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NUCLEUS SOFTWARE EXPORTS LTD.

FINANCIAL HIGHLIGHTS

Rs. in Crore, except per share data

| | CONSOLIDATED PERFORMANCE | | | | |
|--|--------------------------|------------------|------------------------------------|------------------------------------|-------------------------------------|
| | Quarter Ended | | Nine Months Ended | | Year Ended |
| | Dec. 31, 2006 | Dec. 31, 2005 | Dec. 31, 2006 | Dec. 31, 2005 | March 31, 2006 |
| For the Period | | | | | |
| Revenue from Operations | 56.18 | 37.40 | 161.03 | 105.96 | 148.05 |
| Operating Profit (EBITDA) | 15.68 | 10.07 | 46.12 | 31.64 | 45.13 |
| Profit after Tax (PAT) | 13.94 | 8.82 | 41.20 | 26.18 | 37.08 |
| EBITDA as a % of Revenue from Operations | 27.91% | 26.93% | 28.64% | 29.86% | 30.48% |
| PAT as a % of Revenue from Operations | 24.81% | 23.58% | 25.59% | 24.71% | 25.05% |
| EPS | 8.65 | 5.47 | 25.57 | 16.27 | 23.04 |
| Dividend Per Share | — | — | — | — | 3.50 |
| Dividend Payout | — | — | — | — | 5.64 |
| At the end of the Period | | | As at Dec. 31, 2006 | As at Dec. 31, 2005 | As at March 31, 2006 |
| Share Capital | | | 16.12 | 16.11 | 16.11 |
| Reserves and Surplus | | | 140.44 | 94.73 | 99.41 |
| Net Worth | | | 156.59 | 110.84 | 115.51 |
| Total Assets | | | 157.28 | 110.92 | 115.59 |
| Net Fixed Assets | | | 45.28 | 30.07 | 33.70 |
| Investments | | | 76.37 | 61.42 | 61.37 |
| Current Assets | | | 82.57 | 54.83 | 65.30 |
| Cash and Cash Equivalents | | | 84.29 | 74.33 | 77.48 |
| Working Capital | | | 35.59 | 19.35 | 20.50 |
| Market Capitalisation | | | 1,099.70 | 629.43 | 587.91 |
| No. of Shareholders | | | 7,198 | 7,315 | 7,528 |
| No. of Shares (Face Value of Rs.10.00) | | | 16,116,312 | 16,104,812 | 16,104,812 |

Notes:

Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the Period.



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, 2006 | Dec. 31, 2005 | Dec. 31, 2006 | Dec. 31, 2005 | March 31, 2006 |
| For the Period | | | | | |
| Revenue from Operations | 12,657 | 8,300 | 36,276 | 23,515 | 33,181 |
| Operating Profit (EBITDA) | 3,532 | 2,235 | 10,390 | 7,023 | 10,114 |
| Profit after Tax (PAT) | 3,140 | 1,957 | 9,281 | 5,810 | 8,310 |
| EBITDA as a % of Revenue from Operations | 27.91% | 26.93% | 28.64% | 29.86% | 30.48% |
| PAT as a % of Revenue from Operations | 24.81% | 23.58% | 25.59% | 24.71% | 25.05% |
| EPS | 0.19 | 0.12 | 0.58 | 0.36 | 0.52 |
| Dividend Per Share | — | — | — | — | 0.08 |
| Dividend Payout | — | — | — | — | 1,264 |
| At the end of the Period | | | As at Dec. 31, 2006 | As at Dec. 31, 2005 | As at March 31, 2006 |
| Share Capital | | | 3,631 | 3,574 | 3,610 |
| Reserves and Surplus | | | 31,638 | 21,023 | 22,278 |
| Net Worth | | | 35,269 | 24,598 | 25,888 |
| Total Assets | | | 35,431 | 24,616 | 25,905 |
| Net Fixed Assets | | | 10,200 | 6,674 | 7,552 |
| Investments | | | 17,204 | 13,631 | 13,753 |
| Current Assets | | | 18,600 | 12,168 | 14,634 |
| Cash and Cash Equivalents | | | 18,989 | 16,496 | 17,365 |
| Working Capital | | | 8,017 | 4,294 | 4,594 |
| Market Capitalisation | | | 247,735 | 139,688 | 131,758 |
| US\$ Exchange Rate (In Rs.) | | | 44.39 | 45.06 | 44.62 |

Notes:

Market Capitalisation is calculated by considering the closing market price of the scrip at the close of the Period.



Letter to the Shareholders

Dear Shareholder,

It gives me immense pleasure and satisfaction to share the results of your Company for Q3 and nine months ended December 31, 2006. Before I update you on the financial results, I would like to give you an overview of a recent major announcement by us. Your Company has been awarded a contract from ACOM CO. Ltd., a leading consumer finance Company in Japan, to implement FinnOne™ and related services from India. This is the biggest product order ever for Nucleus, bigger than FY06 revenue of Rs.148 crore. ACOM has selected the Company's flagship product FinnOne™ for refurbishing their loans, guarantee, and credit card business. This order will be executed over 2 years and is expected to be live some time in 2009, and subsequently there will be annual technical support from India for another 5 years. ACOM published the news of award of the order on their web site in Tokyo on Friday, January 19, 2007 and simultaneously we announced the contract in India. Apart from the contribution to revenues and profitability in the future, this order represents a major breakthrough for your Company in the Japan market. As we implement this contract, we expect our visibility to improve in the second largest economy of the world.

In terms of financial results this is the tenth consecutive quarter of growth in both top line and bottom line of the Company. Your Company has posted a y-o-y top line growth of 50.23 % with consolidated revenue from operations at Rs. 56.18 crore, against Rs. 37.40 crore for the corresponding quarter of the previous year. On a y-o-y basis, the profit after tax has also grown by 58.02 % at Rs. 13.94 crore for the quarter against Rs. 8.82 crore for the corresponding quarter of the previous year. Earnings per share was Rs. 8.65 for the quarter against Rs. 5.47 for the corresponding quarter of the previous year.

For the first nine months of the year, consolidated revenue from operations is Rs. 161.03 crore, against Rs. 105.96 crore in nine month period of FY 06, an increase of 51.97%. Consolidated net profit is Rs. 41.20 crore, against Rs. 26.18 crore in nine months of FY 06, an increase of 57.37%.

Operating profit for the quarter is Rs. 15.68 crore, 27.90% of revenue, against Rs. 10.07 crore, 26.93% of revenue in the corresponding quarter of the previous year. For the nine month period, operating profit is Rs. 46.12 crore, 28.64% of revenue, against Rs. 31.65 crore, 29.85% of revenue in nine month period of FY 06.

Product revenue continues to lead growth. Revenue for the product business for the quarter is Rs. 31.76 crore, 56.53% of revenue for the quarter against Rs.14.13 crore, 37.79 % of revenue, in the corresponding quarter of the previous year. For the nine month period, product revenue is Rs. 84.10 crore, 52.23% of the revenue, against Rs. 38.28 crore, 36.12% of the revenue of the previous year.

Revenue from projects and services for the quarter has increased by 4.99% at Rs. 24.42 crore against Rs. 23.26 crore in the corresponding quarter of the previous year. For the nine month period, revenue from projects and services is Rs. 76.93 crore, 47.78% of total revenue, against Rs. 67.68 crore, 63.87 % of total revenue for the nine month period of the previous year.

In terms of receivables, we have been successful in achieving a reduction to Rs. 37 crore against Rs. 47 crore plus in September 2006, and a 61-day DSR against 79 day DSR in September 06. Reduction in receivables and consequent reduction in working capital has improved liquidity, and, 'Cash and Bank Balances' and 'Current Investments' were at Rs. 84.29 crore as on December 31, 2006 against Rs. 61.77 crore as on September 30, 2006. We continue to examine proactively means of increasing the returns on these amounts without assuming additional risk.

8 new clients have been added during the quarter increasing the client base to 143. In addition to the A-Com order, we have received significant orders from two large banks in India, one large financial institution from India and two large banks in Nigeria. One global bank based in Europe has placed an order for implementation of cash management solution in over 16 countries. Another large global automobile finance Company has placed an order for FinnOne™ roll out across Asia Pacific.

Product Development is a continuous process and as part of our technology upgrade strategy, we are migrating our flagship product, FinnOne™ "Loans servicing" module, to a Java J2EE platform. Phase I of the migration would be completed by end April 2007. Value added functionalities specifically focused at the captive auto finance market are under advanced stages of development and expected to be launched by end March 2007.

To meet our strategic goals, we are continuing to recruit aggressively, creating additional infrastructure for future requirements. We are on target to commission our second facility at our campus by end of this financial year, which will add 800 seats, and the Board of Directors have given in principle approval for commencing work on Phase 3 within the campus, which will create another 800 seats, by the end of FY08.

On behalf of the Board, I am pleased to inform you that the Institute of Company Secretaries of India has selected Nucleus amongst the top 25 companies adopting "Good Corporate Governance Practices" for 2006. Further, our annual report for the financial year 2005 received 'Merit Award' for "Best Presented Accounts Award" in January 2007 by the South Asian Federation of Accountants in the category of "Communications and Information Technology".

All above and the future goals can never be achieved without the unrelenting hard work of Nucleites, enduring guidance of our Board Members and well-wishers, and the support of our customers, business associates and shareholders. I take this opportunity to thank you all for your continued support and wish that this new year brings prosperity to all of us.

Vishnu R Dusad
Managing Director
Date: January 22, 2007



NUCLEUS SOFTWARE EXPORTS LTD.

Auditors' Report

To the Board of Directors of
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 2006, the Profit and Loss Account for the quarter and nine months ended on that date and also the Cash Flow Statement of the Company for the nine months ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We report that:

- a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of the books;
- c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable; and
- e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2006;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the quarter and nine months ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the nine months ended on that date

for **BSR & Co.**
Chartered Accountants

Sd/-
(Rakesh Dewan)
Partner
Membership No. 092212

Place : Gurgaon
Date : January 22, 2007

**NUCLEUS SOFTWARE EXPORTS LTD.****Balance Sheet as at 31 December 2006**

All amounts in Rupees

| Particulars | Schedule | As at 31 Dec. 2006 | As at 31 Dec. 2005 | As at 31 March 2006 |
|--|----------|-----------------------|-----------------------|------------------------|
| SOURCES OF FUNDS | | | | |
| Shareholders' Funds | | | | |
| Share Capital | 1 | 161,178,120 | 161,063,120 | 161,063,120 |
| Share Application Money Pending Allotment | | 7,219,100 | 767,500 | 757,500 |
| Reserves & Surplus | 2 | 1,145,195,190 | 821,423,579 | 845,613,357 |
| TOTAL | | 1,313,592,410 | 983,254,199 | 1,007,433,977 |
| APPLICATION OF FUNDS | | | | |
| Fixed Assets | | | | |
| Gross Block | 3 | 525,126,608 | 428,856,511 | 442,357,760 |
| Less: Accumulated Depreciation | | (204,194,385) | (163,523,694) | (171,405,059) |
| Net Block | | 320,932,223 | 265,332,817 | 270,952,701 |
| Add : Capital Work in Progress (including capital advances) | | 53,727,454 | 10,002,898 | 35,070,281 |
| | | 374,659,677 | 275,335,715 | 306,022,982 |
| Investments | 4 | 788,614,800 | 671,337,527 | 676,148,738 |
| Deferred Tax Asset (Refer note 3, Schedule 16) | | 1,815,257 | 1,244,946 | 1,339,922 |
| Current Assets, Loans & Advances | | | | |
| Sundry Debtors | 5 | 255,758,706 | 114,075,372 | 105,093,296 |
| Cash & Bank Balances | 6 | 87,206,270 | 146,480,280 | 213,088,500 |
| Loans & Advances | 7 | 63,454,645 | 39,227,571 | 31,305,677 |
| Other Current Assets | 8 | 151,550,295 | 50,129,668 | 71,558,325 |
| | | 557,969,916 | 349,912,891 | 421,045,798 |
| Less: Current Liabilities & Provisions | | | | |
| Current Liabilities | 9 | (354,797,448) | (293,581,652) | (313,471,499) |
| Provisions | 10 | (54,669,792) | (20,995,228) | (83,651,964) |
| | | (409,467,240) | (314,576,880) | (397,123,463) |
| Net Current Assets/(Liabilities) | | 148,502,676 | 35,336,011 | 23,922,335 |
| TOTAL | | 1,313,592,410 | 983,254,199 | 1,007,433,977 |

Significant accounting policies and notes to the accounts

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

As per our report of even dateFor BSR & Co.
Chartered AccountantsRakesh Dewan
Partner
Membership No. 092212Gurgaon
January 22, 2007

For and on behalf of the Board of Directors

Lt. Gen. T P Singh (Retd.)
ChairmanVishnu R Dusat
Managing DirectorNOIDA (U.P.)
January 22, 2007P K Sanghi
Chief Financial OfficerPoonam Bhasin
Company Secretary

**NUCLEUS SOFTWARE EXPORTS LTD.****Profit and Loss Account for the quarter and nine months ended 31 December 2006**

All amounts in Rupees

| Particulars | Schedule | For the quarter ended | | For the nine months ended | | For the |
|--|----------|-----------------------|---------------------|---------------------------|---------------------|-----------------------------|
| | | 31 December 2006 | 31 December 2005 | 31 December 2006 | 31 December 2005 | year ended 31 March 2006 |
| Sales and Services | 11 | 383,034,451 | 224,930,987 | 1,045,056,065 | 674,885,692 | 943,678,136 |
| Software Development Expenses | 12 | 195,203,542 | 114,813,229 | 540,389,105 | 316,152,438 | 433,747,478 |
| Gross profit | | 187,830,909 | 110,117,758 | 504,666,960 | 358,733,254 | 509,930,657 |
| Selling and Marketing Expenses | 13 | 41,026,097 | 16,179,842 | 87,201,060 | 53,531,902 | 73,072,349 |
| General and Administration Expenses | 14 | 25,504,147 | 20,503,105 | 70,071,789 | 55,406,745 | 78,565,977 |
| Operating Profit Before Depreciation and Withholding Tax | | 121,300,665 | 73,434,811 | 347,394,111 | 249,794,607 | 358,292,332 |
| Depreciation | 3 | 13,169,120 | 6,572,925 | 37,617,017 | 29,157,000 | 39,292,691 |
| Withholding Taxes Charged Off | | 13,358,457 | 9,861,325 | 34,158,424 | 22,798,253 | 32,114,267 |
| Operating Profit After Depreciation, and Withholding Tax | | 94,773,088 | 57,000,561 | 275,618,670 | 197,839,354 | 286,885,374 |
| Other Income | 15 | 13,992,865 | 11,620,322 | 34,899,314 | 20,532,812 | 25,255,015 |
| Profit before Taxation | | 108,765,953 | 68,620,883 | 310,517,984 | 218,372,166 | 312,140,389 |
| Provision for Tax - current | | 300,000 | 4,200,000 | 1,800,000 | 13,100,000 | 19,200,000 |
| - fringe benefit | | 2,184,139 | 1,260,000 | 4,494,139 | 2,960,000 | 4,271,465 |
| - deferred (refer Note 3, Schedule 16) | | (463,002) | 536,596 | 543,520 | 954,054 | 859,078 |
| - earlier years | | — | — | 86,355 | — | (1,521,305) |
| Provision for Wealth Tax | | 63,952 | 51,402 | 63,952 | 51,402 | 51,402 |
| Profit after Taxation | | 106,680,864 | 62,572,885 | 303,530,018 | 201,306,710 | 289,279,749 |
| Profit Available for Appropriation | | 106,680,864 | 62,572,885 | 303,530,018 | 201,306,710 | 289,279,749 |
| Profit for the period/year | | 106,680,864 | 62,572,885 | 303,530,018 | 201,306,710 | 289,279,749 |
| Add: Balance Brought Forward | | 434,395,989 | 251,273,204 | 237,546,836 | 112,539,379 | 112,539,379 |
| Total Amount Available | | 541,076,853 | 313,846,089 | 541,076,854 | 313,846,089 | 401,819,128 |
| Final Dividend | | — | — | — | — | 56,366,842 |
| Dividend Tax | | — | — | — | — | 7,905,450 |
| Transferred to General Reserve | | — | — | — | — | 100,000,000 |
| Balance Carried Forward to the Balance Sheet | | 541,076,853 | 313,846,089 | 541,076,854 | 313,846,089 | 237,546,836 |
| Earnings Per Equity Share (par value Rs. 10 each) (Note 15, Schedule 16) | | | | | | |
| Basic | | 6.62 | 3.89 | 18.84 | 12.51 | 17.97 |
| Diluted | | 6.56 | 3.88 | 18.76 | 12.48 | 17.93 |
| Number of Shares used in Computing Earnings Per Equity Share | | | | | | |
| Basic | | 16,116,312 | 16,102,595 | 16,112,507 | 16,095,365 | 16,097,694 |
| Diluted | | 16,263,233 | 16,146,731 | 16,182,357 | 16,133,186 | 16,137,555 |

Significant accounting policies and notes to the accounts

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

As per our report of even dateFor BSR & Co.
Chartered Accountants

For and on behalf of the Board of Directors

Rakesh Dewan
Partner
Membership No. 092212**Lt. Gen. T P Singh (Retd.)**
Chairman**Vishnu R Dusad**
Managing Director**Gurgaon**
January 22, 2007**NOIDA (U.P.)**
January 22, 2007**P K Sanghi**
Chief Financial Officer**Poonam Bhasin**
Company Secretary



NUCLEUS SOFTWARE EXPORTS LTD.

