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## Letter to the Shareholders

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Dear Shareholder

I am pleased to announce another quarter, Q3 FY 2003, of excellent revenue growth. Consolidated revenue at Rs.2243.63 lakhs has increased by 34% over Q3 of FY 2002 and has also shown a growth of 7.3% over the previous quarter, Q2 of FY 2003.

For the first nine months of FY 2003, consolidated revenue has grown by 48 % over the first nine months of FY 2002. Product revenues are 30 % of total revenue for the quarter and 27% for the first nine months of FY 2003. This is a significant increase over the 20 % proportion of product sales for the complete FY 2002 and we are confident of maintaining these levels in the future.

Consolidated net profit for this quarter stands at Rs. 213.15 lakhs, a decrease of 42 % from Q3 of FY 2002 but an increase of 22% over Q2 of FY 2003.

For the nine months ending 31st December 2002, consolidated net profit at Rs.540.07 lakhs has fallen by 42% in comparison with the net profit of the first nine months of FY 2002. This reduction is primarily due to substantial provisioning/write offs of doubtful debts of Rs.222.81 lakhs in the first 6 months and Rs.23.97 lakhs in the quarter under review. In addition, we continue to invest in IPRs and creation of new products for the Banking and Financial sector. These are long-term investments, which are, however, prudently expensed as they are incurred.

Total expenses for the quarter at Rs.1874.60 lakhs have fallen from Rs.1922.68 lakhs in the previous quarter and the Company has taken steps to tighten controls on non revenue related expenses and institutionalized processes for continuous rationalization of policies among other value driven initiatives to enhance operating margins.

Management focus on receivables has resulted in total Group receivables (net of provision), falling to Rs.1756.19 lakhs on Dec 31, 2002 (75 days sales) from Rs.2056.92 lakhs (122 days sales) on March 31, 2002, despite substantial rise in revenue.

It gives me immense satisfaction to inform you that Deloitte Touche and Tohmatsu have ranked your Company as one of the top 100 among the Fastest growing Technology Companies in the Asia Pacific region. Nucleus has been ranked No.75, the 2nd highest rank for Indian Software Companies.

Six new clients have been added in this quarter and we are today supporting 65 clients and 99 product installations.

There have been significant customer wins in the quarter in Europe and South East Asia. We have also been awarded large "Retail Lending" software contracts for our flagship product Finnone from a leading Indian Bank/Telecom Company.

The Company's shares have been listed on the NSE w.e.f. December 19, 2002 and this will provide additional liquidity to all the members of the Company.

We continue to make substantial progress towards meeting our target of certification of our processes at CMM Level 5 by March 2003.

49 Nucleites have been added in this quarter and we continue to aggressively select and train software professionals for our global requirements.

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

Sincerely,

Vishnu R. Dusad  
Managing Director

Date: January 29, 2003



## FINANCIAL HIGHLIGHTS

Rs. in lacs, except per equity share data

## CONSOLIDATED PERFORMANCE

	Quarter Ended		Nine Month Ended		Year Ended
	Dec. 31, 2002	Dec. 31, 2001	Dec. 31, 2002	Dec. 31, 2001	March 31, 2002
For the Period					
Total Revenue	2,252.26	1,707.18	6,631.51	4,514.41	6,229.18
Overseas Revenue	1,837.27	1,422.55	5,761.42	3,786.05	5,223.52
Operating Profit (PBIDT)	377.65	537.70	1,094.29	1,366.74	1,599.56
PAT from Ordinary Activities	204.52	328.04	495.09	852.41	975.98
PBIDT as a % of Total Revenue	16.77%	31.49%	16.50%	30.27%	25.68%
PAT (from ordinary activities) as a % of Total Revenue	9.08%	19.21%	7.47%	18.88%	15.67%
EPS from Ordinary Activities(in Rs.)	2.58	4.15	6.26	10.77	12.34
At the end of the Period					
Total Assets	—	—	5,887.65	5,694.90	5,744.60
Net Fixed Assets	—	—	1,501.33	1,397.90	1,435.77
Current Assets	—	—	3,619.86	3,645.40	3,188.19
Cash & Cash Equivalents	—	—	1,317.83	668.91	633.44
Working Capital	—	—	2,566.25	2,546.99	2,603.03
Total Debts	—	—	25.08	417.46	403.20
Net Worth	—	—	5,838.64	5,252.20	5,259.35
Share Capital	—	—	791.27	791.27	791.27
Reserves & Surplus	—	—	5,053.55	4,468.90	4,475.20
Market Capitalisation	—	—	9,521.07	7,242.66	10,312.18
No. of Shareholders	—	—	4,294	4,511	4,232
No. of Shares	—	—	7,911,150	7,911,150	7,911,150

## Notes:

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

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



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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 31 December 2002 and the Profit and Loss Account of the Company for the quarter and nine month ended 31 December 2002, annexed thereto and the cash flow statement for the nine months ended 31 December 2002. 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. The financial statements of the Company as at 31 December 2001 and as at 31 March 2002, were audited by another auditor whose respective reports dated 28 January 2002 and 21 May 2002, expressed an unqualified opinion on those statements.

