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**FINANCIAL HIGHLIGHTS**

Rs. in lacs, except per equity share data

	<b>CONSOLIDATED PERFORMANCE</b>				
	<b>Quarter Ended</b>		<b>Half-Year Ended</b>		<b>Year Ended</b>
	<b>Sept. 30, 2003</b>	<b>Sept. 30, 2002</b>	<b>Sept. 30, 2003</b>	<b>Sept. 30, 2002</b>	<b>March 31, 2003</b>
<b>For the Period</b>					
Total Revenue	2,060.02	2,110.52	3,904.27	4,379.25	8,979.04
Operating Profit (PBIDT)	388.88	181.86	677.41	716.49	1,678.51
Profit After Tax (PAT)	210.16	174.33	364.59	326.75	841.01
PBIDT as a % of Total Revenue	18.88%	8.62%	17.35%	16.36%	18.69%
PAT as a % of Total Revenue	10.20%	8.26%	9.34%	7.46%	9.37%
EPS	2.65	2.20	4.59	4.13	10.63
Dividend Per Share	—	—	—	—	2.00
<b>At the end of the Period</b>					
Total Assets			6,380.55	5,674.77	5,991.05
Net Fixed Assets			1,442.01	1,521.11	1,393.36
Current Assets			3,489.39	4,033.75	3,463.55
Cash & Cash Equivalents			1,092.25	1,380.49	641.37
Working Capital			2,455.97	3,072.99	2,429.12
Total Debts			—	39.93	3.89
Net Worth			6,369.74	5,601.10	5,968.59
Share Capital			794.15	791.27	791.27
Reserves & Surplus			5,575.59	4,815.86	5,182.20
Market Capitalisation			6,983.19	8,065.42	5,185.76
No. of Shareholders			4,934	4,137	4,521
No. of Shares (Face Value of Rs. 10.00)			7,939,950	7,911,150	7,911,150

**Notes:**

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

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



**FINANCIAL HIGHLIGHTS**

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

	<b>CONSOLIDATED PERFORMANCE</b>				
	<b>Quarter Ended</b>		<b>Half-Year Ended</b>		<b>Year Ended</b>
	<b>Sept. 30, 2003</b>	<b>Sept. 30, 2002</b>	<b>Sept. 30, 2003</b>	<b>Sept. 30, 2002</b>	<b>March 31, 2003</b>
<b>For the Period</b>					
Total Revenue	4,494	4,392	8,517	9,114	19,027
Operating Profit (PBIDT)	848	378	1,478	1,491	3,557
Profit After Tax (PAT)	458	363	795	680	1,782
PBIDT as a % of Total Revenue	18.88%	8.62%	17.35%	16.36%	18.69%
PAT as a % of Total Revenue	10.20%	8.26%	9.34%	7.46%	9.37%
EPS	0.06	0.05	0.10	0.09	0.23
Dividend Per Share	—	—	—	—	0.04
<b>At the end of the Period</b>					
Total Assets			13,919	11,810	12,696
Net Fixed Assets			3,146	3,166	2,953
Current Assets			7,612	8,395	7,340
Cash & Cash Equivalents			2,383	2,873	1,359
Working Capital			5,358	6,395	5,148
Total Debts			—	83	8
Net Worth			13,896	11,657	12,648
Share Capital			1,732	1,647	1,677
Reserves & Surplus			12,163	10,023	10,982
Market Capitalisation			15,234	16,785	10,989

**Notes:**

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

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



## Letter to the Shareholders

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Dear Shareholder

I am pleased to communicate and share the financial results for Q2 of FY 2004.

Consolidated Revenue for the quarter stood at Rs.20.34 crore against Rs.20.91 crore for Q 2 of FY 2003, a marginal decline of 2.73%. On a sequential basis consolidated revenue registered a growth of 11.9% over Rs.18.18 crore revenue in the first quarter of FY 2004 . With total operational expenses of Rs.16.71 crore in the quarter under review, against Rs.19.29 crore expense in Q 2 of FY 2003, operating profit at Rs.3.63 crore registered a growth of 124% over the operating profit of Rs.1.62 crore for Q2 of FY 2003.

Consolidated net profit at Rs. 2.10 crore for this quarter has, as a consequence, risen by 20.7% over the profit of Rs.1.74 crore for Q2 of FY 2003 and by 36.2%. over the profit of Rs.1.54 crore for Q1 of FY 2004.

For the half year, though, consolidated revenue at Rs.38.51 crore is 11.33% lower than the revenue of Rs.43.43 crore for the first half year of FY 2003, consolidated net profit at Rs.3.65 crore is higher by 11.62% over the consolidated net profit of Rs.3.27 crore for the first half year of FY 2003. Over the last three quarters we have made significant progress in reducing our expense base and this has led to enhancement in operating margins.

Our focus on operating cash flows continues and we firmly believe that operating profits must translate into operating cash flows for enhanced shareholders value. For the first half year of FY 2004 operating cash flow at Rs.10.90 crore is a further improvement from Rs. 7.86 crore achievement for the first half year of FY 2003. Our cash and cash equivalents plus current investments (In Liquid Schemes of mutual funds) have grown to Rs.35.35 crore on September 30, 2003 as against Rs.24.48 crore on September 30, 2002 and as against Rs.31.67 crore on June 30, 2003.

2 new clients have been added in the quarter and we have a global base of 74 active clients.

During the quarter, we have signed a marketing alliance with the Langchao Group of China to deliver comprehensive product solutions and services to the Financial Services industry in China. Our marketing model is based on a mix of our own direct marketing efforts and local partners in critical geographies.

During the quarter, in accordance with your approval in the Annual General Meeting, the Company has got its securities delisted from The Delhi Stock Exchange Association Ltd., The Jaipur Stock Exchange and The Ahmedabad Stock Exchange under the applicable provisions of Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003.

We continue developing and enhancing our product portfolio to meet customer requirements basis and it is our mission to be the IT provider of choice for financial services organizations across the globe.

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

Sincerely,

Vishnu R Dusad  
Managing Director

October 18, 2003



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## Auditors' Report

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To the Board of Directors  
Nucleus Software Exports Ltd.

As required by you, we have audited the attached Balance Sheet of Nucleus Software Exports Ltd. ("the Company") as at 30 September 2003, Profit and Loss Account for quarter and half year ended 30 September 2003 and also the Cash Flow Statement of the Company for the half year ended 30 September 2003 annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We report that:

- a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of the books;
- c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable; and
- e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 30 September 2003;
  - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the quarter and half year ended 30 September 2003; and
  - (iii) in the case of Cash Flow Statement, of the cash flows of the Company for the half year ended 30 September 2003.

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

Place : Gurgaon  
Date : 18 October, 2003

Sd/-  
**(Akhil Bansal)**  
Partner



**Balance Sheet as at 30 September 2003**

All amounts in Rupees

Particulars	Schedule	As at 30 September 2003	As at 30 September 2002	As at 31 March 2003
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Funds</b>				
Share Capital	1	79,414,500	79,126,500	79,126,500
Share application money pending allotment		1,081,560	1,397,340	1,369,560
Reserves & Surplus	2	542,656,716	461,534,367	498,633,043
		<u>623,152,776</u>	<u>542,058,207</u>	<u>579,129,103</u>
<b>Loan Funds</b>				
Secured Loans	3	—	3,992,859	389,293
		<u>—</u>	<u>3,992,859</u>	<u>389,293</u>
<b>Deferred Tax Liability</b> (Refer note 3, Schedule 19)				
		—	630,286	—
<b>TOTAL</b>		<u>623,152,776</u>	<u>546,681,352</u>	<u>579,518,396</u>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	4	221,256,753	212,850,209	217,531,435
Less: Accumulated depreciation		109,496,988	77,446,657	96,139,236
Net block		<u>111,759,765</u>	<u>135,403,552</u>	<u>121,392,199</u>
Add: Capital work in progress (including capital advances)		22,993,672	4,446,606	6,636,851
		<u>134,753,437</u>	<u>139,850,158</u>	<u>128,029,050</u>
<b>Investments</b>	5	285,182,857	144,170,581	255,116,871
<b>Deferred Tax Asset</b> (Refer note 3, Schedule 19)				
		4,289,961	—	2,467,451
<b>Current Assets, Loans &amp; Advances</b>				
Sundry Debtors	6	181,306,558	197,816,348	175,586,904
Cash & Bank Balances	7	24,786,692	62,636,914	23,599,082
Loans & Advances	8	46,243,638	56,916,067	50,582,641
Other Current Assets	9	34,954,069	23,290,751	18,893,111
		<u>287,290,957</u>	<u>340,660,080</u>	<u>268,661,738</u>
<b>Less : Current Liabilities &amp; Provisions</b>				
Current Liabilities	10	78,597,542	72,735,798	49,913,637
Provisions	11	9,766,894	5,863,752	25,331,426
		<u>88,364,436</u>	<u>78,599,550</u>	<u>75,245,063</u>
<b>Net Current Assets</b>		<u>198,926,521</u>	<u>262,060,530</u>	<u>193,416,675</u>
<b>Miscellaneous Expenditure</b> (To the extent not written off or adjusted)	12	—	600,083	488,349
<b>TOTAL</b>		<u>623,152,776</u>	<u>546,681,352</u>	<u>579,518,396</u>