Cash Flow Statement for the nine months ended 31 December 2006

All amounts in Rupees

| | For the nine months ended 31 Dec. 2006 | For the nine months ended 31 Dec. 2005 | For the year ended 31 March 2006 |
|---|--|--|--|
| A. Cash flow from operating activities | | | |
| Net profit before tax | 310,517,984 | 218,372,166 | 312,140,389 |
| Adjustment for: | | | |
| Depreciation | 37,617,017 | 29,157,000 | 39,292,691 |
| Exchange difference on translation of foreign currency accounts | (4,245,201) | (354,534) | (4,764,732) |
| Dividend income from investments | (4,734,699) | (1,849,739) | (2,653,306) |
| Interest income | (2,231,560) | (5,099,065) | (7,457,597) |
| Profit on sale of investments | (23,233,432) | (11,890,954) | (12,981,491) |
| Amortisation of employees stock compensation expenses | 5,831,957 | 1,493,787 | 1,972,818 |
| Loss / (Profit) on sale of fixed assets | (143,895) | (81,207) | (45,470) |
| Loss on assets discarded | — | 67,551 | 154,659 |
| Bad debts written off | — | 1,523,236 | 1,523,236 |
| Advances and other current assets written off | 281,510 | 2,813,754 | 5,904,441 |
| Provision for doubtful debts/advances | 3,073,097 | (1,484,153) | (991,223) |
| Operating profit before working capital changes | 322,732,778 | 232,667,842 | 332,094,415 |
| Decrease / (increase) in debtors | (156,090,960) | 13,688,346 | 22,780,957 |
| Decrease / (increase) in loans and advances | (19,944,064) | (2,825,326) | (1,369,851) |
| Decrease / (increase) in other current assets | (83,337,566) | (27,827,658) | (50,674,732) |
| (Decrease) / increase in current liabilities and provisions | 52,717,931 | (63,254,604) | (48,722,293) |
| | 116,078,119 | 152,448,600 | 254,108,496 |
| Income Tax paid | (8,265,491) | (10,764,995) | (13,552,386) |
| Fringe Benefit Tax paid | (2,274,213) | — | (4,101,391) |
| Net cash (used in) / from operating activities (A) | (105,038,415) | 141,683,605 | 236,454,719 |
| B. Cash flow from investing activities | | | |
| Purchase of fixed assets/capital work in progress | (99,813,268) | (39,001,085) | (69,972,264) |
| Sale of fixed assets | 2,020,793 | 506,405 | 593,771 |
| Purchase of current investments (net) | (89,232,630) | (112,712,641) | (111,068,315) |
| Investment in subsidiaries | — | — | (5,365,000) |
| Purchase of other long term investments | — | (2,500,000) | (2,500,000) |
| Loan and advances to subsidiaries (net) | 6,602,885 | 6,860,745 | 14,291,354 |
| Interest received | 52,91,327 | 66,30,719 | 7,306,115 |
| Tax paid | (2,613,330) | (2,808,989) | (4,813,374) |
| Dividend received from investments | 4,734,699 | 1,849,739 | 2,653,306 |
| Net cash used in investing activities (B) | (173,009,524) | (141,175,107) | (168,874,407) |
| C. Cash flow from financing activities | | | |
| Dividend paid (including tax thereon) | (63,940,569) | (45,587,752) | (45,596,142) |
| Proceeds from employee stock option exercised | 161,000 | 28,000 | 28,000 |
| Receipt of share application money | 6,616,600 | 760,500 | 760,500 |
| Net cash used in financing activities (C) | (57,162,969) | (44,799,252) | (44,807,642) |
| Net (decrease) / increase in cash and cash equivalents (A+B+C) | (125,134,078) | (44,290,754) | 22,772,670 |
| Opening cash and cash equivalents | 213,088,500 | 190,561,641 | 190,561,641 |
| Exchange difference on translation of foreign currency bank accounts | (784,152) | 209,393 | (245,811) |
| Closing cash and cash equivalents* | 87,206,270 | 146,480,280 | 213,088,500 |

* Includes fixed deposits amounting to Rs.6,666,830 (Rs.91,52,686; Rs.9,152,686) under lien with bank on account of guarantees issued on behalf of the Company.

Notes:

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

As per our report of even date

For BSR & Co.
Chartered Accountants

Rakesh Dewan
Partner
Membership No. 092212

Gurgaon
January 22, 2007

For and on behalf of the Board of Directors

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

Vishnu R Dusat
Managing Director

NOIDA (U.P.)
January 22, 2007

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

| | As at 31 December 2006 | As at 31 December 2005 | As at 31 March 2006 |
|---|---------------------------|---------------------------|------------------------|
| 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 | | | |
| 16,107,612 (16,095,612 ; 16,104,812) | | | |
| Issued | | | |
| equity shares of Rs. 10 each | 161,191,120 | 161,076,120 | 161,076,120 |
| Subscribed and paid up | | | |
| 16,116,312 (16,104,812; 16,104,812) equity shares of Rs. 10 each, fully paid up | 161,163,120 | 161,048,120 | 161,048,120 |
| Of the above: | | | |
| 8,045,406 equity shares of Rs. 10 each have been issued as bonus shares by capitalisation of securities premium account during the year ended 31 March 2005 | | | |
| 2,637,050 equity shares of Rs. 10 each have been issued as bonus shares by capitalisation of general reserve and securities premium account during 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 during the year ended 31 March 1995 | | | |
| Add: 2,800 (2,800 ; 2,800) forfeited equity shares pending for reissue | 15,000 | 15,000 | 15,000 |
| | 161,178,120 | 161,063,120 | 161,063,120 |



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

| | As at 31 Dec. 2006 | As at 31 Dec. 2005 | As at 31 March 2006 |
|--|-----------------------|-----------------------|------------------------|
| SCHEDULE—2 | | | |
| RESERVES AND SURPLUS | | | |
| General reserve | | | |
| Balance as at 1 April | 441,454,695 | 341,454,695 | 341,454,695 |
| Add: Transferred from Profit and Loss Account | — | — | 100,000,000 |
| Less: Gratuity and leave encashment transitional liability | 9,981,145 | — | — |
| | <u>431,473,550</u> | <u>341,454,695</u> | <u>441,454,695</u> |
| Securities premium account | | | |
| Balance as at 1 April | 162,978,709 | 161,702,709 | 161,702,709 |
| Add : On conversion of stock options issued to employees | 1,012,000 | 1,276,000 | 1,276,000 |
| | <u>163,990,709</u> | <u>162,978,709</u> | <u>162,978,709</u> |
| Capital reserve account | | | |
| Balance as at 1 April | 1,500,030 | 1,480,030 | 1,480,030 |
| Add: Amount forfeited against employees stock option plan | 40,000 | 10,000 | 20,000 |
| | <u>1,540,030</u> | <u>1,490,030</u> | <u>1,500,030</u> |
| Employee stock options | | | |
| Balance as at 1 April | 4,394,168 | 2,304,350 | 2,304,350 |
| Add: Options granted during the period / year | 19,906,600 | 3,288,888 | 3,288,888 |
| Less: Reversal on forfeiture of stock options granted | 494,400 | 74,000 | 119,070 |
| Less: Transferred to securities premium on exercise of stock options | 851,000 | 1,080,000 | 1,080,000 |
| | <u>22,955,368</u> | <u>4,439,238</u> | <u>4,394,168</u> |
| Less: Deferred employee compensation | (15,841,321) | (2,785,182) | (2,261,081) |
| | <u>7,114,047</u> | <u>1,654,056</u> | <u>2,133,087</u> |
| Profit and Loss Account | | | |
| Balance as at 1 April | 237,546,836 | 112,539,379 | 112,539,379 |
| Add: Profit for the year | 303,530,018 | 201,306,710 | 289,279,749 |
| Less: Transfer to general reserve | — | — | 100,000,000 |
| Less: Final dividend | — | — | 56,366,842 |
| Less: Dividend tax | — | — | 7,905,450 |
| | <u>541,076,854</u> | <u>313,846,089</u> | <u>237,546,836</u> |
| | <u>1,145,195,190</u> | <u>821,423,579</u> | <u>845,613,357</u> |



Schedules forming part of the financial statements

**SCHEDULE—3
FIXED ASSETS**

| Particulars | GROSS BLOCK | | ACCUMULATED DEPRECIATION | | NET BLOCK | | |
|----------------------------|---------------------|-------------------|--------------------------|-------------------------------------|---------------------|---------------------|----------------------|
| | As at 1 April, 2006 | Additions | As at 1 April, 2006 | Deduction/ Adjustments for the year | As at 31 Dec., 2006 | As at 31 Dec., 2005 | As at 31 March, 2006 |
| Freehold land | 3,360,720 | — | — | 181,342 | 3,179,378 | 3,360,720 | 3,360,720 |
| Leasehold land | 64,195,000 | 2,200,000 | 2,891,645 | 359,726 | 63,143,629 | 61,480,270 | 61,303,355 |
| Building | 111,957,797 | 35,180,574 | 7,403,417 | 3,434,883 | 134,578,139 | 105,473,075 | 104,554,380 |
| Office and other equipment | 52,118,619 | 8,135,830 | 23,639,888 | 7,443,062 | 29,161,297 | 30,365,190 | 28,478,731 |
| Computers | 97,242,539 | 26,804,491 | 54,692,697 | 15,070,182 | 54,228,872 | 35,700,754 | 42,549,842 |
| Vehicles | 14,030,801 | 3,312,282 | 6,135,695 | 1,861,894 | 9,256,009 | 8,491,999 | 7,895,106 |
| Furniture and fixtures | 25,817,902 | 3,672,413 | 17,401,654 | 2,812,132 | 9,276,529 | 9,277,652 | 8,416,248 |
| Software | 73,634,382 | 10,167,847 | 59,240,063 | 6,453,796 | 18,108,370 | 11,183,157 | 14,394,319 |
| Total | 442,357,760 | 89,473,437 | 171,405,059 | 37,617,017 | 320,392,223 | 265,332,817 | 270,952,701 |
| Previous period | 402,276,461 | 30,342,310 | 137,636,205 | 29,157,000 | 265,332,817 | — | — |
| Previous year | 402,276,461 | 46,308,096 | 137,636,205 | 39,292,691 | 270,952,701 | — | — |



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

| | As at 31 Dec. 2006 | As at 31 Dec. 2005 | As at 31 March 2006 |
|---|-----------------------|-----------------------|------------------------|
| SCHEDULE—4 | | | |
| INVESTMENTS | | | |
| Investments | | | |
| Long term investments | | | |
| Equity shares - Non trade and unquoted | | | |
| 10,040,000 (10,040,000; 10,040,000) equity shares of Rs 10 each, fully paid up, in GMAC Financial Services India Ltd [Of the above, 80,000 (80,000; 80,000) equity shares are held by nominees on behalf of the Company] | 136,882,640 | 136,882,640 | 136,882,640 |
| 25,000 (25,000; 25,000) equity shares of Rs 10 each, fully paid up, in Ujjivan Financial Services Pvt. Ltd. | 2,500,000 | 2,500,000 | 2,500,000 |
| | 139,382,640 | 139,382,640 | 139,382,640 |
| Equity shares in wholly owned subsidiaries - Non-trade and unquoted | | | |
| 625,000 (625,000; 625,000) equity shares of SGD 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore, a wholly owned subsidiary | 16,319,950 | 16,319,950 | 16,319,950 |
| 1,000,000 (1,000,000; 1,000,000) equity shares of USD 0.35 each, fully paid up, in Nucleus Software Inc., USA, a wholly owned subsidiary | 16,293,150 | 16,293,150 | 16,293,150 |
| 200 (200; 200) equity shares of JPY 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaiga, Japan, a wholly owned subsidiary | 4,092,262 | 4,092,262 | 4,092,262 |
| 316,000 (316,000; 316,000) equity shares of Aus \$ 1 each, fully paid up, in Nucleus Software (Australia) Pty. Ltd., Australia, a wholly owned subsidiary | 9,790,955 | 9,790,955 | 9,790,955 |
| 100,000 (100,000; 100,000) equity shares of HK \$ 1 each, fully paid up, in Nucleus Software (HK) Ltd., Hong Kong, a wholly owned subsidiary | 619,885 | 619,885 | 619,885 |
| 1,000,000 (1,000,000; 1,000,000) equity shares of Rs 10 each, fully paid up, in Virstra i-Technology Services Limited, India, a wholly owned subsidiary [Of the above, 6 (Nil; 6) equity shares are held by nominees on behalf of the Company] | 10,000,000 | 10,000,000 | 10,000,000 |
| 1,000 (Nil; 1,000) equity shares of Euro 100 each, fully paid up, in Nucleus Software Netherlands B.V., Netherlands, a wholly owned subsidiary | 5,365,000 | — | 5,365,000 |
| | 62,481,202 | 57,116,202 | 62,481,202 |
| Current investments | | | |
| Investments in bonds and mutual funds - Non trade and unquoted | | | |
| Nil (3,659,812; 3,659,812) units of face value of Rs. 10 each of HDFC Cash management Fund-Saving Plan-Growth | — | 50,742,894 | 50,742,894 |
| Nil (940,631; 62,196) units of face value of Rs. 10 each of Deutsche insta cash Plus Fund-Institutional Plan-Growth | — | 9,650,000 | 650,000 |
| Nil (1,000,000; 1,000,000) units of face value of Rs. 10 each of UTI fixed maturity Plan-YFMP 07/05-Growth | — | 10,000,000 | 10,000,000 |
| Nil (2,000,000; 2,000,000) units of face value of Rs. 10 each of UTI fixed maturity Plan-YFMP 09/05-Growth | — | 20,000,000 | 20,000,000 |



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

| | All amounts in Rupees | | |
|---|-----------------------|-----------------------|------------------------|
| | As at 31 Dec. 2006 | As at 31 Dec. 2005 | As at 31 March 2006 |
| 500,000 (Nil; Nil1) units of face value of Rs. 10 each of UTI fixed maturity Plan-YFMP 06/06-Growth | 5,000,000 | — | — |
| 2,000,000 (2,000,000; 2,000,000) units of face value of Rs. 10 each of Prudential ICICI FMP Series 5-Institutional-Growth | 20,000,000 | 20,000,000 | 20,000,000 |
| Nil (1,000,000; 1,000,000) units of face value of Rs. 10 each of Reliance Fixed Maturity Fund-SeriesII-Annual Plan-I-Growth | — | 10,000,000 | 10,000,000 |
| Nil (2,413,992; 2,413,992) units of face value of Rs. 10 each of DSPMerrill Lynch Liquidity Fund-Growth | — | 40,000,000 | 40,000,000 |
| Nil (2,985,857; 2,985,857) units of face value of Rs. 10 each of SBI Magnum Institutional Income Fund-Saving-Growth | — | 32,000,000 | 32,000,000 |
| Nil (1,229,594; 1,229,594) units of face value of Rs. 10 each of Reliance Liquid Fund-Treasury Plan-Institutional -Growth | — | 20,000,000 | 20,000,000 |
| Nil (2,972,613; 2,972,613) units of face value of Rs.10 each of ABN Amro Cash Fund-Institutional-Growth | — | 31,000,000 | 31,000,000 |
| Nil (1,419,231; 1,419,231) units of face value of Rs. 10 each of ING Vysya Liquid Fund Institutional-Growth | — | 15,000,000 | 15,000,000 |
| Nil (26,544; 26,544) units of face value of Rs. 1000 each of UTI Liquid Cash Plan Institutional Growth | — | 29,895,490 | 29,895,490 |
| 17,776 (Nil; Nil) units of face value of Rs. 1000 each of UTI Liquid Cash Plan Institutional Growth | 18,121,946 | — | — |
| Nil (1,187,620; 1,187,620) units of face value of Rs. 10 each of Prudential ICICI Institutional Liquid Plan-Growth | — | 20,000,000 | 20,000,000 |
| Nil (881,780; 881,780) units of face value of Rs. 10 each of Birla Sun Life Cash manager-Institutional Plan-Growth | — | 10,000,000 | 10,000,000 |
| Nil (750,000; 750,000) units of face value of Rs. 10 each of Magnum Debt Fund Serires-13 Months (Oct 05)-Growth | — | 7,500,000 | 7,500,000 |
| 800,000 (800,000; 800,000) units of face value of Rs. 10 each of Grindlays Fixed Maturity-16th Plan A-Growth | 8,000,000 | 8,000,000 | 8,000,000 |
| 900,000 (Nil; 900,000) units of face value of Rs. 10 each of Grindlays Fixed Maturity-20th Plan -Growth | 9,000,000 | — | 9,000,000 |
| 3,729,202 (1,647,023; 5,136,964) units of face value of Rs. 10 each of LICMF Liquid Fund-Dividend | 40,947,012 | 18,006,645 | 56,179,497 |
| 2,297,827 (4,574,565; 2,224,796) units of face value of Rs. 10 each of Birla Cash Plus-Institutional Premium-Growth | 25,682,000 | 50,000,000 | 24,317,015 |
| 2,000,000 (Nil; 2,000,000) units of face value of Rs. 10 each of Chola FMP-14 Months-Cumulative | 20,000,000 | — | 20,000,000 |
| 1,000,000 (Nil; 1,000,000) units of face value of Rs. 10 each of ABN Amro FTP Series 2 Thirteen Month Plan-Growth | 10,000,000 | — | 10,000,000 |
| 1,000,000 (Nil; 1,000,000) units of face value of Rs. 10 each of HSBC Fixed term Series-4-Growth | 10,000,000 | — | 10,000,000 |
| 2,000,000 (Nil; Nil) units of face value of Rs. 10 each of HSBC Fixed term Series-9-Growth | 20,000,000 | — | — |
| 1,000,000 (Nil; 1,000,000) units of face value of Rs. 10 each of Principal Pnb Fixed Maturity Plan-385 Days-Series I Institutional-Growth | 10,000,000 | — | 10,000,000 |
| 1,000,000 (Nil; 1,000,000) units of face value of Rs. 10 each of HDFC FMP 13M March 2006(I)- Institutional Plan-Growth | 10,000,000 | — | 10,000,000 |



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

| | All amounts in Rupees | | |
|---|-----------------------|-----------------------|------------------------|
| | As at 31 Dec. 2006 | As at 31 Dec. 2005 | As at 31 March 2006 |
| 1,000,000 (Nil; Nil) units of face value of Rs. 10 each of HDFC FMP 13M June 2006(I)- Institutional Plan-Growth | 10,000,000 | — | — |
| 1,250,000 (Nil; Nil) units of face value of Rs. 10 each of HDFC FMP 13M July 2006(I)- Institutional Plan-Growth | 12,500,000 | — | — |
| 3,117,013 (Nil; Nil) units of face value of Rs. 10 each of LICMF Liquid Fund-Growth | 40,000,000 | — | — |
| 4,826,534 (Nil; Nil) units of face value of Rs. 10 each of Prudential ICICI Super Institutional Plan-Growth | 50,000,000 | — | — |
| 1,398,093 (Nil; Nil) units of face value of Rs. 10 each of Kotak Liquid-Institutional Plus Plan-Growth | 20,000,000 | — | — |
| 1,250,000 (Nil; Nil) units of face value of Rs. 10 each of Kotak FMP Series - Growth | 12,500,000 | — | — |
| Nil (1,070,274; Nil) units of face value of Rs. 10 each of Chola Liquid Institutional Plus Cumulative | — | 15,000,000 | — |
| Nil (511,740; Nil) units of face value of Rs. 10 each of Chola Liquid Institutional Plus Dividend | — | 6,003,529 | — |
| Nil (4,090,509; Nil) units of face value of Rs. 10 each of Kotak Liquid- Institutional Premium-Dividend | — | 50,019,151 | — |
| Nil (202,101; Nil) units of face value of Rs. 10 each of ABN Amro Cash Fund-Institutional-Dividend | — | 2,020,976 | — |
| 4,000,000 (Nil; Nil) units of face value of Rs. 10 each of ABN Amro FTP Series4 quarterly plan A Monthly Dividend | 40,000,000 | — | — |
| 2,500,000 (Nil; Nil) units of face value of Rs. 10 each of ABN Amro FTP Series3 quarterly plan G Dividend | 25,000,000 | — | — |
| 2,000,000 (Nil; Nil) units of face value of Rs. 10 each of ABN Amro FTP Series4 quarterly plan B Dividend on Maturity | 20,000,000 | — | — |
| 2,500,000 (Nil; Nil) units of face value of Rs. 10 each of UTI Fixed Matutity Plan quarterly Series QFMP/1106/1 Divident Plan-Reinvestment | 25,000,000 | — | — |
| 1,500,000 (Nil; Nil) units of face value of Rs. 10 each of UTI Fixed Matutity Plan halfyearly Series HFMP/1206/1 Divident Plan-Reinvestment | 15,000,000 | — | — |
| 2,500,000 (Nil; Nil) units of face value of Rs. 10 each of Sundram BNP Paribas Fixed Term Plan Series XVII (90 days) Dividend | 25,000,000 | — | — |
| 2,500,000 (Nil; Nil) units of face value of Rs. 10 each of DWS Fixed Term Plan Series 22-Dividend | 25,000,000 | — | — |
| 4,000,000 (Nil; Nil) units of face value of Rs. 10 each of Standard Charted Fixed Maturity Plan quarterly Series 2-Dividend | 40,000,000 | — | — |
| 2,000,000 (Nil; Nil) units of face value of Rs. 10 each of Principal PNB Fixed Maturity Plan (FMP-32) 91 days Series VI-DEC06 Dividend | 20,000,000 | — | — |
| | 586,750,958 | 474,838,685 | 474,284,896 |
| | 788,614,800 | 671,337,527 | 676,148,738 |

Notes:

1. Net asset value (NAV) of current investments Rs. 601,184,452 (Rs.483,673,484; Rs.487,926,419) as at 31 Dec. 2006.
2. Refer note 7, schedule 16 for details of investments purchased and sold during the quarter ended 31 Dec. 2006.