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 as follows:

- 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 and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- d) in our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report are prepared in compliance with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable; and
- e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2002; and
  - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the quarter and nine month ended 31 December 2002.
  - (iii) in the case of Cash Flow Statement of the Cash Flow of the Company for the nine month ended 31 December 2002.

for Bharat S Raut & Co.  
Chartered Accountants

Place : Gurgaon  
Date : January 29, 2003

Sd/-  
Rajesh Jain  
Partner



## NUCLEUS SOFTWARE EXPORTS LTD.

## Balance Sheet as at 31 December 2002

Particulars	Schedule	All amounts in Rupees		
		As at 31 December 2002	As at 31 December 2001	As at 31 March 2002
<b>SOURCES OF FUNDS</b>				
Shareholders' Funds				
Share Capital	1	79,126,500	79,126,500	79,126,500
Share application money pending allotment		1,369,560	928,340	805,340
Reserves & Surplus	2	480,093,595	439,655,473	438,480,204
		<u>560,589,655</u>	<u>519,710,313</u>	<u>518,412,044</u>
Loan Funds				
Secured Loans	3	2,508,000	10,945,821	7,672,310
Unsecured Loans	4	—	30,800,000	32,648,000
		<u>2,508,000</u>	<u>41,745,821</u>	<u>40,320,310</u>
Deferred Tax Liability (Refer note 2 to Schedule 20)		284,711	—	5,624,126
<b>TOTAL</b>		<u>563,382,366</u>	<u>561,456,134</u>	<u>564,356,480</u>
<b>APPLICATION OF FUNDS</b>				
Fixed Assets				
Gross Block	5	218,067,474	216,867,630	220,818,157
Less: Accumulated depreciation		80,213,871	84,131,260	87,307,942
Net block		<u>137,853,603</u>	<u>132,736,370</u>	<u>133,510,215</u>
Add: Capital work in progress (including capital advances)		4,329,818	1,930,408	5,895,419
		<u>142,183,421</u>	<u>134,666,778</u>	<u>139,405,634</u>
Investments	6	217,957,914	209,010,385	200,678,210
Current Assets, Loans & Advances				
Sundry Debtors	7	176,643,290	160,841,866	211,300,461
Cash & Bank Balances	8	29,288,622	42,899,445	19,232,499
Loans & Advances	9	50,373,209	44,647,678	36,545,573
Other Current Assets	10	26,894,627	336,253	157,172
		<u>283,199,748</u>	<u>248,725,242</u>	<u>267,235,705</u>
Less : Current Liabilities & Provisions				
Current Liabilities	11	74,438,202	30,237,235	31,854,796
Provisions	12	6,064,731	1,476,723	11,820,094
		<u>80,502,933</u>	<u>31,713,958</u>	<u>43,674,890</u>
Net Current Assets		<u>202,696,815</u>	<u>217,011,284</u>	<u>223,560,815</u>
Miscellaneous Expenditure (To the extent not written off or adjusted)	13	544,216	767,687	711,821
<b>TOTAL</b>		<u>563,382,366</u>	<u>561,456,134</u>	<u>564,356,480</u>

Notes to the accounts 20

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 AccountantsRajesh Jain  
PartnerGurgaon  
January 29, 2003Noida (U.P.)  
January 29, 2003

For and on behalf of the Board of Directors

Lt. Gen. T P Singh (Retd.)  
ChairmanP K Sanghi  
Chief Financial OfficerVishnu R Dusat  
Managing DirectorPoonam Bhasin  
Company Secretary



NUCLEUS SOFTWARE EXPORTS LTD.

Profit and Loss Account for the quarter and nine-months ended as on December 31, 2002

