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

Rs. in lacs, except per equity share data

	CONSOLIDATED PERFORMANCE				
	Quarter Ended		Nine-Months Ended		Year Ended
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002	March 31, 2003
For the Period					
Total Revenue	1,904.20	2,252.26	5,807.82	6,631.50	8,979.04
Operating Profit (PBIDT)	348.76	377.66	1,026.17	1,094.29	1,678.52
Profit After Tax (PAT)	173.08	213.14	537.68	540.05	841.00
PBIDT as a % of Total Revenue	18.32%	16.77%	17.67%	16.50%	18.69%
PAT as a % of Total Revenue	9.09%	9.46%	9.26%	8.14%	9.37%
EPS	2.18	2.69	6.78	6.83	10.63
Dividend Per Share	—	—	—	—	2.00
At the end of the Period					
Total Assets			6,574.60	5,887.65	5,991.05
Net Fixed Assets			1,548.61	1,544.63	1,393.36
Current Assets			2,902.02	3,619.86	3,463.55
Cash & Cash Equivalents			1,058.87	1,317.83	641.37
Working Capital			2,057.37	2,566.25	2,429.12
Total Debts			—	25.08	3.89
Net Worth			6,554.16	5,838.64	5,968.58
Share Capital			794.15	791.27	791.27
Reserves & Surplus			5,760.02	5,053.55	5,182.20
Market Capitalisation			11,250.91	9,521.07	5,185.76
No. of Shareholders			6,115	4,294	4,521
No. of Shares (Face Value of Rs. 10.00)			7,939,950	7,911,150	7,911,150

Notes:

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

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



NUCLEUS SOFTWARE EXPORTS LTD.

FINANCIAL HIGHLIGHTS

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

	CONSOLIDATED PERFORMANCE				
	Quarter Ended		Nine-Months Ended		Year Ended
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002	March 31, 2003
For the Period					
Total Revenue	4,180	4,727	12,748	13,917	19,027
Operating Profit (PBIDT)	765	793	2,252	2,297	3,557
Profit After Tax (PAT)	380	447	1,180	1,133	1,782
PBIDT as a % of Total Revenue	18.32%	16.77%	17.67%	16.50%	18.69%
PAT as a % of Total Revenue	9.09%	9.46%	9.26%	8.14%	9.37%
EPS	0.05	0.06	0.15	0.14	0.23
Dividend Per Share	—	—	—	—	0.04
At the end of the Period					
Total Assets			14,431	12,356	12,696
Net Fixed Assets			3,399	3,242	2,953
Current Assets			6,370	7,597	7,340
Cash & Cash Equivalents			2,324	2,766	1,359
Working Capital			4,516	5,386	5,148
Total Debts			—	53	8
Net Worth			14,386	12,253	12,648
Share Capital			1,743	1,661	1,677
Reserves & Surplus			12,643	10,606	10,982
Market Capitalisation			24,695	19,981	10,989

Notes:

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

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



Letter to the Shareholders

Dear Shareholder

I am pleased to communicate and share the financial results for Q3 of FY 2004.

Consolidated Revenue for Q3 of FY 2004 stood at Rs.18.75 crore against Rs. 22.44 crore for Q3 of FY 2003, a decline of 16%. Revenue for the nine months of FY 2004 stood at Rs 57.26 crore against Rs. 65.87 crore for the nine months of FY 2003. For the nine months of FY 2004, consolidated revenue has decreased by 13% over the same period in the previous year. Though developments like SARS and uncertainties in the gulf region due to Gulf war have impacted the conversion of product orders in our strategic business regions i.e. South East Asia and Middle East, we are confident of closing some big orders in the next quarter.

With constant monitoring and control of costs, total operating expenses were significantly lower at Rs. 15.55 crore for Q3 of FY 2004 against Rs.18.75 crore for Q3 of FY 2003. Consequently, consolidated net profit for Q3 of FY 2004 stood at Rs.1.73 crore against Rs. 2.13 crore for Q3 of FY 2003. Net Profit for nine months of FY 2004 stood at Rs.5.38 crore against Rs.5.40 crore in the same period for the previous year.

Earning per share stood at Rs. 2.18 for Q3 of FY 2004 against Rs.2.69 for Q3 of FY 2003 and Rs.6.78 for the nine months of FY 2004 against Rs.6.83 for the same period previous year.

I am happy to communicate that despite a drop in revenue, operating cash flow for the nine-month period of FY 2004 stood at Rs.16.96 crore is significantly higher than Rs. 7.87 crore for the same period last year. Our cash and bank balances plus current investments continue to post a healthy growth to Rs. 39.85 crore on December 31, 2003 as against Rs. 30.82 crore on December 31, 2002 and Rs. 35.35 crore on September 30, 2003. These cash reserves give us tremendous stability and allow us to make long-term investments in our people, methodology, functionality, technology and geographic reach.

During the quarter we have added 3 major clients, taking our client base to 77.

Our subsidiary Nucleus Software Solutions Pte Ltd. in Singapore has made significant progress in being assessed at SW-CMM Level 5 based on Capability Maturity model (CMM) developed by Carnegie Mellon University's Software Engineering Institute.

To reinforce our commitment to improve quality of business processes and methodologies, we have launched six-sigma initiative in this quarter.

We are honored at Nucleus being recognized as the No. 1 Consecutive Two Years fastest Growing Company in India and 29th Consecutive Two Years Fastest Growing Company in Asia Pacific in Deloitte Touche Tohmatsu Asia Pacific Technology Fast 500-2004 list.

We continue to strive towards satisfying our customers by evolving and delivering world-class products and services in the BFSI vertical.

We thank you for your continued support and faith in us,

Sincerely,

Vishnu R Dusad
Managing Director

January 17, 2004



NUCLEUS SOFTWARE EXPORTS LTD.

Auditors' Report

To the Board of Directors
Nucleus Software Exports Ltd.

As required by you, we have audited the attached Balance Sheet of Nucleus Software Exports Ltd. ("the Company") as at 31 December 2003, Profit and Loss Account for the quarter and nine months ended 31 December 2003 and also the Cash Flow Statement of the Company for the nine months ended 31 December 2003, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We report that:

- a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of the books;
- c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable; and
- e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2003;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the quarter and nine month ended 31 December 2003; and
 - (iii) in the case of Cash Flow Statement, of the cash flows of the Company for the nine months ended 31 December 2003.

for **Bharat S Raut & Co.**
Chartered Accountants

Place : Gurgaon
Date : January 17, 2004

Sd/-
Akhil Bansal
Partner



NUCLEUS SOFTWARE EXPORTS LTD.

Balance Sheet as at 31 December 2003

All amounts in Rupees

Particulars	Schedule	As at 31 December 2003	As at 31 December 2002	As at 31 March 2003
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	79,414,500	79,126,500	79,126,500
Share application money pending allotment		2,043,944	1,369,560	1,369,560
Reserves & Surplus	2	560,288,760	480,093,595	498,633,043
		641,747,204	560,589,655	579,129,103
Loan Funds				
Secured Loans	3	—	2,508,000	389,293
		—	2,508,000	389,293
Deferred Tax Liability (Refer note 3, Schedule 19)				
		—	284,711	—
TOTAL		641,747,204	563,382,366	579,518,396
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	4	223,033,893	218,067,474	217,531,435
Less: Accumulated depreciation		115,650,384	80,213,871	96,139,236
Net block		107,383,509	137,853,603	121,392,199
Add: Capital work in progress (including capital advances)		39,227,300	4,329,818	6,636,851
		146,610,809	142,183,421	128,029,050
Investments	5	333,548,636	217,957,914	255,116,871
Deferred Tax Asset (Refer note 3, Schedule 19)		4,529,216	—	2,467,451
Current Assets, Loans & Advances				
Sundry Debtors	6	134,332,195	176,643,290	175,586,904
Cash & Bank Balances	7	25,250,657	29,288,622	23,599,082
Loans & Advances	8	48,829,200	50,373,209	50,582,641
Other Current Assets	9	23,150,213	26,894,627	18,893,111
		231,562,265	283,199,748	268,661,738
Less : Current Liabilities & Provisions				
Current Liabilities	10	64,481,828	74,438,202	49,913,637
Provisions	11	10,021,894	6,064,731	25,331,426
		74,503,722	80,502,933	75,245,063
Net Current Assets		157,058,543	202,696,815	193,416,675
Miscellaneous Expenditure (To the extent not written off or adjusted)	12	—	544,216	488,349
TOTAL		641,747,204	563,382,366	579,518,396

Notes to the accounts 19

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

As per our report of even date

For Bharat S Raut & Co.
Chartered Accountants

Akhil Bansal
Partner
Gurgaon
17 January, 2004

NOIDA (U.P.)
17 January, 2004

For and on behalf of the Board of Directors

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

P K Sanghi
Chief Financial Officer

Vishnu R Dusad
Managing Director
Poonam Bhasin
Company Secretary



NUCLEUS SOFTWARE EXPORTS LTD.

Profit and Loss Account for the quarter and nine months ended 31 December, 2003

All amounts in Rupees

Particulars	Schedule	For the quarter ended		For the nine months ended		For the year ended 31st March, 2003
		31 December, 2003	31 December, 2002	31 December, 2003	31 December, 2002	
Income						
Sales and services	13	118,507,050	146,796,720	374,634,508	435,122,442	607,217,233
Other income	14	5,158,594	871,174	10,605,620	4,175,087	7,316,181
Total		123,665,644	147,667,894	385,240,128	439,297,529	614,533,414
Expenditure						
Personnel expenses	15	48,138,077	47,568,516	141,299,670	138,363,243	190,929,161
Administrative and other expenses	16	14,786,360	14,041,387	40,770,181	48,131,469	57,970,096
Operating expenses	17	29,240,933	55,412,794	103,348,957	166,394,445	217,257,718
Finance charges	18	—	121,176	13,697	1,547,314	1,716,320
Depreciation	4	6,382,155	2,767,214	20,460,656	10,795,115	31,628,562
(Refer note 2(vi), Schedule 19)						
Withholding taxes charged off		8,859,497	7,788,578	21,767,408	23,006,515	27,740,229
Total		107,407,022	127,699,665	327,660,569	388,238,101	527,242,086
Profit before tax and prior period adjustments		16,258,622	19,968,229	57,579,559	51,059,428	87,291,328
Prior period adjustments on account of withholding tax		—	—	—	(14,897,989)	(14,897,989)
Other prior period adjustments (Refer note 15, Schedule 19)		—	—	—	3,890,515	3,890,515
Profit before taxation		16,258,622	19,968,229	57,579,559	40,051,954	76,283,854
Provision for tax - current		—	(3,000,000)	(2,000,000)	(6,950,000)	(10,822,429)
- deferred		239,255	345,575	2,061,765	5,339,415	8,091,577
Profit after taxation		16,497,877	17,313,804	57,641,324	38,441,369	73,553,002
Profit available for appropriation		16,497,877	17,313,804	57,641,324	38,441,369	73,553,002
Profit for the period/year		16,497,877	17,313,804	57,641,324	38,441,369	73,553,002
Add: Balance brought forward		110,430,086	134,710,734	69,286,639	113,583,169	113,583,169
Total amount available		126,927,963	152,024,538	126,927,963	152,024,538	187,136,171
Final dividend		—	—	—	—	15,822,300
Dividend tax		—	—	—	—	2,027,232
Transferred to general reserve		—	—	—	—	100,000,000
Balance carried forward to schedule 2		126,927,963	152,024,538	126,927,963	152,024,538	69,286,639
Earnings per share (Equity shares, par value Rs. 10 each)						
(Refer note 14, Schedule 19)						
Basic		2.08	2.19	7.27	4.86	9.30
Diluted		2.05	2.15	7.16	4.78	9.15
Number of shares used in computing earning per share						
Basic		7,939,950	7,911,150	7,927,697	7,911,150	7,911,150
Diluted		8,047,238	8,049,918	8,047,815	8,038,721	8,041,035