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

| | As at 31 Dec. 2006 | As at 31 Dec. 2005 | As at 31 March 2006 |
|---|-----------------------|-----------------------|------------------------|
| SCHEDULE—5 | | | |
| SUNDRY DEBTORS (UNSECURED) | | | |
| Debts outstanding for a period exceeding six months | | | |
| —Considered good | 8,284,469 | 6,014,632 | 3,149,136 |
| —Considered doubtful | 10,263,654 | 17,814,978 | 18,879,154 |
| | 18,548,123 | 23,829,610 | 22,028,290 |
| Less: Provision for doubtful debts | (10,263,654) | (17,814,978) | (18,879,154) |
| | 8,284,469 | 6,014,632 | 3,149,136 |
| Other debts (considered good)* | 247,474,237 | 108,060,740 | 101,944,160 |
| | 255,758,706 | 114,075,372 | 105,093,296 |

* includes debt amounting to Rs.63,296,784 (Rs.57,166,875; Rs.46,192,627) due from companies under the same management.

SCHEDULE—6 : **CASH AND BANK BALANCES**

| | | | |
|--|------------|-------------|-------------|
| Cash in hand [including cheques in hand Rs.7,024,785 (Rs.1,85,196; Rs.1,989,242)] | 7,827,677 | 429,578 | 2,311,320 |
| Balances with scheduled banks: | | | |
| —in current accounts | 71,450,177 | 15,246,166 | 21,798,971 |
| —in fixed deposit accounts* | 7,646,402 | 109,452,786 | 184,301,711 |
| Balance with non scheduled bank: | | | |
| —in current account (Citibank, United Kingdom) [Maximum amount outstanding Rs.1,106,298 (Rs. Nil; Rs. 1,108,854)] | 282,014 | — | 660,698 |
| Remittance in transit | — | 21,351,750 | 4,015,800 |
| | 87,206,270 | 146,480,280 | 213,088,500 |

*include fixed deposits amounting to Rs.6,666,830 (Rs.9,152,686; Rs.9,149,266 under lien with bank on account of guarantees issued on behalf of the Company.

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

| | | | |
|---|------------|------------|------------|
| Advances recoverable in cash or in kind or for value to be received | 16,372,070 | 10,506,442 | 9,281,723 |
| Loans and advances to subsidiaries* | 13,459,139 | 19,424,516 | 13,175,644 |
| Security deposits | 4,852,437 | 4,408,236 | 2,980,534 |
| Advance income tax [net of provision Rs. 28,246,234 (Nil; Nil)] | 7,673,339 | — | — |
| Prepaid expenses | 21,097,660 | 4,888,377 | 5,867,776 |
| | 63,454,645 | 39,227,571 | 31,305,677 |

* includes loan amounting to Nil (Rs.5,420,000; Rs.5,516,000) to Nucleus Software Solutions Pte. Ltd., Singapore and Rs.2,863,155 (Rs.5,275,530; Rs.5,242,850) to Nucleus Software Inc., USA, wholly owned subsidiaries of the Company.



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

| | As at 31 Dec. 2006 | As at 31 Dec. 2005 | As at 31 March 2006 |
|------------------------------------|-----------------------|-----------------------|------------------------|
| SCHEDULE—8 | | | |
| OTHER CURRENT ASSETS | | | |
| Service income accrued but not due | 150,768,761 | 47,956,318 | 67,712,705 |
| Interest accrued but not due | 781,534 | 2,173,350 | 3,845,620 |
| | <u>151,550,295</u> | <u>50,129,668</u> | <u>71,558,325</u> |

SCHEDULE—9 **CURRENT LIABILITIES**

| | | | |
|-------------------------|--------------------|--------------------|--------------------|
| Sundry creditors * | 109,210,249 | 72,827,234 | 82,349,937 |
| Withholding tax | 15,524,668 | 11,235,972 | 8,036,409 |
| Due to subsidiaries | 18,524,342 | 10,182,055 | 12,253,033 |
| Advances from customers | 196,773,611 | 192,489,284 | 199,904,318 |
| Unclaimed dividends | 945,963 | 716,517 | 708,613 |
| Other liabilities | 13,818,615 | 6,130,590 | 10,219,189 |
| | <u>354,797,448</u> | <u>293,581,652</u> | <u>313,471,499</u> |

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

SCHEDULE—10 **PROVISIONS**

| | | | |
|---|-------------------|-------------------|-------------------|
| Gratuity | 21,838,881 | 9,997,530 | 10,885,152 |
| Leave encashment | 30,940,911 | 6,569,442 | 7,069,271 |
| Income tax [Net of advance tax Nil (Rs.30,459,274; Rs.28,774,091)] | — | 3,394,647 | 1,255,175 |
| Fringe benefit tax [Net of advance tax Rs.6,875,530 (Rs.1,926,391;Rs.4,101,391)] | 1,890,000 | 1,033,609 | 170,074 |
| Dividend | — | — | 56,366,842 |
| Corporate dividend tax | — | — | 7,905,450 |
| | <u>54,669,792</u> | <u>20,995,228</u> | <u>83,651,964</u> |



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

| | For the quarter ended | | For the nine months ended | | For the |
|--|-----------------------|--------------------|---------------------------|--------------------|--------------------|
| | 31 December | 31 December | 31 December | 31 December | year ended |
| | 2006 | 2005 | 2006 | 2005 | 31 March 2006 |
| SCHEDULE—11 | | | | | |
| SALES AND SERVICES | | | | | |
| Software development services and products | | | | | |
| — Domestic | 61,088,092 | 55,471,566 | 171,991,416 | 144,644,822 | 207,937,981 |
| — Overseas | 321,946,359 | 169,459,421 | 869,562,449 | 530,240,870 | 735,740,155 |
| Income from consultancy | — | — | 3,502,200 | — | — |
| | <u>383,034,451</u> | <u>224,930,987</u> | <u>1,045,056,065</u> | <u>674,885,692</u> | <u>943,678,136</u> |

SCHEDULE—12 SOFTWARE DEVELOPMENT EXPENSES

| | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Salaries and allowances | 124,533,101 | 59,551,188 | 345,879,801 | 163,525,667 | 223,649,420 |
| Contribution to provident and other funds | 6,774,915 | 3,223,025 | 17,957,941 | 8,725,760 | 11,974,371 |
| Directors' remuneration (including stock compensation expense) Rs. 511,369 (Nil; Rs.1,361,798; Nil; Nil) | 2,141,876 | 1,472,000 | 6,471,014 | 4,972,000 | 7,002,000 |
| Employee's stock compensation expenses | 837,299 | 510,856 | 2,259,898 | 1,250,263 | 1,729,294 |
| Staff welfare | 2,784,846 | 1,643,882 | 6,788,918 | 4,680,585 | 7,858,245 |
| Conveyance | 2,680,853 | 1,014,765 | 5,588,041 | 2,860,104 | 4,006,269 |
| Communication | 2,885,033 | 2,116,878 | 11,515,363 | 6,670,671 | 8,893,719 |
| Rent | 882,519 | 677,216 | 1,814,199 | 2,097,803 | 2,743,719 |
| Legal and professional | 2,389,918 | 883,041 | 8,206,114 | 3,424,050 | 4,499,590 |
| Repair and maintenance | | | | | |
| — Building | 49,793 | 101,107 | 131,246 | 297,647 | 430,541 |
| — Others | 1,247,922 | 978,124 | 2,905,716 | 2,529,811 | 3,285,474 |
| Training and recruitment | 4,431,242 | 1,753,881 | 14,851,304 | 4,159,230 | 8,497,777 |
| Printing and stationery | 91,652 | 42,453 | 406,411 | 253,015 | 315,629 |
| Insurance | 483,839 | 575,777 | 1,833,970 | 1,170,780 | 1,349,112 |
| Software and other development charges | 2,360,928 | 4,846,572 | 5,630,465 | 7,168,306 | 10,685,838 |
| Cost of software purchased for delivery to clients | 4,700,000 | 2,448,672 | 11,407,520 | 7,279,568 | 12,766,339 |
| Travelling | 29,186,027 | 29,615,924 | 79,399,015 | 84,425,013 | 110,033,698 |
| Power and fuel | 4,071,106 | 2,254,748 | 12,592,070 | 7,341,347 | 9,628,878 |
| Conference, exhibition and seminar | — | — | 61,348 | — | — |
| Information technology expenses | 1,701,370 | 348,073 | 2,652,338 | 1,112,042 | 1,794,624 |
| Miscellaneous expenses | 969,303 | 755,047 | 2,036,413 | 2,208,776 | 2,602,941 |
| | <u>195,203,542</u> | <u>114,813,229</u> | <u>540,389,105</u> | <u>316,152,438</u> | <u>433,747,478</u> |



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

| | For the quarter ended 31 December 2006 | 31 December 2005 | For the nine months ended 31 December 2006 | 31 December 2005 | For the year ended 31 March 2006 |
|--|--|---------------------|--|---------------------|--|
| SCHEDULE—13 | | | | | |
| SELLING AND MARKETING EXPENSES | | | | | |
| Salaries and allowances | 11,830,209 | 6,621,382 | 27,238,286 | 20,618,054 | 29,100,756 |
| Contribution to provident and other funds | 553,731 | 303,111 | 1,312,492 | 991,081 | 1,365,794 |
| Directors' remuneration (including stock compensation expense Rs. 511,369 (Nil; Rs.1,361,798; Nil; Nil) | 2,141,876 | 1,472,000 | 6,471,014 | 4,972,000 | 7,002,000 |
| Employee's stock compensation expenses | 76,727 | — | 76,727 | 145,736 | 145,736 |
| Staff welfare | 236,200 | 207,278 | 616,336 | 754,212 | 1,233,502 |
| Conveyance | 541,171 | 203,896 | 1,136,390 | 724,349 | 1,089,742 |
| Communication | 177,691 | 397,847 | 518,522 | 1,115,662 | 1,624,105 |
| Rent | 422,669 | 341,233 | 654,788 | 1,025,242 | 1,354,761 |
| Legal and professional | 146,742 | 149,956 | 653,741 | 644,190 | 746,551 |
| Repair and maintenance | | | | | |
| — Building | 4,178 | 10,111 | 11,522 | 29,765 | 43,054 |
| — Others | 104,721 | 97,812 | 255,205 | 252,981 | 328,547 |
| Training and recruitment | 176,137 | 102,737 | 648,513 | 295,512 | 717,917 |
| Printing and stationery | 800,545 | 139,987 | 1,159,777 | 230,900 | 285,885 |
| Insurance | 21,746 | 38,390 | 96,782 | 116,602 | 125,517 |
| Travelling | 6,376,552 | 3,310,760 | 13,687,625 | 11,193,125 | 14,202,603 |
| Advertisement and business promotion | 1,559,522 | 2,035,153 | 5,827,058 | 4,789,140 | 6,261,146 |
| Power and fuel | 250,774 | 246,565 | 657,051 | 752,198 | 998,473 |
| Conference, exhibition and seminar | 6,856,132 | 114,065 | 7,537,734 | 1,326,913 | 1,589,902 |
| Information technology expenses | 73,256 | 22,844 | 116,867 | 99,991 | 144,029 |
| Commission on sales | 8,565,620 | 231,360 | 18,245,958 | 1,681,337 | 2,853,673 |
| Market survey expenses | — | — | — | 1,394,695 | 1,394,695 |
| Miscellaneous expenses | 109,898 | 133,355 | 278,672 | 378,217 | 463,961 |
| | 41,026,097 | 16,179,842 | 87,201,060 | 63,531,902 | 73,072,349 |



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Schedules forming part of the financial statements

All amounts in Rupees

| | For the quarter ended | | For the nine months ended | | For the |
|---|-----------------------|-------------------|---------------------------|-------------------|-------------------|
| | 31 December | 31 December | 31 December | 31 December | year ended |
| | 2006 | 2005 | 2006 | 2005 | 31 March 2006 |
| SCHEDULE—14 | | | | | |
| GENERAL AND ADMINISTRATION EXPENSES | | | | | |
| Salaries and allowances | 13,729,741 | 6,308,260 | 36,010,680 | 17,326,409 | 25,581,060 |
| Contribution to provident and other funds | 800,307 | 375,120 | 2,062,705 | 1,056,131 | 1,532,069 |
| Directors' remuneration (including stock compensation expense Rs. 255,684 (Nil; 680,898; Nil; Nil)) | 1,295,938 | 811,000 | 4,130,507 | 2,756,000 | 3,846,000 |
| Employee's stock compensation expenses | 90,838 | — | 90,838 | 97,788 | 97,788 |
| Staff welfare | 351,190 | 272,961 | 983,763 | 797,789 | 1,349,137 |
| Conveyance | 583,860 | 322,013 | 1,563,737 | 870,946 | 1,508,263 |
| Communication | 428,708 | 1,034,213 | 932,006 | 2,907,051 | 4,181,573 |
| Rent | 36,300 | 56,000 | 596,941 | 193,500 | 223,500 |
| Rates and taxes | 1,329,369 | 424,993 | 2,159,868 | 1,240,315 | 1,718,991 |
| Legal and professional | 1,852,392 | 3,664,629 | 7,027,552 | 8,307,349 | 13,759,580 |
| Repair and maintenance | | | | | |
| — Building | 12,187 | 35,387 | 35,451 | 104,176 | 150,689 |
| — Others | 305,435 | 342,342 | 785,574 | 885,431 | 1,149,913 |
| Training and recruitment | 374,847 | 179,156 | 710,701 | 331,912 | 924,886 |
| Printing and stationery | 399,747 | 555,228 | 991,027 | 1,221,181 | 1,618,650 |
| Loss on discarded assets | — | — | — | 67,551 | 154,659 |
| Insurance | 38,055 | 61,206 | 149,737 | 260,792 | 315,934 |
| Bank charges | 241,529 | 641,500 | 913,909 | 1,353,158 | 1,618,598 |
| Travelling | 340,300 | 323,173 | 692,264 | 1,577,469 | 1,900,349 |
| Advertisement | 409,334 | 262,477 | 629,982 | 778,532 | 1,097,331 |
| Power and fuel | 357,248 | 695,164 | 786,375 | 2,277,232 | 2,987,602 |
| Conference, exhibition and seminar | 15,200 | 34,000 | 403,590 | 34,000 | 426,060 |
| Information technology expenses | 137,399 | 34,266 | 208,899 | 106,958 | 170,812 |
| Bad debts written off | — | — | — | — | — |
| Advances/ other current assets written off | — | — | 281,510 | 2,813,754 | 5,904,441 |
| Provision for doubtful debts /advances / other current assets* | 721,626 | 643,066 | 3,073,097 | 39,083 | 532,013 |
| Loss on foreign exchange fluctuation (net) | — | 2,250,830 | — | 3,770,567 | — |
| Miscellaneous expenses | 1,652,597 | 1,176,121 | 4,851,076 | 4,231,671 | 5,816,079 |
| | <u>25,504,147</u> | <u>20,503,105</u> | <u>70,071,789</u> | <u>55,406,745</u> | <u>78,565,977</u> |

*Net of bad debts written off Rs.10,290,816 (Nil;11,864,042;1,523,236;1,523,236)

SCHEDULE—15

OTHER INCOME

| | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Dividend received from non-trade investments | 1,964,581 | 404,016 | 4,734,699 | 1,849,739 | 2,653,306 |
| Gain on foreign exchange fluctuation (net) | 1,885,026 | — | 1,433,379 | — | 40,151 |
| Interest on fixed deposits and loans to subsidiaries [Gross of tax deducted at source Rs.32,344 (Rs.1,325,269; Rs.905,295; Rs.1,328,692; Rs.70,847)] | 90,751 | 1,462,958 | 2,231,560 | 5,099,065 | 7,457,597 |
| Profit/ (loss) on sale of fixed assets (net) | — | 95,090 | 143,895 | 81,207 | 45,470 |
| Profit on sale of investments (net) | 9,146,839 | 9,275,499 | 23,233,432 | 11,890,954 | 12,981,491 |
| Miscellaneous income | 905,668 | 382,759 | 3,122,349 | 1,611,847 | 2,077,000 |
| | <u>13,992,865</u> | <u>11,620,322</u> | <u>34,899,314</u> | <u>20,532,812</u> | <u>25,255,015</u> |



Schedules forming part of the financial statements

SCHEDULE—16

Significant accounting policies and notes to the accounts

1. Company Overview

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 2006, the Company is listed on three stock exchanges in India namely National Stock Exchange, Bombay Stock Exchange and Madras Stock Exchange. The Company has wholly owned subsidiaries in Singapore, USA, Japan, Australia, Hong-Kong, Netherlands and India. The Company's business consists of software product development and marketing and providing support services mainly for corporate business entities in the banking and financial services sector.