All amounts in Rupees

Particulars	Schedule	For the quarter ended 31 December, 2002	31 December, 2001	For the nine months ended 31 December, 2002	31 December, 2001	For the year ended 31 March, 2002
<b>Income</b>						
Sales and services	14	146,796,720	109,673,378	435,122,442	294,495,272	403,337,962
Other income	15	871,174	3,761,557	4,175,087	7,612,441	10,645,987
<b>Total</b>		<b>147,667,894</b>	<b>113,434,935</b>	<b>439,297,528</b>	<b>302,107,713</b>	<b>413,983,949</b>
<b>Expenditure</b>						
Personnel expenses	16	47,568,516	30,354,698	138,363,243	76,891,256	118,512,113
Administrative and other expenses	17	14,041,387	14,702,622	48,131,463	37,346,236	54,740,607
Operating expenses	18	55,412,794	21,051,543	166,394,445	61,447,773	92,339,184
Finance charges	19	121,176	641,991	1,547,314	1,244,356	1,675,445
Depreciation	5	2,767,214	5,614,299	10,795,115	21,758,426	25,074,237
Withholding taxes charged off		7,788,578	9,500,000	23,006,515	16,500,000	17,571,000
<b>Total</b>		<b>127,699,665</b>	<b>81,865,153</b>	<b>388,238,095</b>	<b>215,188,047</b>	<b>309,912,586</b>
Profit before tax and prior period adjustments		19,968,229	31,569,782	51,059,433	86,919,666	104,071,363
Prior period adjustments on account of withholding tax		—	—	14,897,989	—	—
Other prior period adjustments (Refer note 14 to Schedule 20)		—	—	(3,890,515)	—	—
Profit for the period/year		19,968,229	31,569,782	40,051,959	86,919,666	104,071,363
Provision for tax - current		3,000,000	—	6,950,000	—	5,000,000
- deferred		(345,575)	—	(5,339,415)	—	(2,921,179)
<b>Profit after tax</b>		<b>17,313,804</b>	<b>31,569,782</b>	<b>38,441,374</b>	<b>86,919,666</b>	<b>101,992,542</b>
Profit available for appropriation		17,313,804	31,569,782	38,441,374	86,919,666	101,992,542
Profit for the period		17,313,804	31,569,782	38,441,374	86,919,666	101,992,542
Add: Balance brought forward		134,710,734	183,569,750	113,583,169	127,798,092	127,798,092
<b>Total amount available</b>		<b>152,024,538</b>	<b>215,139,532</b>	<b>152,024,543</b>	<b>214,717,758</b>	<b>229,790,634</b>
Interim dividend		—	7,911,150	—	7,911,150	15,822,300
Dividend tax		—	806,938	—	385,164	385,165
Transferred to general reserve		—	100,000,000	—	100,000,000	100,000,000
<b>Balance carried forward to the Balance sheet</b>		<b>152,024,538</b>	<b>106,421,444</b>	<b>152,024,543</b>	<b>106,421,444</b>	<b>113,583,169</b>
<b>Earnings per share (Equity shares, par value Rs. 10 each)</b>						
(Refer note 13 to Schedule 20)						
Basic		2.19	3.99	4.86	11.85	13.63
Diluted		2.15	3.94	4.78	10.84	12.71
<b>Number of shares used in computing earning per share</b>						
Basic		7,911,150	7,911,150	7,911,150	7,332,966	7,485,326
Diluted		8,049,918	8,003,984	8,038,721	8,021,826	8,024,608

Notes to the accounts 20

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

Rajesh Jain  
Partner

Gurgaon  
January 29, 2003

For and on behalf of the Board of Directors

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

Vishnu R Dusat  
Managing Director

Noida (U.P.)  
January 29, 2003

P K Sanghi  
Chief Financial Officer

Poonam Bhasin  
Company Secretary



Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2002	As at 31 December 2001	As at 31 March 2002
<b>SCHEDULE—1</b>			
<b>SHARE CAPITAL</b>			
Authorised Capital 20,000,000 (20,000,000; 20,000,000) equity shares of Rs. 10 each	200,000,000	200,000,000	200,000,000
Issued, subscribed and paid up			
Issued 7,913,950 (7,913,950; 7,913,950) equity shares of Rs. 10 each	79,139,500	79,139,500	79,139,500
Subscribed and paid up 7,911,150 (7,911,150; 7,911,150) equity shares of Rs. 10 each, fully paid up	79,111,500	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 share 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
	79,126,500	79,126,500	79,126,500
<b>SCHEDULE—2</b>			
<b>RESERVES AND SURPLUS</b>			
General Reserve			
Balance brought forward	91,454,695	8,546,436	8,546,436
Add: Transferred from profit and loss account	—	100,000,000	100,000,000
Less: Deferred-tax provision upto 31 March 2001	—	—	8,545,305
Less: Amount utilised for issue of 2,637,050 bonus shares of Rs. 10 each	—	8,546,436	8,546,436
	91,454,695	100,000,000	91,454,695
Share premium account			
Balance brought forward	230,198,361	73,314,000	73,314,000
Add: Outstanding calls received during the period/year	—	5,600	5,600
Add: Share premium received on issue of 1,875,500 shares at a premium of Rs. 93.15 per share	—	174,702,825	174,702,825
Less: Amount utilised for issue of 2,637,050 bonus shares of Rs. 10 each	—	17,824,064	17,824,064
	230,198,361	230,198,361	230,198,361
Capital reserve account			
Balance brought forward	1,435,250	—	—
Add: Amount forfeited against employees stock option plan and preferential issue of equity shares	27,780	1,312,250	1,435,250
	1,463,030	1,312,250	1,435,250
Employee stock options			
Balance brought forward	3,830,436	4,428,036	4,428,036
Add: Options granted during the period/year	6,608,200	—	—
Less: Reversal on forfeiture of stock options granted	150,012	27,000	597,600
	10,288,624	4,401,036	3,830,436
Less: Deferred employee compensation	(5,335,653)	(2,677,618)	(2,021,707)
	4,952,971	1,723,418	1,808,729
Profit and loss account balance	152,024,538	106,421,444	113,583,169
	480,093,595	439,655,473	438,480,204



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

	All amounts in Rupees		
	As at 31 December 2002	As at 31 December 2001	As at 31 March 2002
<b>SCHEDULE—3</b>			
<b>SECURED LOANS</b>			
Cash credit and post shipment advances (note 1 below)			
—From banks	—	7,131,322	4,056,070
Deferred payment credits (note 2 below)			
—For vehicles			
—From banks	1,560,332	1,277,116	1,385,587
—From others	188,288	568,851	469,999
—For other assets			
—From others	759,380	1,968,532	1,760,654
	<u>2,508,000</u>	<u>10,945,821</u>	<u>7,672,310</u>

Note 1: Cash credit and post shipment advances from banks are secured by first charge on book debts, stock and plant and machinery of the Company and guaranteed by the Managing Director of the Company.

