs.108.99 lacs (Rs.132.10 lacs as on September 30, 2003).

The amount of Unclaimed Dividend as on September 30, 2004 is Rs.11.68 lacs (Rs.2.81 lacs as on September 30, 2003).

Advances from customers as on September 30, 2004 is Rs.3,168.70 lacs (Rs.60.41 lacs as on September 30, 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.



## 9. Provisions

Provisions at Rs.193.61 lacs as on September 30, 2004 (Rs.149.84 lacs as on September 30, 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 September 30, 2004 is Rs.2,415.55 lacs as against Rs.2,033.71 lacs for the quarter ended September 30, 2003, representing an increase of 18.78%.

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:

Particulars	Rs. in lacs				
	2004	% of Revenue	2003	% of Revenue	Growth %
Employee and related costs	1,004.30	41.58	858.07	42.19	17.04
Travel Expenses	249.52	10.33	152.17	7.48	63.97
Cost of software purchased for delivery to clients	8.54	0.35	91.97	4.52	-90.71
Communication	43.44	1.80	33.78	1.66	28.60
Power and Fuel	42.25	1.75	24.61	1.21	71.68
Rent, rates and taxes	54.71	2.26	52.78	2.60	3.66
Consultancy Charges	32.78	1.36	32.62	1.60	0.49
Software and other development charges	16.32	0.68	21.45	1.05	-23.92
Legal and professional	19.86	0.82	7.58	0.37	162.01
Conveyance	8.82	0.37	9.69	0.48	-8.98
Training and recruitment	9.02	0.37	6.32	0.31	42.72
IT Expenses	3.35	0.14	7.54	0.37	-55.57
Repair and maintenance	8.99	0.37	8.99	0.44	0.00
Others	23.3	0.96	14.45	0.71	61.25
<b>Total Software Development Expenses</b>	<b>1,525.20</b>	<b>63.14</b>	<b>1,322.02</b>	<b>65.01</b>	<b>15.37</b>
<b>Revenue</b>	<b>2,415.55</b>	<b>100.00</b>	<b>2,033.71</b>	<b>100.00</b>	<b>18.78</b>

The Company incurred total software development expenses of Rs.1,525.20 lacs at 63.14% of revenue during the quarter ended September 30, 2004 against Rs.1,322.02 lacs at 65.01% 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 15.37% in absolute terms, whereas revenue has increased by 18.78%. The Gross Margin consequently increased from Rs.711.69 lacs to Rs.890.35 lacs representing an increase of 25.10%.



**2.2 Selling and Marketing Expenses**

Quarter ended September 30,

Particulars	Rs. in lacs				
	2004	% of Revenue	2003	% of Revenue	Growth %
Employee and related costs	79.87	3.31	100.39	4.94	-20.44
Travel Expenses	64.27	2.66	38.47	1.89	67.07
Advertisement and business promotion	12.69	0.53	30.86	1.52	-58.88
Commission on Sales	18.17	0.75	-	0.00	0.00
Communication	10.08	0.42	9.06	0.45	11.26
Conference, exhibition and seminar	8.03	0.33	3.17	0.16	153.31
Rent, rates and taxes	8.93	0.37	12.37	0.61	-27.81
Others	13.89	0.58	12.25	0.60	13.39
<b>Total Selling and Marketing Expenses</b>	<b>215.93</b>	<b>8.94</b>	<b>206.57</b>	<b>10.16</b>	<b>4.53</b>
<b>Revenue</b>	<b>2,415.55</b>	<b>100.00</b>	<b>2,033.71</b>	<b>100.00</b>	<b>18.78</b>

The Company incurred selling and marketing expenses at 8.94% of its revenue during the quarter ended September 30, 2004 against 10.16% during the corresponding quarter of previous year. In comparison to corresponding quarter of previous year, the selling and marketing expenses have increased by 4.53% in absolute terms.