2. Significant accounting policies

(i) Basis of preparation

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") and mandatory accounting standards issued by the Institute of Chartered Accountants of India ("ICAI"), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. All income and expenditure having a material bearing on the financial statements are recognised on the accrual basis. Accounting policies have been consistently applied except where a newly issued accounting standard if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standard on an ongoing basis.

(ii) Use of estimates

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

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

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

(iii) Revenue recognition

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



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recognised in accordance with the percentage completion method. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become certain based on the current estimates.

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

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

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

(iv) Expenditure

The cost of software purchased for use in software development and services is charged to cost of revenues in the year of acquisition. Post sales customer support costs are estimated by the management, determined on the basis of past experience. Expenses are accounted for on accrual basis and provisions are made for all known losses and liabilities

(v) Fixed assets

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

(vi) Depreciation

Depreciation on fixed assets, except leasehold land, is provided on the straight-line method based on useful lives of respective assets as estimated by the management. Leasehold land is amortised over the 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/year of purchase.

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

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

(vii) Investments

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

(viii) Research and development

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

In the case of forward contracts:

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

(x) Retirements benefits

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

(xi) Employee stock option based compensation

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

(xii) Operating leases

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

(xiii) Earnings per share

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

(xiv) Taxation

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. A provision is made for income tax based on the tax liability computed after considering tax allowances and exemptions. The differences that result



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

3. Deferred tax

Components of net deferred tax asset:

(Amounts in Rupees)

| | As at 31 December 2006 | As at 31 December 2005 | As at 31 March 2006 |
|-----------------------------------|------------------------------|------------------------------|---------------------------|
| Deferred tax asset | | | |
| Provision for doubtful debts | 933,787 | 771,019 | 786,249 |
| Provision for retirement benefits | 5,670,417 | 1,576,672 | 2,574,378 |
| | <u>6,604,204</u> | <u>2,347,691</u> | <u>3,360,627</u> |
| Deferred tax liability | | | |
| Fixed Assets | (4,788,947) | (1,102,745) | (2,020,705) |
| Net deferred tax asset | <u>1,815,257</u> | <u>1,244,946</u> | <u>1,339,922</u> |

4. Forward and derivative options contracts

Exchange gain in respect of forward exchange contracts to be recognised in the Profit and Loss Account of the subsequent accounting period is Rs.1,117,131 (Rs.40,565; Rs 999,672). As at 31 December 2006, the Company has outstanding forward contracts for USD 2,450,000 (USD 1,927,008; USD 2,550,000).

Exchange gain in respect of derivative option contracts to be recognised in the Profit and Loss Account of the subsequent accounting period is Rs.2,674,500 (Rs. Nil; Rs Nil). As at 31 December 2006, the Company has outstanding derivative option contracts for USD 4,950,000 (USD Nil; USD Nil).

5. Employees Stock Option Plan ("ESOP")

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

The Company currently has four ESOP schemes, ESOP scheme-1999 instituted in 2000, ESOP scheme-2002 instituted in 2002, ESOP scheme – 2005 instituted in 2005 and ESOP scheme –2006 instituted in 2006.



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These schemes were duly approved by the Board of Directors and Shareholders in their respective meetings. The 1999 scheme provides for the issue of 170,000 equity shares, 2002 scheme for 225,000 equity shares, 2005 scheme for 600,000 equity shares and 2006 scheme for 1,000,000 equity shares to eligible employees. These schemes are administered by a Compensation Committee comprising of four members, the majority of whom are independent directors:-

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

(Amounts in Rupees)

1999 Stock Option Scheme

| | Quarter ended 31 December | | Nine months ended 31 December | | Year ended 31 March |
|--|------------------------------|--------|----------------------------------|---------|------------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 |
| Options outstanding at the beginning of the period | 10,000 | 24,500 | 12,500 | 27,500 | 27,500 |
| Options granted | — | — | 9,000 | — | — |
| Options forfeited | — | — | — | (1,000) | (1,000) |
| Options exercised | — | — | (11,500) | (2,000) | (14,000) |
| Balance carried forward | 10,000 | 24,500 | 10,000 | 24,500 | 12,500 |

2002 Stock Option Scheme

| | Quarter ended 31 December | | Nine months ended 31 December | | Year ended 31 March |
|--|------------------------------|--------|----------------------------------|--------|------------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 |
| Options outstanding at the beginning of the period | 111,250 | 64,250 | 63,250 | 5,000 | 5,000 |
| Options granted | 95,500 | — | 145,500 | 59,250 | 59,250 |
| Options forfeited | (4,000) | — | (6,000) | — | (1,000) |
| Options exercised | — | — | — | — | — |
| Balance carried forward | 202,750 | 64,250 | 202,750 | 64,250 | 63,250 |

2005 Stock Option Scheme

| | Quarter ended 31 December | | Nine months ended 31 December | | Year ended 31 March |
|---|------------------------------|------|----------------------------------|------|------------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 |
| Options outstanding at the beginning of the period / year | 142,000 | — | — | — | — |
| Options granted | — | — | 142,000 | — | — |
| Options forfeited | — | — | — | — | — |
| Options exercised | — | — | — | — | — |
| Balance carried forward | 142,000 | — | 142,000 | — | — |

2006 Stock Option Scheme

| | Quarter ended 31 December | | Nine months ended 31 December | | Year ended 31 March |
|---|------------------------------|------|----------------------------------|------|------------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 |
| Options outstanding at the beginning of the period / year | 2,000 | — | — | — | — |
| Options granted | 269,860 | — | 271,860 | — | — |
| Options forfeited | — | — | — | — | — |
| Options exercised | — | — | — | — | — |
| Balance carried forward | 271,860 | — | 271,860 | — | — |



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

| | <i>(Amounts in Rupees)</i> | | | | |
|-----------------------------------|----------------------------|-----------|-------------------|-----------|------------|
| | Quarter ended | | Nine months ended | | Year ended |
| | 31 December | | 31 December | | 31 March |
| | 2006 | 2005 | 2006 | 2005 | 2006 |
| Balance brought forward | 6,421,209 | 3,296,038 | 2,261,081 | 1,064,081 | 1,064,081 |
| Add: Recognised during the period | 12,033,000 | — | 19,906,600 | 3,288,888 | 3,288,888 |
| Less: Amortisation expense | 2,283,288 | 510,856 | 5,831,960 | 1,496,787 | 1,972,818 |
| Less: Reversal due to forfeiture | 329,600 | — | 494,400 | 74,000 | 119,070 |
| Balance carried forward | 15,841,321 | 2,785,182 | 15,841,321 | 2,782,182 | 2,261,081 |

6. Managerial Remuneration *

| | <i>(Amounts in Rupees)</i> | | | | |
|---|----------------------------|-----------|-------------------|------------|------------|
| | Quarter ended | | Nine months ended | | Year ended |
| | 31 December | | 31 December | | 31 March |
| | 2006 | 2005 | 2006 | 2005 | 2006 |
| 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 | 3,482,466 | 2,724,000 | 11,027,240 | 8,872,000 | 12,596,000 |
| | 4,058,466 | 3,300,000 | 12,755,240 | 10,600,000 | 14,900,000 |
| B. Non executive Directors | | | | | |
| Stock base compensation | 1,278,422 | — | 3,404,493 | — | — |
| Commission | — | 380,000 | — | 1,830,000 | 2,950,000 |
| Sitting fees | 225,000 | 75,000 | 895,000 | 270,000 | 345,000 |
| | 1,503,422 | 455,000 | 4,299,493 | 2,100,000 | 3,295,000 |

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

7. Details of investments purchased and sold during the nine months ended 31 December 2006

| Name of the investment | Face value | Purchased during the period | | Sold during the period | |
|---|------------|-----------------------------|-------------|------------------------|-------------|
| | | Amount | Quantity | Amount | Quantity |
| | (Rupees) | | (Rupees) | | (Rupees) |
| Kotak K Liquid-Inst. Prem (Dividend) | 10 | 8,947,007 | 109,404,902 | 8,947,007 | 109,404,902 |
| Prudential ICICI Liquid-IP-(Dividend) | 10 | 1,689,862 | 20,025,200 | 1,689,862 | 20,025,200 |
| ING Vysya Liquid (Dividend) | 10 | 201,148 | 2,013,556 | 201,148 | 2,013,556 |
| Principal Liquid (Dividend) | 10 | 2,002,712 | 20,031,522 | 2,002,712 | 20,031,522 |
| HSBC Cash Fund-HP-(Devidend) | 10 | 6,903,484 | 69,073,495 | 6,903,484 | 69,050,023 |
| Prudential ICICI Super-IP-(Dividend) | 10 | 1,000,890 | 10,010,898 | 1,000,890 | 10,014,501 |
| Birla Cash Plus-Inst. Prem-(Dividend) | 10 | 6,211,746 | 62,238,592 | 6,211,746 | 62,238,592 |
| LIC Liquid - (Dividend) | 10 | 3,685,910 | 40,307,024 | 3,685,910 | 40,471,661 |
| UTI Liquid - (Dividend) | 10 | 49,046 | 49,999,999 | 49,046 | 49,999,999 |
| HDFC Cash management Saving plus-(Dividend) | 10 | 3,765,060 | 37,726,591 | 3,765,060 | 37,720,688 |
| Tata Liquidity management Fund-(Divi.) | 10 | 59,925 | 60,060,647 | 59,925 | 60,060,647 |
| ABN Amro Quarterly FMP-(Dividend) | 10 | 1,000,000 | 10,000,000 | 1,000,000 | 10,000,000 |



8. Segment reporting - Basis of preparation

(i) Segment accounting policies

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

(ii) Composition of reportable segments

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

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

Segment assets and liabilities represent the net assets put up and liabilities of that segment. All the fixed assets of the Company are located in India. These have not been identified to any of the reportable segments, as these are used interchangeably between segments. Other items which are not directly attributable to any particular segment and which cannot be reasonably allocated to various segments are consolidated under "Unallocated" head.

Information in respect of primary segment

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

For the quarter ended 31 December 2006

(Amounts in Rupees)

| Description | India | Far East | Singapore | Europe | USA | Others | Total |
|---|------------|-------------|------------|------------|-----------|-------------|--------------------|
| Revenue from external customers | 61,088,092 | 129,452,383 | 33,978,211 | 23,195,107 | 8,041,240 | 127,279,418 | 383,034,451 |
| Expenses | 60,415,899 | 85,347,378 | 18,895,402 | 12,898,880 | 4,471,762 | 70,780,528 | 252,809,849 |
| Segment result | 672,193 | 44,105,005 | 15,082,809 | 10,296,227 | 3,569,478 | 56,498,890 | 130,224,602 |
| Unallocated corporate expenditure | | | | | | | 35,451,514 |
| Operating profit before taxation | | | | | | | 94,773,088 |
| Other income | | | | | | | 13,992,865 |
| Profit before tax | | | | | | | 108,765,953 |
| Provision for taxation - current | | | | | | | 300,000 |
| Provision for taxation - fringe benefit | | | | | | | 2,184,139 |
| Provision for taxation - deferred | | | | | | | (463,002) |
| Provision for wealth tax | | | | | | | 63,952 |
| Net profit after taxation | | | | | | | 106,680,864 |



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For the quarter ended 31 December 2005

(Amounts in Rupees)

| Description | India | Far East | Singapore | Europe | USA | Others | Total |
|---------------------------------------|------------|------------|------------|------------|-----|------------|-------------------|
| Revenue from external customers | 55,471,566 | 47,483,192 | 62,017,250 | 28,500,916 | - | 31,458,063 | 224,930,986 |
| Expenses | 41,762,153 | 36,310,321 | 34,544,729 | 16,148,399 | - | 18,490,715 | 147,256,319 |
| Segment result | 13,709,413 | 11,172,871 | 27,472,521 | 12,352,515 | - | 12,967,348 | 77,674,669 |
| Unallocated corporate expenditure | | | | | | | 20,674,109 |
| Operating profit before taxation | | | | | | | 57,000,560 |
| Other income | | | | | | | 11,620,322 |
| Profit before tax | | | | | | | 68,620,882 |
| Provision for taxation - current | | | | | | | 4,200,000 |
| Provision for taxation-fringe benefit | | | | | | | 1,260,000 |
| Provision for taxation-deferred | | | | | | | 536,596 |
| Provision for wealth tax | | | | | | | 51,402 |
| Net profit after taxation | | | | | | | 62,572,884 |

For the nine months ended 31 December 2006

(Amounts in Rupees)

| Description | India | Far East | Singapore | Europe | USA | Others | Total |
|---|-------------|-------------|------------|-------------|------------|-------------|--------------------|
| Revenue from external customers | 171,991,415 | 347,784,914 | 97,273,603 | 104,548,589 | 38,256,840 | 285,200,702 | 1,045,056,065 |
| Expenses | 170,422,366 | 223,665,706 | 52,682,126 | 56,810,165 | 21,202,364 | 156,498,158 | 681,280,885 |
| Segment result | 1,569,049 | 124,119,208 | 44,591,477 | 47,738,424 | 17,054,476 | 128,702,546 | 363,775,180 |
| Unallocated corporate expenditure | | | | | | | 88,156,510 |
| Operating profit before taxation | | | | | | | 275,618,670 |
| Other income | | | | | | | 34,899,314 |
| Profit before tax | | | | | | | 310,517,984 |
| Provision for taxation – current | | | | | | | 1,800,000 |
| Provision for taxation – fringe benefit | | | | | | | 4,494,139 |
| Provision for taxation – deferred | | | | | | | 543,520 |
| Provision for taxation-earlier period | | | | | | | 86,355 |
| Provision for wealth tax | | | | | | | 63,952 |
| Net profit after taxation | | | | | | | 303,530,018 |



NUCLEUS SOFTWARE EXPORTS LTD.

For the nine months ended 31 December 2005

(Amounts in Rupees)

| Description | India | Far East | Singapore | Europe | USA | Others | Total |
|---|-------------|-------------|-------------|-------------|---------|-------------|--------------------|
| Revenue from external customers | 144,644,822 | 111,660,307 | 190,670,664 | 117,563,323 | 676,649 | 109,669,926 | 674,885,691 |
| Expenses | 103,800,025 | 82,827,282 | 100,537,977 | 62,829,356 | 351,525 | 58,716,735 | 409,062,900 |
| Segment result | 40,844,797 | 28,833,025 | 90,132,687 | 54,733,967 | 325,124 | 50,953,191 | 265,822,791 |
| Unallocated corporate expenditure | | | | | | | 67,983,438 |
| Operating profit before taxation | | | | | | | 197,839,353 |
| Other income | | | | | | | 20,532,812 |
| Profit before tax | | | | | | | 218,372,165 |
| Provision for taxation – current | | | | | | | 13,100,000 |
| Provision for taxation – fringe benefit | | | | | | | 2,960,000 |
| Provision for taxation-deferred | | | | | | | 954,054 |
| Provision for wealth tax | | | | | | | 51,402 |
| Net profit after taxation | | | | | | | 201,306,709 |

For the year ended 31 March 2006

(Amounts in Rupees)

| Description | India | Far East | Singapore | Europe | USA | Others | Total |
|---|-------------|-------------|-------------|-------------|-----------|-------------|--------------------|
| Revenue from external customers | 207,937,981 | 162,033,377 | 241,720,772 | 160,024,871 | 1,072,920 | 170,888,215 | 943,678,136 |
| Expenses | 158,655,612 | 115,679,509 | 124,453,558 | 82,940,282 | 536,677 | 88,026,238 | 570,291,876 |
| Segment result | 49,282,369 | 46,353,868 | 117,267,214 | 77,084,589 | 536,243 | 82,861,977 | 373,386,260 |
| Unallocated corporate expenditure | | | | | | | 86,500,886 |
| Operating profit before taxation | | | | | | | 286,885,374 |
| Other income | | | | | | | 25,255,015 |
| Profit before tax | | | | | | | 312,140,389 |
| Provision for taxation – current | | | | | | | 19,200,000 |
| Provision for taxation – fringe benefit | | | | | | | 4,271,465 |
| Provision for taxation-deferred | | | | | | | 859,078 |
| Provision for taxation – earlier | | | | | | | (1,521,305) |
| Provision for wealth tax | | | | | | | 51,402 |
| Net profit after taxation | | | | | | | 289,279,749 |



NUCLEUS SOFTWARE EXPORTS LTD.

Assets and liabilities of reportable primary segment are as follows:

As at 31 December 2006

(Amounts in Rupees)

| Description | India | Far East | Singapore | Europe | USA | Others | Total |
|-----------------------------------|------------|-------------|------------|-------------|-----------|-------------|----------------------|
| Segment assets | 69,240,761 | 138,857,181 | 63,047,048 | 163,809 | 7,063,136 | 141,614,671 | 419,986,606 |
| Unallocated corporate assets | | | | | | | 1,303,073,044 |
| Total assets | | | | | | | 1,723,059,650 |
| Segment liabilities | 63,062,064 | 80,204,349 | 10,019,171 | 170,992,699 | 3,220,771 | 38,278,043 | 365,777,097 |
| Unallocated corporate liabilities | | | | | | | 43,690,143 |
| Total liabilities | | | | | | | 409,467,240 |
| Capital employed | | | | | | | 1,313,592,410 |

As at 31 December 2005

(Amounts in Rupees)

| Description | India | Far East | Singapore | Europe | USA | Others | Total |
|-----------------------------------|------------|------------|------------|-------------|-----------|------------|----------------------|
| Segment assets | 31,223,120 | 56,911,621 | 16,723,239 | - | 6,437,583 | 70,160,643 | 181,456,206 |
| Unallocated corporate assets | | | | | | | 1,116,374,873 |
| Total assets | | | | | | | 1,297,831,079 |
| Segment liabilities | 29,941,337 | 32,874,909 | 22,633,108 | 183,195,581 | 858,585 | 15,435,947 | 284,939,468 |
| Unallocated corporate liabilities | | | | | | | 29,637,412 |
| Total liabilities | | | | | | | 314,576,880 |
| Capital employed | | | | | | | 983,254,199 |

As at 31 March 2006

| Description | India | Far East | Singapore | Europe | USA | Others | Total |
|-----------------------------------|------------|------------|------------|-------------|-----------|------------|----------------------|
| Segment assets | 44,122,673 | 42,889,359 | 21,454,760 | - | 6,541,261 | 70,973,592 | 185,981,645 |
| Unallocated corporate assets | | | | | | | 1,218,575,795 |
| Total assets | | | | | | | 1,404,557,440 |
| Segment liabilities | 28,156,325 | 29,987,860 | 13,263,307 | 175,917,033 | 538,695 | 36,103,431 | 283,966,651 |
| Unallocated corporate liabilities | | | | | | | 113,156,812 |
| Total liabilities | | | | | | | 397,123,463 |
| Capital employed | | | | | | | 1,007,433,977 |

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



NUCLEUS SOFTWARE EXPORTS LTD.