Notes to the accounts 19

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

As per our report of even date

For Bharat S Raut & Co.
Chartered Accountants

For and on behalf of the Board of Directors

Akhil Bansal
Partner

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

Vishnu R Dusad
Managing Director

Gurgaon
17 January, 2004

NOIDA (U.P.)
17 January, 2004

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary

**NUCLEUS SOFTWARE EXPORTS LTD.****Cash Flow Statement for the nine months ended 31 December 2003**

All amounts in Rupees

	For the nine months ended 31 December 2003	For the nine months ended 31 December 2002	For the year ended 31 March 2003
A. Cash flow from operating activities			
Net profit before tax	57,579,559	40,051,954	76,283,854
<i>Adjustment for:</i>			
Depreciation	20,460,656	10,795,115	31,628,562
Exchange difference on translation of foreign currency accounts	921,867	1,366,221	1,867,708
Dividend income from investments	(1,052,056)	(1,302,591)	(1,302,591)
Interest income	(1,710,038)	(1,796,555)	(2,061,802)
Profit on sale of investments	(7,365,930)	(993,847)	(3,852,619)
Amortisation of employees compensation expenses	3,594,193	3,144,242	4,421,589
Interest expense	13,697	1,547,314	1,716,320
(Profit)/Loss on sale of fixed assets	222,110	98,951	567,452
Loss on assets discarded	—	5,371,544	2,169,565
Bad debts/advances written off	15,966	—	7,309,944
Provision for doubtful debts/advances	786,816	24,561,390	21,097,446
Provision for gratuity and leave encashment	2,540,000	2,155,787	3,572,950
Miscellaneous expenditure written off	488,349	167,605	223,472
Operating profit before working capital changes	76,495,189	85,167,130	143,641,850
Decrease / (increase) in debtors	39,967,822	8,689,641	8,494,464
Decrease / (increase) in loans and advances	(1,751,840)	(15,935,887)	14,264,578
Decrease / (increase) in other current assets	(3,395,129)	(26,737,455)	(18,433,249)
(Decrease) / increase in current liabilities	14,511,949	43,923,097	18,006,092
	125,827,991	95,106,526	165,973,735
Direct taxes paid	(3,217,737)	(4,999,451)	(9,214,776)
<i>Net cash from operating activities (A)</i>	122,610,254	90,107,075	156,758,959
B. Cash flow from investing activities			
Purchase of fixed assets/capital work in progress	(40,775,659)	(20,832,455)	(23,484,655)
Sale of fixed assets	1,511,135	449,364	495,660
Purchase of investments (net)	(71,065,836)	(12,092,372)	(46,392,557)
Investment in subsidiaries	—	(4,193,485)	(4,193,485)
Loan and advances to subsidiaries	3,846,223	—	(33,258,510)
Interest received	848,066	1,796,555	1,759,112
Dividend received from investments	1,052,056	1,302,591	1,302,591
<i>Net cash used in investing activities (B)</i>	(104,584,015)	(33,569,802)	(103,771,844)
C. Cash flow from financing activities			
Repayment of loans	(389,293)	(37,812,310)	(39,931,017)
Interest paid	(13,697)	(1,547,314)	(1,716,320)
Dividend paid	(17,793,290)	(7,911,150)	(7,858,401)
Proceeds from employee stock option granted	403,200	—	—
Proceeds from share application money and forfeiture of shares	979,384	592,000	592,000
<i>Net cash used in financing activities (C)</i>	(16,813,696)	(46,678,774)	(48,913,738)
Net increase in cash and cash equivalents	1,212,543	9,858,499	4,073,377
Cash and cash equivalents opening balance	23,599,082	19,232,499	19,232,499
Exchange difference on translation of foreign currency accounts	439,032	197,624	293,206
Cash and cash equivalent closing balance	25,250,657	29,288,622	23,599,082

As per our report of even date

For Bharat S Raut & Co.
Chartered AccountantsAkhil Bansal
Partner
Gurgaon
17 January, 2004NOIDA (U.P.)
17 January, 2004

For and on behalf of the Board of Directors

Lt. Gen. T P Singh (Retd.)
Chairman
P K Sanghi
Chief Financial OfficerVishnu R Dusad
Managing Director
Poonam Bhasin
Company Secretary



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2003	As at 31 December 2002	As at 31 March 2003
SCHEDULE—1			
SHARE CAPITAL			
Authorised Capital			
20,000,000 (20,000,000; 20,000,000) equity shares of Rs. 10 each	200,000,000	200,000,000	200,000,000
Issued, subscribed and paid up			
Issued			
7,942,750 (7,913,950; 7,913,950) equity shares of Rs. 10 each	79,427,500	79,139,500	79,139,500
Subscribed and paid up			
7,939,950 (7,911,150; 7,911,150) equity shares of Rs. 10 each, fully paid up	79,399,500	79,111,500	79,111,500
Of the above:			
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
	79,414,500	79,126,500	79,126,500
SCHEDULE—2			
RESERVES AND SURPLUS			
General Reserve			
Balance brought forward	191,454,695	91,454,695	91,454,695
Add: Transferred from profit and loss account	—	—	100,000,000
	191,454,695	91,454,695	191,454,695
Securities premium account			
Balance brought forward	230,198,361	230,198,361	230,198,361
Add: Adjusted on conversion of stock option issued to employees	1,440,000	—	—
	231,638,361	230,198,361	230,198,361
Capital reserve account			
Balance brought forward	1,463,030	1,435,250	1,435,250
Add: Amount forfeited against employees stock option plan and preferential issue of equity shares	17,000	27,780	27,780
	1,480,030	1,463,030	1,463,030
Employee stock options			
Balance brought forward	10,288,624	3,830,436	3,830,436
Add: Options granted during the period/year	—	6,608,200	6,608,200
Less: Reversal on forfeiture of stock options granted	91,800	150,012	150,012
Less: Transferred to securities premium on exercise of stock option	1,036,800	—	—
	9,160,024	10,288,624	10,288,624
Less: Deferred employee compensation	(372,313)	(5,335,653)	(4,058,306)
	8,787,711	4,952,971	6,230,318
Profit and loss account balance	126,927,963	152,024,538	69,286,639
	560,288,760	480,093,595	498,633,043



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2003	As at 31 December 2002	As at 31 March 2003
SCHEDULE—3			
SECURED LOANS			
Deferred payment credits (refer note 1 below)			
—For vehicles			
—From banks	—	1,560,332	—
—From others	—	188,288	—
—For other assets			
—From others	—	759,380	389,293
	—	2,508,000	389,293

Note:

1. Secured by hypothecation of vehicles/assets acquired under the credits.



Schedules forming part of the financial statements

**SCHEDULE—4
FIXED ASSETS (refer note 2 (vi), schedule 19)**

Particulars	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK			
	As at 1 April, 2003	Additions	Deductions/ Adjustments	As at 31 Dec., 2003	As at 1 April, 2003	Depreciation for the period/year	Deduction/ Adjustments	As at 31 Decem- ber, 2003	As at 31 Decem- ber, 2002	As at 31 March, 2003
Land and building	6,397,441	—	—	6,397,441	1,198,000	160,505	—	5,038,936	5,246,052	5,199,441
Leasehold land	64,195,000	—	—	64,195,000	725,368	546,509	—	69,923,123	63,648,490	63,469,632
Office and other equipment	13,091,743	1,623,260	(112,235)	14,602,768	5,026,957	3,394,103	(7,684)	6,189,392	10,992,067	8,064,786
Computers	56,688,037	3,594,561	(943,200)	59,339,398	25,022,174	11,789,694	(9,228)	22,536,758	40,993,024	31,665,863
Vehicles	8,918,721	—	(1,264,223)	7,654,498	4,119,894	1,299,743	(830,961)	3,065,822	6,697,297	4,798,827
Furniture and fixtures	15,068,989	976,590	(363,095)	15,682,484	9,637,339	1,623,785	(101,635)	4,522,995	7,053,313	5,431,650
Software package	53,171,504	1,990,800	—	55,162,304	50,409,504	1,646,317	—	3,106,483	3,223,360	2,762,000
Total	217,531,435	8,185,211	(2,682,753)	223,033,893	96,139,236	20,460,656	(949,508)	107,383,509	137,853,603	121,392,199
Previous period	220,818,157	21,058,382	(23,809,045)	218,067,474	87,307,942	10,795,115	(17,889,186)	137,853,603		
Previous year	220,818,157	22,743,223	(26,029,945)	217,531,435	87,307,942	31,628,562	(22,797,268)	121,392,199		

Notes: 1. The Company is in the process of appointing a valuer for segregating the value of land and building.

2. The Company is in the process of transferring the title in respect of land and building amounting to Rs. 3,000,000 in its name.



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2003	As at 31 December 2002	As at 31 March 2003
SCHEDULE—5			
INVESTMENTS			
Long term investments			
Equity shares in subsidiaries - Non-trade and unquoted			
625,000 (625,000 ; 625,000) equity shares of SGD 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore, a wholly owned subsidiary	16,319,950	16,319,950	16,319,950
1,000,000 (1,000,000 ; 1,000,000) equity shares of USD 0.35 each, fully paid up, in Nucleus Software Inc., USA, a wholly owned subsidiary	16,293,150	16,293,150	16,293,150
200 (200 ; 200) equity shares of JPY 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaiga, Japan, a wholly owned subsidiary	4,092,262	4,092,262	4,092,262
130,000 (130,000; 130,000) equity shares of Aus \$ 1 each, fully paid up, in Nucleus Software (Australia) Pty. Ltd. Australia, a wholly owned subsidiary	3,573,600	3,573,600	3,573,600
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
	40,898,847	40,898,847	40,898,847
Investments in bonds and mutual funds - Non trade and unquoted			
Nil (28,756 ; 28,756) units of face value of Rs. 10 each of US 64 of Unit Trust of India	—	521,078	521,078
Nil (20,000 ; Nil) units of face value of Rs. 10 each of 20th Century	—	128,000	—
	—	649,078	521,078
Current investments			
Investments in bonds and mutual funds - Non trade and unquoted			
Nil (2,100,715 ; Nil) units of face value of Rs. 10 each of Alliance Cash Manager-Growth	—	28,751,859	—
Nil (2,182,224 ; 2,182,224) units of face value of Rs. 10 each of HDFC Liquid Fund-Growth	—	25,000,000	25,000,000
6,731 (13,425 ; 13,425) units of face value of Rs. 1,000 each of Templeton India Treasury Management-Growth	10,500,000	19,395,491	19,395,491
Nil (2,069 ; 2,069) units of face value of Rs. 1,000 each of Templeton India STIP-Growth	—	2,092,791	2,092,791
168,180 (508,402 ; 676,593) units of face value of Rs. 10 each of Templeton India Liquid Fund-Growth	2,500,000	7,500,000	10,000,000