**2.3 General and Administrative Expenses**

Quarter ended September 30,

Particulars	Rs. in lacs				
	2004	% of Revenue	2003	% of Revenue	Growth %
Employee and related costs	84.88	3.51	55.71	2.74	52.36
Travel Expenses	2.53	0.10	6.55	0.32	-61.37
Legal and Professional Charges	20.35	0.84	23.42	1.15	-13.11
Communication	12.18	0.50	11.73	0.58	3.84
Provision for Doubtful Debts	17.76	0.74	0.51	0.03	3382.35
Rent, rates and taxes	6.67	0.28	10.92	0.54	-38.92
Conveyance	2.94	0.12	3.95	0.19	-25.57
Printing and Stationary	5.06	0.21	1.99	0.10	154.27
Power and fuel	9.32	0.39	3.82	0.19	143.98
Consultancy Charges	2.04	0.08	1.99	0.10	2.51
Advertisement	0.47	0.02	2.00	0.10	-76.50
Training and Recruitment	7.92	0.33	1.32	0.06	500.00
Others	26.90	1.11	18.63	0.92	44.41
<b>Total General and Administrative Expenses</b>	<b>199.02</b>	<b>8.24</b>	<b>142.54</b>	<b>7.01</b>	<b>39.63</b>
<b>Revenue</b>	<b>2,415.55</b>	<b>100.00</b>	<b>2,033.71</b>	<b>100.00</b>	<b>18.78</b>

The Company incurred general and administrative expenses amounting to 8.24% of revenue during the quarter ended September 30, 2004 against 7.01% during the corresponding quarter of previous year.

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



## **NUCLEUS SOFTWARE EXPORTS LTD.**

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In comparison to corresponding quarter of previous year administrative and other expenses have increased by 39.63%.

### **3. Operating Profit**

During the quarter ended September 30, 2004, the Company earned consolidated operating profit (profit before interest, depreciation and withholding tax) of Rs.475.39 lacs representing 19.68% of revenue as compared with Rs.362.57 lacs representing 17.83% of revenue for the quarter ended September 30, 2003.

### **4. Depreciation**

Depreciation at Rs.75.56 lacs on fixed assets is 3.13% of the revenue for the quarter ended September 30, 2004 as against Rs.79.95 lacs, 3.93% of the revenue for the quarter ended September 30, 2003.

During the current quarter, the Company has partly 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 September 30, 2004 of Rs.108.68 lacs (Rs.75.13 lacs for the quarter ended September 30, 2003). These relate entirely to the Parent Company.

### **6. 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, etc.

Other income for the quarter ended September 30, 2004 is Rs.67.94 lacs against Rs.26.31 lacs for the quarter ended September 30, 2003.

### **7. Provision for Tax**

The Company has made a provision for current tax Rs.23.94 lacs (Rs.13.80 lacs for the quarter ended September 30, 2003); 0.99% of the revenue and written back Rs.3.49 lacs of deferred tax (Rs.9.84 lacs expense for the quarter ended September 30, 2003); 0.14% of the revenue for the quarter ended September 30, 2004.

### **8. Net Profit**

During the quarter ended September 30, 2004, Company has earned a net profit of Rs.338.65 lacs. (Rs.210.16 lacs for the quarter ended September 30, 2003) after provision for current income tax of Rs.23.94 lacs (Rs.13.80 lacs in the quarter ended September 30, 2003) and write back of deferred tax of Rs.3.49 lacs (Deferred tax expense of Rs.9.84 for the quarter ended September 30, 2003). The net profit represents 14.02% of revenue for the quarter ended September 30, 2004 as compared to 10.33% of revenue for the quarter ended September 30, 2003.



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**Additional Information to Shareholders**