Notes to the accounts 19

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

As per our report of even date

For Bharat S Raut & Co.  
Chartered Accountants

Akhil Bansal  
Partner

Gurgaon  
18 October, 2003

NOIDA (U.P.)  
18 October, 2003

For and on behalf of the Board of Directors

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

P K Sanghi  
Chief Financial Officer

Vishnu R Dusad  
Managing Director

Poonam Bhasin  
Company Secretary



**Profit and Loss Account for the quarter and half-year ended 30 September, 2003**

All amounts in Rupees

Particulars	Schedule	For the quarter ended		For the half year ended		For the year ended 31st March, 2003
		30 September, 2003	30 September, 2002	30 September, 2003	30 September, 2002	
<b>Income</b>						
Sales and services	13	138,007,101	135,038,492	256,127,458	288,325,721	607,217,238
Other income	14	2,205,907	1,630,348	5,511,795	3,303,912	7,316,181
<b>Total</b>		<b>140,213,008</b>	<b>136,668,840</b>	<b>261,639,253</b>	<b>291,629,633</b>	<b>614,533,414</b>
<b>Expenditure</b>						
Personnel expenses	15	49,157,779	47,931,454	93,161,593	90,794,727	190,929,161
Administrative and other expenses	16	13,351,990	21,291,388	26,048,589	34,090,079	57,970,096
Operating expenses	17	39,024,453	58,829,871	74,108,024	110,981,652	217,257,718
Finance charges	18	—	252,070	13,697	1,426,138	1,716,320
Depreciation	4	6,466,666	4,428,598	14,078,501	8,027,901	31,628,562
(Refer note 2(vi), Schedule 19)						
Withholding taxes charged off		7,513,180	(4,521,911)	12,907,911	15,217,937	27,740,229
<b>Total</b>		<b>115,514,068</b>	<b>128,211,470</b>	<b>220,318,315</b>	<b>260,538,434</b>	<b>527,242,086</b>
<b>Profit before tax and prior period adjustments</b>		<b>24,698,940</b>	<b>8,457,370</b>	<b>41,320,938</b>	<b>31,091,199</b>	<b>87,291,328</b>
Prior period adjustments on account of withholding tax		—	—	—	(14,897,989)	(14,897,989)
Other prior period adjustments (Refer note 15, Schedule 19)		—	—	—	3,890,515	3,890,515
<b>Profit before taxation</b>		<b>24,698,940</b>	<b>8,457,370</b>	<b>41,320,938</b>	<b>20,083,725</b>	<b>76,283,854</b>
Provision for tax - current		(500,000)	(250,000)	(2,000,000)	(3,950,000)	(10,822,429)
- deferred		(984,048)	2,624,623	1,822,510	4,993,840	8,091,577
<b>Profit after taxation</b>		<b>23,214,892</b>	<b>10,831,993</b>	<b>41,143,448</b>	<b>21,127,565</b>	<b>73,553,002</b>
<b>Profit available for appropriation</b>		<b>23,214,892</b>	<b>10,831,993</b>	<b>41,143,448</b>	<b>21,127,565</b>	<b>73,553,002</b>
Profit for the period/year		23,214,892	10,831,993	41,143,448	21,127,565	73,553,002
Add: Balance brought forward		87,215,194	123,878,741	69,286,639	113,583,169	113,583,169
<b>Total amount available</b>		<b>110,430,086</b>	<b>134,710,734</b>	<b>110,430,087</b>	<b>134,710,734</b>	<b>187,136,171</b>
Final dividend		—	—	—	—	15,822,300
Dividend tax		—	—	—	—	2,027,232
Transferred to general reserve		—	—	—	—	100,000,000
<b>Balance carried forward to schedule 2</b>		<b>110,430,086</b>	<b>134,710,734</b>	<b>110,430,087</b>	<b>134,710,734</b>	<b>69,286,639</b>
<b>Earnings per share (Equity shares, par value Rs. 10 each)</b>						
(Refer note 14, Schedule 19)						
Basic		2.93	1.37	5.19	2.67	9.30
Diluted		2.88	1.35	5.11	2.63	9.15
Number of shares used in computing earning per share						
Basic		7,932,124	7,911,150	7,921,694	7,911,150	7,911,150
Diluted		8,048,106	8,050,884	8,048,106	8,033,092	8,041,035

**Notes to the accounts** 19

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

**As per our report of even date**

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

**Akhil Bansal**  
Partner  
**Gurgaon**  
18 October, 2003

**NOIDA (U.P.)**  
18 October, 2003

For and on behalf of the Board of Directors

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

**P K Sanghi**  
Chief Financial Officer

**Vishnu R Dusad**  
Managing Director

**Poonam Bhasin**  
Company Secretary



**Cash Flow Statement for the half year ended 30 September 2003**

All amounts in Rupees

	For the half year ended		For the year ended
	30 September 2003	30 September 2002	31 March 2003
<b>A. Cash flow from operating activities</b>			
Net profit before tax	41,320,938	20,083,727	76,283,854
<i>Adjustment for:</i>			
Depreciation	14,078,501	8,027,901	31,628,562
Exchange difference on translation of foreign currency accounts	(566,055)	289,749	1,867,708
Dividend income from investments	(707,098)	(1,302,591)	(1,302,591)
Interest income	(621,526)	(1,112,195)	(2,061,802)
Profit on sale of investments	(3,784,720)	(876,632)	(3,852,619)
Amortisation of employees compensation expenses	2,477,026	1,926,598	4,421,589
Interest expense	13,697	1,019,006	1,716,320
(Profit)/Loss on sale of fixed assets	(154,464)	98,951	567,452
Loss on assets discarded	—	5,370,244	2,169,565
Bad debts/advances written off	—	2,850,906	7,309,944
Provision for doubtful debts/advances	610,000	19,430,484	21,097,446
Provision for diminishing in value of investment	64,769	—	—
Provision for gratuity and leave encashment	2,285,000	1,954,808	3,572,950
Miscellaneous expenditure written off	488,349	111,736	223,472
Operating profit before working capital changes	55,504,417	57,872,692	143,641,850
Decrease / (increase) in debtors	(5,725,642)	(9,181,425)	8,494,464
Decrease / (increase) in loans and advances	(20,019)	8,283,369	14,264,578
Decrease / (increase) in other current assets	(16,027,765)	(22,335,222)	(18,433,249)
(Decrease) / increase in current liabilities	28,605,507	40,881,002	18,006,092
	62,336,498	75,520,416	165,973,735
Direct taxes paid	(1,350,249)	(3,512,685)	(9,214,776)
<i>Net cash from operating activities (A)</i>	<b>60,986,249</b>	<b>72,007,731</b>	<b>156,758,959</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress	(21,841,411)	(14,390,425)	(23,484,655)
Sale of fixed assets	1,192,987	449,364	495,660
Purchase of investments (net)	(26,346,036)	57,384,261	(46,392,557)
Investment in subsidiaries	—	—	(4,193,485)
Loan and advances to subsidiaries	3,643,842	(29,091,178)	(33,258,510)
Interest received	588,677	313,842	1,759,112
Dividend received from investments	707,098	1,302,591	1,302,591
<i>Net cash used in investing activities (B)</i>	<b>(42,054,843)</b>	<b>15,967,895</b>	<b>(103,771,844)</b>
<b>C. Cash flow from financing activities</b>			
Repayment of loans	(389,293)	(36,327,451)	(39,931,017)
Interest paid	(13,697)	(1,019,006)	(1,716,320)
Dividend paid	(17,771,134)	(7,911,150)	(7,858,401)
Proceeds from employee stock option granted	403,200	—	—
Proceeds from share application money and forfeiture of shares	—	592,000	592,000
<i>Net cash used in financing activities (C)</i>	<b>(17,770,924)</b>	<b>(44,665,607)</b>	<b>(48,913,738)</b>
Net increase in cash and cash equivalents	<b>1,160,482</b>	<b>43,310,019</b>	<b>4,073,377</b>
Cash and cash equivalents opening balance	<b>23,599,082</b>	<b>19,232,499</b>	<b>19,232,499</b>
Exchange difference on translation of foreign currency accounts	27,128	94,400	293,206
Cash and cash equivalent closing balance	<b>24,786,692</b>	<b>62,636,918</b>	<b>23,599,082</b>

**As per our report of even date**

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

**Akhil Bansal**  
Partner  
**Gurgaon**  
**18 October, 2003**

**NOIDA (U.P.)**  
**18 October, 2003**

For and on behalf of the Board of Directors

**Lt. Gen. T P Singh (Retd.)**  
Chairman  
**P K Sanghi**  
Chief Financial Officer

**Vishnu R Dusad**  
Managing Director  
**Poonam Bhasin**  
Company Secretary



**Schedules forming part of the financial statements**

All amounts in Rupees

	As at 30 September 2003	As at 30 September 2002	As at 31 March 2003
<b>SCHEDULE—1</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised Capital</b> 20,000,000 (20,000,000; 20,000,000) equity shares of Rs. 10 each	200,000,000	200,000,000	200,000,000
<b>Issued, subscribed and paid up</b>			
<b>Issued</b> 7,942,750 (7,913,950; 7,913,950) equity shares of Rs. 10 each	79,427,500	79,139,500	79,139,500
<b>Subscribed and paid up</b> 7,939,950 (7,911,150; 7,911,150) equity shares of Rs. 10 each, fully paid up	79,399,500	79,111,500	79,111,500
Of the above: 2,637,050 equity shares of Rs. 10 each have been issued as bonus shares by capitalisation of general reserve and securities premium account in the year ended 31 March 2002 1,452,270 equity shares of Rs. 10 each have been issued as bonus shares by capitalisation of general reserve in the year ended 31 March 1995 Add: 2,800 (2,800 ; 2,800) forfeited equity shares pending for reissue	15,000	15,000	15,000
	79,414,500	79,126,500	79,126,500
<b>SCHEDULE—2</b>			
<b>RESERVES AND SURPLUS</b>			
<b>General Reserve</b>			
Balance brought forward	191,454,695	91,454,695	91,454,695
Add: Transferred from profit and loss account	—	—	100,000,000
	191,454,695	91,454,695	191,454,695
<b>Securities premium account</b>			
Balance brought forward	230,198,361	230,198,361	230,198,361
Add: Adjusted on conversion of stock option issued to employees	1,440,000	—	—
	231,638,361	230,198,361	230,198,361
<b>Capital reserve account</b>			
Balance brought forward	1,463,030	1,435,250	1,435,250
Add: Amount forfeited against employees stock option plan and preferential issue of equity shares	—	—	27,780
	1,463,030	1,435,250	1,463,030
<b>Employee stock options</b>			
Balance brought forward	10,288,624	3,830,436	3,830,436
Add: Options granted during the period/year	—	6,608,200	6,608,200
Less: Reversal on forfeiture of stock options granted	—	—	150,012
Less: Transferred to securities premium on exercise of stock option	1,036,800	—	—
	9,251,824	10,438,636	10,288,624
Less: Deferred employee compensation	(1,581,280)	(6,703,309)	(4,058,306)
	7,670,544	3,735,327	6,230,318
Profit and loss account balance	110,430,086	134,710,734	69,286,639
	542,656,716	461,534,367	498,633,043



**Schedules forming part of the financial statements**

All amounts in Rupees

	As at 30 September 2003	As at 30 September 2002	As at 31 March 2003
<b>SCHEDULE-3</b>			
<b>SECURED LOANS</b>			
Cash credit and post shipment advances (refer note 1 below)			
—From banks	—	873,309	—
Deferred payment credits (refer note 2 below)			
—For vehicles			
—From banks	—	1,753,547	—
—From others	—	255,146	—
—For other assets			
—From others	—	1,110,857	389,293
	—	3,992,859	389,293

**Notes:**

1. Secured by first charge on book debts, stock and plant and machinery of the Company and guaranteed by the Managing Director of the Company.
2. Secured by hypothecation of vehicles/assets acquired under the credits.



**Schedules forming part of the financial statements**

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

Particulars	GROSS BLOCK		ACCUMULATED DEPRECIATION		NET BLOCK	
	As at 1 April, 2003	As at 30 Sept., 2003	As at 1 April, 2003	As at 30 Sept., 2003	As at 30 Sept., 2003	As at 31 March, 2003
Land and building	6,397,441	—	1,198,000	1,304,809	5,092,632	5,199,441
Leasehold land	64,195,000	—	725,368	1,089,045	63,105,955	63,469,632
Office and other equipment	13,091,743	1,581,358	5,026,957	7,718,185	6,842,681	8,064,786
Computers	56,688,037	2,034,475	25,022,174	32,892,913	24,886,399	31,665,863
Vehicles	8,918,721	—	4,119,884	4,293,781	3,921,103	4,798,827
Furniture and fixtures	15,068,989	559,085	9,637,339	10,738,842	4,889,232	5,431,650
Software package	53,171,504	1,309,672	50,409,504	51,459,413	3,021,763	2,762,000
<b>Total</b>	<b>217,531,435</b>	<b>5,484,590</b>	<b>96,139,236</b>	<b>109,496,988</b>	<b>111,759,765</b>	<b>121,392,199</b>
Previous period	220,818,157	15,839,797	87,307,942	77,446,657	135,403,552	
Previous year	220,818,157	22,743,223	87,307,942	96,139,236	121,392,199	

Note: 1. The Company is in the process of appointing a valuer for segregating the value of land and building.  
2. The Company is in the process of transferring the title in respect of land and building amounting to Rs. 3,000,000 in its name.