For the quarter ended 31 December 2006

| Description | India | Far East | Singapore | Europe | USA | Others | Total |
|---|----------------|----------------|------------------|----------------|---------------|----------------|-------------------|
| Capital expenditure (unallocated) | | | | | | | 35,586,378 |
| Total capital expenditure | | | | | | | 35,586,378 |
| Depreciation expenditure (unallocated) | | | | | | | 13,169,120 |
| Total depreciation | | | | | | | 13,169,120 |
| Segment non-cash expense other than depreciation | 650,974 | 625,016 | 1,032,818 | 111,990 | 38,824 | 545,291 | 3,004,913 |
| Total non cash expenditure other than depreciation | 650,974 | 625,016 | 1,032,818 | 111,990 | 38,824 | 545,291 | 3,004,913 |

For the quarter ended 31 December 2005

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

For the Nine months ended 31 December 2006

| Description | India | Far East | Singapore | Europe | USA | Others | Total |
|---|------------------|------------------|------------------|----------------|------------------|------------------|-------------------|
| Capital expenditure (unallocated) | | | | | | | 89,473,437 |
| Total capital expenditure | | | | | | | 89,473,437 |
| Depreciation expenditure (unallocated) | | | | | | | 37,617,017 |
| Total depreciation | | | | | | | 37,617,017 |
| Segment non-cash expense other than depreciation | 1,562,318 | 1,611,352 | 2,296,763 | 593,961 | 1,341,256 | 1,780,915 | 9,186,565 |
| Total non cash expenditure other than depreciation | 1,562,318 | 1,611,352 | 2,296,763 | 593,961 | 1,341,256 | 1,780,915 | 9,186,565 |



NUCLEUS SOFTWARE EXPORTS LTD.

For the nine months ended 31 December 2005

| Description | India | Far East | Singapore | Europe | USA | Others | Total |
|---|----------------|----------------|----------------|----------------|--------------|------------------|-------------------|
| Capital expenditure (unallocated) | | | | | | | 38,327,845 |
| Total capital expenditure | | | | | | | 38,327,845 |
| Depreciation expenditure (unallocated) | | | | | | | 29,157,000 |
| Total depreciation | | | | | | | 29,157,000 |
| Segment non-cash expense other than depreciation | 294,078 | 306,412 | 180,734 | (2,902) | 1,284 | 3,567,017 | 4,346,624 |
| Total non cash expenditure other than depreciation | 294,078 | 306,412 | 180,734 | (2,902) | 1,284 | 3,567,017 | 4,346,624 |

For the year ended 31 March 2006

| Description | India | Far East | Singapore | Europe | USA | Others | Total |
|--|----------------|----------------|----------------|---------------|--------------|------------------|-------------------|
| Capital expenditure (unallocated) | | | | | | | 79,361,014 |
| Total capital expenditure | | | | | | | 79,361,014 |
| Depreciation expenditure (unallocated) | | | | | | | 39,292,691 |
| Amortization (Unallocated) (miscellaneous expenditure amortized during the year) | | | | | | | - |
| Total depreciation and amortization | | | | | | | 39,292,691 |
| Segment non-cash expense other than depreciation | 798,647 | 372,501 | 310,743 | 52,807 | 1,805 | 6,872,770 | 8,409,273 |
| Total non cash expenditure other than depreciation and amortization | 798,647 | 372,501 | 310,743 | 52,807 | 1,805 | 6,872,770 | 8,409,273 |

As mentioned earlier, all the fixed assets of the Company are located in India. These have not been identified to any of the reportable segments, as these are used interchangeably between segments. Further, information related to carrying amount of assets by location of assets, to the extent possible, has been provided in primary segmentation.



NUCLEUS SOFTWARE EXPORTS LTD.

9. Related party disclosures

a) List of related parties

Parties where control exists:

Wholly owned subsidiary companies

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

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

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

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

Key managerial personnel:

—Vishnu R Dusad (Managing Director)

b) Transactions with related parties

(Amounts in Rupees)

| | Quarter ended | | Nine months ended | | Year ended |
|---|---------------|-------------|-------------------|-------------|-------------|
| | 31 December | | 31 December | | 31 March |
| | 2006 | 2005 | 2006 | 2005 | 2006 |
| i. Software development, services and products | | | | | |
| Wholly owned subsidiary companies | 93,652,944 | 120,694,098 | 323,120,281 | 341,058,719 | 453,282,354 |
| ii. Other income | | | | | |
| Wholly owned subsidiary companies | 878,334 | 382,759 | 2,076,150 | 1,100,815 | 1,554,585 |
| iii. Managerial remuneration | | | | | |
| Key Managerial Personnel | 4,058,466 | 3,300,000 | 12,755,240 | 10,600,000 | 14,900,000 |
| iv. Reimbursement of expenses | | | | | |
| From wholly owned subsidiary companies | 7,225,666 | 5,011,474 | 19,795,769 | 14,050,235 | 14,286,881 |
| To wholly owned subsidiary companies | 6,376,683 | 5,533,415 | 21,213,412 | 20,633,705 | 27,587,652 |
| v. Commission paid | | | | | |
| To wholly owned subsidiary companies | 235,578 | 79,268 | 705,005 | 471,092 | 653,775 |
| vi. Interest received | | | | | |
| From wholly owned subsidiary companies | 64,705 | 169,304 | 378,956 | 441,474 | 628,348 |
| vii. Loans and advances | | | | | |
| Given to wholly owned subsidiary companies | — | — | — | 8,800,000 | 8,800,000 |
| Repaid by wholly owned subsidiary companies | — | — | 5,824,000 | 8,800,000 | 8,800,000 |
| viii. Investments | | | | | |
| Nucleus Software Netherlands B.V. | — | — | — | — | 5,365,000 |

**NUCLEUS SOFTWARE EXPORTS LTD.****c) Outstanding balances as at period/year end***(Amounts in Rupees)*

| | As at 31 December | | As at |
|--|-------------------|------------|---------------|
| | 2006 | 2005 | 31 March 2006 |
| Loans and advances | | | |
| To wholly owned subsidiary companies | 13,459,139 | 19,424,516 | 13,175,644 |
| From wholly owned subsidiary companies | 18,524,342 | 7,470,633 | 12,253,033 |
| Debtors | | | |
| Wholly owned subsidiary companies | 63,296,784 | 54,455,453 | 46,192,627 |
| Service income accrued but not due | | | |
| Wholly owned subsidiary Company | 27,410,549 | — | 6,234,209 |
| Interest income accrued but not due | | | |
| Wholly owned subsidiary companies | 190,025 | 498,914 | 684,405 |

(Amounts in Rupees)

| | Quarter ended | | Nine months ended | Year ended |
|--|--------------------|--------------------|--------------------|--------------------|
| | 31 December | | 31 December | 31 March |
| | 2006 | 2005 | 2006 | 2005 |
| 10. Legal and professional | | | | |
| (includes payment to auditors) | | | | |
| - Audit fees (includes service tax) | 375,000 | 469,950 | 1,084,602 | 1,241,350 |
| - Other services | — | 165,300 | 226,234 | 264,480 |
| - Out of pocket expenses | 132,419 | 29,500 | 229,419 | 93,400 |
| Total | 507,419 | 664,750 | 1,540,255 | 1,599,230 |
| 11. CIF value of imports | | | | |
| Capital goods | 4,588,362 | 2,449,234 | 22,125,031 | 14,583,984 |
| Total | 4,588,362 | 2,449,234 | 22,125,031 | 14,583,984 |
| 12. Expenditure in foreign currency | | | | |
| Travel expenses | 26,915,728 | 27,802,563 | 72,052,834 | 78,391,331 |
| Professional charges | 274,380 | 113,522 | 323,624 | 1,727,117 |
| Others | 17,257,004 | 3,456,081 | 31,401,514 | 9,041,126 |
| Total | 44,447,112 | 31,372,166 | 103,777,972 | 89,159,574 |
| 13. Earnings in foreign currency | | | | |
| Income from software development | 321,946,359 | 169,459,421 | 869,562,448 | 530,240,870 |
| Income from Consultancy | - | - | 3,502,200 | - |
| Interest | 66,517 | 169,304 | 384,070 | 442,936 |
| Total | 322,012,876 | 169,628,721 | 873,448,718 | 530,683,806 |



14. Dividend remitted in foreign currency

Amount remitted (net of tax)

| | | | | | |
|-----------------------|---|---|----|----|---|
| Final dividend (2006) | - | - | -* | - | - |
| Final dividend (2005) | - | - | -* | -* | - |

Number of shares held

| | | | | | |
|-----------------------|---|---|---------|---------|---------|
| Final dividend (2006) | - | - | 786,111 | - | - |
| Final dividend (2005) | - | - | - | 303,884 | 303,884 |

Number of non-resident

| | | | | | |
|-----------------------|---|---|-----|----|----|
| Final dividend (2006) | - | - | 175 | - | - |
| Final dividend (2005) | - | - | - | 61 | 61 |

*Dividend was remitted in Indian Rupees

(Amounts in Rupees)

| | Quarter ended | | Nine months ended | | Year ended |
|--|---------------|------|-------------------|------|------------|
| | 31 December | | 31 December | | 31 March |
| | 2006 | 2005 | 2006 | 2005 | 2006 |

15. Earnings per share

| | | | | | |
|---|-------------|------------|-------------|-------------|-------------|
| Profit after taxation available to equity shareholders (Rupees) | 106,680,864 | 62,572,885 | 303,530,018 | 201,306,710 | 289,279,749 |
| Weighted average number of equity shares used in calculating basic earnings per share | 16,116,312 | 16,102,595 | 16,112,507 | 16,095,365 | 16,097,694 |
| Add: Effect of dilutive issue of shares | 146,921 | 44,137 | 69,850 | 37,821 | 39,861 |
| Weighted average number of equity shares used in calculating diluted earnings per share | 16,263,233 | 16,146,731 | 16,182,357 | 16,133,186 | 16,137,555 |
| Basic earnings per share (Rupees) | 6.62 | 3.89 | 18.84 | 12.51 | 17.97 |
| Diluted earnings per share (Rupees) | 6.56 | 3.88 | 18.76 | 12.48 | 17.93 |

16. Capital commitments and contingent liabilities

- Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances) Rs. 77,107,629 (Rs. 25,398,163; Rs. 12,281,986).
- Claim against the Company not acknowledged as debt Rs. 324,000 (Rs.324,000, Rs.324,000).

17. Operating Lease

During the current quarter, the Company has acquired an office premises under a non-cancellable operating lease in Chennai. Operating lease rentals paid during the period is Rs. 223,156 (Rs. Nil; Rs. Nil). The future minimum lease expense in respect of such leases is as follows :

As at 31 December 2006

| | |
|--|-----------|
| Non later than 1 year | 4,351,347 |
| Later than 1 year but not later than 5 years | 3,905,055 |
| Later than 5 years | - |
| Total | 8,256,402 |

**NUCLEUS SOFTWARE EXPORTS LTD.**

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

| | <i>(Amounts in Rupees)</i> | | | | | |
|--|----------------------------|-------------|-------------------|-------------|-------------|--|
| | Quarter ended | | Nine months ended | | Year ended | |
| | 31 December | | 31 December | | 31 March | |
| | 2006 | 2005 | 2006 | 2005 | 2006 | |
| Salaries and allowances | 150,093,051 | 72,480,830 | 409,128,767 | 201,470,130 | 278,331,236 | |
| Contribution to provident and other funds | 8,128,953 | 3,901,256 | 21,333,138 | 10,772,972 | 14,872,234 | |
| Directors' remuneration (including stock compensation expense Rs. 1,278,422; Nil, Rs. 5,132,493; Nil; Nil) | 5,579,690 | 3,755,000 | 17,072,535 | 12,700,000 | 17,850,000 | |
| Employee's stock compensation expenses | 1,004,864 | 510,856 | 2,427,463 | 1,493,787 | 1,972,818 | |
| Staff welfare | 3,372,236 | 2,124,121 | 8,389,017 | 6,232,586 | 10,440,884 | |
| Training and Recruitment | 4,982,226 | 2,035,774 | 16,210,518 | 2,750,880 | 10,140,580 | |
| Software and other development charges | 2,360,928 | 4,846,572 | 5,630,465 | 7,168,306 | 10,685,838 | |
| Cost of software purchased for delivery to clients | 4,700,000 | 2,448,672 | 11,407,520 | 7,279,568 | 12,766,339 | |
| Travelling | 35,902,879 | 33,249,857 | 93,778,904 | 97,195,607 | 126,136,650 | |
| Conveyance | 3,805,884 | 1,540,674 | 8,288,168 | 4,455,399 | 6,604,274 | |
| Communication | 3,491,432 | 3,548,938 | 12,965,891 | 10,693,384 | 14,699,397 | |
| Rent, Rates and Taxes | 2,670,857 | 1,499,442 | 5,225,795 | 4,556,860 | 6,040,971 | |
| Legal and professional | 4,389,052 | 4,697,626 | 15,887,407 | 12,375,589 | 19,005,721 | |
| Power and fuel | 4,679,128 | 3,196,477 | 14,035,496 | 10,370,777 | 13,614,953 | |
| Repair and maintenance | | | | | | |
| - Building | 66,158 | 146,605 | 178,219 | 431,588 | 624,284 | |
| - Others | 1,658,078 | 1,418,278 | 3,946,495 | 3,668,223 | 4,763,934 | |
| Advertisement and business promotion | 1,968,856 | 2,297,630 | 6,457,040 | 5,567,672 | 7,358,477 | |
| Conference, exhibition and seminar | 6,869,492 | 148,065 | 8,002,672 | 1,360,913 | 2,015,962 | |
| Information technology expenses | 1,912,025 | 405,183 | 2,978,104 | 1,318,991 | 2,109,465 | |
| written off Advances & other current assets | - | - | 281,510 | 2,813,754 | 5,904,441 | |
| Commission on sales | 8,565,620 | 231,360 | 18,245,958 | 1,681,337 | 2,853,673 | |
| Provision for doubtful debts / advances & other C.A.* | 721,626 | 643,066 | 3,073,097 | 39,083 | 532,013 | |
| Printing and stationery | 1,291,944 | 737,668 | 2,557,215 | 1,705,096 | 2,220,164 | |
| Loss on discarded assets | - | - | - | 67,551 | 154,659 | |
| Insurance | 543,640 | 675,373 | 2,080,489 | 1,548,174 | 1,790,563 | |
| Bank charges | 241,529 | 641,500 | 913,909 | 1,353,158 | 1,618,598 | |
| Marketing Survey | - | - | - | 1,394,695 | 1,394,695 | |
| Loss on foreign exchange fluctuation | - | 2,250,830 | - | 3,770,567 | - | |
| Miscellaneous expenses | 2,733,638 | 2,064,523 | 7,166,161 | 6,818,664 | 8,882,981 | |
| | 261,733,786 | 151,496,176 | 697,661,953 | 423,055,311 | 585,385,804 | |

*Net of bad debts written off Rs. 10,290,816 (Nil; 11,864,042; 1,523,236; 1,523,236)

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

For and on behalf of the Board of Directors

Lt. Gen T P Singh (Retd.)
Chairman

Vishnu R Dusad
Managing Director

NOIDA (U.P.)
January 22, 2007

P K Sanghi
Chief Financial Officer

Poonam Bhasin
Company Secretary



NUCLEUS SOFTWARE EXPORTS LTD.

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, 2006 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 2006 (Unaudited)

All amounts in Rupees

| Particulars | As at 31 Dec. 2006 | As at 31 Dec. 2005 | As at 31 March 2006 |
|---|-----------------------|-----------------------|------------------------|
| SOURCES OF FUNDS | | | |
| (Audited) | | | |
| Shareholders' Funds | | | |
| Share Capital | 161,178,120 | 160,063,120 | 161,063,120 |
| Share Application Money Pending Allotment | 7,219,100 | 767,500 | 757,500 |
| Reserves & Surplus | 1,404,415,035 | 947,326,996 | 994,061,141 |
| TOTAL | 1,572,812,255 | 1,109,157,616 | 1,155,881,761 |
| APPLICATION OF FUNDS | | | |
| Fixed Assets | | | |
| Gross Block | 616,519,140 | 481,315,030 | 501,422,509 |
| Less: Accumulated Depreciation | (246,371,598) | (191,311,819) | (201,902,924) |
| Net Block | 370,147,541 | 290,003,211 | 299,519,585 |
| Add: Capital Work in Progress (including capital advances) | 82,614,454 | 10,731,516 | 37,487,576 |
| | 452,761,996 | 300,734,727 | 337,007,161 |
| Investments | 763,720,391 | 614,221,325 | 613,667,536 |
| Deferred Tax Asset | 479,649 | 743,650 | 234,543 |
| Current Assets, Loans & Advances | | | |
| Sundry Debtors | 371,881,471 | 186,170,433 | 238,307,655 |
| Cash & Bank Balances | 218,598,854 | 268,513,421 | 300,525,040 |
| Loans & Advances | 86,035,666 | 40,519,189 | 37,771,624 |
| Other Current Assets | 149,134,704 | 53,113,330 | 76,360,903 |
| | 825,650,694 | 548,316,373 | 652,965,222 |
| Less : Current Liabilities & Provisions | | | |
| Current Liabilities | (409,024,182) | (324,473,437) | (353,968,289) |
| Provisions | (60,776,292) | (30,385,022) | (94,024,412) |
| | (469,800,475) | (354,858,459) | (447,992,701) |
| Net Current Assets | 355,850,219 | 193,457,914 | 204,972,521 |
| TOTAL | 1,572,812,255 | 1,109,157,616 | 1,155,881,761 |



NUCLEUS SOFTWARE EXPORTS LTD.