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- |   |  |
|---|--|
| 1. Date of Incorporation  | 9th January, 1989  |
| 2. Registered Office  | 33-35, Thyagraj Nagar Market<br>New Delhi-110003<br>India  |
| 3. Listing on Stock Exchanges   | Nucleus shares are listed at<br><br>National Stock Exchange Association Ltd.<br>w.e.f December 19, 2002<br><br>The Stock Exchange, Mumbai<br>w.e.f November 6, 1995<br><br>The Madras Stock Exchange Limited<br>w.e.f November 2, 1995 |
| 4. Scrip Code (BSE)<br>(NSE)  | 531209<br>NUCLEUS  |
| 5. International Securities Identification<br>Number (ISIN code-NSDL and CDSL)  | INE096B01018   |
| 6. Registrar and Share Transfer Agents<br><br>Share transfers in physical form<br>and other communication regarding<br>Share Certificates, Dividend, Change<br>of address etc. may be addressed to: | RCMC Share Registry Private Limited<br>1515, 1st Floor, Bhisham Pitamah Marg<br>Kotla Mubarkpur<br>Near South Extension<br>Delhi-110003  |
| 7. Financial Calendar<br>(tentative and subject to change)  |  |
| Financial reporting for the first quarter<br>ending June 30, 2004.  | July 22, 2004  |
| Financial reporting for the second quarter<br>ending September 30, 2004.  | October 16, 2004   |
| Financial reporting for the third quarter<br>ending December 31, 2004.  | between 20th to 31st of January, 2005  |
| Financial results for the year ending<br>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 at Pune.

The new facility at Sector 62, NOIDA, India is complete and fully operational now. The facility can 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
July-04	99.00	119.00	92.25	115.45	59,197	98.30	120.00	95.00	116.00	282,055
August-04	113.60	139.85	52.75	58.80	139,806	115.25	125.00	52.65	58.15	441,509
Sept.-04	57.50	83.00	57.00	80.65	742,002	58.00	82.50	57.50	79.70	1,733,079

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

### 10. Share Transfer System

The Company at its registered office address or at the address of the Registrar 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 certificates 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 Participants (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 91.22% of the paid up share capital as at September 30, 2004.

11. Increase in Share Capital

During the quarter, the Share Capital of the Company has increased from 8,031,406 Equity Shares of Rs.10/- each as on June 30, 2004 to 16,090,812 Equity Shares of Rs.10/- each as on September 30, 2004. The paid up Share Capital has simultaneously increased from Rs. 803.29 lacs as on June 30, 2004 to Rs.1609.23 lacs as on September 30, 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, 2004, the record date. The issue of bonus shares is 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-1999 ( ESOP 1999) 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 (ESOP-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 14,000 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.

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

The Company has attended to most of the investors' grievances/correspondence within a period of 10 days from the date of receipt of the same, during the quarter from July 1, 2004 to September 30, 2004.



## NUCLEUS SOFTWARE EXPORTS LTD.

### 14. Legal Proceedings

There are no pending legal proceedings against the Company.

### 15. Distribution of Shareholding

No. of equity shares held	As on September 30, 2004				As on September 30, 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	2,404	34.71	140,244	0.87	1,983	40.19	113,174	1.43
101 - 200	1,419	20.49	269,413	1.67	1,585	32.12	250,583	3.16
201 - 500	1,777	25.66	598,190	3.72	804	16.30	284,085	3.58
501 - 1000	749	10.82	555,653	3.45	294	5.96	219,658	2.77
1001 - 5000	464	6.70	968,538	6.02	202	4.09	389,189	4.90
5001 - 10000	50	0.70	351,919	2.19	22	0.45	166,217	2.09
10001 and above	62	0.92	13,206,855	82.08	44	0.89	6,517,044	82.07
Total	6,925	100.00	16,090,812	100.00	4,934	100.00	7,939,950	100.00

The Company has 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 14,000 fully paid up Equity Shares to employees in pursuance of stock options exercised by them.

Shareholders approved Bonus Issue at the Annual General Meeting held on July 8, 2004. The Bonus Shares were allotted on August 10, 2004 and have admitted for trading. Consequently the total number of issued equity shares have increased from 8,031,406 as on June 30, 2004 to 16,090,812 Equity Shares as on September 30, 2004.

### 16. Categories of Shareholders

Category	As on September 30, 2004			As on September 30, 2003		
	No. of share-holders	Voting Strength (%)	No. of shares held	No. of share-holders	Voting Strength (%)	No. of shares held
Individuals	6,373	28.20	4,537,321	4,616	27.90	2,214,687
Companies	438	50.01	8,049,414	275	51.53	4,091,213
OCBs and NRIs	99	1.53	245,759	28	0.31	24,991
Directors/relatives	13	20.25	3,257,718	13	20.26	1,608,759
Mutual funds, Banks, FI's	2	0.01	600	2	0.00	300
Total	6,925	100.00	16,090,812	4,934	100.00	7,939,950

### 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



## NUCLEUS SOFTWARE EXPORTS LTD.

### 18. Major Shareholders of the Company

The following table sets forth the information regarding the ownership of the equity shares as on September 30, 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	1,932,420	12.01
Arun Jain and Associates	Equity	981,330	6.10

### 19. Employee Strength of Nucleus :

Nucleus employed 790 people as on September 30, 2004 as compared to 711 people on September 30, 2003.