**Schedules forming part of the financial statements**

All amounts in Rupees

	As at 30 September 2003	As at 30 September 2002	As at 31 March 2003
<b>SCHEDULE—5</b>			
<b>INVESTMENTS</b>			
<b>Long term investments</b>			
<b>Equity shares in subsidiaries - Non-trade and unquoted</b>			
625,000 (625,000 ; 625,000) equity shares of SGD 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore, a wholly owned subsidiary	16,319,950	16,319,950	16,319,950
1,000,000 (1,000,000 ; 1,000,000) equity shares of USD 0.35 each, fully paid up, in Nucleus Software Inc., USA, a wholly owned subsidiary	16,293,150	16,293,150	16,293,150
200 (200 ; 200) equity shares of JPY 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaiga, Japan, a wholly owned subsidiary	4,092,262	4,092,262	4,092,262
130,000 (Nil; 130,000) equity shares of Aus \$ 1 each, fully paid up, in Nucleus Software (Australia) Pty. Ltd. Australia, a wholly owned subsidiary	3,573,600	—	3,573,600
100,000 (Nil; 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
	<b>40,898,847</b>	<b>36,705,362</b>	<b>40,898,847</b>
<b>Investments in bonds and mutual funds - Non trade and unquoted</b>			
Nil (28,756 ; 28,756) units of face value of Rs. 10 each of US 64 of Unit Trust of India	—	521,078	521,078
Nil (20,000 ; Nil) units of face value of Rs. 10 each of Taurus E10 Star Share	—	76,000	—
Nil (20,000 ; Nil) units of face value of Rs. 10 each of 20th Century	—	128,000	—
	—	<b>725,078</b>	<b>521,078</b>
<b>Current investments</b>			
<b>Investments in bonds and mutual funds - Non trade and unquoted</b>			
Nil (2,100,715 ; Nil) units of face value of Rs. 10 each of Alliance Cash Manager-Growth	—	28,751,859	—
Nil (2,182,224 ; 2,182,224) units of face value of Rs. 10 each of HDFC Liquid Fund-Growth	—	25,000,000	25,000,000
Nil (13,425 ; 13,425) units of face value of Rs. 1,000 each of Templeton India Treasury Management-Growth	—	19,395,491	19,395,491
Nil (2,069 ; 2,069) units of face value of Rs. 1,000 each of Templeton India STIP-Growth	—	2,092,791	2,092,791
676,593 (Nil ; 676,593) units of face value of Rs. 10 each of Templeton India Liquid Fund-Growth	10,000,000	—	10,000,000



**Schedules forming part of the financial statements**

All amounts in Rupees

	As at 30 September 2003	As at 30 September 2002	As at 31 March 2003
1,282,072 (1,320,243 ; 1,282,072) units of face value of Rs. 10 each of HDFC Cash Management Fund-Saving Plan-Growth	15,800,000	16,500,000	15,800,000
Nil (1,069,687 ; 1,069,687) units of face value of Rs. 10 each of DSP Merrill Lynch Liquidity Fund-Growth	—	15,000,000	15,000,000
1,160,806 (Nil ; 1,160,806) units of face value of Rs. 10 each of Chola Liquid Fund-Cumulative	14,000,000	—	14,000,000
2,708,865 (Nil ; 2,708,865) units of face value of Rs. 10 each of IL&FS Liquid Fund-Growth	29,869,848	—	29,869,848
3,085,102 (Nil ; 1,130,411) units of face value of Rs. 10 each of HSBC Cash Fund-Growth	32,115,153	—	11,503,834
724,823 (Nil ; 985,406) units of face value of Rs. 10 each of IL&FS Liquid Fund-Dividend	7,305,304	—	10,000,000
1,747,230 (Nil ; 1,747,230) units of face value of Rs. 10 each of J M High Liquidity Fund-Growth	29,000,000	—	29,000,000
1,417,345 (Nil ; 1,417,345) units of face value of Rs. 10 each of Kotak Mahindra Liquid Scheme-Growth	17,034,982	—	17,034,982
1,362,361 (Nil ; 1,362,361) units of face value of Rs. 10 each of GCFG Grindlays Cash Fund-Growth	15,000,000	—	15,000,000
1,017,306 (Nil ; Nil) units of face value of Rs. 10 each of Kotak Mahindra Liquid Institutional Plan-Dividend	10,197,952	—	—
639,638 (Nil ; Nil) units of face value of Rs. 10 each of HSBC Cash Fund-Dividend	6,516,980	—	—
1,282,608 (Nil ; Nil) units of face value of Rs. 10 each of J M High Liquidity Fund-Institutional Plan-Growth	13,000,000	—	—
1,062,170 (Nil ; Nil) units of face value of Rs. 10 each of Prudential ICICI Liquid Plan-Growth	16,000,000	—	—
2,717,484 (Nil ; Nil) units of face value of Rs. 10 each of Reliance Liquid Fund Super Cash Plan-Growth	28,508,560	—	—
	<u>244,348,779</u>	<u>106,740,141</u>	<u>213,696,946</u>
Less: Provision for diminution in value of investments	64,769	—	—
	<u>244,284,010</u>	<u>106,740,141</u>	<u>213,696,946</u>
	<u>285,182,857</u>	<u>144,170,581</u>	<u>255,116,871</u>

**Notes:**

- Investments in mutual funds include unutilised proceeds raised by preferential issue of equity shares.
- Net asset value (NAV) of current investments Rs.250,386,525 (Rs.109,639,133 ; Rs.218,532,065)
- Refer note 6, schedule 19 for details of investments purchased and sold during the half year ended 30 September, 2003.



**Schedules forming part of the financial statements**

All amounts in Rupees

	As at 30 September 2003	As at 30 September 2002	As at 31 March 2003
<b>SCHEDULE—6</b>			
<b>SUNDRY DEBTORS (UNSECURED)</b>			
Debts outstanding for a period exceeding six months			
—Considered good	5,926,503	10,758,503	2,778,470
—Considered doubtful	17,713,164	20,745,027	21,097,446
	23,639,667	31,503,530	23,875,916
Less: Provision for doubtful debts	(17,713,164)	(20,745,027)	(21,097,446)
	5,926,503	10,758,503	2,778,470
Other debts (considered good)	175,380,055	187,057,845	172,808,434
	181,306,558	197,816,348	175,586,904

**SCHEDULE—7**

**CASH AND BANK BALANCES**

Cash in hand (including cheques in hand)	2,078,752	4,164,734	1,880,419
Balances with scheduled banks			
—in current accounts	18,228,279	18,286,407	10,788,789
—in fixed deposit accounts	4,462,437	38,482,892	9,825,324
Balances with non scheduled banks			
—in current account (Citibank, United Kingdom) [Maximum amount outstanding Rs. 2,917,720 (Rs. 1,702,881 ; Rs. 2,381,160)]	17,224	1,702,881	1,104,550
	24,786,692	62,636,914	23,599,082

**SCHEDULE—8**

**LOANS AND ADVANCES  
(UNSECURED, CONSIDERED GOOD)**

Advances recoverable in cash or in kind or for value to be received	7,211,768	14,902,988	7,725,349
Loans and advances to subsidiaries*	28,711,538	29,091,178	32,420,809
Security deposits	5,581,341	8,422,605	6,796,001
Advance tax [net of provision Rs. 16,176,454 (Rs. 8,370,455 ; Rs. 15,242,884)]	1,771,541	3,591,629	2,421,292
Prepaid expenses	2,967,450	907,667	1,219,190
	46,243,638	56,916,067	50,582,641

\* includes a loan amounting to Rs. 21,184,000 (Rs. 27,247,701 ; 26,410,000 to Nucleus Software Solutions Pte Ltd., Singapore and Rs. 3,323,400 (Nil ; Nil) to Nucleus Software Inc., USA, wholly owned subsidiaries of the Company.

**SCHEDULE—9**

**OTHER CURRENT ASSETS**

Service income accrued but not due	34,461,358	22,335,222	18,433,249
Interest accrued but not due	492,711	955,529	459,862
	34,954,069	23,290,751	18,893,111

**Schedules forming part of the financial statements**

All amounts in Rupees

	As at 30 September 2003	As at 30 September 2002	As at 31 March 2003
<b>SCHEDULE—10</b>			
<b>CURRENT LIABILITIES</b>			
Sundry creditors*	55,515,157	49,686,868	40,474,923
Withholding tax	13,209,689	16,004,430	986,494
Advances from customers	6,040,622	4,546,228	5,955,239
Unclaimed dividends	281,378	—	207,747
Other liabilities	3,550,696	2,498,272	2,289,234
	<u>78,597,542</u>	<u>72,735,798</u>	<u>49,913,637</u>

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

**SCHEDULE—11**  
**PROVISIONS**

Gratuity	5,158,303	3,101,012	4,048,303
Leave encashment	4,608,591	2,762,740	3,433,591
Dividend	—	—	15,822,300
Dividend tax	—	—	2,027,232
	<u>9,766,894</u>	<u>5,863,752</u>	<u>25,331,426</u>

**SCHEDULE—12**  
**MISCELLANEOUS EXPENDITURE**  
*(To the extent not written off or adjusted)*

<b>Preliminary expenses</b>			
Balance brought forward	18,077	32,539	32,539
Less: Written off during the period/year	18,077	7,232	14,462
	—	25,307	18,077
<b>Public Issue Expenses</b>			
Balance brought forward	470,272	679,282	679,282
Less: Written off during the period/year	470,272	104,506	209,010
	—	574,776	470,272
	—	600,083	488,349

**Schedules forming part of the financial statements**

All amounts in Rupees

	For the quarter ended 30 September, 2003	30 September, 2002	For the half year ended 30 September, 2003	30 September, 2002	For the year ended 31st March, 2003
<b>SCHEDULE—13</b>					
<b>SALES AND SERVICES</b>					
Software development services and products					
(a) Domestic	34,909,582	21,223,006	70,435,032	41,877,425	109,162,137
(b) Overseas	103,736,021	113,611,511	185,412,004	242,226,722	494,536,678
	138,645,603	134,834,517	255,847,036	284,104,147	603,698,815
Gain/(loss) on foreign exchange fluctuation (net)	(638,502)	203,975	280,422	4,221,575	3,518,418
	138,007,101	135,038,492	256,127,458	288,325,721	607,217,233
<b>SCHEDULE—14</b>					
<b>OTHER INCOME</b>					
Dividend received from non-trade investments	318,565	36,792	707,098	1,302,591	1,302,591
Interest [Gross of tax deducted at source Rs.22,929 (Rs.39,780 ; Rs.34,510 ; Rs.42,706 ; Rs.100,038)]	348,322	1,003,751	621,527	1,112,195	2,061,802
Profit on sale of investments (net)	1,184,541	577,916	3,784,720	876,632	3,852,619
Miscellaneous income	354,479	11,889	398,450	12,494	99,169
	2,205,907	1,630,348	5,511,795	3,303,912	7,316,181
<b>SCHEDULE—15</b>					
<b>PERSONNEL EXPENSES</b>					
Salaries and allowances	43,060,739	42,646,183	80,611,767	79,913,831	165,753,272
Contribution to provident and other funds	2,258,338	2,256,534	4,754,461	4,064,600	8,755,239
Directors' remuneration	1,351,000	576,000	2,376,000	2,112,000	6,147,500
Employees stock compensation expenses	1,218,624	1,318,337	2,477,026	1,926,598	4,421,589
Staff welfare	1,269,078	1,134,400	2,942,339	2,777,698	5,851,561
	49,157,779	47,931,454	93,161,593	90,794,727	190,929,161