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2003	As at 31 December 2002	As at 31 March 2003
1,592,675 (1,282,072 ; 1,282,072) units of face value of Rs. 10 each of HDFC Cash Management Fund-Saving Plan-Growth	20,700,000	15,800,000	15,800,000
Nil (1,069,687 ; 1,069,687) units of face value of Rs. 10 each of DSP Merrill Lynch Liquidity Fund-Growth	—	15,000,000	15,000,000
535,801 (625,005 ; 1,160,806) units of face value of Rs. 10 each of Chola Liquid Fund-Cumulative	6,500,000	7,500,000	14,000,000
975,133 (2,168,692 ; 2,708,865) units of face value of Rs. 10 each of IL&FS Liquid Fund-Growth	10,800,000	23,869,848	29,869,848
3,463,510 (Nil ; 1,130,411) units of face value of Rs. 10 each of HSBC Cash Fund-Growth	36,115,153	—	11,503,834
Nil (Nil ; 985,406) units of face value of Rs. 10 each of IL&FS Liquid Fund-Dividend	—	—	10,000,000
1,747,230 (Nil ; 1,747,230) units of face value of Rs. 10 each of J M High Liquidity Fund-Growth	29,000,000	—	29,000,000
1,417,345 (Nil ; 1,417,345) units of face value of Rs. 10 each of Kotak Mahindra Liquid Scheme-Growth	17,034,982	—	17,034,982
Nil (1,362,361 ; 1,362,361) units of face value of Rs. 10 each of GCFG Grindlays Cash Fund-Growth	—	15,000,000	15,000,000
1,027,898 (Nil ; Nil) units of face value of Rs. 10 each of Kotak Mahindra Liquid Institutional Plan-Dividend	10,303,850	—	—
1,289,115 (Nil ; Nil) units of face value of Rs. 10 each of HSBC Cash Fund-Dividend	13,138,665	—	—
1,282,608 (Nil ; Nil) units of face value of Rs. 10 each of J M High Liquidity Fund-Institutional Plan-Growth	13,000,000	—	—
1,062,170 (Nil ; Nil) units of face value of Rs. 10 each of Prudential ICICI Liquid Plan-Growth	16,000,000	—	—
2,717,484 (Nil ; Nil) units of face value of Rs. 10 each of Reliance Liquid Fund Super Cash Plan-Growth	28,508,560	—	—
3,764,682 (Nil ; Nil) units of face value of Rs. 10 each of Alliance Cash Manager-Institutional Plan-Growth	39,037,251	—	—
1,733,075 (Nil ; Nil) units of face value of Rs. 10 each of IL&FS Liquid Fund-Institutional Plan-Growth	20,151,828	—	—
1,535,644 (Nil ; Nil) units of face value of Rs. 10 each of IL&FS Liquid Fund-Institutional Plan-Dividend	15,356,436	—	—
3,217 (Nil ; Nil) units of face value of Rs. 1,000 each of Templetion India Treasury Management-Dividend	4,003,064	—	—
Nil (1,320,243 ; Nil) units of face value of Rs. 10 each of HDFC Cash Management Fund-Investment Plan-Growth	—	16,500,000	—
	292,649,789	176,409,989	213,696,946
	333,548,636	217,957,914	255,116,871

Notes:

- Investments in mutual funds include unutilised proceeds raised by preferential issue of equity shares.
- Net asset value (NAV) of current investments Rs.297,675,408 (Rs.180,578,186 ; Rs.218,532,065)
- Refer note 6, schedule 19 for details of investments purchased and sold during the nine months ended 31 December, 2003.



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2003	As at 31 December 2002	As at 31 March 2003
SCHEDULE—6			
SUNDRY DEBTORS (UNSECURED)			
Debts outstanding for a period exceeding six months			
—Considered good	8,447,995	6,983,722	2,778,470
—Considered doubtful	17,889,980	23,025,027	21,097,446
	26,337,975	30,008,749	23,875,916
Less: Provision for doubtful debts	(17,889,980)	(23,025,027)	(21,097,446)
	8,447,995	6,983,722	2,778,470
Other debts (considered good)	125,884,200	169,659,568	172,808,434
	134,332,195	176,643,290	175,586,904

SCHEDULE—7 CASH AND BANK BALANCES

Cash in hand (including cheques in hand)	1,028,261	2,509,271	1,880,419
Balances with scheduled banks			
—in current accounts	17,377,740	14,708,462	10,788,789
—in fixed deposit accounts	5,022,438	9,700,323	9,825,324
Balances with non scheduled banks			
—in current account	1,822,218	2,370,566	1,104,550
(Citibank, United Kingdom)			
[Maximum amount outstanding			
Rs. 2,917,720 (Rs. 2,381,160 ; Rs. 2,381,160)]			
	25,250,657	29,288,622	23,599,082

SCHEDULE—8 LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD)

Advances recoverable in cash or in kind or for value to be received	6,123,329	9,991,047	7,725,349
Loans and advances to subsidiaries*	27,697,847	30,479,373	32,420,809
Security deposits	9,228,917	7,111,008	6,796,001
Advance tax [net of provision Rs. 16,676,454 (Rs. 11,370,455 ; Rs. 15,242,884)]	3,639,029	2,078,395	2,421,292
Prepaid expenses	2,140,078	713,386	1,219,190
	48,829,200	50,373,209	50,582,641

* includes a loan amounting to Rs. 16,026,000 (Rs. 27,090,000 ; 26,410,000) to Nucleus Software Solutions Pte Ltd., Singapore and Rs. 5,581,100 (Nil ; Nil) to Nucleus Software Inc., USA, and share application money pending allotment amounting to Rs. 1,599,325 (Nil ; Nil) to Nucleus Software (Australia) Pty. Ltd., Australia, wholly owned subsidiaries of the Company.

SCHEDULE—9 OTHER CURRENT ASSETS

Service income accrued but not due	21,828,378	26,476,989	18,433,249
Interest accrued but not due	1,321,835	417,638	459,862
	23,150,213	26,894,627	18,893,111



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2003	As at 31 December 2002	As at 31 March 2003
SCHEDULE—10			
CURRENT LIABILITIES			
Sundry creditors*	43,905,503	50,207,738	40,474,923
Withholding tax	11,168,086	14,752,169	986,494
Advances from customers	5,594,371	4,240,253	5,955,239
Unclaimed dividends	259,861	—	207,747
Other liabilities	3,554,007	3,239,622	2,289,234
Book overdraft	—	1,998,420	—
	<u>64,481,828</u>	<u>74,438,202</u>	<u>49,913,637</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—11

PROVISIONS

Gratuity	5,628,303	3,389,658	4,048,303
Leave encashment	4,393,591	2,675,073	3,433,591
Dividend	—	—	15,822,300
Dividend tax	—	—	2,027,232
	<u>10,021,894</u>	<u>6,064,731</u>	<u>25,331,426</u>

SCHEDULE—12

MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

Preliminary expenses

Balance brought forward	18,077	32,539	32,539
Less: Written off during the period/year	18,077	10,847	14,462
	—	21,692	18,077

Public Issue Expenses

Balance brought forward	470,272	679,282	679,282
Less: Written off during the period/year	470,272	156,758	209,010
	—	522,524	470,272
	—	544,216	488,349



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended 31 December, 2003	31 December, 2002	For the nine months ended 31 December, 2003	31 December, 2002	For the year ended 31st March, 2003
SCHEDULE—13					
SALES AND SERVICES					
Software development services and products					
(a) Domestic	24,913,754	40,636,067	95,348,786	82,513,492	109,162,137
(b) Overseas	92,442,812	106,102,235	277,854,816	348,328,957	494,536,678
	117,356,566	146,738,302	373,203,602	430,842,449	603,698,815
Gain/(loss) on foreign exchange fluctuation (net)	1,150,484	58,418	1,430,906	4,279,993	3,518,418
	118,507,050	146,796,720	374,634,508	435,122,442	607,217,233

SCHEDULE—14

OTHER INCOME

Dividend received from non-trade investments	344,958	—	1,052,056	1,302,591	1,302,591
Interest [Gross of tax deducted at source Rs.37,747 (Rs.12,107 ; Rs.72,257 ; Rs.54,813 ; Rs.100,038)]	1,088,511	684,359	1,710,038	1,796,555	2,061,802
Profit on sale of investments (net)	3,645,979	117,215	7,365,930	993,847	3,852,619
Miscellaneous income	79,146	69,600	477,596	82,094	99,169
	5,158,594	871,174	10,605,620	4,175,087	7,316,181

SCHEDULE—15

PERSONNEL EXPENSES

Salaries and allowances	42,421,630	41,995,214	123,033,397	121,909,045	165,753,272
Contribution to provident and other funds	2,193,911	2,371,908	6,948,372	6,436,508	8,755,239
Directors' remuneration	1,001,000	576,000	3,377,000	2,688,000	6,147,500
Employees stock compensation expenses	1,117,167	1,217,644	3,594,193	3,144,242	4,421,589
Staff welfare	1,404,369	1,407,750	4,346,708	4,185,448	5,851,561
	48,138,077	47,568,516	141,299,670	138,363,243	190,929,161



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended 31 December, 2003	31 December, 2002	For the nine months ended 31 December, 2003	31 December, 2002	For the year ended 31st March, 2003
SCHEDULE—16					
ADMINISTRATION AND OTHER EXPENSES					
Conveyance	1,462,967	1,360,242	4,217,462	3,752,251	5,044,390
Communication	3,466,300	3,260,256	10,994,444	8,955,366	11,513,420
Rent, rates and taxes	2,676,927	2,635,555	7,690,398	10,346,908	13,844,922
Legal and professional	3,077,504	3,139,188	6,690,006	7,319,537	9,406,836
Repair and maintenance					
—Building	77,620	68,712	247,155	307,701	438,798
—Others	787,217	1,003,114	2,296,873	3,528,431	4,449,722
Training and recruitment	674,798	557,541	1,789,030	2,326,918	2,398,894
Printing and stationery	231,615	496,012	1,023,100	1,358,012	1,728,514
Loss/(Profit) on sale of fixed assets (net)	376,574	—	222,110	98,951	567,452
Loss on discarded assets	—	1,300	—	5,371,544	2,169,565
Insurance	213,980	117,415	680,126	243,692	402,306
Bank charges	98,594	98,586	221,396	731,191	805,046
Miscellaneous expenses	1,642,264	1,247,597	4,209,731	3,623,362	4,976,759
Public issue expenses written off	—	52,253	470,272	156,758	209,010
Preliminary expenses written off	—	3,616	18,078	10,847	14,462
	14,786,360	14,041,387	40,770,181	48,131,469	57,970,096
SCHEDULE—17					
OPERATING EXPENSES					
Software and other development charges	1,339,897	2,057,739	4,676,236	4,271,155	7,148,330
Cost of software purchased for delivery to clients	—	—	11,584,088	—	804,128
Travelling					
—Foreign	18,457,819	39,444,228	55,536,793	105,743,185	137,438,219
—Domestic	2,035,790	2,317,358	5,913,248	5,942,146	8,636,663
Advertisement and business promotion	1,123,013	2,170,539	5,642,874	6,144,218	6,957,934
Consultancy charges	1,152,426	2,871,669	5,452,524	5,864,074	9,224,228
Power and fuel	2,398,238	2,599,362	8,445,095	7,546,371	9,413,403
Conference, exhibition and seminar	1,141,179	46,000	1,665,696	1,190,606	2,296,171
IT expenses	936,453	1,216,639	1,966,726	1,890,178	3,321,065
Bad debts/advances written off	15,966	—	15,966	2,850,906	7,309,944
Provision for doubtful debts	176,816	2,280,000	786,816	21,710,484	21,097,446
Other operational expenses	463,336	409,260	1,662,895	3,241,122	3,610,187
	29,240,933	55,412,794	103,348,957	166,394,445	217,257,718
SCHEDULE—18					
FINANCE CHARGES					
Interest on bank loans	—	7,096	—	414,228	414,228
Interest on deferred credits	—	114,080	13,697	437,200	606,206
Interest on unsecured loan	—	—	—	695,886	695,886
	—	121,176	13,697	1,547,314	1,716,320



Schedules forming part of the financial statements

**SCHEDULE—19
NOTES TO THE ACCOUNTS**

1. Background

Nucleus Software Exports Ltd. ('Nucleus' or 'the Company') was incorporated on 9 January 1989 in India as a private limited company. It was subsequently converted into a public limited company on 10 October 1994. The Company made an initial public offer (IPO) in August 1995. As at 31 December 2003, 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, United States of America, Japan, Australia and Hong-Kong. 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 sector.