The distribution of the employees is:

As at	September 30, 2004		September 30, 2003	
Technical Staff	650	88.09%	631	88.75%
Non-Technical Staff including Business Development Group	140	11.91%	80	11.25%

The gender classification of employees is:

Male	648	82.77%	591	83.12%
Female	142	17.23%	120	16.88%
Total	790	100.00%	711	100.00%

The age profile of employees is:

As at	September 30, 2004		September 30, 2003	
Between 20 and 25 years	141	19.00%	142	19.97%
Between 26 and 30 years	412	55.56%	397	55.84%
Between 31 and 40 years	214	22.70%	153	21.52%
Between 41 and 50 years	19	2.41%	16	2.25%
Between 51 and 60 years	4	0.33%	3	0.42%
Total	790	100.00%	711	100.00%

### 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.**

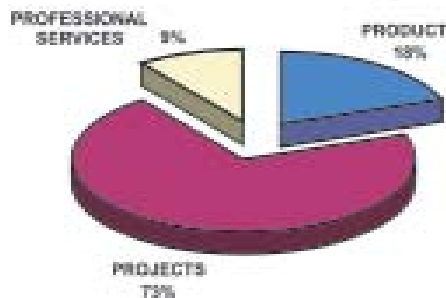
**Consolidated Segment Information of Nucleus Software Group**

*Figure in Rs. Lakhs*

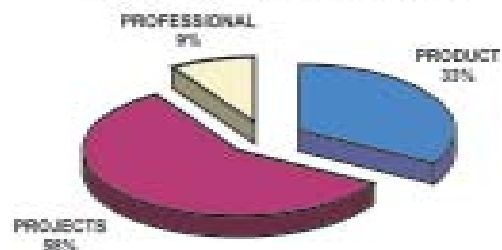
REVENUE BY	Quarter Ended		Half-Year Ended		Year Ended	
	Sept. 30, 2004	% of Revenue	Sept. 30, 2004	% of Revenue	March 31, 2004	% of Revenue
<b>GEOGRAPHICAL SEGMENTS</b>						
India	188.74	7.81	401.55	8.93	1,266.62	15.81
Far East	1,266.05	52.41	2,246.26	49.90	2,998.04	37.43
South East Asia	795.50	32.93	1,484.45	32.98	2,921.61	36.48
Europe/U.K.	30.33	1.26	62.32	1.38	150.32	1.88
USA & Canada	56.21	2.33	129.37	2.87	353.92	4.42
Rest of the World	78.72	3.26	177.55	3.94	318.56	3.98
<b>Total</b>	<b>2,415.55</b>	<b>100.00</b>	<b>4,501.50</b>	<b>100.00</b>	<b>8,009.07</b>	<b>100.00</b>
<b>CURRENCY SEGMENTS</b>						
US\$	1,572.34	65.09	2,870.83	63.77	3,469.78	43.32
Sing\$	279.00	11.56	460.27	10.22	2,098.61	26.20
Japanese Yen	364.30	15.08	721.72	16.04	1,003.54	12.53
Great Britain Pound	11.17	0.46	43.15	0.96	150.32	1.88
Indian Rupee	188.74	7.81	401.55	8.92	1,248.62	15.59
Oman Riyal	—	—	3.98	0.09	38.20	0.48
<b>Total</b>	<b>2,415.55</b>	<b>100.00</b>	<b>4,501.50</b>	<b>100.00</b>	<b>8,009.07</b>	<b>100.00</b>
<b>BUSINESS SEGMENTS</b>						
Product	435.18	18.02	843.47	18.74	2,658.58	33.19
Projects	1,752.42	72.54	3,219.82	71.53	4,637.50	57.90
Professional Services	227.95	9.44	438.21	9.73	712.99	8.90
<b>Total</b>	<b>2,415.55</b>	<b>100.00</b>	<b>4,501.50</b>	<b>100.00</b>	<b>8,009.07</b>	<b>100.00</b>