**Schedules forming part of the financial statements**

All amounts in Rupees

	For the quarter ended 30 September, 2003	30 September, 2002	For the half year ended 30 September, 2003	30 September, 2002	For the year ended 31st March, 2003
<b>SCHEDULE—16</b>					
<b>ADMINISTRATION AND OTHER EXPENSES</b>					
Conveyance	1,379,222	1,238,079	2,754,495	2,392,010	5,044,390
Communication	3,663,511	2,751,038	7,528,144	5,695,110	11,513,420
Rent, rates and taxes	2,583,651	4,266,075	5,013,470	7,711,353	13,844,922
Legal and professional	1,827,354	2,649,394	3,612,502	4,180,349	9,406,836
Repair and maintenance					
—Building	52,025	52,513	169,535	238,990	438,798
—Others	737,745	1,235,045	1,509,656	2,525,317	4,449,722
Training and recruitment	802,444	1,094,991	1,114,232	1,769,377	2,398,894
Printing and stationery	170,483	557,162	791,485	862,000	1,728,514
Loss/(Profit) on sale of fixed assets (net)	(154,464)	86,968	(154,464)	98,951	567,452
Loss on discarded assets	—	5,370,244	—	5,370,244	2,169,565
Insurance	271,602	75,428	466,146	126,277	402,306
Provision for diminution in value of investment	(81,668)	—	64,769	—	—
Bank charges	82,791	438,073	122,802	632,604	805,046
Miscellaneous expenses	1,584,813	1,420,509	2,567,467	2,375,761	4,976,759
Public issue expenses written off	418,019	52,253	470,272	104,505	209,010
Preliminary expenses written off	14,462	3,616	18,078	7,231	14,462
	<b>13,351,990</b>	<b>21,291,388</b>	<b>26,048,589</b>	<b>34,090,079</b>	<b>57,970,096</b>
<b>SCHEDULE—17</b>					
<b>OPERATING EXPENSES</b>					
Software and other development charges	2,145,164	1,042,954	3,336,339	2,213,416	7,148,330
Cost of software purchased for delivery to clients	9,196,920	—	11,584,088	—	804,128
Travelling					
—Foreign	16,565,421	35,225,219	37,078,974	66,298,957	137,438,219
—Domestic	2,082,575	2,043,530	3,877,458	3,624,788	8,636,663
Advertisement and business promotion	3,163,995	2,524,284	4,519,861	3,973,680	6,957,934
Consultancy charges	1,729,216	947,122	4,300,098	2,992,405	9,224,228
Power and fuel	2,956,383	2,537,332	6,046,857	4,947,009	9,413,403
Conference, exhibition and seminar	137,886	917,778	524,517	1,144,606	2,296,171
IT expenses	613,194	306,816	1,030,273	673,539	3,321,065
Bad debts/advances written off	—	1,152,396	—	2,850,906	7,309,944
Provision for doubtful debts	—	10,560,000	610,000	19,430,484	21,097,446
Other operational expenses	433,699	1,572,440	1,199,559	2,831,862	3,610,187
	<b>39,024,453</b>	<b>58,829,871</b>	<b>74,108,024</b>	<b>110,981,652</b>	<b>217,257,718</b>
<b>SCHEDULE—18</b>					
<b>FINANCE CHARGES</b>					
Interest on bank loans	—	107,880	—	407,132	414,228
Interest on deferred credits	—	144,190	13,697	323,120	606,206
Interest on unsecured loan	—	—	—	695,886	695,886
	—	<b>252,070</b>	<b>13,697</b>	<b>1,426,138</b>	<b>1,716,320</b>



**Schedules forming part of the financial statements**

**SCHEDULE—19  
NOTES TO THE ACCOUNTS**

**1. Background**

Nucleus Software Exports Ltd. ('Nucleus' or 'the Company') was incorporated on 9 January 1989 in India as a private limited company. It was subsequently converted into a public limited company on 10 October 1994. The Company made an initial public offer (IPO) in August 1995. As at 30 September 2003, the Company is listed on five stock exchanges in India including National Stock Exchange and Bombay Stock Exchange. The Company has wholly owned subsidiaries in Singapore, U.S.A, Japan, Australia and Hong-Kong. The Company's business broadly consists of software product development and marketing and software development and support services for corporate business entities in the banking and financial services sector.

**2. Significant accounting policies**

**(i) Basis of preparation**

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

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

**(ii) Use of estimates**

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

**(iii) Revenue recognition**

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

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

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



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

Interest on the deployment of surplus funds is recognised using the time-proportion method, based on interest rates implicit in the transaction. Dividend income is recognised when the right to receive the same is established.

**(iv) Expenditure**

Expenses are accounted for on the accrual basis and provisions are made for all known losses and liabilities.

**(v) Fixed assets**

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

**(vi) Depreciation**

Depreciation on fixed assets, except leasehold land, is provided on the straight-line method based on useful lives of respective assets as estimated by the management. Leasehold land is amortised over the period of lease. Depreciation is charged on a pro-rata basis for assets purchased/ sold during the year. Assets costing less than Rs. 5,000 are fully depreciated in the year of purchase.

Depreciation and fixed assets for the year has been provided on the basis of estimated useful lives. The management's estimates of the useful lives of the various fixed assets are as follows:

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

During the quarter ended 31 March 2003, the Company revised the estimated useful life of certain classes of fixed assets with effect from 1 April 2002. Since, the effect of this revision in the books of account of the Company was given in the last quarter of the year ended 31 March 2003, the depreciation for the quarter and half year ended 30 September 2002 was calculated based on old estimated useful lives of respective assets. However, if the effect of change in estimated useful life of the assets would have been given in the quarter and half year ended 30 September 2002, the depreciation of that quarter and half year then ended would have been higher by Rs.4,455,650 and Rs. 11,776,640 respectively.

**(vii) Investments**

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



**(viii) Research and development**

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

**(ix) Foreign exchange transactions**

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realised gains and losses on foreign exchange transactions during the year other than those relating to fixed assets are recognised in the profit and loss account. Foreign currency assets and liabilities are translated at year-end rates and resultant gains/losses on foreign exchange translations other than those relating to fixed assets are recognised in the profit and loss account. Gains/losses on the settlement and translation of foreign exchange liabilities incurred to acquire fixed assets are included in the carrying cost of such fixed assets.

**(x) Retirements benefits**

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

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

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

**(xii) Earnings per share**

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

**(xiii) Taxation**

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

**(xiv) Miscellaneous Expenditure**

Preliminary expenses and the public issue expenses were amortised over a period of ten years upto the quarter ended 30 June 2003. The unamortised balance as of the beginning of the quarter has been charged off to the profit and loss account.



**3. Deferred tax asset / (liability)**

Components of deferred tax asset / (liability):

*(All amounts in Rs.)*

	As at 30 September 2003	As at 30 September 2002	As at 31 March 2003
<b>Deferred tax asset</b>			
Provision for doubtful debts	2,161,317	2,283,072	2,050,446
Provision for diminution of investments	23,236	—	—
Provision for retirement benefits	1,634,859	715,957	1,004,088
Excess depreciation as per books over the depreciation as per Income-tax Act, 1961	470,549	—	—
	<u>4,289,961</u>	<u>2,999,029</u>	<u>3,054,534</u>
<b>Deferred tax liability</b>			
Excess depreciation as per the Income-tax Act, 1961 over depreciation as per books	—	(3,629,315)	(587,083)
<b>Deferred tax asset / (liability)</b>	<u><b>4,289,961</b></u>	<u><b>(630,286)</b></u>	<u><b>2,467,451</b></u>

**4. Employees Stock Option Plan ("ESOP")**

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

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

	Quarter ended 30 September 2003	2002	Half Year ended 30 September 2003	2002	Year ended 31 March, 2003
Options outstanding at the beginning of the period/year	136,956	139,734	136,956	80,534	80,534
Options granted	—	—	—	59,200	59,200
Options forfeited	—	—	—	—	(2,778)
Options exercised	(28,800)	—	(28,800)	—	(2,778)
	<u>108,156</u>	<u>139,734</u>	<u>108,156</u>	<u>139,734</u>	<u>136,956</u>



**5. Managerial Remuneration (on accrual basis)**

(All amounts in Rs.)

	Quarter ended 30 September		Half Year ended 30 September		Year ended
	2003	2002	2003	2002	31 March, 2003
<b>A) Managing Director</b>					
Salary and perquisites	1,075,000	540,000	1,889,000	1,080,000	2,160,000
Contribution to provident and other funds	36,000	36,000	72,000	72,000	144,000
Commission	—	—	—	710,000	2,796,000
	1,111,000	576,000	1,961,000	1,862,000	5,100,000
<b>B) Non Executive Directors</b>					
Commission	240,000	—	415,000	250,000	1,047,500

**Notes:**

1. The limits for the purpose of computing managerial remuneration as per Section 349 of the Companies Act, 1956 apply only with reference to the financial year of the Company for the purpose of the Companies Act, 1956, which ends on 31 March 2004.
2. The above remuneration does not include expense towards retirement benefits since the same is based on actuarial valuations carried out for the Company as a whole.

**6. Details of investments purchased and sold during the quarter ended 30 September 2003**

Name of the investment	Face value	Purchased during the quarter		Sold during the quarter	
	Amount (Rupees)	Quantity	Amount (Rupees)	Quantity	Amount (Rupees)
Zurich India Liquidity fund-SP-(Dividend)	10	376,067	4,000,000	376,067	4,000,000
Reliance Liquid Fund Cash Plan-(Growth)	10	3,410,939	37,000,000	3,410,939	37,011,125
HSBC Cash Fund-(Dividend)	10	2,704,790	27,553,167	2,704,790	27,557,720
IL&FS Liquid A/C Call Plan	10	4,61,979	50,00,000	4,61,979	50,01,061
HDFC Cash Management-(Dividend)	10	473,723	5,038,713	473,723	5,038,713
Kotak Mahindra Liquid Fund-Institutional Plan-(Dividend)	10	399,222	4,002,435	399,222	4,000,000

**7. Segment Reporting - Basis of preparation**

**(i) Segment accounting policies**

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

**(ii) Composition of business segments**

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

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

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

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

**For the quarter ended 30 September 2003**

*(All amounts in Rs.)*

<b>Description</b>	<b>India</b>	<b>Far East</b>	<b>Singapore</b>	<b>Others</b>	<b>Total</b>
Revenue from external customers	35,085,945	56,255,207	11,272,288	35,393,661	138,007,101
Expenses	34,314,216	27,541,447	7,028,957	30,933,880	99,818,500
Segment result	771,729	28,713,760	4,243,331	4,459,781	38,188,601
Unallocated corporate expenditure					15,695,568
Operating profit before taxation					22,493,033
Other income					2,205,907
Finance charges					-
Profit before tax					24,698,940
Provision for taxation - current					(500,000)
Provision for taxation-deferred					(984,048)
<b>Net profit after taxation</b>					<b>23,214,892</b>

**For the quarter ended 30 September 2002***(All amounts in Rs.)*

<b>Description</b>	<b>India</b>	<b>Far East</b>	<b>Singapore</b>	<b>Others</b>	<b>Total</b>
Revenue from external customers	22,280,301	42,895,583	63,436,727	6,425,881	135,038,492
Expenses	26,299,096	30,831,573	45,595,698	5,922,121	108,648,488
Segment result	(4,018,795)	12,064,010	17,841,029	503,760	26,390,004
Unallocated corporate expenditure					19,310,912
Operating profit before taxation					7,079,092
Other income					1,630,348
Finance charges					(252,070)
Profit before tax and prior period adjustments					8,457,370
Provision for taxation - current					(250,000)
Provision for taxation-deferred					2,624,623
<b>Net profit after taxation</b>					<b>10,831,993</b>