Note 2: Secured by hypothecation of vehicles/assets acquired under the credits.

**SCHEDULE—4**  
**UNSECURED LOAN**

— From New Okhla Industrial Development Authority (NOIDA) for land	—	30,800,000	30,800,000
Add: Interest accrued and due	—	—	1,848,000
	<u>—</u>	<u>30,800,000</u>	<u>32,648,000</u>



Schedules forming part of the financial statements

SCHEDULE—5  
FIXED ASSETS

Particulars	GROSS BLOCK		ACCUMULATED DEPRECIATION		All amounts in Rupees				
	As at 1 April, 2002	As at 31 Dec., 2002	As at 1 April, 2002	Deduction/ Adjustments for the period	As at 31 Dec., 2002	As at 31 Dec., 2001	As at 31 March, 2002		
Land and building	6,397,441	—	990,883	160,506	—	1,151,389	5,246,052	7,593,481	5,406,558
Leasehold land	64,195,000	—	—	546,510	—	546,510	63,648,490	64,195,000	64,195,000
Plant and machinery	4,894,283	1,135,338	755,414	196,990	—	952,404	5,077,217	4,196,192	4,138,869
Computers	67,502,775	13,203,338	27,636,772	6,706,073	(17,700,862)	16,641,983	40,993,024	40,338,622	39,866,003
Vehicles	7,505,381	2,089,725	1,910,639	387,555	(188,324)	2,109,870	6,697,297	5,436,256	5,594,742
Office equipment	3,050,279	460,772	370,267	138,038	—	508,305	3,002,746	2,719,759	2,680,012
Furniture and fixtures	5,853,465	2,383,124	954,773	349,876	—	1,304,649	6,931,940	4,301,480	4,896,692
Airconditioners	3,396,836	154,235	514,020	124,947	—	638,967	2,912,104	2,922,600	2,882,816
Software package	51,842,550	1,328,954	48,688,520	1,259,624	—	49,948,144	3,223,360	324,459	3,154,030
Temporary wooden structure	6,180,147	352,876	5,486,654	924,996	—	6,411,650	121,373	708,521	693,493
Total	220,818,157	21,058,362	87,307,942	10,795,115	(17,889,186)	80,213,871	137,853,603	132,736,370	133,510,215
Previous period	128,311,715	88,985,130	62,515,419	21,758,426	(142,585)	84,131,200	132,736,370		
Previous year	128,311,715	93,301,288	62,515,419	25,074,237	281,714	87,307,942	133,510,215		

Note: The Company is in the process of appointing a valuer for segregating the value of land and building. Land and building amounting to Rs. 3,000,000 is yet to be registered in the name of the Company.



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2002	As at 31 December 2001	As at 31 March 2002
<b>SCHEDULE—6</b>			
<b>INVESTMENTS</b>			
Long term investments			
Equity shares in subsidiaries - Non-trade and unquoted			
625,000 (625,000 ; 625,000) equity shares of SGD 1 each, fully paid up, in Nucleus Software Solutions Pte. Ltd., Singapore, a wholly owned subsidiary	16,319,950	16,319,950	16,319,950
1,000,000 (1,000,000 ; 1,000,000) equity shares of USD 0.35 each, fully paid up, in Nucleus Software Inc., USA, a wholly owned subsidiary	16,293,150	16,293,150	16,293,150
200 (200 ; 200) equity shares of JPY 50,000 each, fully paid up, in Nucleus Software Japan Kabushiki Kaiga, Japan, a wholly owned subsidiary	4,092,262	4,092,262	4,092,262
130,000 (Nil; Nil) equity shares of Aus \$ 1 each, fully paid up, in Nucleus Software (Australia) Pty. Ltd. Australia, a wholly owned subsidiary	3,573,600	—	—
100,000 (Nil; Nil) equity shares of HK \$ 1 each, fully paid up, in Nucleus Software (HK) Ltd. Hong Kong, a wholly owned subsidiary	619,885	—	—
Nil (200 ; Nil) equity shares of Rs. 10 each, fully paid up, in NucleusSoftware.Com Pvt. Ltd., India	—	2,000	—
	<u>40,898,847</u>	<u>36,707,362</u>	<u>36,705,362</u>
Investments in bonds and mutual funds - Non trade and unquoted			
28,756 (28,756 ; 28,756) units of face value of Rs. 10 each of Unit 64 of Unit Trust of India	521,078	521,078	521,078
Nil (20,000 ; 20,000) units of face value of Rs. 10 each of Taurus E10 Star Share	—	76,000	76,000
20,000 (20,000 ; 20,000) units of face value of Rs. 10 each of 20th Century	128,000	128,000	128,000
Nil (400; 400) 9% bonds of face value of Rs. 1,000 each of IRFC	—	400,000	400,000
	<u>649,078</u>	<u>1,125,078</u>	<u>1,125,078</u>



Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2002	As at 31 December 2001	As at 31 March 2002
Current investments			
Investments in bonds and mutual funds - Non trade and unquoted			
2,100,715 (Nil ; 2,100,715) units of face value of Rs. 10 each of Alliance Cash Manager-Growth	28,751,859	—	28,751,859
Nil (Nil ; 3,030,228) units of face value of Rs. 10 each of Birla Bond Plus	—	—	30,596,385
2,182,224 (Nil ; Nil) units of face value of Rs. 10 each of HDFC Liquid Fund-Growth	25,000,000	—	—
Nil (2,070,357 ; Nil) units of face value of Rs. 10 each of HDFC Liquid Fund-Dividend	—	20,729,972	—
Nil (24,500 ; 16,249) units of face value of Rs. 1,000 each of Kothari Pioneer Treasury Management-Dividend	—	28,071,794	18,817,574
13,425 (Nil ; Nil) units of face value of Rs. 1,000 each of Templeton India Treasury Management-Growth	19,395,491	—	—
2,069 (Nil ; 2,069) units of face value of Rs. 1,000 each of Templeton India STIP-Growth	2,092,791	—	2,092,791
Nil (1,959 ; Nil) units of face value of Rs. 1,000 each of Pioneer ITI Treasury Management Account-Annual	—	2,700,000	—
Nil (4,378,223 ; 1,778,289) units of face value of Rs. 10 each of Prudential ICICI Liquid Plan-Dividend	—	51,765,416	20,969,564
Nil (3,634,751 ; 2,103,222) units of face value of Rs. 10 each of Templeton India Liquid Fund-Dividend	—	36,642,669	21,019,163
508,402 (Nil ; Nil) units of face value of Rs. 10 each of Templeton India Liquid Fund-Growth	7,500,000	—	—
Nil (3,029,536 ; Nil) units of face value of Rs. 10 each of Grindlays Super Saver Short Term-Dividend	—	31,268,094	—
Nil (Nil ; 4,035,335) units of face value of Rs. 10 each of Zurich India Liquid Fund-Dividend	—	—	40,600,434
1,320,243 (Nil ; Nil) units of face value of Rs. 10 each of Zurich India Liquidity Fund-Investment-Growth	16,500,000	—	—
1,282,072 (Nil ; Nil) units of face value of Rs. 10 each of Zurich India Liquidity Fund-Saving Plan-Growth	15,800,000	—	—
1,069,687 (Nil ; Nil) units of face value of Rs. 10 each of DSP Merrill Lynch Liquidity Fund-Growth	15,000,000	—	—
625,005 (Nil ; Nil) units of face value of Rs. 10 each of Chola Liquid Fund-Cumulative	7,500,000	—	—
2,168,692 (Nil ; Nil) units of face value of Rs. 10 each of IL&FS Liquid Fund-Growth	23,869,848	—	—
1,362,361 (Nil ; Nil) units of face value of Rs. 10 each of GCFG Grindlays Cash Fund-Growth	15,000,000	—	—
	176,409,989	171,177,945	162,847,770
	217,957,914	209,010,385	200,678,210

Note:

- Investments in mutual funds include unutilised proceeds raised by preferential issue of equity shares.
- Net asset value (NAV) of current investments Rs.180,578,186 as on 31 December 2002 (Rs.171,177,945 ; Rs.163,455,658)
- 1,087,862 units of IL&FS liquid fund having a face value of Rs.10 each and aggregate purchase price of Rs.11,930,147 were purchased and sold during the nine months ended 31 December 2002.



## Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2002	As at 31 December 2001	As at 31 March 2002
<b>SCHEDULE—7</b>			
<b>SUNDRY DEBTORS (UNSECURED)</b>			
Debts outstanding for a period exceeding six months			
—Considered good	6,983,722	40,455,932	37,948,355
—Considered doubtful	23,025,027	—	1,559,543
	<u>30,008,749</u>	<u>40,455,932</u>	<u>39,507,898</u>
Less: Provision for doubtful debts	(23,025,027)	—	(1,559,543)
	<u>6,983,722</u>	<u>40,455,932</u>	<u>37,948,355</u>
Other debts (considered good)	169,659,568	120,385,934	173,352,106
	<u>176,643,290</u>	<u>160,841,866</u>	<u>211,300,461</u>
<b>SCHEDULE—8</b>			
<b>CASH AND BANK BALANCES</b>			
Cash in hand (including cheques in hand)	2,509,271	547,981	955,727
Balances with scheduled banks			
—in current accounts	14,708,462	36,363,293	11,282,350
—in fixed deposit accounts	9,700,323	5,824,700	6,087,844
Balances with non scheduled banks			
—in current accounts	2,370,566	163,471	906,578
Citibank-U.K. (Maximum amount outstanding Rs. 2,381,160; 163,471; 906,578)			
	<u>29,288,622</u>	<u>42,899,445</u>	<u>19,232,499</u>
<b>SCHEDULE—9</b>			
<b>LOANS AND ADVANCES</b>			
Advances recoverable in cash or in kind or for value to be received	9,991,047	34,527,198	19,737,576
Advances to subsidiaries	30,479,373	—	—
Deposits with government authorities	89,000	10,000	—
Security deposits	7,022,008	3,980,370	11,938,627
Advance tax (net of provision Rs. 11,370,455 ; Nil ; 5,000,000)	2,078,395	5,805,854	4,028,945
Prepaid expenses	713,386	324,256	840,425
	<u>50,373,209</u>	<u>44,647,678</u>	<u>36,545,573</u>
<b>SCHEDULE—10</b>			
<b>OTHER CURRENT ASSETS</b>			
Service income accrued but not due	26,476,989	—	—
Interest accrued but not due	417,638	336,253	157,172
	<u>26,894,627</u>	<u>336,253</u>	<u>157,172</u>



NUCLEUS SOFTWARE EXPORTS LTD.