Consolidated Profit and Loss Account for the quarter & nine months ended 31 December 2006 (Unaudited)

All amounts in Rupees

| Particulars | For the quarter ended 31 Dec. 2006 | For the quarter ended 31 Dec. 2005 | For the Nine Months ended 31 Dec. 2006 | For the Nine Months ended 31 Dec. 2005 | For the year ended 31 March 2006 |
|---|--|--|--|--|--|
| | | | | | (Audited) |
| Sales and Services | 561,844,767 | 373,958,044 | 1,610,301,869 | 1,059,601,560 | 1,480,518,319 |
| Software Development Expenses | 316,813,034 | 218,596,487 | 929,248,300 | 586,684,299 | 805,005,109 |
| Gross profit | 245,031,733 | 155,361,556 | 681,053,569 | 472,917,261 | 675,513,210 |
| Selling and Marketing Expenses | 55,338,321 | 27,813,562 | 127,551,355 | 87,015,051 | 117,459,678 |
| General and Administration Expenses | 32,924,113 | 26,880,733 | 92,314,669 | 69,441,901 | 106,761,548 |
| Operating Profit Before Depreciation and Withholding Tax | 156,769,300 | 100,667,262 | 461,187,546 | 316,460,309 | 451,291,984 |
| Depreciation | 17,084,169 | 8,715,592 | 48,115,377 | 35,199,609 | 47,589,862 |
| Withholding Taxes Charged Off | 12,501,522 | 9,861,325 | 34,200,688 | 23,092,674 | 32,376,266 |
| Operating Profit After Depreciation and Withholding Tax | 127,183,608 | 82,090,345 | 378,871,480 | 258,168,026 | 371,325,856 |
| Other Income | 15,912,996 | 13,603,666 | 47,747,488 | 26,099,722 | 30,666,043 |
| Profit before Taxation | 143,096,604 | 95,694,010 | 426,618,967 | 284,267,748 | 401,991,899 |
| Provision for Tax - current | 1,935,675 | 5,686,911 | 9,272,719 | 18,494,871 | 26,920,302 |
| - fringe benefit | 2,184,139 | 1,260,000 | 4,494,139 | 2,960,000 | 4,271,465 |
| - deferred | (463,002) | 536,596 | 719,265 | 954,054 | 1,433,780 |
| - earlier year tax | - | - | 86,355 | - | (1,521,305) |
| Provision for Wealth Tax | 63,952 | 51,402 | 63,952 | 51,402 | 51,402 |
| Profit after Taxation | 139,375,840 | 88,159,101 | 411,982,537 | 261,807,421 | 370,836,255 |
| Profit Available for Appropriation | 139,375,840 | 88,159,101 | 411,982,537 | 261,807,421 | 370,836,255 |
| Profit for the year | 139,375,840 | 88,159,101 | 411,982,537 | 261,807,421 | 370,836,255 |
| Add: Balance Brought Forward | 654,280,437 | 348,758,099 | 381,673,741 | 175,109,779 | 175,109,778 |
| Total Amount Available | 793,656,277 | 436,917,200 | 793,656,278 | 436,917,200 | 545,946,033 |
| Final Dividend | — | — | — | — | 56,366,842 |
| Dividend Tax | — | — | — | — | 7,905,450 |
| Transferred to General Reserve | — | — | — | — | 100,000,000 |
| Balance Carried Forward to Balance Sheet | 793,656,277 | 436,917,200 | 793,656,278 | 436,917,200 | 381,673,741 |
| Earnings Per Equity Share (par value Rs. 10 each) | | | | | |
| Basic | 8.65 | 5.47 | 25.27 | 16.27 | 23.04 |
| Diluted | 8.57 | 5.46 | 25.46 | 16.23 | 22.98 |
| Number of Shares used in Computing Earning Per Share | | | | | |
| Basic | 16,116,312 | 16,102,595 | 16,112,507 | 16,095,365 | 16,097,694 |
| Diluted | 16,263,233 | 16,146,731 | 16,182,357 | 16,133,186 | 16,137,555 |



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Consolidated Cash Flow Statement for the nine months ended 31 December 2006

All amounts in Rupees

| | For the nine months ended 31 Dec. 2006 | For the nine months ended 31 Dec. 2005 | For the year ended 31 March 2006 |
|--|--|--|--|
| A. Cash flow from operating activities | | | |
| Net profit before tax | 426,618,967 | 284,267,749 | 401,991,899 |
| Adjustment for: | | | |
| Depreciation | 48,115,377 | 35,199,609 | 47,589,862 |
| Exchange difference on translation of foreign currency accounts | 1,984,265 | 3,471,077 | 1,953,614 |
| Dividend income from investments | (5,908,804) | (1,894,641) | (2,717,457) |
| Interest income | (2,085,434) | (4,746,751) | (7,112,658) |
| Profit on sale of investments | (23,233,432) | (11,893,477) | (12,981,491) |
| Amortisation of employees compensation expenses | 5,831,957 | 1,493,787 | 1,972,818 |
| Loss on sale of fixed assets (net) | (143,895) | (81,207) | (45,470) |
| Loss on assets discarded | — | 67,551 | 154,659 |
| Bad debts/advances written off | 11,864,042 | 1,523,236 | 2,039,965 |
| Advances and other current assets written off | 281,510 | 2,918,754 | 5,904,441 |
| Provision for doubtful debts/advances | (6,693,051) | (1,087,754) | (991,223) |
| Operating profit before working capital changes | 465,631,465 | 309,237,933 | 437,758,959 |
| Decrease / (increase) in debtors | (141,869,057) | 6,229,910 | (46,539,022) |
| Decrease / (increase) in loans and advances | (41,947,419) | (4,100,052) | (1,352,486) |
| Decrease / (increase) in other current assets | (75,6174,133) | (30,464,851) | (55,203,069) |
| (Decrease) / increase in current liabilities | 71,671,154 | (54,380,776) | (29,655,908) |
| Direct taxes paid | 268,869,011 | 226,522,164 | 305,008,474 |
| Net cash from operating activities (A) | 245,338,843 | 210,855,277 | 280,892,959 |
| B. Cash flow from investing activities | | | |
| Purchase of fixed assets/capital work in progress | (155,465,271) | (53,177,321) | (91,469,344) |
| Sale of fixed assets | 2,020,793 | 506,405 | 593,771 |
| Sale/(Purchase) of current investments (net) | (126,819,432) | (112,710,118) | (111,068,315) |
| Purchase of Long Term Investment | — | (2,500,000) | (2,500,000) |
| Interest received | 9,050,707 | 6,664,864 | 7,318,182 |
| Tax paid | (2,613,330) | (2,808,989) | (4,813,374) |
| Dividend received from investments | 5,908,840 | 1,894,641 | 2,717,457 |
| Net cash used in investing activities (B) | (267,917,685) | (162,130,518) | (199,221,623) |
| C. Cash flow from financing activities | | | |
| Dividend paid | (68,940,659) | (46,149,990) | (45,596,142) |
| Proceeds from employee stock option exercised | 161,000 | 28,000 | 28,000 |
| Receipt from share application money | 6,616,600 | 760,500 | 760,500 |
| Net cash used in financing activities (C) | (57,162,969) | (45,361,490) | (44,807,642) |
| Net increase in cash and cash equivalents | (79,741,811) | 3,363,269 | 36,863,694 |
| Cash and cash equivalents opening balance | 300,525,040 | 266,461,406 | 266,461,406 |
| Effect of exchange rate change | (2,184,375) | (1,311,255) | (2,800,060) |
| Cash and cash equivalent closing balance | 218,598,854 | 268,513,420 | 300,525,040 |



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

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

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

A. COMPANY BACKGROUND

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

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

Over the last seventeen years Nucleus has built a distinguished reputation of providing innovative and comprehensive software solutions and products in the BFSI Vertical. The geographical spectrum of 143 clients is spread over 30 countries. Multi-product, multi-service, multi-currency and multi-lingual implementation has led to worldwide acceptability and customer satisfaction. Nucleus operates through integrated and well-networked subsidiaries in Singapore, Japan, USA, Australia, Hongkong, Netherlands and India and a branch office in UK. Since 1995, the Company has deliberately chosen to develop software products and invested heavily in creation of intellectual property. The product offerings have been well received and Nucleus has carved out a special niche in Products for retail Lending Solutions and Cash Management.

B. COMPANY STRENGTHS

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

Nucleus is a multi-product, multi-service Company with customers in more than 30 countries. Nucleus has 250+ product installations and has delivered projects which have been implemented and supported successfully for leading banks and financial institutions in India, Canada, USA, China, Norway, Oman, Jordan, Saudi Arabia, Thailand, Singapore, Philippines, Taiwan, Australia, Malaysia, UK, Indonesia, Mauritius, Bangladesh and Mongolia.

Nucleus’ basket of products stand out in the marketplace due to its customization, which takes into consideration the unique legal frameworks within which financial service providers have to operate in different countries. The Company has meticulously perfected the various modules individually and then compiled into one consolidated package, ensuring that specific configuration needs are addressed with the highest operational efficiency.



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Nucleus' success is based on a simple foundation of delivering quality services, reliable solutions, long-term partnerships, and a price / value structure. The Company, in its pursuit of excellence, has been felicitated for being a pioneer in the BFSI vertical.

Some of the notable accolades won by Nucleus are:

- Nucleus has been selected as one of the top 25 Companies adopting "Good Corporate Governance Practices" by the Institute of Company Secretaries of India for 2006.
- Nucleus received Institute of Chartered Accountants of India's award for excellence in financial reporting for the year 2004-2005. The Company has been awarded the silver shield for the second best annual reporting in the category of Information Technology, Communication and Entertainment Enterprises.
- Ranked 13th in Dataquest Top 20 Indian IT Best Employers Survey 2006.
- Nucleus Software received Asia Pacific Level Technology Award from Oracle for developing Outstanding Oracle Fusion Middleware Solution (2005)
- The Company's flagship product FinnOne™ has been ranked as India's No # 3 selling universal banking solution for 2002 and 2004 by International Banking Systems (IBS), UK. Nucleus' FinnOne has been ranked No.10 and No. 8 in 2004 and 2005 respectively in the overall worldwide listing in the same report.
- The Parent Company Nucleus Software Exports Ltd, and wholly owned Subsidiary Nucleus Software Pte, Singapore have been assessed at SW-CMM Level 5 based on the Capability Maturity Model (CMM) developed by Carnegie Mellon University's Software Engineering Institute.
- Deloitte Touche Tohmatsu has, in 2004, rated Nucleus for the third consecutive year as one of the fastest growing Companies in its "Deloitte Touche Tohmatsu Asia Pacific Technology Fast 500" program.
- Nucleus has received the best Partner award for "Most Innovative ISV" by Oracle Corporation in 2004.
- Nucleus has received the best Partner award for "Building World Class Loan Management Solution on 9iAS technology" by Oracle Corporation in 2003.
- 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.

C. RISKS AND CONCERNS

1. Market Risks

The IT services market presents a tough competition and the list of competitors is growing at a fast pace day by day. Nucleus is committed to mitigate the risks arising due to macro level uncertainties. Your Company continues to focus on rapidly increasing its market share and take marketing initiatives that help clients and prospects make better informed decisions based on our competitive strengths.

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

2. Concentration of Revenues

a) Client Concentration

The Company is offering products and services to large international clients in the banking space. With increasing penetration of accounts and value added services for existing customers, revenues from individual clients become large. Increased revenue from individual clients have an advantage of lower marketing costs, predictability of revenue, easier resource planning and focused relationships, which deliver customer satisfaction. At the same time, we are exposed to risks of the client reducing IT expenditure, reducing man month rates, reducing the size of engagement due to external factors etc. These advantages and risks have to be balanced and we believe the solution is to increase the number of large clients, as business with existing clients is the backbone of our platform for providing complete product and services solutions.



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The Company has added 8 new clients during the quarter and earned 63% of its revenues from top five clients.

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

| | Quarter ended | |
|--|-------------------|-------------------|
| | December 31, 2006 | December 31, 2005 |
| Active clients | 143 | 116 |
| Clients added during the quarter | 8 | 8 |
| % of Revenue from the top-five clients | 63 % | 75% |
| Clients accounting for > 10% of revenues | 2 | 2 |

b) Geographical Risks

Geographical risk is attributable to all the factors, which are peculiar or sensitive to a region. The Company's business is largely spread across India, South East Asia and Far East Asia, with these regions accounting for more than 75% of revenues. This increases the susceptibility of the revenue to events that take place in these geographies. Besides political risk, there are other risks of changes in taxation policy, regulations regarding deputation of skilled manpower, civil unrest, and wars.

The Company has entered into sizeable business for Europe for the next few years and plans to invest heavily in new developed economies in future. As the Company's products find greater acceptance, we are confident that this risk will not be a constraint in the future. The Company has also incorporated a wholly owned Subsidiary "Nucleus Software Netherlands BV" in Netherlands to address business opportunities in Netherlands and other European countries.

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

| GEOGRAPHICAL AREA | Quarter ended | |
|-------------------|-------------------|-------------------|
| | December 31, 2006 | December 31, 2005 |
| India | 10.10% | 10.82% |
| Far East | 43.19% | 42.97% |
| South East Asia | 22.85% | 28.49% |
| Europe | 4.25% | 7.95% |
| USA and Canada | 1.40% | 5.68% |
| Middle East | 7.40% | 3.55% |
| Africa | 8.16% | 0.00% |
| Rest of the World | 2.65% | 0.54% |

3. Exchange Rate Risk

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

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

| As on | December 31, 2006 | December 31, 2005 | % Change |
|--------------|-------------------|-------------------|----------|
| USD | 44.39 | 45.09 | (1.55) |
| Japanese Yen | 0.3735 | 0.3846 | (2.89) |
| GBP | 87.19 | 77.89 | 11.94 |
| SGD | 28.95 | 27.1 | 6.83 |



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We seek to reduce the effect of exchange rate fluctuations on operating results by taking foreign exchange forward contracts to cover a portion of outstanding accounts receivable and limited hedging against appreciation of the Rupee. We are also booking “options” for reducing the risk.

D. LIQUIDITY AND CAPITAL RESOURCES

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

As of December 31, 2006 the cash and bank balances stood at Rs.21.86 crore (Rs.26.85 crore on December 31, 2005) and current investments in liquid schemes of mutual funds were Rs.62.43 crore (Rs.47.48 crore on December 31, 2005).

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

| RATIO | Quarter ended | |
|--|-------------------|-------------------|
| | December 31, 2006 | December 31, 2005 |
| Days of sale receivable | 61 | 46 |
| Cash and Bank balances as % of assets | 13.90% | 24.21% |
| Cash and Bank balances as % of revenue | 38.91% | 71.80% |
| Current investments as % of assets | 39.69% | 42.81% |
| Current investments as % of revenue | 111.12% | 126.98% |

E. FINANCIALS

1. Share Capital

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

Share Capital of the Parent Company consists of 16,116,312 Equity Shares of Rs. 10/- each as on December 31, 2006. The Share Capital increased from 16,104,812 Equity Shares of Rs. 10/- each as on December 31, 2005 to 16,116,312 Equity Shares of Rs. 10/- each as on December 31, 2006. Consequently the paid up Share Capital increased from Rs. 16.10 crore as on December 31, 2005 to Rs. 16.12 crore as on December 31, 2006, including the amount in share forfeiture account

The increase is consequent to:

— Allotment of 11,500 fully paid up Equity Shares of Rs. 10/- each to employees in pursuance of stock options exercised.

Paid-up Share Capital of the Subsidiaries as on December 31, 2006 is given below. As 100% of the Share Capital of the Subsidiaries is held by Nucleus Software Exports Limited and nominees, on consolidation of accounts these amounts are contra with investments in Subsidiaries amount in the account of the Parent Company.



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| Name of Subsidiary Company | Currency | As at Dec 31, 2006 | | As at Dec 31, 2005 | |
|---|----------|---------------------|-------------------------|---------------------|-------------------------|
| | | In foreign Currency | Eqv. Rupees (in crores) | In foreign Currency | Eqv. Rupees (in crores) |
| Nucleus Software Solutions Pte. Ltd. Singapore. 625,000 equity shares of S\$ 1 each. | SGD | 625,000 | 1.63 | 625,000 | 1.63 |
| Nucleus Software Inc., USA. 1,000,000 shares of US\$ 0.35 cents each | USD | 350,000 | 1.63 | 350,000 | 1.63 |
| Nucleus Software Japan Kabushiki Kaiga, Japan. 200 equity shares of JPY 50,000 each | JPY | 10,000,000 | 0.41 | 10,000,000 | 0.41 |
| Nucleus Software (HK) Ltd., Hong Kong. 100,000 equity shares of HK\$ 1 each. | HKD | 100,000 | 0.06 | 100,000 | 0.06 |
| Nucleus Software (Australia) Pty Ltd., 316,000 equity shares of Aus \$ 1 each | Aus \$ | 316,000 | 0.98 | 316,000 | 0.98 |
| VirStra I-Technology Services Ltd. India. 1,000,000 equity shares of Rs. 10 each | INR | — | 1.00 | — | 1.00 |
| Nucleus Software Netherlands B.V. 1000 equity shares of Euro 100 each | Euro | 100,000 | 0.54 | — | — |
| Step down Subsidiary of Nucleus Software Exports Ltd. | | | | | |
| Virstra (Singapore) Pte Limited. 200,000 equity shares of S\$ 1 each | SGD | 200,000 | 0.56 | 100,000 | 0.27 |

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

2. Retained Earnings

During the quarter ended December 31, 2006, the Company earned consolidated net profit of Rs.13.94 crore on a consolidated turnover of Rs.56.18 crore as against consolidated net profit of Rs.8.82 crore on a consolidated turnover of Rs.37.40 crore for the quarter ended December 31, 2005.

The Reserves and Surplus of the Company including balance in the Profit and Loss account is Rs.140.45 crore as on December 31, 2006 (Rs.94.73 crore as on December 31, 2005.)

3. Fixed Assets

As at December 31, 2006, gross block of fixed assets including investment in technology assets was Rs.61.65 crore (Rs.48.13 crore as on December 31, 2005). The increase in gross block of fixed assets is primarily on account of investment in technology assets.

The net fixed assets after depreciation are Rs.37.01 crore as on December 31, 2006 compared to Rs.29.00 crore as on December 31, 2005.



4. Current Investments

Current Investments of the Company as on December 31, 2006 was Rs.62.43 crore against Rs.47.48 crore as on December 31, 2005. All of them are in low risk liquid mutual funds in India.