2. Significant accounting policies

(i) Basis of preparation

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

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

(ii) Use of estimates

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

(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.



NUCLEUS SOFTWARE EXPORTS LTD.

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.

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 the 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 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 period of lease. 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 of purchase.

Depreciation on fixed assets has been provided on the basis of estimated useful lives. 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>
Land and 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

During the quarter ended 31 March 2003, the Company revised the estimated useful life of certain classes of fixed assets with effect from 1 April 2002. Since, the effect of this revision in the books of account of the Company was given in the last quarter of the year ended 31 March 2003, the depreciation for the quarter and nine months ended 31 December 2002 was calculated based on old estimated useful lives of respective assets. However, if the effect of change in estimated useful life of the assets would have been given in the quarter and nine months ended 31 December 2002, the depreciation of that quarter and nine months then ended would have been higher by Rs.2,943,063 and Rs. 14,719,703 respectively.

(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

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/year other than those relating to fixed assets are recognised in the profit and loss account. Foreign currency assets and liabilities are translated at period/year-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 included in the carrying cost of such fixed assets.

(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) Earnings per share

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

(xiii) 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 annually based on the tax liability computed after considering tax allowances and exemptions. The differences that result between the profit offered for income taxes and the profit as per the financial statements are identified and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantially enacted regulations. Deferred tax assets are recognised only if there is reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

(xiv) Miscellaneous expenditure

Preliminary expenses and the public issue expenses were amortised over a period of ten years upto the quarter ended 30 June 2003. The unamortised balance as at 1 July 2003 was charged off to the profit and loss account in the quarter ended 30 September 2003.

(xv) Cash flow statement

Cash flow statement is prepared in accordance with the 'Indirect method' as set out in Accounting Standard 3 - Cash Flow Statements, issued by the Institute of Chartered Accountants of India. Cash and cash equivalents consist of cash on hand and balances with scheduled and non scheduled banks.

**NUCLEUS SOFTWARE EXPORTS LTD.****3. Deferred tax asset / (liability)**

Components of deferred tax asset / (liability):

(All amounts in Rs.)

	As at 31 December 2003	As at 31 December 2002	As at 31 March 2003
Deferred tax asset			
Provision for doubtful debts	2,245,227	2,849,021	2,050,446
Provision for retirement benefits	1,679,226	768,157	1,004,088
Excess depreciation as per books over the depreciation as per Income-tax Act, 1961	604,763	—	—
	<u>4,529,216</u>	<u>3,617,178</u>	<u>3,054,534</u>
Deferred tax liability			
Excess depreciation as per the Income-tax Act, 1961 over depreciation as per books	—	(3,901,889)	(587,083)
Deferred tax asset / (liability)	<u>4,529,216</u>	<u>(284,711)</u>	<u>2,467,451</u>

4. Employees Stock Option Plan ("ESOP")

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

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

	Quarter ended 31 December		Nine months ended 31 December		Year ended 31 March,
	2003	2002	2003	2002	2003
Options outstanding at the beginning of the period/year	108,156	139,734	136,956	80,534	80,534
Options granted	—	—	—	59,200	59,200
Options forfeited	(1,700)	(2,778)	(1,700)	(2,778)	(2,778)
Options exercised	—	—	(28,800)	—	—
	106,456	136,956	106,456	136,956	136,956



NUCLEUS SOFTWARE EXPORTS LTD.

5. Managerial Remuneration (on accrual basis)

(All amounts in Rs.)

	Quarter ended 31 December		Nine months ended 31 December		Year ended
	2003	2002	2003	2002	31 March, 2003
A) Managing Director					
Salary and perquisites	540,000	540,000	1,620,000	1,620,000	2,160,000
Contribution to provident and other funds	36,000	36,000	108,000	108,000	144,000
Commission	280,000	—	1,089,000	710,000	2,796,000
	856,000	576,000	2,817,000	2,438,000	5,100,000
B) Non Executive Directors					
Commission	145,000	—	560,000	250,000	1,047,500

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 2004.
- The above remuneration does not include expense towards retirement benefits since the same is based on actuarial valuations carried out for the Company as a whole.

6. Details of investments purchased and sold during the nine months ended 31 December 2003

Name of the investment	Face value	Purchased during the quarter		Sold during the quarter	
	Amount (Rupees)	Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
Zurich India Liquidity fund-SP-(Dividend)	10	376,067	4,000,000	376,067	4,000,000
Reliance Liquid Fund Cash Plan-(Growth)	10	3,410,939	37,000,000	3,410,939	37,011,125
HSBC Cash Fund-(Dividend)	10	4,373,551	44,553,167	4,373,551	44,557,720
IL&FS Liquid A/C Call Plan	10	645,111	7,000,000	645,111	7,001,482
HDFC Cash Management-(Dividend)	10	473,723	5,038,713	473,723	5,038,713
Kotak Mahindra Liquid Fund- Institutional Plan- (Dividend)	10	399,222	4,002,435	399,222	4,000,000
Alliance Cash Manager-Growth	10	1,690,632	26,000,000	1,690,632	26,037,251
Alliance Cash Manager-Dividend	10	1,000,600	10,006,101	1,000,600	10,006,101
IL&FS Liquid A/C Dividend Plan	10	813,600	8,136,996	813,600	8,135,996

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-



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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 business segments*

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

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

Segment assets and liabilities represent the net assets put up and liabilities of that segment. Items which are not directly attributable to any particular segment and which cannot be reasonably allocated to various segments are separately disclosed as "Unallocated".

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

For the quarter ended 31 December 2003

(All amounts in Rs.)

Description	India	Far East	Singapore	Others	Total
Revenue from external customers	25,284,886	73,759,844	13,679,508	5,782,812	118,507,050
Expenses	31,063,013	47,513,538	8,811,866	4,002,716	91,391,133
Segment result	(5,778,127)	26,246,306	4,867,642	1,780,096	27,115,917
Unallocated corporate expenditure					16,015,889
Operating profit before taxation					11,100,028
Other income					5,158,594
Finance charges					-
Profit before tax					16,258,622
Provision for taxation - current					-
Provision for taxation-deferred					239,255
Net profit after taxation					16,497,877



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For the quarter ended 31 December 2002

(All amounts in Rs.)

Description	India	Far East	Singapore	Others	Total
Revenue from external customers	40,791,311	41,596,169	44,692,576	19,716,664	146,796,720
Expenses	26,167,331	35,986,481	38,665,304	17,701,755	118,520,871
Segment result	14,623,980	5,609,688	6,027,272	2,014,909	28,275,849
Unallocated corporate expenditure					9,057,618
Operating profit before taxation					19,218,231
Other income					871,174
Finance charges					(121,176)
Profit before tax					19,968,229
Provision for taxation - current					(3,000,000)
Provision for taxation-deferred					345,575
Net profit after taxation					17,313,804

For the nine months ended 31 December 2003

(All amounts in Rs.)

Description	India	Far East	Singapore	Others	Total
Revenue from external customers	97,438,481	177,460,448	50,360,163	49,375,416	374,634,508
Expenses	96,749,008	109,476,257	34,274,399	41,425,389	281,925,053
Segment result	689,473	67,984,191	16,085,764	7,950,027	92,709,455
Unallocated corporate expenditure					45,721,819
Operating profit before taxation					46,987,636
Other income					10,605,620
Finance charges					(13,697)
Profit before tax					57,579,559
Provision for taxation-current					(2,000,000)
Provision for taxation-deferred					2,061,765
Net profit after taxation					57,641,324

**NUCLEUS SOFTWARE EXPORTS LTD.****For the nine months ended 31 December 2002***(All amounts in Rs.)*

Description	India	Far East	Singapore	Others	Total
Revenue from external customers	83,726,031	152,842,812	159,687,116	38,866,483	435,122,442
Expenses	77,660,475	124,164,094	112,627,688	33,624,481	348,076,738
Segment result	6,065,556	28,678,718	47,059,428	5,242,002	87,045,704
Unallocated corporate expenditure					38,614,049
Operating profit before taxation					48,431,655
Other income					4,175,087
Finance charges					(1,547,314)
Profit before tax and prior period adjustments					51,059,428
Prior period adjustments on account of withholding tax		(14,897,989)			(14,897,989)
Other prior period adjustments	1,953,156	7,625,873	(1,723,505)		7,855,524
Other unallocated prior period adjustments					(3,965,009)
Profit before tax					40,051,954
Provision for taxation - current					(6,950,000)
Provision for taxation-deferred					5,339,415
Net profit after taxation					38,441,369



NUCLEUS SOFTWARE EXPORTS LTD.

For the year ended 31 March 2003

(All amounts in Rs.)

Description	India	Far East	Singapore	Others	Total
Revenue from external customers	110,445,617	188,897,865	228,693,360	79,180,391	607,217,233
Expenses	106,396,430	144,661,456	151,857,861	57,083,532	459,999,279
Segment result	4,049,187	44,236,409	76,835,499	22,096,859	147,217,954
Unallocated corporate expenditure					65,526,487
Operating profit before taxation					81,691,467
Other income					7,316,181
Finance charges					(1,716,320)
Profit before tax and prior period adjustment					87,291,328
Prior period adjustment on account of withholding tax		(14,897,989)	-	-	(14,897,989)
Other prior period adjustments	1,953,156	7,625,873	(1,723,505)	-	7,855,524
Other unallocated prior period adjustments					(3,965,009)
Profit before tax					76,283,854
Provision for taxation - current					(10,822,429)
Provision for taxation - deferred					8,091,577
Net profit after taxation					73,553,002

Assets and liabilities of reportable primary segment are as follows:

As at 31 December 2003

(All amounts in Rs.)

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

**NUCLEUS SOFTWARE EXPORTS LTD.****As at 31 December 2002***(All amounts in Rs.)*

Description	India	Far East	Singapore	Others	Total
Segment assets	36,369,498	70,653,958	103,207,524	23,368,672	233,599,652
Unallocated corporate assets					410,285,647
Total assets					643,885,299
Segment liabilities	12,465,002	20,888,929	6,593,579	2,908,836	42,856,346
Unallocated corporate liabilities					40,439,298
Total liabilities					83,295,644
Capital employed					560,589,655

As at 31 March 2003*(All amounts in Rs.)*

Description	India	Far East	Singapore	Others	Total
Segment assets	31,980,714	12,838,361	135,952,303	45,669,584	226,440,962
Unallocated corporate assets					428,322,497
Total assets					654,763,459
Segment liabilities	11,758,557	4,012,487	6,055,014	4,335,051	26,161,109
Unallocated corporate liabilities					49,473,247
Total liabilities					75,634,356
Capital employed					579,129,103



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

For the quarter ended 31 December 2003

(All amounts in Rs.)