Schedules forming part of the financial statements

All amounts in Rupees

	As at 31 December 2002	As at 31 December 2001	As at 31 March 2002
<b>SCHEDULE—11</b>			
<b>CURRENT LIABILITIES</b>			
Sundry creditors*	50,207,738	7,710,741	21,970,610
Withholding tax	14,752,169	—	—
Advances from customers	4,240,253	5,629,845	5,475,214
Other liabilities	3,239,622	16,426,166	4,408,972
Book overdraft	1,998,420	470,483	—
	<u>74,438,202</u>	<u>30,237,235</u>	<u>31,854,796</u>

\* The Company has no outstanding amounts payable to small-scale industrial undertakings.

**SCHEDULE—12**  
**PROVISIONS**

Gratuity	3,389,658	1,048,261	2,281,846
Leave encashment	2,675,073	428,462	1,627,098
Dividend	—	—	7,911,150
	<u>6,064,731</u>	<u>1,476,723</u>	<u>11,820,094</u>

**SCHEDULE—13**  
**MISCELLANEOUS EXPENDITURE**  
*(To the extent not written off or adjusted)*

Preliminary expenses			
Balance brought forward	32,539	47,001	47,001
Less: Written off during the period/year	10,847	10,848	14,462
	<u>21,692</u>	<u>36,153</u>	<u>32,539</u>
Public Issue Expenses			
Balance brought forward	679,282	888,292	888,292
Less: Written off during the period/year	156,758	156,758	209,010
	<u>522,524</u>	<u>731,534</u>	<u>679,282</u>
	<u>544,216</u>	<u>767,687</u>	<u>711,821</u>



## Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended 31 December, 2002	31 December, 2001	For the nine month ended 31 December, 2002	31 December, 2001	For the year ended 31 March, 2002
<b>SCHEDULE—14</b>					
<b>SALES AND SERVICES</b>					
Software development services and products					
— Domestic	40,636,067	24,680,826	82,513,492	65,087,028	89,763,262
— Overseas	106,102,235	85,164,939	348,328,957	230,269,200	314,527,739
	146,738,302	109,845,765	430,842,449	295,356,228	404,291,001
Gain/(loss) on foreign exchange fluctuation (net)	58,418	(172,387)	4,279,993	(860,956)	(953,039)
	146,796,720	109,673,378	435,122,442	294,495,272	403,337,962
<b>SCHEDULE—15</b>					
<b>OTHER INCOME</b>					
Dividend received from non-trade investments	—	3,516,135	1,302,591	6,506,787	9,022,873
Interest [Gross of tax deducted at source Rs. 12,107 (29,252 ; 54,813 ; 29,252 ; 149,213)]	684,359	239,204	1,796,555	537,972	1,006,667
Profit on sale of investments	117,215	6,079	993,847	562,318	591,336
Miscellaneous income	69,600	139	82,094	5,364	25,111
	871,174	3,761,557	4,175,087	7,612,441	10,645,987
<b>SCHEDULE—16</b>					
<b>PERSONNEL EXPENSES</b>					
Salaries and allowances	41,995,214	27,789,286	121,909,045	69,930,973	103,111,870
Contribution to provident and other funds	2,371,908	1,383,418	6,436,508	3,336,549	4,601,187
Directors' remuneration	576,000	342,000	2,688,000	1,062,000	7,272,000
Employees stock compensation expenses	1,217,644	369,767	3,144,242	1,099,202	1,184,513
Staff welfare	1,407,750	470,277	4,185,448	1,462,532	2,342,543
	47,568,516	30,354,698	138,363,243	76,891,256	118,512,113



## Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended 31 December, 2002	31 December, 2001	For the nine month ended 31 December, 2002	31 December, 2001	For the year ended 31 March, 2002
SCHEDULE—17					
ADMINISTRATION AND OTHER EXPENSES					
Conveyance	1,360,242	2,677,906	3,752,251	7,454,542	12,981,584
Communication	3,260,256	2,993,111	8,955,366	7,895,632	11,053,541
Rent, rates and taxes	2,635,555	1,836,906	10,346,908	4,671,959	7,094,709
Legal and professional	3,139,188	1,684,144	7,319,537	3,403,723	4,555,887
Repair and maintenance					
—Building	68,712	117,564	307,701	556,795	585,698
—Others	1,003,114	1,343,476	3,528,431	3,764,186	4,972,023
Training and recruitment	557,541	1,623,737	2,326,918	2,894,676	4,288,933
Printing and stationery	496,012	376,377	1,358,012	1,242,532	1,749,434
Books and periodicals	77,897	308,540	261,614	796,837	1,602,498
Loss on sale of fixed assets	—	56,630	98,951	56,630	1,008,410
Loss on discarded assets	1,300	—	5,371,544	—	—
Security services	298,766	296,079	937,986	694,494	985,200
Festival / establishment	520,729	457,508	1,066,349	965,896	965,896
Insurance	117,415	51,480	243,692	542,507	902,301
Membership and subscription	181,165	95,050	463,978	296,094	320,362
Vehicle maintenance	26,916	22,385	112,183	92,256	159,183
Donation	—	—	55,001	—	—
Bank charges	98,586	148,057	731,191	691,176	759,811
Miscellaneous expenses	142,124	557,804	726,245	1,158,695	531,665
Public issue expenses written off	52,253	52,252	156,758	156,758	209,010
Preliminary expenses written off	3,616	3,616	10,847	10,848	14,462
	<u>14,041,387</u>	<u>14,702,622</u>	<u>48,131,463</u>	<u>37,346,236</u>	<u>54,740,607</u>