- 0.50 crore in UTI Fixed Maturity Plan-YFMP 06/06- Growth
- Rs. 2.00 crore in Prudential ICICI FMP Series 5- Institutional- Growth
- Rs. 4.27 crore in UTI Liquid Cash Plan Institutional-Dividend
- Rs. 0.80 crore in Grindlays Fixed Maturity-16th Plan A-Growth
- Rs. 0.90 crore in Grindlays Fixed Maturity-20th Plan-Growth
- Rs. 4.09 crore in LICMF Liquid Fund-Growth
- Rs. 2.57 crore in Birla Cash Plus-Institutional Premium-Growth
- Rs. 2.00 crore in Chola FMP-14 Months-Cumulative
- Rs. 1.00 crore in ABN Amro FTP series 2 Thirteen Month Plan-Growth
- Rs. 1.00 crore in HSBC Fixed term Series-4-Growth
- Rs. 2.00 crore in HSBC Fixed term Series-9-Growth
- Rs 1.00 crore in Principal Pnb Fixed Maturity Plan-385 Days-Series I Institutional Plan-Growth
- Rs. 1.00 crore in HDFC FMP 13M March 2006(1)-Institutional Plan-Growth
- Rs. 1.00 crore in HDFC FMP 13M June 2006(1)-Institutional Plan-Growth
- Rs. 1.25 crore in HDFC FMP 13M July 2006(1)- Institutional Plan-Growth
- Rs. 4.00 crore in LICMF Liquid Fund-Growth
- Rs. 5.00 crore in Prudential ICICI Super Institutional Plan-Growth
- Rs. 2.00 crore in Kotak Liquid- Institutional Plus Plan –Growth
- Rs. 1.25 crore in Kotak FMP series -Growth
- Rs. 4.00 crore in ABN Amro FTP Series4 quarterly plan A Dividend
- Rs. 2.50 crore in ABN Amro FTP Series3 quarterly plan G Dividend
- Rs. 2.00 crore in ABN Amro FTP Series4 quarterly plan B Dividend on Maturity
- Rs. 2.50 crore in UTI Fixed Matutity plan quarterly series QFMP/1106/I Dividend plan-Reinvestment
- Rs. 1.50 crore in UTI Fixed Matutity plan quarterly series HDMP/1206/I Dividend plan-Reinvestment
- Rs. 2.50 crore in Sundram BNP Paribas Fixed Term Plan Series XVII (90 days)-Dividend
- Rs. 2.50 crore in DWS Fixed Term Plan Series 22-Dividend
- Rs. 5.30 crore in Standard Chartered Fixed maturity plan quarterly series 2-Dividend
- Rs 2.00 crore in Principal Pnb Fixed Maturity Plan (FMP-32) 91 days series VI-Dec 06 Dividend

5. Other Long-Term Investment

Other Long Term investment comprise of:

- a) Investment in 10,040,000 Equity Shares of face value of Rs. 10 each in GMAC Financial Services India Limited made by the Company (together with its nominees), representing 25.1 % of the total Equity Share capital of the said Company.
GMAC Financial Services India Limited is a subsidiary of General Motors Acceptance Corporation (GMAC), a Company incorporated in United States of America. The Company has entered into a shareholder agreement with GMAC whereby under the terms of the agreement, the Company has an option to exit the investment in favour of GMAC or a designee of GMAC. Similarly GMAC has the option to ask the Company to divest the shareholding in favour of GMAC or a designee of GMAC.
- b) Investment in 25,000 Equity Shares of face value of Rs.100/- each in Ujjivan Financial Services Private Ltd.
Ujjivan Financial Services Private Ltd., has been promoted in the area of micro finance by a group of experienced professionals with banking and technology background.



6. Sundry Debtors

Sundry Debtors amount to Rs.37.19 crore (net of provision for bad and doubtful debts) as on December 31, 2006 (Rs.18.62 crore, net of provision for bad and doubtful debts as on December 31, 2005).

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

| As at | December 31, 2006 | December 31, 2005 |
|---------------------------|-------------------|-------------------|
| Less than 6 months | 97.16% | 96.22% |
| More than 6 months | 2.84% | 3.78% |
| Days of sales receivables | 61 | 46 |

7. Cash and Bank Balances

Cash and bank balance represent 13.90% and 24.21% of the total assets as on December 31, 2006 and December 31, 2005 respectively.

(Rs. in crore)

| As at | December 31, 2006 | December 31, 2005 |
|---------------------------|-------------------|-------------------|
| Cash and cheques in hand | 0.79 | 0.04 |
| Balances with Bank | 20.27 | 15.83 |
| -In Current Accounts | 0.80 | 10.98 |
| -In Fixed Deposit Account | 0 | 0 |
| Total | 21.86 | 26.85 |

8. Loans and Advances

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

The amount is Rs.3.48 crore as on December 31, 2006 (Rs.1.76 crore as on December 31, 2005).

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs.1.99 crore as on December 31, 2006 (Rs.1.40 crore as on December 31, 2005)

Prepaid expenses stood at Rs.2.52 crore as on December 31, 2006 (Rs.0.89 crore as on December 31, 2005)

The Parent Company has following loan outstanding from a Subsidiary Company. This does not reflect in the consolidated accounts, as it is contra in the consolidation.

- Loan of US\$ 64,500 equivalent to Rs.0.28 crore, is outstanding on December 31, 2006 from the wholly owned Subsidiary, Nucleus Software Inc. The total loan disbursed in installments in financial year 2003-04 was US \$ 157,500, at an interest rate of 3 % over LIBOR, with a repayment schedule of 5 equal installments starting from financial year 2004-05. The subsidiary has repaid US \$ 93,000 .

9. Current Liabilities

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



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The total amount of Sundry Creditors as on December 31, 2006 is Rs.14.04 crore (Rs.9.55 crore as on December 31, 2005).

Withholding tax payable represents the amount of liability of withholding taxes to be deducted/deductible by overseas clients/ Subsidiaries on income billed to them by the Parent Company. The total amount of withholding tax liability as on December 31, 2006 is Rs.2.07 crore (Rs.0.97 crore as on December 31, 2005).

The amount of Unclaimed Dividend as on December 31, 2006 is Rs.0.09 crore (Rs.0.07 crore as on December 31, 2005).

Advances from customers as on December 31, 2006 is Rs.21.40 crore (Rs.20.40 crore as on December 31, 2005). These consist of advance payments received from customers and " Unearned Revenue"; Unearned Revenue is defined as client billing for which related costs have not been incurred or product license delivery is at later date.

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, 2006 is Rs. 3.29 crore (Rs.1.50 crore as on December 31, 2005).

10. Provisions

Provisions at Rs.6.08 crore as on December 31, 2006 (Rs.3.04 crore as on December 31, 2005) includes provision for taxation, gratuity and leave encashment.

The break-up of provisions at the quarter end is given below:

| | <i>(Rs. In crore)</i> | |
|-------------------------------|----------------------------|----------------------------|
| Provisions | As on December 31, 2006 | As on December 31, 2005 |
| Gratuity | 2.29 | 1.06 |
| Leave encashment | 3.58 | 0.94 |
| Taxation (Net of advance tax) | - | 0.91 |
| Fringe benefit tax | 0.21 | 0.13 |
| Total | 6.08 | 3.04 |

A sharp increase in Gratuity and Leave Encashment is due to the adoption of revised Accounting Standard 15 'Employee Benefits' issued by the Institute of Chartered Accountants of India (effective April 01, 2006).

F. RESULTS OF OPERATIONS

1. Income

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

The Company's consolidated revenue from operations for the quarter ended December 31, 2006 is Rs.56.18 crore as against Rs.37.40 crore for the quarter ended December 31, 2005, representing an increase of 50.21 %.

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



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2. Expenditure

2.1 Software Development Expenses:

Quarter Ended December 31,

(Rs. In Crore)

| Particulars | 2006 | % of Revenue | 2005 | % of Revenue | Growth % |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Salaries & Allowances | 20.50 | 36.49 | 11.64 | 31.12 | 76.12 |
| Contribution to PF and other Funds | 1.00 | 1.78 | 0.52 | 1.39 | 92.42 |
| Direcot's Remuneration | 0.21 | 0.38 | 0.15 | 0.40 | 42.80 |
| ESOP Expenses | 0.08 | 0.15 | 0.05 | 0.13 | 67.40 |
| Staff Welfare | 0.41 | 0.72 | 0.24 | 0.64 | 69.38 |
| Conveyance | 0.32 | 0.57 | 0.13 | 0.35 | 146.15 |
| Communication | 0.46 | 0.82 | 0.32 | 0.86 | 44.03 |
| Rent, rates and taxes | 0.61 | 1.09 | 0.45 | 1.20 | 36.62 |
| Legal & Professional | 0.24 | 0.43 | 0.10 | 0.27 | 139.00 |
| Repair & Maintenance | 0.16 | 0.29 | 0.12 | 0.32 | 35.92 |
| Training & Recruitment | 0.49 | 0.86 | 0.18 | 0.48 | 169.78 |
| Bought out Software | 0.47 | 0.84 | 0.24 | 0.64 | 95.83 |
| Software dev. | 0.24 | 0.42 | 0.48 | 1.28 | (50.81) |
| Travelling | 4.05 | 7.21 | 4.10 | 10.96 | (1.16) |
| Consultancy charges | 1.51 | 2.69 | 2.57 | 6.87 | (41.18) |
| Power & Fuel | 0.50 | 0.89 | 0.25 | 0.67 | 100.680 |
| Printing and stationery | 0.01 | 0.02 | 0.01 | 0.03 | (0.03) |
| Insurance | 0.10 | 0.17 | 0.11 | 0.29 | (12.09) |
| Advertisement | 0.02 | 0.03 | 0.01 | 0.03 | 54.00 |
| IT expenses | 0.19 | 0.33 | 0.06 | 0.16 | 209.67 |
| Others | 0.11 | 0.20 | 0.13 | 0.35 | (12.54) |
| Total | 31.68 | 56.39 | 21.86 | 58.45 | 44.93 |

The Company incurred total software development expenses of Rs.31.68 crore at 56.39 % of revenue during the quarter ended December 31, 2006 against Rs.21.86 crore at 58.45% of revenue during the corresponding quarter of the previous year. In comparison to the corresponding quarter of previous year, the software development expenses have increased by 44.93 % in absolute terms, whereas revenue has increased by 50.21%.

The Gross Margin consequently increased from Rs.15.54 crore to Rs.24.50 crore representing an increase of 57.66 %.



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2.2 Selling and Marketing Expenses

Quarter Ended December 31,

(Rs. In Crore)

| Particulars | 2006 | % of Revenue | 2005 | % of Revenue | Growth % |
|------------------------------------|-------------|--------------|-------------|--------------|--------------|
| Salaries & Allowances | 2.05 | 3.65 | 1.39 | 3.72 | 47.57 |
| Contribution to PF and other Funds | 0.07 | 0.12 | 0.03 | 0.08 | 126.00 |
| Director's Remuneration | 0.21 | 0.38 | 0.15 | 0.40 | 42.80 |
| ESOP Expenses | 0.01 | 0.01 | - | - | 0.00 |
| Staff Welfare | 0.11 | 0.20 | 0.08 | 0.21 | 42.50 |
| Conveyance | 0.07 | 0.13 | 0.04 | 0.11 | 82.75 |
| Communication | 0.09 | 0.17 | 0.100 | 0.27 | -4.60 |
| Rent, rates and taxes | 0.15 | 0.27 | 0.17 | 0.45 | -10.12 |
| Legal & Professional | 0.08 | 0.15 | 0.01 | 0.03 | 729.00 |
| Repair & Maintenance | 0.01 | 0.02 | 0.01 | 0.03 | 33.00 |
| Training & Recruitment | 0.02 | 0.04 | 0.01 | 0.03 | 106.00 |
| Adv & Business Promotion | 0.17 | 0.31 | 0.24 | 0.64 | -27.67 |
| Travelling | 0.78 | 1.38 | 0.42 | 1.12 | 84.81 |
| Channel Partner Payments | 0.83 | 1.48 | 0.02 | 0.05 | 4,065.00 |
| Power & Fuel | 0.03 | 0.05 | 0.03 | 0.08 | -7.00 |
| Printing and stationery | 0.08 | 0.14 | 0.01 | 0.03 | 713.00 |
| Insurance | 0.02 | 0.04 | 0.03 | 0.08 | -25.67 |
| Conference, exhibition and seminar | 0.69 | 1.22 | 0.01 | 0.03 | 6,782.00 |
| IT Expenses | 0.01 | 0.01 | 0.01 | 0.03 | -18.00 |
| Others | 0.03 | 0.05 | 0.02 | 0.05 | 50.50 |
| Total | 5.53 | 9.85 | 2.78 | 7.43 | 98.96 |

The Company incurred selling and marketing expenses of Rs. 5.53 crore at 9.85 % of revenue during the quarter ended December 31, 2006 against Rs. 2.78 crore at 7.43% of revenue during the corresponding quarter of the previous year. In comparison to corresponding quarter of previous year, the selling and marketing expenses have increased by 98.96% in absolute terms.

Significant expense during the quarter includes Rs. 0.69 crore on exhibitions which largely consist of our participation expense at SIBOS 2006 in Sydney, Australia and channel partner payments of Rs. 0.83 crore.



2.3 General and Administrative Expenses

Quarter ended December 31,

(Rs. In Crore)

| Particulars | 2006 | % of Revenue | 2005 | % of Revenue | Growth % |
|---|-------------|--------------|-------------|--------------|--------------|
| Salaries & Allowances | 1.66 | 2.96 | 0.86 | 2.30 | 93.30 |
| Contribution to PF and other Funds | 0.09 | 0.16 | 0.04 | 0.11 | 119.00 |
| Direcrot's Remuneration | 0.14 | 0.25 | 0.09 | 0.24 | 58.44 |
| ESOP Expenses | 0.01 | 0.02 | - | - | 0.00 |
| Staff Welfare | 0.04 | 0.07 | 0.03 | 0.08 | 38.00 |
| Conveyance | 0.07 | 0.12 | 0.04 | 0.11 | 66.25 |
| Communication | 0.08 | 0.15 | 0.12 | 0.32 | -31.00 |
| Rent | 0.03 | 0.05 | 0.03 | 0.08 | -2.33 |
| Rates and taxes | 0.10 | 0.18 | 0.04 | 0.11 | 155.25 |
| Legal & Professional | 0.33 | 0.59 | 0.48 | 1.28 | -31.46 |
| Repair & Maintenance | 0.06 | 0.10 | 0.04 | 0.11 | 42.50 |
| Training & Recruitment | 0.06 | 0.11 | 0.03 | 0.08 | 99.33 |
| Adv & Business Promotion | 0.04 | 0.07 | 0.06 | 0.16 | -31.83 |
| Travelling | 0.05 | 0.09 | 0.04 | 0.11 | 23.25 |
| Consultancy Charges | 0.04 | 0.06 | 0.02 | 0.05 | 76.50 |
| Power & Fuel | 0.04 | 0.07 | 0.07 | 0.19 | -45.71 |
| Printing and stationery | 0.07 | 0.13 | 0.07 | 0.19 | 1.00 |
| Insurance | 0.01 | 0.01 | 0.01 | 0.03 | -38.00 |
| Bank Charges | 0.05 | 0.10 | 0.09 | 0.24 | -39.89 |
| Conference, exhibition and seminar | 0.00 | 0.00 | 0.03 | 0.08 | -95.00 |
| IT Expenses | 0.01 | 0.03 | - | - | 0.00 |
| Bad Debts written off | 1.03 | 1.83 | - | - | 1.00 |
| Provision for doubtful debts/advances/other current assets | (1.00) | (1.77) | 0.06 | 0.16 | -1,761.50 |
| Loss on foreign exchange fluctuation on consolidation (net) | - | - | 0.31 | 0.83 | -100 |
| Others | 0.28 | 0.50 | 0.13 | 0.35 | 115.31 |
| Total | 3.29 | 5.86 | 2.69 | 7.19 | 22.39 |



The Company incurred general and administrative expenses amounting to Rs. 3.29 crore, 5.86 % of revenue during the quarter ended December 31, 2006 against Rs. 2.69 crore, 7.19 % of revenue during the corresponding quarter of previous year.

In comparison to the corresponding quarter of previous year administrative and other expenses have increased by 22.39 %.

3. Operating Profit

During the quarter ended December 31, 2006 the Company earned consolidated operating profit (profit before interest, depreciation and withholding tax) of Rs. 15.68 crore representing 27.90 % of revenue as compared with Rs. 10.07 crore representing 26.93 % of revenue for the quarter ended December 31, 2005.

4. Depreciation

Depreciation at Rs. 1.71 crore on fixed assets is 3.04 % of the revenue for the quarter ended December 31, 2006 as against Rs. 0.87 crore, 2.33% of the revenue for the quarter ended December 31, 2005.

5. Withholding Taxes

Withholding taxes charged off represent withholding taxes charged to Profit and Loss Account during the quarter ended December 31, 2006, of Rs.1.25 crore (Rs.0.99 crore for the quarter ended December 31, 2005). These relate to the Parent Company and Subsidiary in Japan.

6. Other Income

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

Other income for the quarter ended December 31, 2006 is Rs.1.59 crore against Rs.1.36 crore for the quarter ended December 31, 2005.

7. Provision for Income Tax

The Company has made a provision for current tax of Rs.0.20 crore (Rs.0.57 crore for the quarter ended December 31, 2005), 0.36 % of revenue, deferred tax expense of Rs.(0.05) crore (Rs.0.05 crore expense for the quarter ended December 31, 2005), fringe benefit tax of Rs.0.22 crore (0.13 crore for the quarter ended December 31, 2005)

8. Net Income

During the quarter ended December 31, 2006, Company has earned a net profit of Rs.13.94 crore (Rs.8.82 crore for the quarter ended December 31, 2005). The net profit represents 24.81 % of revenue for the quarter ended December 31, 2006 as compared to 23.58% of revenue for the quarter ended December 31, 2005.



Additional Information to Shareholders

1. Date of Incorporation January 9, 1989
2. Registered Office 33-35, Thyagraj Nagar Market
New Delhi-110003
India
3. Corporate Office A-39, Sector 62
NOIDA, UP-201307
India
4. Financial Calendar
Financial reporting for the first quarter ending June 30, 2006. July 24, 2006
Financial reporting for the second quarter ending September 30, 2006. October 30, 2006
Financial reporting for the third quarter ending December 31, 2006. January 22, 2007
Financial results for the year ending March 31, 2007. between 21st to 30th of April, 2007*
(*tentative and subject to change)
5. Share Related Data
 - The Shares of Nucleus are listed on The National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Madras Stock Exchange Limited.
 - Scrip Code (NSE) NUCLEUS
 - Scrip Code (BSE) 531209
 - The Company's shares are traded in "Group B-1" category at the Bombay Stock Exchange Ltd.
 - International Securities Identification Number (ISIN code-NSDL and CDSL) INE096B01018
 - Face value of the Company's equity shares is Rs.10.
 - Shares of the Company are compulsorily traded in demat form.
 - 93.39% of the Company's equity shares are in demat form.
 - The Company had 71,98 shareholders as on December 31, 2006.
 - The Company has not issued any GDRs/ADRs. The Company has granted options to employees under its existing Employee Stock Options Schemes. The options if exercised at the end of the vesting period shall be converted into equity shares.