Description	India	Far East	Singapore	Others	Total
Capital expenditure (unallocated)					2,700,621
Total capital expenditure					2,700,621
Depreciation expenditure (unallocated)					6,382,155
Amortization (Unallocated) (miscellaneous expenditure amortized during the quarter)					-
Total depreciation and amortization					6,382,155
Segment non-cash expense other than depreciation	1,144,799	471,088	(301,757)	(20,147)	1,293,983
Total non cash expenditure other than depreciation and amortization	1,144,799	471,088	(301,757)	(20,147)	1,296,983

For the quarter ended 31 December 2002

(All amounts in Rs.)

Description	India	Far East	Singapore	Others	Total
Capital expenditure (unallocated)					5,218,565
Total capital expenditure					5,218,565
Depreciation expenditure (unallocated)					2,767,214
Amortization (Unallocated) (miscellaneous expenditure amortized during the quarter)					55,869
Total depreciation and amortization					2,823,083
Segment non-cash expense other than depreciation	1,959,663	1,053,125	336,434	148,422	3,497,644
Total non cash expenditure other than depreciation and amortization	1,959,663	1,053,125	336,434	148,422	3,497,644



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For the nine months ended 31 December 2003

(All amounts in Rs.)

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

For the nine months ended 31 December 2002

(All amounts in Rs.)

Description	India	Far East	Singapore	Others	Total
Capital expenditure (unallocated)					21,058,362
Total capital expenditure					21,058,362
Depreciation expenditure (unallocated)					10,795,115
Amortization (Unallocated) (miscellaneous expenditure amortized during the period)					167,605
Total depreciation and amortization					10,962,720
Segment non-cash expense other than depreciation	12,852,205	7,887,544	880,380	3,234,597	24,854,726
Total non cash expenditure other than depreciation and amortization	12,852,205	7,887,544	880,380	3,234,597	24,854,726



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For the year ended 31 March 2003

(All amounts in Rs.)

Description	India	Far East	Singapore	Others	Total
Capital expenditure (unallocated)					22,743,223
Total capital expenditure					22,743,223
Depreciation expenditure (unallocated)					31,628,562
Amortization (Unallocated) (miscellaneous expenditure amortized during the year)					223,472
Total depreciation and amortization					31,852,034
Segment non-cash expense other than depreciation	10,754,466	8,886,614	1,265,291	4,612,664	25,519,035
Total non cash expenditure other than depreciation and amortization	10,754,466	8,886,614	1,265,291	4,612,664	25,519,035

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

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

- Key managerial personnel:
- Vishnu R Dusad (Managing Director)



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b) Transactions with related parties

(All amounts in Rs.)

	Quarter ended 31 December		Nine month ended 31 December		Year ended 31 March,
	2003	2002	2003	2002	2003
i. Software development services and products					
Wholly owned subsidiary companies	74,622,974	80,971,447	187,106,287	264,941,894	358,828,216
ii. Managerial Remuneration					
Key managerial personnel	856,000	576,000	2,817,000	2,438,000	5,100,000
iii. Reimbursement of expenses					
From wholly owned subsidiary companies	3,251,113	6,530,452	8,643,521	17,360,780	22,031,620
To wholly owned subsidiary companies	3,328,714	4,978,952	8,136,741	7,539,349	11,859,008
iv. Outstanding balances as at period/year-end					
Loans and advances					
Wholly owned subsidiary		27,697,847	30,479,373		32,420,809
Debtors					
Wholly owned subsidiary		74,682,902	117,812,852		95,420,307
Income accrued but not due					
Wholly owned subsidiary Company		328,787	6,418,902		1,854,521



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(All amounts in Rs.)

	Quarter ended 31 December		Nine month ended 31 December		Year ended 31 March,
	2003	2002	2003	2002	2003
9. Legal and professional includes payment to auditors					
Audit Fees (includes service tax)	108,000	210,000	572,400	840,000	1,260,000
Other services	44,800	52,500	131,200	73,500	73,500
Out of pocket expenses	45,250	35,700	118,500	54,600	78,850
Total	198,050	298,200	822,100	968,100	1,412,350
10. CIF value of imports					
Capital Goods	984,623	2,944,053	2,226,430	8,914,408	9,654,571
Software Packages	—	—	—	48,410	48,410
Total	984,623	2,944,053	2,226,430	8,962,818	9,702,981
11. Expenditure in foreign currency (on cash basis)					
Travel expenses	15,377,131	39,472,691	52,119,699	80,577,937	97,800,557
Professional charges	927,362	2,480,121	4,331,315	4,960,327	6,271,220
Others	505,903	1,148,419	5,476,542	6,083,191	7,973,873
Total	16,810,396	43,101,231	61,927,556	91,621,455	112,045,650
12. Earnings in foreign currency					
Income from software development services and products	92,442,812	106,102,235	277,854,816	348,328,957	494,536,678
Interest	1,038,487	3,797	1,046,777	8,553	14,064
Total	93,481,299	106,106,032	278,901,593	348,337,510	494,550,742



(All amounts in Rs.)

	Quarter ended 31 December		Nine month ended 31 December		Year ended 31 March,
	2003	2002	2003	2002	2003
13. Dividend remitted in foreign currency					
<i>Amount remitted (net of tax)</i>					
Interim dividend (2002)*	—	—	—	—	—
Final dividend (2003)	—	—	—	56,050	56,050
<i>Number of shares held</i>					
Interim dividend (2002)	—	—	—	56,050	56,050
Final dividend (2003)*	—	—	27,847	—	—
<i>Number of non- resident shareholders</i>					
Interim dividend (2002)	—	—	—	27	27
Final dividend (2003)	—	—	31	—	—

* Dividend of Rs. 55,694 paid in Indian Rupees

14. Earnings Per share

Profit after taxation available to equity shareholders (Rs.)	16,497,877	17,313,804	57,641,324	38,441,369	73,553,002
Weighted average number of equity shares used in calculating basic earnings per share	7,939,950	7,911,150	7,927,697	7,911,150	7,911,150
Add: Effect of dilutive issue of shares	107,288	138,768	120,118	127,571	129,885
Weighted average number of equity shares used in calculating diluted earnings per share	8,047,238	8,049,918	8,047,815	8,038,721	8,041,035

15. Other prior period adjustments in the nine months ended 31 December 2002 and year ended 31 March 2003 represent unrecognised income in the previous period from software development services and products amounting to Rs.4,936,898, exchange gain on exchange fluctuation amounting to Rs.1,042,628, recovery of travelling expenses amounting to Rs.1,876,000, as adjusted by unrecognised finance charges in the previous period amounting to Rs.3,965,011.



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16. Capital commitments and contingent liabilities

- a. Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances) Rs. 57,416,363 (Rs. 959,312, Rs. 45,756,797).
- b. Claim against the company not acknowledged as debt Rs. 324,000 (Nil, Rs. 324,000).

17. The Company has taken on lease an office space under non-cancellable operating lease. This arrangement extends for a maximum period of six years from the date of inception (1 January 2004). In the sixth year Company can terminate the agreement by giving six months notice in writing. No lease rental is recognised in profit and loss account in respect of the lease for the quarter ended 31 December 2003. The future minimum lease payments under operating lease are as follows:

	<i>(All amounts in Rs.)</i>
	As at
	31 December 2003
Not later than one year	4,327,632
Later than one year but not later than five years	18,608,784
More than five years	—
	22,936,416

18. 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.

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

For and on behalf of the Board of Directors

Lt. Gen T P Singh (Retd.)
Chairman

Vishnu R Dusad
Managing Director

NOIDA (U.P.)
17 January, 2004

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary



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

Basis of Preparation of the Financial Statements

The accompanying financial statements for the quarter and nine months ended December 31, 2003 have been prepared incorporating Accounting Policies of the parent Company under the historical cost convention, in compliance with Indian Generally Accepted Accounting Practices ("GAAP") in accordance with mandatory and relevant Accounting Standards issued by the Institute of Chartered Accountants of India and in compliance with the provisions of The Companies Act, 1956.

Use of Estimates

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

**NUCLEUS SOFTWARE EXPORTS LTD.****Consolidated Balance Sheet as at 31 December 2003 (Unaudited)**

All amounts in Rupees

Particulars	As at 31 December 2003	As at 31 December 2002	As at 31 March 2003
SOURCES OF FUNDS			
(Audited)			
Shareholders' Funds			
Share Capital	79,414,500	79,126,500	79,126,500
Share application money pending allotment	2,043,944	1,369,560	1,369,560
Reserves & Surplus	576,001,777	505,355,496	518,219,723
	<u>657,460,221</u>	<u>585,851,556</u>	<u>598,715,783</u>
Loan Funds			
Secured Loans	—	2,508,000	389,293
Unsecured Loans	—	—	—
	<u>—</u>	<u>2,508,000</u>	<u>389,293</u>
Deferred Tax Liability	—	405,601	—
TOTAL	<u>657,460,221</u>	<u>588,765,157</u>	<u>599,105,076</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	239,875,011	240,219,874	240,219,204
Less: Accumulated Depreciation	124,241,197	90,086,655	107,520,065
Net block	115,633,814	150,133,219	132,699,139
Add: Capital work in progress (including capital advances)	39,227,300	4,329,818	6,636,851
	<u>154,861,114</u>	<u>154,463,037</u>	<u>139,335,990</u>
Investments	292,649,789	177,059,067	214,218,024
Deferred Tax Asset	4,212,296	—	2,150,538
Current Assets, Loans & Advances			
Sundry Debtors	135,612,172	175,619,167	232,178,915
Cash & Bank Balances	105,886,942	131,782,726	64,137,273
Loans & Advances	26,598,742	27,689,580	31,355,455
Other Current Assets	22,104,578	26,894,627	18,683,046
	<u>290,202,433</u>	<u>361,986,100</u>	<u>346,354,689</u>
Less : Current Liabilities & Provisions			
Current Liabilities	71,733,732	95,853,894	73,025,118
Provisions	12,731,681	9,507,115	30,417,396
	<u>84,465,412</u>	<u>105,361,009</u>	<u>103,442,514</u>
Net Current Assets	<u>205,737,021</u>	<u>256,625,091</u>	<u>242,912,175</u>
Miscellaneous Expenditure (To the extent not written off or adjusted)	—	617,962	488,349
TOTAL	<u>657,460,220</u>	<u>588,765,157</u>	<u>599,105,076</u>



NUCLEUS SOFTWARE EXPORTS LTD.