## Schedules forming part of the financial statements

All amounts in Rupees

	For the quarter ended 31 December, 2002	31 December, 2001	For the nine month ended 31 December, 2002	31 December, 2001	For the year ended 31 March, 2002
<b>SCHEDULE—18</b>					
<b>OPERATING EXPENSES</b>					
Software and other development charges	2,057,739	784,060	4,271,155	6,930,936	7,659,434
Travelling					
—Foreign	39,444,228	12,439,500	105,743,185	36,428,275	56,443,202
—Domestic	2,317,358	1,476,527	5,942,146	4,079,921	5,414,241
Advertisement and publicity	613,883	2,111,124	2,250,780	3,545,889	6,054,592
Consultancy charges	2,871,669	551,793	5,864,074	1,031,396	1,421,896
Power and fuel	2,599,362	1,160,784	7,546,371	3,811,650	5,487,477
Conference, exhibition and seminar	46,000	876,844	1,190,606	2,697,389	3,403,830
Computer maintenance	1,037,949	463,402	1,547,491	1,320,257	1,524,476
Business promotion	1,556,656	494,066	3,893,438	661,304	833,591
Computer consumables	178,690	28,771	342,687	126,112	254,104
Bad debts/advances written off	—	—	2,850,906	—	1,499,605
Provision for doubtful debts/advances	2,280,000	—	21,710,484	—	1,559,543
Other operational expenses	409,260	664,672	3,241,122	814,644	783,193
	<u>55,412,794</u>	<u>21,051,543</u>	<u>166,394,445</u>	<u>61,447,773</u>	<u>92,339,184</u>
<b>SCHEDULE—19</b>					
<b>FINANCE CHARGES</b>					
Interest on bank loans	7,096	403,228	414,228	798,498	1,097,303
Interest on deferred credits	114,080	238,763	437,200	445,858	578,142
Interest on unsecured loan	—	—	695,886	—	—
	<u>121,176</u>	<u>641,991</u>	<u>1,547,314</u>	<u>1,244,356</u>	<u>1,675,445</u>



Schedules forming part of the financial statements

SCHEDULE—20  
NOTES TO THE ACCOUNTS

1. 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 comprise 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 is provided on the straight-line method. Depreciation on fixed assets except leasehold land and software is provided as per rates prescribed under schedule XIV of the Companies Act, 1956. Leasehold land is amortised over the period of lease. Software purchased is depreciated considering a useful life of three years, as estimated by the management. 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.

(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) *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.

(ix) *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 revenue.

(x) *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.

(xi) *Earnings per share*

Basic earnings 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.

(xii) *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.

(xiii) *Miscellaneous Expenditure*

Preliminary expenses and the public issue expenses are amortised over a period of ten years.

2. Deferred tax liability

Components of deferred tax liability:	(All amounts in Rs.)	
	As at 31 December 2002	As at 31 March 2002
Deferred tax asset		
Provision for doubtful debts	2,849,021	—
Provision for retirement benefits	768,157	—
	<u>3,617,178</u>	<u>—</u>
Deferred tax liability		
Excess depreciation allowable under the Income-tax Act, 1961 over depreciation as per books	(3,901,889)	(5,624,126)
	<u>(284,711)</u>	<u>(5,624,126)</u>
Deferred tax liability (net)	(284,711)	(5,624,126)

Deferred tax liability in respect of fixed asset in software technology parks has been recognised on the basis of written down value of fixed assets after the expiry of the tax holiday period.

Accounting Standard 22 (the standard) on "Accounting for taxes on income", issued by the Institute of Chartered Accountants of India (ICAI) was not adopted in the financial statements for the quarter ended 31 December 2001. As a result, deferred tax income for the quarter and nine months period ended 31 December 2001 was understated by Rs. 255,365 and Rs. 3,022,987 respectively, deferred tax liability as at 31 December 2001 was understated by Rs. 5,522,318 and consequently, reserves and surplus as on 31 December 2001 were overstated by Rs. 5,522,318. However, as the standard was adopted in the financial statements for the year ended 31 March 2002, the above mentioned impact does not have any effect on the deferred tax income for the year ended 31 March 2002 and on deferred tax liability and reserves and surplus as on 31 March 2002.