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

<b>Description</b>	<b>India</b>	<b>Far East</b>	<b>Singapore</b>	<b>Others</b>	<b>Total</b>
Revenue from external customers	72,153,595	103,700,604	36,680,655	43,592,604	256,127,458
Expenses	65,685,995	61,962,719	25,462,533	37,422,673	190,533,920
Segment result	6,467,600	41,737,885	11,218,122	6,169,931	65,593,538
Unallocated corporate expenditure					29,770,697
Operating profit before taxation					35,822,841
Other income					5,511,794
Finance charges					(13,697)
Profit before tax					41,320,938
Provision for taxation - current					(2,000,000)
Provision for taxation-deferred					1,822,510
<b>Net profit after taxation</b>					<b>41,143,448</b>

**For the half year ended 30 September 2002***(All amounts in Rs.)*

<b>Description</b>	<b>India</b>	<b>Far East</b>	<b>Singapore</b>	<b>Others</b>	<b>Total</b>
Revenue from external customers	42,934,720	111,246,642	114,994,540	19,149,820	288,325,722
Expenses	51,493,144	88,177,613	73,962,383	15,922,726	229,555,866
Segment result	(8,558,424)	23,069,029	41,032,157	3,227,094	58,769,856
Unallocated corporate expenditure					29,557,431
Operating profit before taxation					29,212,425
Other income					3,303,912
Finance charges					(1,426,138)
Profit before tax and prior period adjustments					31,091,199
Prior period adjustments on account of withholding tax		(14,897,989)			(14,897,989)
Other prior period adjustments	1,953,156	7,625,873	(1,723,505)		7,855,524
Other unallocated prior period adjustments					(3,965,009)
Provision for taxation - current					(3,950,000)
Provision for taxation-deferred					4,993,840
<b>Net profit after taxation</b>					<b>21,127,565</b>

**For the year ended 31 March 2003***(All amounts in Rs.)*

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

Assets and liabilities of reportable primary segment are as follows:

**As at 30 September 2003***(All amounts in Rs.)*

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

**As at 30 September 2002***(All amounts in Rs.)*

<b>Description</b>	<b>India</b>	<b>Far East</b>	<b>Singapore</b>	<b>Others</b>	<b>Total</b>
Segment assets	26,774,829	78,894,603	101,691,203	14,634,414	221,995,049
Unallocated corporate assets					403,285,853
<b>Total assets</b>					<b>625,280,902</b>
Segment liabilities	14,022,066	23,452,657	11,014,914	1,200,362	49,689,999
Unallocated corporate liabilities					33,532,696
<b>Total liabilities</b>					<b>83,222,695</b>
<b>Capital employed</b>					<b>542,058,207</b>

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

<b>Description</b>	<b>India</b>	<b>Far East</b>	<b>Singapore</b>	<b>Others</b>	<b>Total</b>
Segment assets	31,980,714	12,838,361	135,952,303	45,669,584	226,440,962
Unallocated corporate assets					428,332,497
<b>Total assets</b>					<b>654,763,459</b>
Segment liabilities	11,758,557	4,012,487	6,055,014	4,335,051	26,161,109
Unallocated corporate liabilities					49,473,247
<b>Total liabilities</b>					<b>75,634,356</b>
<b>Capital employed</b>					<b>579,129,103</b>



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

**For the quarter ended 30 September 2003**

*(All amounts in Rs.)*

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

**For the quarter ended 30 September 2002**

*(All amounts in Rs.)*

<b>Description</b>	<b>India</b>	<b>Far East</b>	<b>Singapore</b>	<b>Others</b>	<b>Total</b>
Capital expenditure (unallocated)					8,296,537
<b>Total capital expenditure</b>					<b>8,296,537</b>
Depreciation expenditure (unallocated)					4,428,598
Amortization (Unallocated) (miscellaneous expenditure amortized during the quarter)					55,869
<b>Total depreciation and amortization</b>					<b>4,484,467</b>
Segment non-cash expense other than depreciation	4,809,897	6,521,499	495,265	51,676	11,878,337
<b>Total non cash expenditure other than depreciation and amortization</b>	<b>4,809,897</b>	<b>6,521,499</b>	<b>495,265</b>	<b>51,676</b>	<b>11,878,337</b>

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

<b>Description</b>	<b>India</b>	<b>Far East</b>	<b>Singapore</b>	<b>Others</b>	<b>Total</b>
Capital expenditure (unallocated)					5,484,590
<b>Total capital expenditure</b>					<b>5,484,590</b>
Depreciation expenditure (unallocated)					14,078,501
Amortization (Unallocated) (miscellaneous expenditure amortized during the period)					488,350
<b>Total depreciation and amortization</b>					<b>14,566,851</b>
Segment non-cash expense other than depreciation	1,619,414	706,741	266,004	494,867	3,087,026
<b>Total non cash expenditure other than depreciation and amortization</b>	<b>1,619,414</b>	<b>706,741</b>	<b>266,004</b>	<b>494,867</b>	<b>3,087,026</b>

**For the half year ended 30 September 2002***(All amounts in Rs.)*

<b>Description</b>	<b>India</b>	<b>Japan</b>	<b>Singapore</b>	<b>Others</b>	<b>Total</b>
Capital expenditure (unallocated)					15,839,797
<b>Total capital expenditure</b>					<b>15,839,797</b>
Depreciation expenditure (unallocated)					8,027,901
Amortization (Unallocated) (miscellaneous expenditure amortized during the period)					111,736
<b>Total depreciation and amortization</b>					<b>8,139,637</b>
Segment non-cash expense other than depreciation	10,892,541	6,834,419	543,946	3,086,176	21,357,082
<b>Total non cash expenditure other than depreciation and amortization</b>	<b>10,892,541</b>	<b>6,834,419</b>	<b>543,946</b>	<b>3,086,176</b>	<b>21,357,082</b>

**For the year ended 31 March 2003***(All amounts in Rs.)*

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

**8. Related party disclosures****a) List of related parties***Parties where control exists:*

Wholly owned subsidiary companies

- Nucleus Software Solutions Pte. Ltd., Singapore
- Nucleus Software Japan Kabushiki Kaiga, Japan
- Nucleus Software Inc., USA
- Nucleus Software (H.K) Ltd., Hong Kong
- Nucleus Software (Australia) Pty. Ltd., Australia

***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***(All amounts in Rs.)*

	Quarter ended 30 September		Half Year ended 30 September		Year ended 31 March,
	2003	2002	2003	2002	2003
<b>i. Software development services and products</b>					
Wholly owned subsidiary companies	58,237,721	85,236,453	112,483,313	183,970,447	358,828,216
<b>ii. Managerial Remuneration</b>					
Key managerial personnel	1,111,000	576,000	1,961,000	1,862,000	5,100,000
<b>iii. Reimbursement of expenses</b>					
From wholly owned subsidiary companies	3,140,807	3,690,779	5,392,408	10,830,328	22,031,620
To wholly owned subsidiary companies	2,461,765	1,847,307	4,808,027	2,560,397	11,859,008
<b>iv. Outstanding balances as at period/year-end</b>			As at 30 September 2003	As at 30 September 2002	As at 31 March, 2003
<b>Loans and advances</b>					
Wholly owned subsidiary		28,711,538		29,091,178	32,420,809
Other associated entities		—		3,884,485	—
<b>Debtors</b>					
Wholly owned subsidiary		104,673,111		140,806,867	95,420,307
<b>Income accrued but not due</b>					
Wholly owned subsidiary Company		—		8,602,766	1,854,521

*(All amounts in Rs.)*

	Quarter ended 30 September 2003		Half Year ended 30 September 2003		Year ended 31 March, 2003
<b>9. Legal and professional includes payment to auditors</b>					
Audit Fees (includes service tax)	108,000	315,000	464,400	630,000	1,260,000
Other services	86,400	21,000	86,400	21,000	73,500
Out of pocket expenses	34,400	18,900	73,250	18,900	78,850
<b>Total</b>	<b>228,800</b>	<b>354,900</b>	<b>624,050</b>	<b>669,900</b>	<b>1,412,350</b>
<b>10. CIF value of imports</b>					
Capital Goods	777,516	3,385,250	1,241,807	5,970,355	9,654,571
Software Packages	—	48,410	—	48,410	48,410
<b>Total</b>	<b>777,516</b>	<b>3,433,660</b>	<b>1,241,807</b>	<b>6,018,765</b>	<b>9,702,981</b>
<b>11. Expenditure in foreign currency (on cash basis)</b>					
Travel expenses	16,396,539	26,335,252	36,742,568	41,105,246	97,800,557
Professional charges	1,029,057	1,595,462	3,403,953	2,480,206	6,271,220
Others	3,493,565	1,739,007	4,970,639	4,934,772	7,973,873
<b>Total</b>	<b>20,922,161</b>	<b>29,669,721</b>	<b>45,117,161</b>	<b>48,520,224</b>	<b>112,045,650</b>
<b>12. Earnings in foreign currency</b>					
Income from software development services and products	103,736,021	113,611,511	185,412,004	245,210,463	494,536,678
Interest	3,535	2,667	8,290	4,756	14,064
<b>Total</b>	<b>103,739,556</b>	<b>113,614,178</b>	<b>185,420,294</b>	<b>245,215,219</b>	<b>494,550,742</b>

*(All amounts in Rs.)*

	Quarter ended 30 September		Half Year ended 30 September		Year ended 31 March,
	2003	2002	2003	2002	2003
<b>13. Dividend remitted in foreign currency</b>					
<b><i>Amount remitted (net of tax)</i></b>					
Final dividend (2002)	—	—	—	56,050	56,050
Interim dividend (2003)*	—	—	—	—	—
<b><i>Number of shares held</i></b>					
Interim dividend (2002)	—	—	—	56,050	56,050
Final dividend (2003)*	27,847	—	27,847	—	—
<b><i>Number of non- resident shareholders</i></b>					
Interim dividend (2002)	—	—	—	27	27
Final dividend (2003)	31	—	31	—	—

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

**14. Earnings Per share**

Profit after taxation available to equity shareholders (Rs.)	23,214,892	10,831,993	41,143,448	21,127,567	73,553,002
Weighted average number of equity shares used in calculating basic earnings per share	7,932,124	7,911,150	7,921,694	7,911,150	7,911,150
Add: Effect of dilutive issue of shares	115,982	139,734	126,412	121,942	129,885
Weighted average number of equity shares used in calculating diluted earnings per share	8,048,106	8,050,884	8,048,106	8,033,092	8,041,035

15. Prior period adjustments in the half year ended 30 September 2002 and year ended 31 March 2003 represent unrecognised income in the previous period from software development services and products amounting to Rs. 4,936,898, exchange gain on exchange fluctuation amounting to Rs. 1,042,628, recovery of travelling expenses amounting to Rs. 1,876,000, as adjusted by unrecognised finance charges in the previous period amounting to Rs. 3,965,011.



**16. Capital commitments and contingent liabilities**

- a. Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances) Rs. 36,566,299 (Rs. 1,113,000, Rs. 45,756,797).
- b. Claim against the company not acknowledged as debt Rs. 324,000 (Nil, Rs. 324,000).

**17.** The Company is constantly revisiting its transfer pricing model in respect of its transactions with the overseas subsidiaries and accordingly, is in the process of revising its system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income-tax Act, 1961. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

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

For and on behalf of the Board of Directors

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

**Vishnu R Dusad**  
*Managing Director*

**NOIDA (U.P.)**  
**18 October, 2003**

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

**Poonam Bhasin**  
*Company Secretary*



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

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### **Basis of Preparation of the Financial Statements**

The accompanying financial statements for the quarter and half year ended September 30, 2003 have been prepared incorporating Accounting Policies of the parent Company under the historical cost convention, in compliance with Indian Generally Accepted Accounting Practices ("GAAP") in accordance with mandatory and relevant Accounting Standards issued by the Institute of Chartered Accountants of India and in compliance with the provisions of The Companies Act, 1956.