Consolidated Profit and Loss Account for the quarter and nine months ended 31 December, 2003 (Unaudited)

All amounts in Rupees

Particulars	For the quarter ended		For the nine months ended		For the year ended 31st March, 2003
	31 December, 2003	31 December, 2002	31 December, 2003	31 December, 2002	
Income					(Audited)
Sales and services	187,479,521	224,362,604	572,613,233	658,655,175	888,279,151
Other income	2,940,775	862,805	8,169,162	4,495,710	9,625,185
Total	190,420,296	225,225,409	580,782,395	663,150,885	897,904,337
Expenditure					
Personnel expenses	97,296,485	105,654,954	296,253,469	302,216,411	402,968,854
Administrative and other expenses	23,709,275	22,565,918	67,155,261	74,316,665	89,805,692
Operating expenses	34,538,955	59,239,110	114,756,851	177,188,323	237,277,805
Finance charges	—	121,176	13,697	1,547,314	1,716,790
Depreciation	7,907,839	4,193,851	24,981,071	14,649,380	36,989,873
Withholding taxes charged off	8,859,497	7,801,990	21,767,408	23,019,927	27,740,229
Total	172,312,052	199,576,999	524,927,756	592,938,020	796,499,243
Profit before tax and prior period adjustments	18,108,243	25,648,410	55,854,639	70,212,865	101,405,093
Prior period adjustments on account of withholding tax	—	—	—	14,897,989	14,897,989
Other prior period adjustments	—	—	—	(3,890,515)	(3,890,515)
Profit for the year	18,108,243	25,648,410	55,854,639	59,205,391	90,397,619
Provision for tax - current	(1,039,019)	(5,302,650)	(4,148,743)	(11,483,045)	15,140,705
- deferred	239,255	968,645	2,061,765	6,282,525	(8,842,817)
Profit after tax	17,308,479	21,314,405	53,767,661	54,004,871	84,099,731
Profit available for appropriation					
Profit for the year	17,308,479	21,314,405	53,767,661	54,004,871	84,099,731
Add: Balance brought forward	125,332,499	155,972,034	88,873,319	123,281,568	122,623,120
Total amount available	142,640,978	177,286,439	142,640,980	177,286,439	206,722,851
Final dividend	—	—	—	—	15,822,300
Dividend tax	—	—	—	—	2,027,232
Transferred to general reserve	—	—	—	—	100,000,000
Balance carried forward to the balance sheet	142,640,978	177,286,439	142,640,980	177,286,439	88,873,319
Earnings per share (Equity shares, par value Rs. 10 each)					
Basic	2.18	2.69	6.78	6.83	10.63
Diluted	2.15	2.65	6.68	6.72	10.46
Number of shares used in computing earning per share					
Basic	7,939,950	7,911,150	7,927,697	7,911,150	7,911,150
Diluted	8,047,238	8,049,918	8,047,815	8,038,721	8,041,035



NUCLEUS SOFTWARE EXPORTS LTD.

Consolidated Cash Flow Statement for the nine months ended 31 December 2003

	For the nine months ended		For the year ended
	31 December 2003	31 December 2002	31 March 2003
A. Cash flow from operating activities			
Net profit before tax	55,854,639	33,541,916	90,397,619
<i>Adjustment for:</i>			
Depreciation	24,981,071	10,455,529	36,989,873
Exchange difference on translation of foreign currency accounts	1,384,187	289,747	2,249,301
Dividend income from investments	(1,052,056)	(1,317,171)	(1,302,591)
Interest income	(616,915)	(1,426,608)	(2,048,353)
Profit on sale of investments	(7,365,930)	(876,632)	(3,852,619)
Amortisation of employees compensation expenses	3,594,193	1,926,598	4,421,589
Interest expense	13,697	1,426,138	1,716,790
Loss/(Profit) on sale of fixed assets	222,110	98,951	567,452
Loss on assets discarded	—	5,370,244	2,169,565
Bad debts/advances written off	15,966	2,850,906	7,425,716
Provision for doubtful debts/advances	1,037,754	19,430,484	21,097,446
Provision for diminishing in value of investment	—	—	—
Provision for gratuity and leave encashment	1,919,290	1,954,808	6,430,996
Miscellaneous expenditure written off	488,349	111,736	223,472
Operating profit before working capital changes	80,476,355	73,836,646	166,486,256
Decrease / (increase) in debtors	95,028,918	(26,942,940)	(53,822,161)
Decrease / (increase) in loans and advances	4,756,713	8,578,078	5,892,806
Decrease / (increase) in other current assets	(3,395,129)	(23,158,498)	(18,433,249)
(Decrease) / increase in current liabilities	(1,347,628)	50,618,025	33,378,135
	175,519,229	82,931,311	133,501,787
Direct taxes paid	(5,904,217)	(4,276,753)	(10,985,795)
<i>Net cash from operating activities (A)</i>	169,615,012	78,654,558	122,515,992
B. Cash flow from investing activities			
Purchase of fixed assets/capital work in progress	(42,239,432)	(19,012,355)	(30,085,906)
Sale of fixed assets	1,511,135	449,364	495,660
Purchase of investments (net)	(71,065,290)	57,384,261	(46,392,558)
Interest received	590,512	1,426,608	1,955,728
Dividend received from investments	1,052,056	1,317,171	1,302,591
<i>Net cash used in investing activities (B)</i>	(110,151,564)	41,565,049	(72,724,485)
C. Cash flow from financing activities			
Repayment of loans	(389,293)	(36,327,451)	(39,931,015)
Interest paid	(13,697)	(1,426,138)	(1,716,790)
Dividend paid	(17,793,290)	(7,911,150)	(7,858,401)
Proceeds from employee stock option granted	403,200	—	—
Proceeds from share application money and forfeiture of shares	979,384	592,000	592,000
<i>Net cash used in financing activities (C)</i>	(16,813,696)	(45,072,739)	(48,914,206)
Net increase in cash and cash equivalents	42,649,751	75,146,868	877,301
Cash and cash equivalents opening balance	64,137,273	63,344,208	63,344,208
Exchange difference on translation of foreign currency accounts	(900,082)	(441,953)	(84,234)
Cash and cash equivalent closing balance	105,886,942	138,049,123	64,137,275



Management's Discussion and Analysis of Financial Condition and Results of Operations

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

The Indian IT industry continued to increase momentum with offshore outsourcing becoming a mainstream phenomenon. There is a confluence of favorable factors like market reforms, opening up of the economies, an increase in skilled and IT literate manpower that have attributed to the growth in the IT sector.

The IT industry worldwide has experienced a noticeable shift in focus towards investment in research and development to improve the efficiency of technology.

Nucleus continues to be focused on the Banking and Financial vertical and its Product centric model allows the Company to maintain competitiveness.

A. COMPANY BACKGROUND

The Parent Company was incorporated in 1989 in India with the objective of developing software products and providing software services on a global basis. Three enterprising technocrats Mr. Vishnu R. Dusad, Mr. Yogesh Andlay and Mr. Arun Jain with an aim to deliver quality information technology solutions to the business world promoted the Company. The Company offers end-to-end business solutions and software products to the Banking and Financial sector.

The Parent Company has set up the following wholly owned Subsidiaries to generate business opportunities in the international markets. They also provide front-end support for marketing initiatives of the Company in their respective geographies:

Name of Subsidiary Company	Location	Year of Incorporation
Nucleus Software Solutions Pte. Ltd.	Singapore	1994
Nucleus Software Inc.	U.S.A.	1997
Nucleus Software Japan Kabushiki Kaiga	Japan	2001
Nucleus Software (HK) Ltd.	Hongkong	2002
Nucleus Software (Australia) Pty. Ltd.	Australia	2002

Over the years Nucleus has gained tremendous experience working closely with IT leaders in the Banking and Financial Services industry, leading to a thorough and an unmatched insight into unique needs of the sector.



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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 and 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.

Development Centres of the Company in India at New Delhi, NOIDA and Chennai 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) in March 2003.

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.

B. SEGMENT WISE PERFORMANCE

The revenue of the Company from product business constituted 22% of revenue and from projects and professional services constituted 78% of revenue during the quarter.

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

GEOGRAPHICAL AREA	Quarter Ended		Year Ended
	December 31, 2003	December 31, 2002	March 31, 2003
India	13.49%	18.18%	12.43%
Far East	44.56%	36.57%	38.80%
South East Asia	33.34%	36.97%	40.47%
Others	8.61%	8.28%	8.30%
Total	100.00%	100.00%	100.00%

C. RISKS AND CONCERNS

1. Business Portfolio Risks

1.1. Client concentration

The Company adopts a policy of expanding the client base rather than concentration on few clients since loss of any large client could have a material adverse effect. This policy has helped in increasing profitability on a sustained basis

The Company has earned 73% of its revenues from the top five clients.

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

	Quarter Ended		Year Ended
	December 31, 2003	December 31, 2002	March 31, 2003
Active Clients	77	65	71
Clients added during the Quarter/year	3	6	16
% Of Revenue from the top-five clients	73%	75%	75%
Clients accounting for >10% of total revenue	2	3	3

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



1.2 Geographical concentration

Excessive geographical concentration of business, which may lead to volatility, is always avoided. Every individual market has its own distinct characteristics because of political and economic factors. 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 to mitigate the risk of economic slowdown in a region.

1.3 Market risks

Our revenues are difficult to predict because they can fluctuate significantly given the nature of markets in which we operate. This increases the probability of our results falling below our expectations

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 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 product and project revenues.
- ✓ Changes in the pricing policy of our competitors
- ✓ Foreign currency fluctuation
- ✓ Unanticipated delay or withdrawal of projects

2. Financial Risks

2.1 Foreign currency rate fluctuations

Our exchange rate risk primarily arises from our foreign currency revenues and receivables. The Company derives its revenue from more than twenty countries around the world. While the depreciation of the Indian rupee in comparison to foreign currency would have a favourable bottom line impact, an appreciation would affect the Company's profitability adversely.

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

As on	December 31, 2003 Rs.	September 30, 2003 Rs.	% change
USD	45.56	45.84	-0.61%
Japanese Yen	0.43	0.41	4.88%
GBP	80.87	75.57	7.01%
SGD	26.71	26.48	0.87%

D. LIQUIDITY

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.

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



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RATIO	Quarter Ended		Year Ended
	December 31, 2003	December 31, 2002	March 31, 2003
Operating cash flow as % of total revenue	89.07%	34.92%	13.64%
Days of sale receivable	67	72	95
Cash and equivalents as % of assets	16.11%	22.38%	10.71%
Cash and equivalents as % of total revenue	55.61%	58.51%	7.14%
Current investments as % of assets	44.51%	29.96%	35.67%
Current investments as % of total revenue	153.69%	78.33%	23.80%

E. FINANCIALS

1. Share Capital

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

"Share Capital" represents equity share capital of the Parent Company, Nucleus Software Exports Ltd., and comprises 7,939,950 Equity Shares of Rs.10/- each. The paid up Share Capital as on December 31, 2003 is Rs.794.15 lakhs including amount forfeited on shares.

The total stock options granted to employees under Employee Stock Option Scheme (1999) and outstanding as on December 31, 2003: 106,456

Share capital of all the 5 Subsidiary Companies is wholly owned by the Parent Company and has been netted off with investments of the holding company on consolidation. Share Capital as on December 31, 2003 is given below :

Name of Subsidiary Company	As at December 31, 2003	
	In foreign currency	Eqv. Rupees (in Lakhs)
Nucleus Software Solutions Pte. Ltd., Singapore 625,000 equity shares of SGD 1 each	SGD 625,000	163.20
Nucleus Software Inc., USA. 1,000,000 equity shares of USD .35 cents each	USD 350,000	162.93
Nucleus Software Japan Kabushiki Kaiga, Japan 200 equity shares of JPY 50,000 each	JPY 10,000,000	40.93
Nucleus Software (HK) Ltd., Hongkong 100,000 equity shares of HK \$ 1 each	HK \$ 100,000	6.20
Nucleus Software (Australia) Pty. Ltd., Australia 130,000 equity shares of Aus \$ 1 each	Aus \$ 130,000	35.74



2. Retained Earnings

During the quarter ended December 31, 2003 the Company has earned consolidated profits of Rs.173.08 lakhs on a consolidated turnover of Rs.1904.20 lakhs as against a profit of Rs.213.14 lakhs on a consolidated turnover of Rs 2252.25 lakhs for the quarter ended December 31, 2002.