**BUSINESS SEGMENT**

**QUARTER ENDED SEPT. 30, 2004**



**YEAR ENDED MARCH 31, 2004**





**Ratio-Analysis**

Particulars	CONSOLIDATED PERFORMANCE				
	Quarter ended		Half Year Ended		Year ended
	September 30 2004	September 30 2003	September 30 2004	September 30 2003	March 31 2004
<b>Ratios-Financial Performance</b>					
Export Revenue/Revenue (%)	90.53%	82.83%	90.19%	81.71%	84.43%
Domestic Revenue/Revenue (%)	9.47%	17.17%	9.81%	18.29%	15.57%
Software Development Expenses/Revenue (%)	63.14%	65.01%	64.27%	66.45%	63.53%
Selling and Marketing Expenses/Revenue (%)	8.94%	10.16%	8.26%	10.13%	9.76%
General and Administrative Expenses/Revenue (%)	8.24%	7.01%	7.36%	7.21%	7.66%
Total Operating Expenses/Revenue (%)	80.32%	82.17%	79.89%	83.79%	80.96%
Depreciation/Revenue (%)	3.13%	3.93%	3.11%	4.43%	4.05%
Other Income/Revenue (%)	2.81%	1.29%	2.22%	1.37%	1.80%
Tax/Revenue (%)	0.85%	1.16%	0.93%	0.33%	0.55%
Tax/PBT (%)	5.69%	10.11%	6.20%	3.41%	4.31%
PAT from Ordinary Activities/Revenue (%)	11.21%	9.04%	11.83%	8.09%	10.34%
PAT from Ordinary Activities/Net Worth (%)	3.65%	2.89%	7.17%	4.89%	12.21%
ROCE (PBIT/Average Capital Employed) (%)	4.95%	3.73%	9.29%	6.03%	15.92%
ROANW (PAT/Average Net Worth) (%)	4.67%	3.36%	8.72%	5.83%	15.25%
<b>Ratios Balance Sheet</b>					
Debtors Turnover (Days)	71	81	76	85	60
Asset Turnover Ratio	0.33	0.32	0.61	0.60	1.18
Current Ratio	1.25	3.38	1.25	3.38	2.12
Cash and Equivalents/Total Assets (%)	44.11%	17.12%	44.11%	17.12%	13.10%
Cash and Equivalents/Revenue (%)	135.69%	53.71%	72.81%	28.36%	11.10%
Depreciation/Average Gross Block (%)	2.29%	3.28%	4.24%	7.01%	13.26%
Technology Investment/Revenue (%)	4.66%	1.64%	3.31%	0.87%	1.05%
<b>Ratios-Growth</b>					
Growth in Export Revenue (%)	29.81%	-10.34%	29.01%	-19.80%	-13.20%
Growth in Revenue (%)	18.78%	-2.75%	16.88%	-11.32%	-9.84%
Operating Expenses Growth (%)	16.10%	-13.35%	11.45%	-11.90%	-10.95%
Operating Profit Growth (%)	31.12%	123.07%	44.95%	-8.19%	-4.79%
<b>Per-Share Data (Period End)</b>					
Earning Per Share from Ordinary Activities (Rs.)	1.68	1.16	3.31	1.96	5.16
Earning Per Share (Including Extraordinary Items) (Rs.)	2.10	1.32	3.93	2.30	6.05
Cash Earning Per Share from Ordinary Activities (Rs.)	2.15	1.66	4.18	3.04	7.18
Cash Earning Per Share (Including Extraordinary Items) (Rs.)	2.57	1.83	4.80	3.37	8.09
Book Value (Rs.)	46.15	40.11	46.15	40.11	42.25
Price/Earning (Annualised)	9.47	8.31	10.14	9.58	6.34
Price/Cash Earning (Annualised)	7.74	6.02	8.30	6.52	4.75
Price/Book Value	1.73	1.10	1.73	1.10	0.91

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