### **Use of Estimates**

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

**Consolidated Balance Sheet as at 30 September 2003 (Unaudited)**

All amounts in Rupees

Particulars	As at 30 September 2003	As at 30 September 2002	As at 31 March 2003
<b>SOURCES OF FUNDS</b>			
<b>(Audited)</b>			
<b>Shareholders' Funds</b>			
Share Capital	79,414,500	79,126,500	79,126,500
Share application money pending allotment	1,081,560	1,397,340	1,369,560
Reserves & Surplus	557,559,129	481,585,800	518,219,723
	<b>638,055,189</b>	<b>562,109,640</b>	<b>598,715,783</b>
<b>Loan Funds</b>			
Secured Loans	—	3,992,859	389,293
Unsecured Loans	—	—	—
	<b>—</b>	<b>3,992,859</b>	<b>389,293</b>
<b>Deferred Tax Liability</b>	<b>—</b>	<b>1,374,246</b>	<b>—</b>
<b>TOTAL</b>	<b>638,055,189</b>	<b>567,476,745</b>	<b>599,105,076</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	245,024,101	233,587,500	240,219,204
Less: Accumulated Depreciation	123,816,640	85,923,203	107,520,065
Net block	121,207,461	147,664,297	132,699,139
Add: Capital work in progress (including capital advances)	22,993,672	4,446,606	6,636,851
	<b>144,201,134</b>	<b>152,110,903</b>	<b>139,335,990</b>
<b>Investments</b>	<b>244,284,010</b>	<b>107,465,219</b>	<b>214,218,024</b>
<b>Deferred Tax Asset</b>	<b>3,973,041</b>	<b>—</b>	<b>2,150,538</b>
<b>Current Assets, Loans &amp; Advances</b>			
Sundry Debtors	179,092,532	209,969,022	232,178,915
Cash & Bank Balances	109,225,174	138,049,123	64,137,273
Loans & Advances	25,846,060	32,040,889	31,355,455
Other Current Assets	34,774,758	23,315,670	18,683,046
	<b>348,938,524</b>	<b>403,374,704</b>	<b>346,354,689</b>
<b>Less : Current Liabilities &amp; Provisions</b>			
Current Liabilities	88,357,624	90,212,260	73,025,118
Provisions	14,983,896	5,863,752	30,417,396
	<b>103,341,520</b>	<b>96,076,011</b>	<b>103,442,514</b>
<b>Net Current Assets</b>	<b>245,597,004</b>	<b>307,298,693</b>	<b>242,912,175</b>
<b>Miscellaneous Expenditure</b> (To the extent not written off or adjusted)	<b>—</b>	<b>601,931</b>	<b>488,349</b>
<b>TOTAL</b>	<b>638,055,189</b>	<b>567,476,745</b>	<b>599,105,076</b>



**Consolidated Profit and Loss Account for the quarter and half-year ended 30 September, 2003 (Unaudited)**

All amounts in Rupees

Particulars	For the quarter ended		For the half year ended		For the year ended 31st March, 2003
	30 September, 2003	30 September, 2002	30 September, 2003	30 September, 2002	
<b>Income</b>					<b>(Audited)</b>
Sales and services	203,371,111	209,119,544	385,133,713	434,292,571	888,279,151
Other income	2,630,944	1,932,867	5,293,156	3,632,905	9,625,185
<b>Total</b>	<b>206,002,055</b>	<b>211,052,411</b>	<b>390,426,869</b>	<b>437,925,476</b>	<b>897,904,337</b>
<b>Expenditure</b>					
Personnel expenses	101,348,107	101,339,104	198,956,983	196,561,457	402,968,854
Administrative and other expenses	22,776,746	28,351,028	43,510,755	51,765,813	89,805,692
Operating expenses	42,989,159	63,176,275	80,217,896	117,949,213	237,277,805
Finance charges	—	252,070	13,697	1,426,138	1,716,790
Depreciation	7,995,148	5,690,971	17,073,231	10,455,530	36,989,873
Withholding taxes charged off	7,513,180	(4,521,911)	12,907,911	15,217,937	27,740,229
<b>Total</b>	<b>182,622,341</b>	<b>194,287,536</b>	<b>352,680,474</b>	<b>393,376,088</b>	<b>796,499,243</b>
<b>Profit before tax and prior period adjustments</b>	<b>23,379,714</b>	<b>16,764,875</b>	<b>37,746,395</b>	<b>44,549,388</b>	<b>101,405,093</b>
Prior period adjustments on account of withholding tax	—	—	—	14,897,989	14,897,989
Other prior period adjustments	—	—	—	(3,890,515)	(3,890,515)
<b>Profit before taxation</b>	<b>23,379,714</b>	<b>16,764,875</b>	<b>37,746,395</b>	<b>33,541,914</b>	<b>90,397,619</b>
Provision for tax - current	(1,379,799)	(2,276,920)	(3,109,724)	(6,180,395)	15,140,705
- deferred	(984,048)	2,944,663	1,822,510	5,313,880	(8,842,817)
<b>Profit after taxation</b>	<b>21,015,867</b>	<b>17,432,618</b>	<b>36,459,180</b>	<b>32,675,399</b>	<b>84,099,731</b>
<b>Profit available for appropriation</b>					
Profit for the period/year	21,015,867	17,432,618	36,459,180	32,675,399	15,822,731
Add: Balance brought forward	104,316,632	137,139,624	88,873,319	121,896,842	122,623,120
<b>Total amount available</b>	<b>125,332,498</b>	<b>154,572,242</b>	<b>125,332,499</b>	<b>154,572,241</b>	<b>206,722,851</b>
Final dividend	—	—	—	—	15,822,300
Dividend tax	—	—	—	—	2,027,232
Transferred to general reserve	—	—	—	—	100,000,000
<b>Balance carried forward to the balance sheet</b>	<b>125,332,498</b>	<b>154,572,242</b>	<b>125,332,499</b>	<b>154,572,241</b>	<b>88,873,319</b>
<b>Earnings per share (Equity shares, par value Rs. 10 each)</b>					
Basic	2.65	2.20	4.60	4.13	10.63
Diluted	2.61	2.17	4.53	4.07	10.46
Number of shares used in computing earning per share					
Basic	7,932,124	7,911,150	7,921,694	7,911,150	7,911,150
Diluted	8,048,106	8,050,884	8,048,106	8,033,092	8,041,035



**Consolidated Cash Flow Statement for the half year ended 30 September 2003**

	For the half year ended		For the year ended
	30 September 2003	30 September 2002	31 March 2003
<b>A. Cash flow from operating activities</b>			
Net profit before tax	37,746,395	33,541,916	90,397,619
<i>Adjustment for:</i>			
Depreciation	17,073,231	10,455,529	36,989,873
Exchange difference on translation of foreign currency accounts	1,613,768	289,747	2,249,301
Dividend income from investments	(707,098)	(1,317,171)	(1,302,591)
Interest income	(534,062)	(1,426,608)	(2,048,353)
Profit on sale of investments	(3,784,720)	(876,632)	(3,852,619)
Amortisation of employees compensation expenses	2,477,026	1,926,598	4,421,589
Interest expense	13,697	1,426,138	1,716,790
Loss/(Profit) on sale of fixed assets	(154,464)	98,951	567,452
Loss on assets discarded	—	5,370,244	2,169,565
Bad debts/advances written off	—	2,850,906	7,425,716
Provision for doubtful debts/advances	661,011	19,430,484	21,097,446
Provision for diminishing in value of investment	64,769	—	—
Provision for gratuity and leave encashment	2,064,626	1,954,808	6,430,996
Miscellaneous expenditure written off	488,349	111,736	223,472
Operating profit before working capital changes	57,022,527	73,836,646	166,486,256
Decrease / (increase) in debtors	49,864,224	(26,942,940)	(53,822,161)
Decrease / (increase) in loans and advances	5,509,395	8,578,078	5,892,806
Decrease / (increase) in other current assets	(15,848,798)	(23,158,498)	(18,433,249)
(Decrease) / increase in current liabilities	15,254,108	50,618,025	33,378,135
	111,801,456	82,931,311	133,501,787
Direct taxes paid	(2,758,319)	(4,276,753)	(10,985,795)
<i>Net cash from operating activities (A)</i>	<b>109,043,137</b>	<b>78,654,558</b>	<b>122,515,992</b>
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress	(22,976,890)	(19,012,355)	(30,085,906)
Sale of fixed assets	1,192,987	449,364	495,660
Purchase of investments (net)	(26,346,036)	57,384,261	(46,392,558)
Interest received	291,148	1,426,608	1,955,728
Dividend received from investments	707,098	1,317,171	1,302,591
<i>Net cash used in investing activities (B)</i>	<b>(47,131,692)</b>	<b>41,565,049</b>	<b>(72,724,485)</b>
<b>C. Cash flow from financing activities</b>			
Repayment of loans	(389,293)	(36,327,451)	(39,931,015)
Interest paid	(13,697)	(1,426,138)	(1,716,790)
Dividend paid	(7,911,150)	(7,911,150)	(7,858,401)
Proceeds from employee stock option granted	403,200	—	—
Proceeds from share application money and forfeiture of shares	—	592,000	592,000
<i>Net cash used in financing activities (C)</i>	<b>(17,770,924)</b>	<b>(45,072,739)</b>	<b>(48,914,206)</b>
Net increase in cash and cash equivalents	<b>44,140,520</b>	<b>75,146,868</b>	<b>877,301</b>
Cash and cash equivalents opening balance	<b>64,137,273</b>	<b>63,344,208</b>	<b>63,344,208</b>
Exchange difference on translation of foreign currency accounts	947,381	(441,953)	(84,234)
Cash and cash equivalent closing balance	<b>109,225,174</b>	<b>138,049,123</b>	<b>64,137,275</b>



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

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### **OVERVIEW**

The financial statements have been prepared under the historical cost convention in compliance with the requirements of the Companies Act, 1956, the Generally Accepted Accounting Principles (GAAP) and mandatory accounting standards issued by the Institute of Chartered Accountants of India ("ICAI"). All income and expenditure having a material bearing on the financial statements are recognized on accrual basis. The consolidated financial statements are prepared using uniform accounting policies for the transactions and other events in similar circumstances.

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

### **INDUSTRY STRUCTURE AND DEVELOPMENT**

The worldwide industry scenario continues to be competitive and challenging. There has been a tremendous increase in the use of technology to support business models, while new and innovative business models are evolving to take advantage of the efficiencies of technology.

Indian software companies have been successful in seamlessly integrating the offshore and onsite delivery models and in harnessing opportunities for becoming major providers of software products and services.

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

### **A. COMPANY BACKGROUND**

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

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

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

Over the years Nucleus has gained tremendous experience working closely with IT leaders in the Banking



and Financial Services industry, leading to a thorough and an unmatched insight into unique needs of the sector.

Nasscom ranked Nucleus as one of the Top 5 Indian Product Companies in its annual software and services industry performance report for the financial year 2002 and the Company's flagship product FinnOne has been ranked as India's No # 3 selling universal banking solution for 2002 by International Banking Systems (IBS), UK. Nucleus' FinnOne has been rated No #15 in the overall worldwide listing in the same report.