The Reserves and Surplus of the Company including balance in the Profit and Loss Account is Rs. 5760.02 lakhs as on December 31, 2003 (Rs. 5053.55 lakhs as on December 31, 2002).

3. Fixed Assets

As at December 31, 2003, gross block of fixed assets including investment in technology assets was Rs.2398.75 lakhs (Rs.2402.20 lakhs as on December 31, 2002).

The net fixed assets after depreciation are Rs. 1156.34 lakhs as on December 31, 2003 compared to Rs.1501.33 lakhs as on December 31, 2002.

4. Investments

The investments of the Company as on December 31, 2003 are Rs.2926.50 lakhs (Rs. 1770.59 lakhs as on December 31, 2002).

The Current investments as on December 31, 2003 are Rs.2926.50 lakhs (Rs. 1764.10 lakhs as on December 31, 2002) and all of these are in low risk liquid mutual funds in India.

The Current Investments are:

- Rs. 105.00 lakhs in Templeton India Treasury Management-Growth,
- Rs. 25.00 lakhs in Templeton India Liquid Fund-Growth,
- Rs. 207.00 lakhs in HDFC Cash Management Fund-Saving Plan- Growth,
- Rs. 65.00 lakhs in Chola Liquid Fund-Cumulative,
- Rs. 108.00 lakhs in IL&FS Liquid Fund-Growth,
- Rs. 361.15 lakhs in HSBC Cash Fund-Growth,
- Rs. 290.00 lakhs in JM High Liquidity Fund-Growth,
- Rs. 170.35 lakhs in Kotak Mahindra Liquid Scheme-Growth,
- Rs. 103.04 lakhs in Kotak Mahindra Liquid Institutional Plan-Dividend,
- Rs. 131.39 lakhs in HSBC Cash Fund-Dividend,
- Rs. 130.00 lakhs in JM High Liquidity Fund-Institutional Plan-Growth,
- Rs. 160.00 lakhs in Prudential ICICI Liquid Plan -Growth,
- Rs. 285.09 lakhs in Reliance Liquid Fund Super Cash Plan-Growth,
- Rs. 390.37 lakhs in Alliance Cash Manager-Institutional Plan-Growth,
- Rs. 201.52 lakhs in IL&FS Liquid Fund-Institutional Plan-Growth,
- Rs. 153.56 lakhs in IL&FS Liquid Fund-Institutional Plan-Dividend,
- Rs. 40.03 lakhs in Templeton India Treasury Management-Dividend,

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



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5. Sundry Debtors

Sundry Debtors amount to Rs.1356.12 lakhs (net of provision for bad and doubtful debts) as on December 31, 2003 (Rs.1756.19 lakhs, net of provision for bad and doubtful debts, as on December 31, 2002).

The age profile of the debtors is given below:

As at	December 31, 2003	December 31, 2002	March 31, 2003
More than 6 months	17.58%	3.98%	1.76%
Less than 6 months	82.42%	96.02%	98.24%
Days of sales receivables	67	72	95

6. Cash and Bank Balances

(Rs. in lakhs)

As at	December 31, 2003	December 31, 2002	March 31, 2003
Cash and cheques in hand	10.40	25.09	19.62
Balances with Bank			
—In current Accounts	998.24	1195.73	520.77
—In Fixed Deposit Account	50.22	97.00	100.98
Total	1058.86	1317.82	641.37

Cash and bank balance represent 16.11 % and 22.38% of the total assets as on December 31, 2003 and December 31, 2002 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. 96.84 lakhs as on December 31, 2003 (Rs.198.65 lakhs as on December 31, 2002.)

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs.129.62 lakhs as on December 31, 2003 (Rs.71.11 lakhs as on December 31, 2002).

Prepaid expenses stood at Rs.39.52 lakhs as on December 31, 2003 (Rs.7.13 lakhs as on December 31, 2002).

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 \$ 600,000 million equivalent to Rs. 160.26 lakhs, is outstanding on December 31, 2003 from its wholly owned subsidiary, Nucleus Software Solutions Pte. Ltd. The total loan disbursed was S\$ 1 million, at an interest rate of 3 % over S \$ LIBOR with a repayment schedule of 5 equal installments starting from the financial year 2003-2004. The loan is being repaid ahead of schedule as two installments have already been received in this financial year



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- (b) Loan of US\$ 122,500 equivalent to Rs.55.81 lakhs (in instalments) has been disbursed in the current financial year to wholly owned subsidiary, Nucleus Software Inc at an interest of 3% over LIBOR with a repayment schedule of 5 equal installment starting from financial year 2004-05. The Board of Directors have approved a total loan of US\$ 200,000 to the Subsidiary with disbursement in stages to meet financial requirements.

8. Current Liabilities

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

The total amount of Sundry Creditors and Book Overdraft as on December 31, 2003 is Rs.500.13 lakhs (Rs.716.23 lakhs as on December 31, 2002).

Other liabilities represent amounts accrued for statutory dues related to taxes and staff benefits etc. The total amount of other liabilities as on December 31, 2003 is Rs.46.99 lakhs (Rs 32.40 lakhs as on December 31, 2002).

Withholding tax payable represents the amount of withholding taxes to be deducted/deductible by overseas clients/ subsidiaries on income billed to them by the Parent Company. The total amount of withholding tax liability as on December 31, 2003 is Rs. 111.68 lakhs (Rs. 147.52 lakhs as on December 31, 2002).

The amount of Unclaimed Dividend as on December 31, 2003 is Rs. 2.60 lakhs (nil on December 31, 2002).

Advances from customers as on December 31, 2003 is Rs. 55.94 lakhs (Rs.42.40 lakhs as on December 31, 2002).

These advances are Unearned Revenue, which consist of advance client billing for which related cost were not yet incurred.

9. Provisions

Provisions at Rs.127.32 lakhs (Rs.95.07 lakhs as on December 31,2002) 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 total revenue for the quarter ended December 31, 2003 is Rs. 1904.20 lakhs as against Rs. 2252.25 lakhs for the quarter ended December 31, 2002.

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

2. Expenditure

2.1 Personnel expenses:

In the software industry, human resources are the largest component of the total cost.



Personnel expenses at Rs.972.96 lakhs for quarter ended December 31, 2003 and Rs.1056.55 lakhs for quarter ended December 31, 2002 constitute 51.10% and 46.91% of total revenue and 62.55% and 56.36% of total operational expenses of the Company respectively.

In comparison to the corresponding quarter, the personnel expenses have decreased by 7.91%.

2.2 Administrative and other expenses

The administrative and other expenses at Rs.237.09 lakhs for quarter ended December 31, 2003 and Rs.225.66 lakhs for quarter ended December 31, 2002 constitute 12.45% and 10.02% of total revenue and 15.24% and 12.04% of the operational expenses respectively.

In comparison to the corresponding quarter the administrative and other expenses have increased by 5.07%.

2.3 Operating expenses

The operating expenses at Rs.345.39 lakhs for quarter ended December 31, 2003 and Rs.592.39 lakhs for quarter ended December 31, 2002 constitute 18.14% and 26.30% of total revenue and 22.21% and 31.60% of the operational expenses respectively.

The operating expenses includes travel expenses which are 11.91% and 19.26% of the total revenue and 14.58% and 23.14% of the total operational expenses for the quarter ended December 31, 2003 and December 31,2002 respectively.

In comparison to the corresponding quarter, the operating expenses have decreased by 41.70%.

3. Operating Profit

During the quarter ended December 31, 2003, the Company earned consolidated operating profit (profit before interest, depreciation, withholding tax, prior period adjustments and tax) of Rs.348.76 lakhs representing 18.32 % of total revenue as compared with Rs.377.65 lakhs representing 16.77% of total revenue for the quarter ended December 31, 2002.

4. Depreciation

Depreciation at Rs.79.08 lakhs on fixed assets is 4.15% of the total revenue for the quarter ended December 31, 2003 as against Rs.41.94 lakhs, 1.86 % of the total revenue for the quarter ended December 31, 2002.

The Company has revised the estimated useful life of certain classes of fixed assets during the year ended March 31, 2003 the depreciation for the quarter and nine months ended December 31, 2002 was calculated based on old estimated useful lives of respective assets. However, if the effect of change in estimated useful life of the assets would have been given in the quarter and nine months ended December 31, 2002, the depreciation of that quarter and nine months then ended would have been higher by Rs.29.43 lakhs and Rs. 147.20 lakhs respectively.

5. Finance Charges

Finance charge comprises of interest charged by banks on overdraft account and interest on other secured/unsecured loans. The expense is nil for the quarter ended December 31, 2003 (Rs.1.21 lakhs for the quarter ended December 31, 2002). These relate entirely to the Parent Company.



6. Withholding taxes

Withholding taxes charged off represent withholding taxes charged to Profit and Loss Account during the quarter ended December 31, 2003 of Rs.88.59 lakhs (Rs.78.02 lakhs for the quarter ended December 31, 2002). These relate entirely to the Parent Company.

7. Provision for Tax

The Company has made a provision for current tax Rs.10.39 lakhs (Rs. 53.03 lakhs for the quarter ended December 31, 2002); 0.55% of the total revenue and Rs.2.39 lakhs for deferred tax credit (Rs.9.69 lakhs for the quarter ended December 31, 2002); 0.13 % of the total revenue for the quarter ended December 31, 2003.

8. Net Profit

During the quarter ended December 31, 2003, Company has earned a net profit of Rs.173.08 lakhs. (Rs.213.14 lakhs for the quarter ended December 31, 2002) after provision for current income tax of Rs.10.39 lakhs (Rs.53.03 lakhs in the quarter ended December 31, 2002) and deferred tax credit of Rs.2.39 lakhs (Rs. 9.69 lakhs for the quarter ended December 31, 2002). The net profit represents 9.09% of total revenue for the quarter ended December 31,2003 as compared to 9.46% of total revenue for the quarter ended December 31, 2002.

9. Utilization of Proceeds from Preferential Issue

The Company has utilized the funds raised through preferential issue of equity shares in September 2001 in accordance with the objects stated in the offer document.



NUCLEUS SOFTWARE EXPORTS LTD.

Additional Information to Shareholders

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

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

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

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

Share transfers in physical form
and other communication regarding
Share Certificates, Dividend, Change
of address etc. may be addresses to: | RCMC Share Registry Private Limited
1515, 1st Floor, Bhisham Pitamah Marg
Kotla Mubarkpur
Near South Extension
Delhi-110003 |
| 7. Financial Calendar | |
| Financial reporting for the first quarter
ending June 30, 2003. | July 26, 2003 |
| Financial reporting for the second quarter
ending September 30, 2003. | October 18, 2003 |
| Financial reporting for the third quarter
ending December 31, 2003. | January 17, 2004 |
| Financial results for the year ending
March 31, 2004. | between 20th to 30th of April, 2004 |
| 8. Locations | |

Nucleus services its clients through a network of international offices. As on December 31, 2003 Nucleus has wholly owned subsidiaries in Singapore, U.S.A, Japan, Hongkong, Australia and a trading Branch office in London, U.K.



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Nucleus has a centralised development center in Delhi and other development/support centers at Chennai, Mumbai and NOIDA in India.