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- The dividend declared and paid in the previous financial years is give below:

| <i>Financial Year</i> | <i>Dividend (%)</i> | <i>Dividend Per Share in Rs.</i> | <i>Dividend Pay Out in Rs. Lacs</i> |
|-----------------------|---------------------|--------------------------------------|---|
| 2005-06 | 35% | 3.50 | 563.67 |
| 2004-05 | 25% | 2.50 | 402.27* |
| 2003-04 | 25% | 2.50 | 200.79 |
| 2002-03 | 20% | 2.00 | 158.22 |
| 2001-02 | 20% | 2.00 | 158.22 |
| 2000-01 | 20% | 2.00 | 68.03 |

The Board had not recommended any dividend prior to financial years 2000-2001.

* The dividend payout in 2004-05 was on the enhanced capital consequent to 1:1 bonus issue made during the year.

- Registrars of Company
- Karvy Computer Share Private Limited
"Karvy House" 46, Avenue 4,
Street No.1 Banjara Hills,
Hyderabad 500034
Tel: 040-23312454/23320251/751
Fax: 040- 23311968
Email: mailmanager@karvy.com

6. Locations

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

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

7. Stock Market Data Relating to Shares Listed in India

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

| | BSE | | | | | NSE | | | | |
|---------|--------|--------|--------|--------|---------|--------|--------|--------|--------|-----------|
| | Open | High | Low | Close | Volume | Open | High | Low | Close | Volume |
| Oct.-06 | 441.10 | 499.00 | 421.20 | 467.85 | 136,145 | 436.50 | 499.00 | 436.50 | 466.90 | 277,664 |
| Nov.-06 | 470.00 | 575.50 | 470.00 | 503.70 | 350,731 | 470.00 | 576.00 | 470.00 | 504.70 | 416,930 |
| Dec.-06 | 505.00 | 748.80 | 496.05 | 684.20 | 529,462 | 495.00 | 749.00 | 490.00 | 682.35 | 1,120,152 |

1. The highest share price of the Nucleus scrip at Bombay Stock Exchange Ltd. was Rs.748.80 in Dec. 2006 and the lowest share price was Rs.421.20 in October 2006.
2. The highest share price of the Nucleus scrip at National Stock Exchange was Rs.749.00 in Dec. 2006 and the lowest share price was Rs.436.50 in October 2006.



B. Quarterly High-Low Price History of the Share for the Past Year

| During Quarter Ended | BSE | | NSE | |
|----------------------|-----------------------|----------------------|-----------------------|----------------------|
| | <i>High (Rs.)</i> | <i>Low (Rs.)</i> | <i>High (Rs.)</i> | <i>Low (Rs.)</i> |
| March 31, 2005 | 400.00 | 325.00 | 385.00 | 335.00 |
| June 30, 2006 | 439.95 | 245.00 | 437.50 | 245.25 |
| September 30, 2006 | 465.95 | 295.05 | 468.00 | 295.00 |
| December 31, 2006 | 748.80 | 421.20 | 749.00 | 436.50 |

8. Share Transfer System

The Company's Shares are currently traded in dematerialised form, transfers are processed and approved in the electronic form by NSDL/CDSL through their Depository Participants.

The Shareholders/Investor Grievance Committee is authorised to approve transfer of shares, which are received in physical form, and the said Committee approves transfer of shares on a fortnightly basis.

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

The Company has De-materialised 15,051,839 shares (93.39% of the paid up share capital) as at December 31, 2006.

The Company obtains from a Company Secretary in practice half-yearly certificate of compliance with the share transfer formalities as required under Clause 47 (c) of the Listing Agreement and files a copy of the certificate with the Stock Exchanges.

9. Employee Stock Option Schemes

The Company has instituted an ESOP scheme 1999 in year 2000, ESOP scheme 2002 was instituted in 2002, ESOP scheme 2005 was instituted in 2005 and ESOP scheme 2006 was instituted in 2006. These schemes were duly approved by the Board of Directors and Shareholders in their respective meetings. The 1999 scheme provides for the issue of 170,000 Equity Shares, 2002 scheme for 225,000 Equity Shares, 2005 scheme for 625,000 Equity Shares and 2006 scheme for 1,000,000 to eligible employees and Directors. These schemes are administered by a Compensation Committee of Board of Directors.

10. 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 | 12 | 12 | Nil |
| 2. | Issue of Duplicate Share Certificates | 1 | 1 | Nil |
| 3. | Request for Stop Transfer | - | - | - |
| 4. | Non receipt of Share Certificate | - | - | - |
| 5. | Demat Queries | = | = | = |

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



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11. Legal Proceedings

There is one legal proceeding pending against the Company in Labour Court, relating to termination of employment.

12. Distribution of Shareholding

| <i>As on December 31, 2006</i> | | | | |
|----------------------------------|----------------------------|---------------------------|----------------------|---------------------------|
| <i>No. of equity shares held</i> | <i>No. of shareholders</i> | <i>% of share holders</i> | <i>No. of shares</i> | <i>% of share holding</i> |
| 1-5,000 | 6198 | 86.10 | 721,069 | 4.47 |
| 5,001 – 10,000 | 455 | 6.32 | 347,027 | 2.15 |
| 10,001 – 20,000 | 231 | 3.21 | 345,162 | 2.14 |
| 20,001 – 30,000 | 103 | 1.44 | 272,575 | 1.69 |
| 30,001 – 40,000 | 47 | 0.65 | 169,445 | 1.06 |
| 40,001 – 50,000 | 34 | 0.47 | 160,316 | 0.99 |
| 50,001 – 100,000 | 50 | 0.69 | 364,825 | 2.26 |
| 100,001 & Above | 80 | 1.12 | 13,735,893 | 85.24 |
| Total | 7,198 | 100.00 | 16,116,312 | 100.00 |

13. Categories of Shareholders

| <i>As on Dec 31, 2006</i> | | | |
|-----------------------------|----------------------------|----------------------------|---------------------------|
| <i>Category</i> | <i>No. of shareholders</i> | <i>Voting Strength (%)</i> | <i>No. of shares held</i> |
| Promoter and Promoter Group | 12 | 60.14 | 9,692,756 |
| Individuals | 6,584 | 19.12 | 3,097,903 |
| Bodies Corporate | 413 | 7.09 | 1,142,347 |
| OCBs and NRIs | 171 | 1.66 | 267,192 |
| FII's | 5 | 4.02 | 648,045 |
| Mutual Funds | 13 | 7.87 | 1,268,069 |
| Total | 7,198 | 100.00 | 16,116,312 |

14. Investors' Correspondence May be Addressed to:

The Company Secretary
Nucleus Software Exports Ltd.,
33-35, Thyagraj Nagar Market
New Delhi-110003 (India)
Tel: ++91-(120)-2404050 Fax: ++91-(120)-2403972
Email: investorrelations@nucleussoftware.com



15. Employee Strength of Nucleus

Nucleus employed 1,429 people as on December 31, 2006 as compared to 935 people on December 31, 2005.

The distribution of the employees is:

| As at | December 31, 2006 | | December 31, 2005 | |
|--|-------------------|--------|-------------------|--------|
| Technical Staff | 1,229 | 86.00% | 805 | 82.40% |
| Non-Technical Staff including Business Development Group | 200 | 14.00% | 172 | 17.60% |

The gender classification of employees is:

| | | | | |
|--------|-------|---------|-----|---------|
| Male | 1,087 | 76.07% | 772 | 79.02% |
| Female | 342 | 23.93% | 205 | 20.98% |
| Total | 1,429 | 100.00% | 977 | 100.00% |

The age profile of employees is:

| As at | December 31, 2006 | | December 31, 2005 | |
|-------------------------|-------------------|---------|-------------------|---------|
| Between 20 and 25 years | 417 | 29.18% | 207 | 21.19% |
| Between 26 and 30 years | 562 | 39.33% | 442 | 45.24% |
| Between 31 and 40 years | 391 | 27.36% | 287 | 29.38% |
| Between 41 and 50 years | 44 | 3.08% | 32 | 3.28% |
| 51 years and above | 15 | 1.05% | 9 | 0.91% |
| Total | 1,429 | 100.00% | 977 | 100.00% |

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

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

| | |
|---|--|
| Vishnu R Dusad Managing Director | Tel:++91 (120) 2404033 E Mail: vishnu@nucleussoftware.com |
| R P Singh President and Head, Global Delivery | Tel:++91 (120) 2403981 E Mail: rp@nucleussoftware.com |
| Prakash Pai Head Product Management | Tel:++91 (120) 2404046 E Mail: pai@nucleussoftware.com |
| P K Sanghi Chief Financial Officer | Tel:++91 (120) 2404036 E Mail: pksanghi@nucleussoftware.com |
| Niraj Vedwa Head-Global Sales & Marketing | Tel:++91 (120) 2403979 E Mail: niraj@nucleussoftware.com |
| Poonam Bhasin Company Secretary | Tel:++91 (120) 2403960 E Mail: poonam@nucleussoftware.com |



NUCLEUS SOFTWARE EXPORTS LTD.

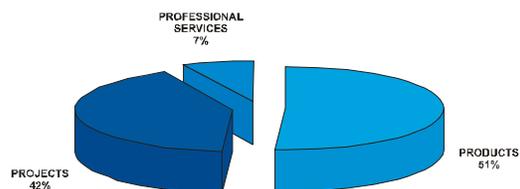
Consolidated Segment Information of Nucleus Software Group

(Rs. in Crore)

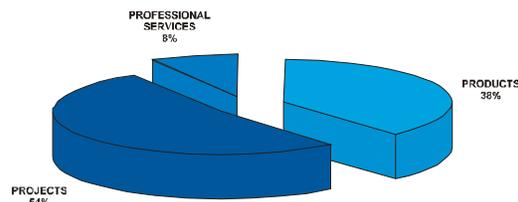
| REVENUE BY | Quarter Ended | | Nine months Ended | | Year Ended | |
|------------------------------|------------------|-----------------|-------------------|-----------------|-------------------|-----------------|
| | Dec. 31, 2006 | % of Revenue | Dec. 31, 2006 | % of Revenue | March 31, 2006 | % of Revenue |
| GEOGRAPHICAL SEGMENTS | | | | | | |
| India | 5.67 | 10.10 | 15.99 | 9.93 | 14.78 | 9.99 |
| Far East | 24.27 | 43.19 | 69.35 | 43.07 | 63.74 | 43.05 |
| South East Asia | 12.84 | 22.85 | 35.04 | 21.76 | 38.66 | 26.11 |
| Europe/UK | 2.39 | 4.25 | 10.52 | 6.53 | 16.44 | 11.10 |
| USA & Canada | 0.79 | 1.40 | 5.24 | 3.25 | 6.65 | 4.49 |
| Middle East | 4.16 | 7.40 | 9.34 | 5.80 | 6.45 | 4.36 |
| Africa | 4.58 | 8.15 | 9.51 | 5.90 | 0.60 | 0.40 |
| Rest of the World | 1.49 | 2.65 | 6.04 | 3.75 | 0.73 | 0.49 |
| Total | 56.18 | 100.00 | 161.03 | 100.00 | 148.05 | 100.00 |
| CURRENCY SEGMENTS | | | | | | |
| US\$ | 38.84 | 69.13 | 109.73 | 68.14 | 89.36 | 60.36 |
| Sing\$ | 8.03 | 14.29 | 24.17 | 15.01 | 25.03 | 15.54 |
| Japanese Yen | 2.98 | 5.30 | 9.48 | 5.89 | 16.50 | 10.25 |
| Indian Rupee | 5.67 | 10.09 | 15.99 | 9.93 | 14.75 | 9.16 |
| Malaysian Ringet | 0.66 | 1.17 | 1.31 | 0.81 | 2.41 | 1.50 |
| Euro | - | - | 0.35 | 0.22 | - | - |
| Total | 56.18 | 100.00 | 161.03 | 100.00 | 148.05 | 91.94 |
| BUSINESS SEGMENTS | | | | | | |
| Products | 31.76 | 56.53 | 84.10 | 52.23 | 56.83 | 38.39 |
| Projects | 22.00 | 39.16 | 66.68 | 41.41 | 78.65 | 53.12 |
| Professional Services | 2.42 | 4.31 | 10.26 | 6.37 | 12.57 | 8.49 |
| Total | 56.18 | 100.00 | 161.03 | 100.00 | 148.05 | 100.00 |

BUSINESS SEGMENT

QUARTER ENDED SEPTEMBER 30, 2006



YEAR ENDED MARCH 31, 2006





Ratio-Analysis

| Particulars | CONSOLIDATED PERFORMANCE | | | | |
|---|------------------------------|---------|----------------------------------|---------|------------------------|
| | Quarter ended 31 December | | Nine months ended 31 December | | Year ended 31 March |
| | 2006 | 2005 | 2006 | 2005 | 2006 |
| Ratios-Financial Performance | | | | | |
| Export Revenue/ Revenue (%) | 89.90% | 85.17% | 89.84% | 86.35% | 90.01% |
| Domestic Revenue/ Revenue (%) | 10.87% | 14.83% | 10.68% | 13.65% | 9.99% |
| Gross Profit/ Revenue (%) | 43.61% | 41.55% | 42.29% | 44.63% | 45.63% |
| Software Development Expenses/ Revenue (%) | 56.39% | 58.45% | 57.71% | 55.37% | 54.37% |
| Selling and Marketing Expenses/ Revenue (%) | 9.85% | 7.44% | 7.92% | 8.21% | 7.93% |
| General and Administrative Expenses/ Revenue (%) | 5.86% | 7.19% | 5.73% | 6.55% | 7.21% |
| Total Operating Expenses/ Revenue (%) | 72.10% | 73.08% | 71.36% | 70.13% | 69.52% |
| Operating Profit/ Revenue (%) | 27.90% | 26.92% | 28.64% | 29.87% | 30.48% |
| Depreciation/ Revenue (%) | 3.04% | 2.33% | 2.99% | 3.32% | 3.21% |
| Other Income/ Revenue (%) | 2.83% | 3.64% | 2.97% | 2.46% | 2.07% |
| Tax/ Revenue (%) | 0.66% | 2.02% | 0.91% | 2.12% | 2.10% |
| Tax/ PBT (%) | 2.60% | 7.87% | 3.43% | 7.90% | 7.75% |
| PAT from Ordinary Activities/ Revenue | 21.97% | 19.94% | 22.62% | 22.24% | 22.98% |
| PAT from Ordinary Activities/ Net Worth | 7.89% | 6.73% | 23.27% | 21.27% | 29.45% |
| ROCE(PBIT/Average Capital Employed) (%) | 9.53% | 9.00% | 15.63% | 29.13% | 40.23% |
| RONW (PAT/Average Net Worth) (%) | 9.32% | 8.30% | 30.28% | 26.84% | 37.13% |
| Ratios Balance Sheet | | | | | |
| Debtors Turnover (Days) | 61 | 46 | 64 | 48 | 59 |
| Asset Turnover Ratio | 0.36 | 0.34 | 1.02 | 0.96 | 1.28 |
| Current Ratio | 1.76 | 1.55 | 1.76 | 1.55 | 1.46 |
| Cash and Equivalents/Total Assets (%) | 53.59% | 67.02% | 53.59% | 67.02% | 67.03% |
| Cash and Equivalents/ Revenue (%) | 150.03% | 198.78% | 52.35% | 70.15% | 52.33% |
| Depreciation/Average Gross Block(%) | 2.82% | 1.84% | 8.61% | 7.67% | 10.15% |
| Technology Investment/ Revenue (%) | 1.79% | 3.88% | 2.34% | 3.49% | 3.85% |
| Ratios - Growth | | | | | |
| Growth in Export Revenue (%) | 58.60% | 31.12% | 58.52% | 40.94% | 40.95% |
| Growth in Revenue (%) | 50.24% | 38.11% | 51.97% | 46.92% | 43.54% |
| Operating Expenses Growth (%) | 48.22% | 38.19% | 54.63% | 33.32% | 35.30% |
| Operating Profit Growth (%) | 55.73% | 37.89% | 45.73% | 93.19% | 66.72% |
| PAT Growth (%) | 58.10% | 49.72% | 57.36% | 114.35% | 78.72% |
| EPS Growth (%) | 58.14% | 49.45% | 57.16% | 114.08% | 78.60% |
| Per-Share Data (Period End) | | | | | |
| Earning Per Share from Ordinary Activities (Rs.) | 7.66 | 4.63 | 22.60 | 14.64 | 21.12 |
| Earning Per Share (Including Other Income) (Rs.) | 8.65 | 5.47 | 25.56 | 16.26 | 23.03 |
| Cash Earning Per Share from Ordinary Activities (Rs.) | 8.72 | 5.17 | 25.59 | 16.82 | 24.08 |
| Cash Earning Per Share (Including Other Income)(Rs.) | 9.71 | 6.02 | 28.55 | 18.44 | 25.98 |
| Book Value (Rs.) | 97.14 | 68.82 | 97.14 | 68.82 | 71.73 |
| Price/Earning (Annualized) | 19.73 | 17.85 | 2.22 | 18.03 | 15.85 |
| Price/ Cash Earning (Annualized) | 17.57 | 16.24 | 1.99 | 15.89 | 14.05 |
| Price/Book Value | 7.02 | 5.68 | 7.02 | 5.68 | 5.09 |

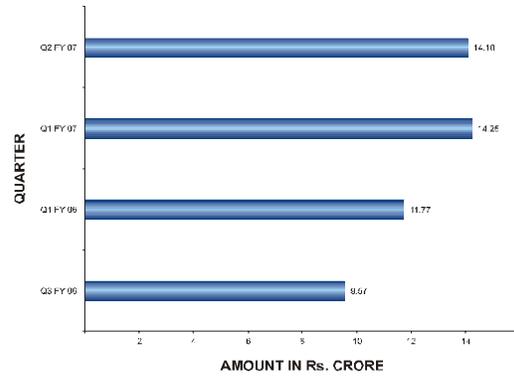
Note: 1) While calculating the consolidated figures of group, inter group transactions have been ignored.
 2) Cash and Equivalents includes cash and bank balances and current investments.
 3) Per Share Data has been calculated using closing price of the share on NSE as Rs. 682.35 for the quarter/nine months ended December 31, 2006 and Rs. 390.80 for the quarter/nine months ended December 31, 2005.



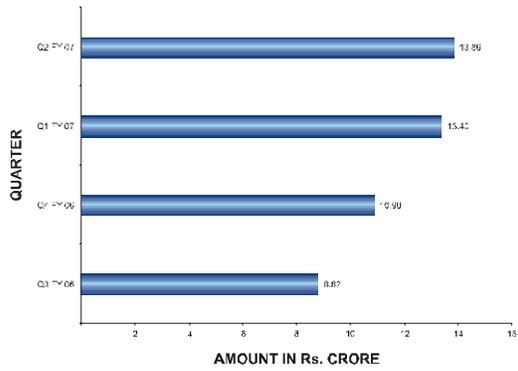
REVENUE FROM OPERATIONS



PROFIT BEFORE TAX



PROFIT AFTER TAX



EARNING PER SHARE