Development Centres of the Company in India at New Delhi, NOIDA and Chennai have been assessed at SW-CMM Level 5 based on the Capability Maturity Model (CMM) developed by Carnegie Mellon University's Software Engineering Institute (SEI) in March 2003.

**B. SEGMENT WISE PERFORMANCE**

The revenue of the Company from product business constituted 32% of revenue and from projects and professional services constituted 68% of revenue during the quarter.

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

GEOGRAPHICAL AREA	Quarter Ended		Year Ended
	September 30, 2003	September 30, 2002	March 31, 2003
India	17.25%	10.65%	12.43%
Far East	29.84%	37.69%	38.80%
South East Asia	41.98%	43.61%	40.47%
Others	10.93%	8.05%	8.30%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**C. RISKS AND CONCERNS**

**1. Business Portfolio Risks**

**1.1. Client concentration**

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

The Company has earned 65% of its revenues from the top five clients.

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

	Quarter Ended		Year Ended
	September 30, 2003	September 30, 2002	March 31, 2003
Active Clients	74	59	71
Clients added during the quarter/year	2	1	16
% of Revenue from the top-five clients	65%	81%	75%
Clients accounting for >10% of total revenue	2	3	3

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



### **1.2. Geographical concentration**

Excessive geographical concentration of business, which may lead to volatility, is always avoided. Every individual market has its own distinct characteristics because of political and economic factors. The Company has gained adequate experience over the recent years in handling the problems arising out of operating in different countries. In addition, the Company is proactively looking for business operations in new geographical areas to mitigate the risk of economic slowdown in a region.

### **1.3 Market risks**

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

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

- ✓ The size, timing and profitability of significant product orders;
- ✓ The proportion of services we perform at our clients' sites rather than at our offshore facilities;
- ✓ Seasonal changes that effect the change in the mix of services we provide to our clients or in the relative proportion product and project revenues.
- ✓ Changes in the pricing policy of our competitors
- ✓ Foreign currency fluctuation
- ✓ Unanticipated delay or withdrawal of projects

## **2. Financial Risks**

### **2.1 Foreign currency rate fluctuations**

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

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

As at	September 30, 2003 Rs.	June 30, 2003 Rs.	% change
USD	45.84	46.43	-1.27%
Japanese Yen	0.41	0.39	6.06%
GBP	75.57	76.05	-0.63%
SGD	26.48	26.38	0.38%

## **D. LIQUIDITY**

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

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



RATIO	Quarter Ended		Year Ended
	September 30, 2003	September 30, 2002	March 31, 2003
Operating cash flow as % of total revenue	52.93%	37.27%	13.64%
Days of sale receivable	81	92	95
Cash and equivalents as % of assets	17.12%	24.33%	10.71%
Cash and equivalents as % of total revenue	53.02%	65.41%	7.14%
Current investments as % of assets	38.29%	18.81%	35.67%
Current investments as % of total revenue	118.58%	50.58%	23.80%

**E. FINANCIALS**

**1. Share Capital**

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

"Share Capital" represents equity share capital of the Parent Company, Nucleus Software Exports Ltd., and comprises 7,939,950 Equity Shares of Rs.10/- each. The paid up Share Capital as on September 30, 2003 is Rs.794.15 lakhs including amount forfeited on shares. During the quarter the paid up capital of the Company increased by Rs. 2.88 lakhs on allotment of 28,800 Equity Shares of Rs 10/- each, pursuant to exercise of stock options by employees.

The total stock options granted to employees under Employee Stock Option Scheme (1999) and outstanding after the above allotment are: 108,156

Share capital of all the 5 Subsidiary Companies is wholly owned by the Parent Company and has been netted off with investments of the holding company on consolidation. Share Capital as on September 30, 2003 is given below :

Name of Subsidiary Company	As at September 30,2003	
	In foreign currency	Eqv. Rupees (in Lakhs)
Nucleus Software Solutions Pte. Ltd., Singapore 625,000 equity shares of SGD 1 each	SGD 625,000	163.20
Nucleus Software Inc., USA. 1,000,000 equity shares of USD .35 cents each	USD 350,000	162.93
Nucleus Software Japan Kabushiki Kaiga, Japan 200 equity shares of JPY 50,000 each	JPY 10,000,000	40.92
Nucleus Software (HK) Ltd., Hongkong 100,000 equity shares of HK \$ 1 each	HK \$ 100,000	6.20
Nucleus Software (Australia) Pty. Ltd., Australia 130,000 equity shares of Aus \$ 1 each	Aus \$ 130,000	35.74



## **2. Retained Earnings**

During the quarter ended September 30, 2003 the Company has earned consolidated profits of Rs.210.16 lakhs on a consolidated turnover of Rs.2060.02 lakhs as against Rs.174.33 lakhs on a consolidated turnover of Rs. 2110.52 lakhs for the quarter ended September 30, 2002.

The Reserves and Surplus of the Company including balance in the Profit and Loss Account is Rs. 5575.59 lakhs as on September 30, 2003 (Rs. 4815.86 lakhs as on September 30, 2002).

## **3. Fixed Assets**

As at September 30, 2003, gross block of fixed assets including investment in technology assets was Rs.2450.24 lakhs (Rs.2335.88 lakhs as on September 30, 2002).

The net fixed assets after depreciation are Rs. 1442.01 lakhs as on September 30, 2003 compared to Rs.1521.11 lakhs as on September 30, 2002.

## **4. Investments**

The investments of the Company as on September 30, 2003 are Rs.2442.84 lakhs (Rs.1074.65 lakhs as on September 30, 2002).

The Current investments as on September 30, 2003 are Rs.2442.84 lakhs (Rs. 1067.40 lakhs as on September 30, 2002) and all of these are in low risk liquid mutual funds in India.

The Current Investments are:

- Rs. 140.00 lakhs in Chola Liquid Fund,
- Rs. 100.00 lakhs in Franklin Templeton India Liquid Fund,
- Rs. 150.00 lakhs in GCFG Grindlays Cash Fund,
- Rs. 321.15 lakhs in HSBC Cash Fund-Growth,
- Rs. 65.17 lakhs in HSBC Cash Fund -Dividend,
- Rs. 298.70 lakhs in IL&FS Liquid Fund-Growth,
- Rs. 73.05 lakhs in IL&FS Liquid Fund-Dividend,
- Rs. 158.00 lakhs in HDFC cash Management Fund-Saving Plan-Growth,
- Rs. 170.35 lakhs in Kotak Mahindra Liquid Fund,
- Rs. 101.98 lakhs in Kotak Mahindra Liquid Institutional Plan-Dividend,
- Rs. 290.00 lakhs in JM High Liquidity Fund-Growth,
- Rs. 130.00 lakhs in JM High Liquidity Fund- Institutional Plan-Growth,
- Rs. 160.00 lakhs in Prudential ICICI Liquid Plan-Growth,
- Rs. 285.09 lakhs in Reliance Liquid Fund Super Cash Plan- Growth.

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

**5. Sundry Debtors**

Sundry Debtors amount to Rs.1790.93 lakhs (net of provision for bad and doubtful debts) as on September 30, 2003 (Rs.2099.69 lakhs, net of provision for bad and doubtful debts, as on September 30, 2002).

The age profile of the debtors is given below:

As at	September 30, 2003	September 30, 2002	March 31, 2003
More than 6 months	3.31%	5.81%	1.76%
Less than 6 months	96.69%	94.19%	98.24%
Days of sales receivables	81	92	95

**6. Cash and Bank Balances**

(Rs. in lakhs)

As at	September 30, 2003	September 30, 2002	March 31, 2003
Cash and cheques in hand	21.92	42.21	19.62
Balances with Bank			
—In current Accounts	1025.71	953.45	520.77
—In Fixed Deposit Account	44.62	384.83	100.98
Total	1092.25	1380.49	641.37

Cash and bank balance represent 17.12% and 24.33% of the total assets as on September 30, 2003 and September 30, 2002 respectively.

**7. Loans and Advances**

Advances recoverable in cash or in kind or for value to be received are primarily towards amounts paid in advance for value and services to be received in future and staff advances. The amount is Rs. 115.80 lakhs as on September 30, 2003 (Rs.193.62 lakhs as on September 30, 2002.)

Security Deposits are primarily for hiring of office premises and staff accommodation. The amount is Rs.98.50 lakhs as on September 30, 2003 (Rs.117.48 lakhs as on September 30, 2002).

Advance Income tax including Tax deducted at source was nil as on September 30, 2003 (Rs. 0.23 lakhs as on September 30, 2002).

Prepaid expenses stood at Rs.44.16 lakhs as on September 30, 2003 (Rs.9.08 lakhs as on September 30, 2002).

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

- (a) Loan of S \$ 800,000 equivalent to Rs. 211.28 lakhs, is outstanding on September 30, 2003 from its wholly owned subsidiary, Nucleus Software Solutions Pte. Ltd. The total loan disbursed was S\$ 1 million, at an interest rate of 0.5% over S \$ LIBOR with a repayment schedule of 5 equal installments starting from the financial year 2003-2004. The first instalment of Singapore \$ 200,000 has been repaid by the Singapore Subsidiary on July 25, 2003, one month ahead of schedule.



- (b) Loan of US\$ 65,000 equivalent to Rs.33.23 lakhs (in instalments) has been disbursed in the current financial year to wholly owned subsidiary, Nucleus Software Inc at an interest of 0.5% over LIBOR with a repayment schedule of 5 equal installment starting from financial year 2004-05. The Board of Directors have approved a total loan of US\$ 200,000 to the Subsidiary with disbursement in stages to meet financial requirements.

## **8. Current Liabilities**

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

The total amount of Sundry Creditors and Book Overdraft as on September 30, 2003 is Rs.645.75 lakhs (Rs.671.63 lakhs as on September 30, 2002).

Other liabilities represent amounts accrued for statutory dues related to taxes and staff benefits etc. The total amount of other liabilities as on September 30, 2003 is Rs.42.51 lakhs (Rs 24.98 lakhs as on September 30, 2002).

Withholding tax payable represents the amount of withholding taxes to be deducted/deductible by overseas clients/ subsidiaries on income billed to them by the Parent Company. The total amount of withholding tax liability as on September 30, 2003 is Rs. 132.10 lakhs (Rs. 160.04 lakhs as on September 30, 2002).

The amount of Unclaimed Dividend as on September 30, 2003 is Rs. 2.81 lakhs (nil on September 30, 2002).

Advances from customers as on September 30, 2003 is Rs. 60.41 lakhs (Rs.45.46 lakhs as on September 30, 2002).

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

## **9. Provisions**

Provisions at Rs.149.84 lakhs (Rs.58.64 lakhs as on September 30, 2002) include provision for taxation, gratuity and leave encashment.

## **F. RESULTS OF OPERATIONS**

### **1. Income**

The Company derives its income from the sale of software products and software services.

The Company's consolidated total revenue for the quarter ended September 30, 2003 is Rs. 2060.02 lakhs as against Rs. 2110.52 lakhs for the quarter ended September 30, 2002.

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

### **2. Expenditure**

#### **2.1 Personnel expenses:**

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



Personnel expenses at Rs.1013.48 lakhs for quarter ended September 30, 2003 and Rs.1013.39 lakhs for quarter ended September 30, 2002 constitute 49.20% and 48.02% of total revenue and 60.65% and 52.54% of total operational expenses of the Company respectively.

In comparison to the corresponding quarter, the personnel expenses have increased by 0.01%.

### **2.2 Administrative and other expenses**

The administrative and other expenses at Rs.227.77 lakhs for quarter ended September 30, 2003 and Rs.283.51 lakhs for quarter ended September 30, 2002 constitute 11.06% and 13.43% of total revenue and 13.63% and 14.70% of the operational expenses respectively.