9. Stock market data relating to shares listed in India

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

	BSE					NSE				
	Open	High	Low	Close	Volume	Open	High	Low	Close	Volume
October-03	88.00	98.00	71.00	83.55	322,574	89.00	98.00	75.80	82.95	613,435
November-03	84.45	92.95	81.05	88.90	110,333	84.00	92.50	67.25	87.85	193,320
December-03	89.90	158.40	88.00	139.35	975,383	89.90	159.20	87.60	141.70	2,115,481

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

Quarter Ended	High (Rs.)	Low (Rs.)
March 31, 2002	149.80	75.00
June 30, 2002	224.75	118.50
September 30, 2002	157.00	93.00
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

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 bi-monthly 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.



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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 and does not respond within 30 days of letter of option, the secretarial department mails the duly transferred share certificate 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 6,509,779 shares till December 31, 2003.

11. Stock Option Scheme

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

12. Investors' Services

Details of request/complaints received during the quarter.

<i>S. No.</i>	<i>Nature of Requests</i>	<i>Received</i>	<i>Attended</i>	<i>Pending</i>
1.	Revalidation of Dividend Warrants	4	4	Nil
2.	Issue of Duplicate Share Certificates	0	0	Nil
3.	Request for stop transfer	1	1	Nil
4.	Non-receipt of Share Certificate	4	4	Nil
5.	D'mat queries	0	0	Nil

The Company has attended to most of the investors' grievances/correspondence within a period of 10 days from the date of receipt of the same, during the quarter from October 1, 2003 to December 31, 2003.

13. Legal Proceedings

There are no pending legal proceedings against the Company.



14. Distribution of Shareholding

<i>No. of equity shares held</i>	<i>As on December 31, 2003</i>				<i>As on December 31, 2002</i>			
	<i>No. of shareholders</i>	<i>% of shareholders</i>	<i>No. of shares</i>	<i>% of shareholding</i>	<i>No. of shareholders</i>	<i>% of shareholders</i>	<i>No. of shares</i>	<i>% of shareholding</i>
1 - 100	3,003	49.11	176,233	2.22	1,585	36.91	86,340	1.09
101 - 200	1,631	26.67	263,296	3.32	1,578	36.75	244,621	3.09
201 - 500	887	14.51	314,278	3.96	679	15.81	233,214	2.95
501 - 1000	320	5.23	239,848	3.02	237	5.52	175,723	2.23
1001 - 5000	212	3.47	430,797	5.42	161	3.75	310,958	3.93
5001 - 10000	21	0.34	136,825	1.72	12	0.28	82,507	1.04
10001 and above	41	0.67	6,378,673	80.34	42	0.98	6,777,787	85.67
Total	6,115	100.00	7,939,950	100.00	4,294	100.00	7,911,150	100.00

15. Categories of Shareholders

<i>Category</i>	<i>As on December 31, 2003</i>			<i>As on December 31, 2002</i>		
	<i>No. of shareholders</i>	<i>Voting Strength (%)</i>	<i>No. of shares held</i>	<i>No. of shareholders</i>	<i>Voting Strength (%)</i>	<i>No. of shares held</i>
Individuals	5,549	28.09	2,230,720	4,009	24.51	1,938,676
Companies	478	51.24	4,067,740	243	54.89	4,342,386
OCBs and NRIs	73	0.43	34,181	31	0.29	23,379
Directors/ relatives	13	20.24	1,607,009	11	20.31	1,606,709
Mutual funds, Banks, FI's	2	0.00	300	Nil	Nil	Nil
Total	6,115	100.00	7,939,950	4,294	100.00	7,911,150



NUCLEUS SOFTWARE EXPORTS LTD.

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

The Company Secretary
Nucleus Software Exports Ltd.
33-35, Thyagraj Nagar Market, New Delhi-110003.
Tel: ++91-(120)-2588434, 2588435 Fax: ++91-(120)-2581444
Email: investorrelations@nucleussoftware.com

17. Major Shareholders of the Company

The following table sets forth the information regarding the ownership of the equity shares as on December 31, 2003 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	3,659,235	46.09
Yogesh Andlay and Associates	Equity	961,210	12.10
Arun Jain and Associates	Equity	490,665	6.18

18. Employee strength of Nucleus

Nucleus employed 621 people as on December 31, 2003 as compared to 604 people on December 31, 2002.

The distribution of the employees is:

As at	December 31, 2003	
Technical Staff	547	88.09%
Non-Technical Staff including Business Development Group	74	11.91%

The gender classification of employees is:

Male	514	82.77%
Female	107	17.23%
Total	621	100.00%

The age profile of employees is:

As at	December 31, 2003	
Between 20 and 25 years	118	19.00%
Between 26 and 30 years	345	55.56%
Between 31 and 40 years	141	22.70%
Between 41 and 50 years	15	2.41%
Between 51 and 60 years	2	0.33%
Total	621	100.00%



NUCLEUS SOFTWARE EXPORTS LTD.

19. 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) 2581894 E Mail: vishnu@nucleussoftware.

R P Singh
President, Technologies

Tel: ++91 (120) 2581705 E Mail: rp@nucleussoftware.com

P K Sanghi
Chief Financial Officer

Tel: ++91 (120) 2581920 E Mail: pksanghi@nucleussoftw.

Niraj Vedwa
Vice President,
Sales and Marketing

Tel :++ 91 (120) 2581706 E Mail : niraj@nucleussoftwar

Mita Ray Brahma
Corporate HR Head

Tel :++ 91(120) 2581925 E Mail : mita.brahma@nucleusso

Poonam Bhasin
Company Secretary

Tel: ++91 (120) 2588435 E Mail: poonam@nucleussoftwa



NUCLEUS SOFTWARE EXPORTS LTD.

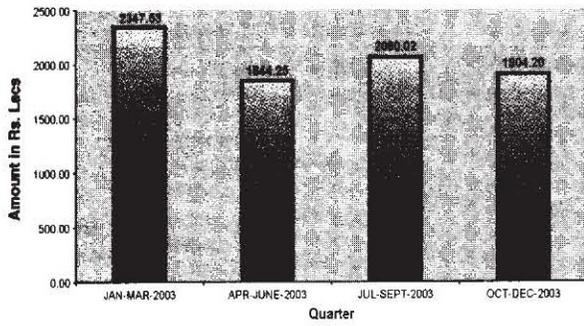
Ratio-Analysis

Particulars	CONSOLIDATED PERFORMANCE				
	Quarter ended		Nine-Months Ended		Year ended
	December 31, 2003	December 31, 2002	December 31, 2003	December 31, 2002	March 31 2003
Ratio-Financial Performance					
Export Revenue/Total Revenue (%)	85.37%	81.57%	82.18%	86.88%	86.77%
Domestic Revenue/Total Revenue (%)	13.08%	18.04%	16.42%	12.44%	12.16%
Other Income/Total Revenue (%)	1.54%	0.38%	1.41%	0.68%	1.07%
Personnel Cost/Total Revenue (%)	51.10%	46.91%	51.01%	45.57%	44.88%
Administration Expenses/Total Revenue (%)	12.45%	10.02%	11.56%	11.21%	10.00%
Operational Expenses/Total Revenue (%)	18.14%	26.30%	19.76%	26.72%	26.43%
Total Operating Expenses/Total Revenue (%)	81.68%	83.23%	82.33%	83.50%	81.31%
Depreciation/Total Revenue (%)	4.15%	1.86%	4.30%	2.21%	4.12%
Income Tax/Total Revenue (%)	0.55%	2.35%	0.71%	1.73%	1.69%
Income Tax/PBT (%)	5.74%	20.68%	7.43%	19.40%	16.75%
PAT from Ordinary Activities/Total Revenue (%)	7.54%	9.08%	7.85%	7.47%	8.29%
PAT from Ordinary Activities/ Net Worth (%)	2.19%	3.50%	6.96%	8.48%	12.12%
ROCE (PBIT/Average Capital Employed) (%)	2.80%	4.46%	8.89%	10.52%	15.57%
ROANW (PAT/Average Net Worth) (%)	2.68%	3.73%	8.59%	9.73%	14.75%
Ratios Balance Sheet					
Debt-Equity Ratio	—	0.004	—	0.01	0.001
Debtors Turnover (Days)	67	72	65	73	95
Asset Turnover Ratio	0.29	0.38	0.87	1.12	1.50
Current Ratio	3.44	3.44	3.44	3.44	3.35
Cash and Equivalents/Total Assets (%)	16.11%	22.38%	16.11%	22.38%	10.71%
Cash and Equivalent/Total Revenue (%)	55.61%	58.51%	18.23%	19.87%	7.14%
Depreciation/Average Gross Block (%)	3.26%	1.77%	10.41%	6.14%	15.51%
Technology Investment/Total Revenue (%)	1.18%	2.16%	0.96%	2.19%	2.43%
Ratios-Growth					
Growth in Export Revenue (%)	-11.52%	29.31%	-17.16%	52.17%	49.43%
Growth in Total Revenue (%)	-15.45%	31.42%	-12.42%	46.90%	44.57%
Operating Expenses Growth (%)	-17.03%	60.29%	-13.65%	75.91%	58.32%
Operating Profit Growth (%)	-7.65%	-29.77%	-6.23%	-19.93%	4.94%
Per-Share Data (Period End)					
Earning Per Share from Ordinary Activities (Rs.)	1.81	2.59	5.74	6.26	9.41
Earning Per Share (Including Extraordinary Items) (Rs.)	2.18	2.69	6.77	6.83	10.63
Cash Earning Per Share from Ordinary Activities (Rs.)	2.81	3.12	8.89	8.11	14.09
Cash Earning Per Share (Including Extraordinary Items) (Rs.)	3.18	3.22	9.92	8.68	15.31
Book Value (Rs.)	82.55	73.80	82.55	73.80	75.45
Price/Earning	65.00	44.52	20.92	17.57	6.17
Price/Cash Earning	44.62	37.20	14.29	13.82	4.28
Price/Book Value	1.72	1.63	1.72	1.63	0.87

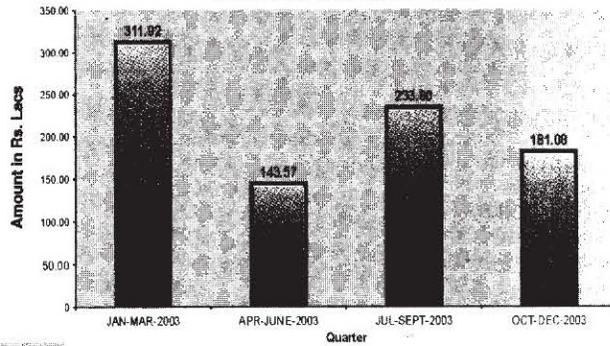
Note: While calculating the figures of group, the inter group transactions between NSEL and Subsidiaries have been ignored.



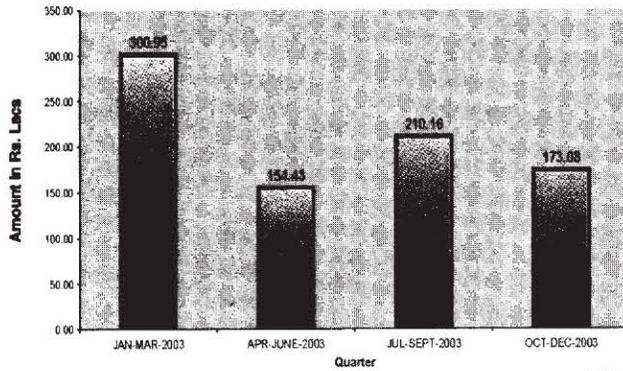
TOTAL REVENUE



PROFIT BEFORE TAX



PROFIT AFTER TAX



EARNING PER SHARE