In comparison to the corresponding quarter the administrative and other expenses have decreased by 19.66%.

### **2.3 Operating expenses**

The operating expenses at Rs.429.89 lakhs for quarter ended September 30, 2003 and Rs.631.76 lakhs for quarter ended September 30, 2002 constitute 20.87% and 29.93% of total revenue and 25.72% and 32.76% of the operational expenses respectively.

The operating expenses includes travel expenses which are 9.57% and 18.61% of the total revenue and 11.80% and 20.36% of the total operational expenses for the quarter ended September 30, 2003 and September 30, 2002 respectively.

In comparison to the corresponding quarter, the operating expenses have decreased by 31.95%.

## **3. Operating Profit**

During the quarter ended September 30, 2003, the Company earned consolidated operating profit (profit before interest, depreciation, withholding tax, prior period adjustments and tax) of Rs.388.88 lakhs representing 18.88 % of total revenue as compared with Rs.181.86 lakhs representing 8.62 % of total revenue for the quarter ended September 30, 2002.

## **4. Depreciation**

Depreciation at Rs.79.95 lakhs on fixed assets is 3.88% of the total revenue for the quarter ended September 30, 2003 as against Rs.56.91 lakhs, 2.70 % of the total revenue for the quarter ended September 30, 2002.

The Company has revised the estimated useful life of certain classes of fixed assets during the year ended March 31, 2003. Since the effect of this revision in the books of account of the Company was given in last quarter of the year ended March 31,2003, the depreciation for the quarter and half year ended September 30,2002 was calculated based on old estimated useful lives of respective assets. However, if the effect of change in estimated useful life of the assets would have been given in the quarter and half year ended September 30, 2002, the depreciation of that quarter and half year then ended would have been higher by Rs. 44.56 lakhs and Rs. 117.77 lakhs respectively.

## **5. Finance Charges**

Finance charge comprises of interest charged by banks on overdraft account and interest on other secured/unsecured loans. The expense is nil for the quarter ended September 30, 2003 (Rs.2.52 lakhs for the quarter ended September 30, 2002). These relate entirely to the Parent Company.



#### **6. Withholding taxes**

Withholding taxes charged off represent withholding taxes charged to Profit and Loss Account during the quarter ended September 30, 2003 of Rs.75.13 lakhs (Rs.45.22 lakhs for the quarter ended September 30, 2002). These relate entirely to the Parent Company.

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

The Company has made a provision for current tax Rs.13.80 lakhs (Rs. 22.77 lakhs for the quarter ended September 30, 2002); 0.67% of the total revenue and Rs.9.84 lakhs for deferred tax (Rs.29.45 lakhs write back for the quarter ended September 30, 2002); 0.48 % of the total revenue for the quarter ended September 30, 2003.

#### **8. Net Profit**

During the quarter ended September 30, 2003, Company has earned a net profit of Rs.210.16 lakhs. (Rs.174.33 lakhs for the quarter ended September 30, 2002) after provision for current income tax of Rs.13.80 lakhs (Rs.22.77 lakhs in the quarter ended September 30, 2002) and deferred tax of Rs.9.84 lakhs (Rs. 29.45 lakhs credit for the quarter ended September 30, 2002). The net profit represents 10.20% of total revenue for the quarter ended September 30, 2003 as compared to 8.26% of total revenue for the quarter ended September 30, 2002.

#### **9. Utilization of Proceeds from Preferential Issue**

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



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### Additional Information to Shareholders

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- |                               |  |
|-------------------------------|--|
| 1. Date of Incorporation      | 9th January, 1989  |
| 2. Registered office          | 33-35, Thyagraj Nagar Market<br>New Delhi-110003   |
| 3. Listing on Stock Exchanges | Nucleus shares are listed at<br><br>National Stock Exchange Association Ltd.<br>w.e.f December 19, 2002<br><br>The Stock Exchange, Mumbai<br>w.e.f November 6, 1995<br><br>The Madras Stock Exchange Limited<br>w.e.f November 2, 1995 |

During the quarter ended September 30, 2003, the Company's Securities have been delisted from The Delhi Stock Exchange Association Ltd. The Stock Exchange Ahmedabad and The Jaipur Stock Exchange Ltd. under applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 at the instance of the Company.

- |  |   |
|--|---|
| 4. Scrip code (BSE)<br>(NSE)   | 531209<br>NUCLEUS   |
| 5. International Securities Identification Number (ISIN code-NSDL and CDSL)  | INE096B01018  |
| 6. Registrar and Share Transfer Agents<br><br>Share transfers in physical form and other communication regarding Share Certificates, Dividend, Change of address etc. may be addresses to: | RCMC Share Registry Private Limited<br>1515, 1st Floor, Bhisham Pitamah Marg<br>Kotla Mubarkpur<br>Near South Extension<br>Delhi-110003 |
| 7. Financial Calendar<br>(tentative and subject to change)   |   |
| Financial reporting for the first quarter ending June 30, 2003.  | July 26, 2003   |
| Financial reporting for the second quarter ending September 30, 2003.  | October 18, 2003  |
| Financial reporting for the third quarter ending December 31, 2003.  | between 20th to 31st of January, 2004   |
| Financial results for the year ending March 31, 2004.  | between 20th to 30th of April, 2004   |



8. Locations

Nucleus services its clients through a network of international offices. As on September 30,2003 Nucleus has wholly owned subsidiaries in Singapore, U.S.A, Japan, Hongkong, Australia and a trading Branch office in London, U.K.

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

9. Stock market data relating to shares listed in India

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

	BSE					NSE				
	Open	High	Low	Close	Volume	Open	High	Low	Close	Volume
July-03	90.00	90.00	65.00	67.85	141,292	83.50	87.90	63.70	67.45	329,302
August-03	67.20	81.50	61.90	77.10	235,323	66.10	83.50	59.00	78.90	713,386
Sept.-03	79.50	91.00	71.10	87.95	257,132	79.75	90.50	71.00	87.60	536,302

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

Quarter Ended	High (Rs.)	Low (Rs.)
December 31, 2001	103.00	40.00
March 31, 2002	149.80	75.00
June 30, 2002	224.75	118.50
September 30, 2002	157.00	93.00
December 31, 2002	123.95	104.00
March 31, 2003	124.00	57.00
June 30, 2003	89.50	61.25
September 30, 2003	91.00	61.90

10. Share Transfer System

The Company at its registered office address or at the address of the Registrar receives the application for transfers, transmission and transposition. As the Company's shares are currently traded in dematerialised form the transfers are processed and approved in the electronic form by NSDL/CDSL through their depository participants.



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

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

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

The Company has De-materialised 6,474,484 shares till September 30, 2003.

#### 11. Stock Option Scheme

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

The Board of Directors at their meeting held on July 26, 2003 have allotted 28,800 fully paid up equity shares of Rs.10/- each to the employees in pursuance of stock option exercised under Employee Stock Option Scheme (1999) in June 2003.

The paid up capital of the Company has increased to Rs.79,399,500 on allotment of these equity shares.

#### 12. Dividend Payment

Dividend @ Rs.2/- per share (20% on par value of Rs.10) recommended by the Board of Directors for the financial year ended March 31, 2003 was approved by the members at the Annual General Meeting held on July 8, 2003. The dividend was paid to the eligible shareholders during the current quarter.

#### 13. Investors' Services

Details of request/complaints received during the quarter.

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



The Company has attended to most of the investors' grievances/correspondence within a period of 10 days from the date of receipt of the same, during the quarter from July 1, 2003 to September 30, 2003.

14. Legal Proceedings

There are no pending legal proceedings against the Company.

15. Distribution of Shareholding

<i>No. of equity shares held</i>	<i>As on September 30, 2003</i>				<i>As on September 30, 2002</i>			
	<i>No. of share-holders</i>	<i>% of share-holders</i>	<i>No. of shares</i>	<i>% of share-holding</i>	<i>No. of share-holders</i>	<i>% of share-holders</i>	<i>No. of shares</i>	<i>% of share-holding</i>
1 - 100	1,983	40.19	113,174	1.43	1,465	35.41	77,227	0.98
101 - 200	1,585	32.12	250,583	3.16	1,547	37.39	242,400	3.06
201 - 500	804	16.30	284,085	3.58	659	15.93	226,462	2.86
501 - 1000	294	5.96	219,658	2.77	250	6.04	186,693	2.36
1001 - 5000	202	4.09	389,189	4.90	161	3.89	306,902	3.88
5001 - 10000	22	0.45	166,217	2.09	15	0.37	101,394	1.28
10001 and above	44	0.89	6,517,044	82.07	40	0.97	6,770,072	85.58
Total	4,934	100.00	7,939,950	100.00	4,137	100.00	7,911,150	100.00

16. Categories of Shareholders

<i>Category</i>	<i>As on September 30, 2003</i>			<i>As on September 30, 2002</i>		
	<i>No. of share-holders</i>	<i>Voting Strength (%)</i>	<i>No. of shares held</i>	<i>No. of share-holders</i>	<i>Voting Strength (%)</i>	<i>No. of shares held</i>
Individuals	4,616	27.90	2,214,687	3,875	24.70	1,953,788
Companies	275	51.53	4,091,213	224	54.73	4,329,733
OCBs and NRIs	28	0.31	24,991	28	0.29	23,020
Directors/relatives	13	20.26	1,608,759	10	20.28	1,604,609
Mutual funds, Banks, FI's	2	0.00	300	Nil	Nil	Nil
Total	4,934	100.00	7,939,950	4,137	100.00	7,911,150



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

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

18. Major Shareholders of the Company

The following table sets forth the information regarding the ownership of the equity shares as on September 30, 2003 by each person or group known by the Company to own beneficially 5% or more of the outstanding equity shares.

Name of the Beneficial owner	Class of Security	No. of Shares held	% of Shares
Vishnu R Dusad and Associates	Equity	3,659,235	46.09
Yogesh Andlay and Associates	Equity	963,710	12.14
Arun Jain and Associates	Equity	490,665	6.18

19. Employee strength of Nucleus

Nucleus employed 711 people as on September 30, 2003 as compared to 772 people on September 30, 2002.

The distribution of the employees is:

As at	September 30, 2003	
Technical Staff	631	88.75%
Non-Technical Staff including Business Development Group	80	11.25%

The gender classification of employees is:

Male	591	83.12%
Female	120	16.88%
Total	711	100.00%

The age profile of employees is:

As at	September 30, 2003	
Between 20 and 25 years	142	19.97%
Between 26 and 30 years	397	55.84%
Between 31 and 40 years	153	21.52%
Between 41 and 50 years	16	2.25%
Between 51 and 60 years	3	0.42%
Total	711	100.00%



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

You can contact the following Nucleus personnel for any information

Vishnu R Dusad Managing Director	Tel:++91 (120) 2581894 E Mail: vishnu@nucleussoftware.com
R P Singh President, Technologies	Tel: ++91 (120) 2581705 E Mail: rp@nucleussoftware.com
P K Sanghi Chief Financial Officer	Tel: ++91 (120) 2581920 E Mail: pksanghi@nucleussoftware.com
Niraj Vedwa Vice President, Sales and Marketing	Tel :++ 91 (120) 2581706 E Mail : niraj@nucleussoftware.com
Mita Ray Brahma Corporate HR Head	Tel :++ 91(120) 2581925 E Mail : mita.brahma@nucleussoftware.com
Poonam Bhasin Company Secretary	Tel: ++91 (120) 2588435 E Mail: poonam@nucleussoftware.com