3. Employees Stock Option Plan ("ESOP")

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

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



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

	Quarter ended 31 December		Nine months ended 31 December		Year ended 31 March
	2002	2001	2002	2001	2002
Options outstanding at the beginning of the period/year	139,734	92,834	80,534	93,334	93,334
Options granted	—	—	59,200	—	—
Options forfeited	2,778	—	2,778	500	12,800
	136,956	92,834	136,956	92,834	80,534

#### 4. Managerial Remuneration

	Quarter ended 31 December		Nine months ended 31 December		Year ended 31 March
	2002	2001	2002	2001	2002
A) Managing Director					
Salary and perquisites	540,000	369,000	1,620,000	1,017,000	1,428,000
Contribution to provident and other funds	36,000	36,000	108,000	108,000	144,000
Commission	—	—	710,000	—	4,488,000
	576,000	405,000	2,438,000	1,125,000	6,060,000
B) Non Executive Directors					
Commission	—	—	250,000	—	1,212,000

Note: 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 2003.

#### 5. 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 31 December 2002

*(All amounts in Rs.)*

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



For the nine months ended 31 December, 2002

*(All amounts in Rs.)*

Description	India	Far East	Singapore	Others	Total
Revenue from external customers	83,726,031	152,842,812	159,687,116	38,866,483	435,122,442
Expenses	(77,660,475)	(124,164,094)	(112,627,688)	(33,624,481)	(348,076,738)
Segment result	6,065,556	28,678,718	47,059,428	5,242,002	87,045,704
Unallocated corporate expenditure					(38,614,044)
Operating profit before taxation					48,431,660
Other income					4,175,087
Finance charges					(1,547,314)
Profit before tax and prior period adjustments					51,059,433
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					(6,950,000)
Provision for taxation-deferred					5,339,415
Net profit after taxation					38,441,374



For the year ended 31 March 2002

*(All amounts in Rs.)*

Description	India	Far East	Singapore	Others	Total
Revenue from external customers	89,763,262	121,742,963	127,214,922	64,616,815	403,337,962
Expenses	(55,550,690)	(86,261,955)	(71,778,395)	(36,458,704)	(250,049,744)
Segment result	34,212,572	35,481,008	55,436,527	28,158,111	153,288,218
Unallocated corporate expenditure					(57,427,586)
Operating profit before taxation					95,860,632
Other income					10,645,987
Finance charges					(2,435,256)
Profit before tax					104,071,363
Provision for taxation - current					(5,000,000)
Provision for taxation - deferred					2,921,179
Net profit after taxation					101,992,542



NUCLEUS SOFTWARE EXPORTS LTD.

Assets and liabilities of reportable primary segment are as follows:

As at 31 December 2002

*(All amounts in Rs.)*

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

As at 31 March 2002

*(All amounts in Rs.)*

Description	India	Far East	Singapore	Others	Total
Segment assets	41,627,120	84,592,644	56,536,807	30,103,433	212,860,004
Unallocated corporate assets					400,171,367
Total assets					613,031,371
Segment liabilities	4,643,507	4,795,464	5,011,004	2,545,261	16,995,236
Unallocated corporate liabilities					77,624,091
Total liabilities					94,619,327
Capital employed					518,412,044



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

For the quarter ended 31 December 2002

*(All amounts in Rs.)*

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

For the nine months ended 31 December 2002

*(All amounts in Rs.)*

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



For the year ended 31 March 2002

(All amounts in Rs.)

Description	India	Far East	Singapore	Others	Total
Capital expenditure (unallocated)					93,301,288
Total capital expenditure					93,301,288
Depreciation expenditure (unallocated)					25,074,237
Amortization (Unallocated) (miscellaneous expenditure amortized during the year)					223,472
Total depreciation and amortization					25,297,709
Segment non-cash expense other than depreciation	413,155	609,373	94,800	1,626,728	2,744,056
Total non cash expenditure other than depreciation and amortization	413,155	609,373	94,800	1,626,728	2,744,056

Note: No comparatives are available for the quarter and nine months ended 31 December 2001, as the same were not disclosed in the financial statements of that period.

6. 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*

	Quarter ended 31 December		Nine months ended 31 December		Year ended 31 March
	2002	2001	2002	2001	2002
i. Software development services and products Wholly owned subsidiary companies	80,971,447	24,272,190	264,941,894	55,697,190	109,022,833
ii. Managerial Remuneration Key managerial personnel	576,000	405,000	2,438,000	1,125,000	6,060,000
iii. Reimbursement of expenses From wholly owned subsidiary companies	6,530,452	—	17,360,780	—	14,283
To wholly owned subsidiary companies	4,978,952	—	7,539,349	—	—
			As at 31 December 2002	2001	As at 31 March 2002
iv. Outstanding balances as at period/year-end					
<i>Loans and advances</i>					
Wholly owned subsidiary		30,479,373		—	—
<i>Debtors</i>					
Wholly owned subsidiary		117,812,852		40,076,290	89,659,433
<i>Income accrued but not due</i>					
Wholly owned subsidiary Company		6,418,902		—	—



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	Quarter ended 31 December		Nine months ended 31 December		Year ended 31 March
	2002	2001	2002	2001	2002
7. Legal and professional includes payment to auditors					
Audit Fees (includes service tax)	210,000	26,250*	840,000	78,750*	1,05,000*
Tax audit fees	—	—	—	—	26,250*
Other services	52,500	37,335*	73,500	51,569*	101,575*
Out of pocket expenses	35,700	—	54,600	—	—
Total	298,200	63,585*	968,100	130,319	232,825*
* payment to the erstwhile statutory auditors					
8. CIF value of imports					
Capital Goods	2,944,053	1,087,660	8,914,408	11,453,047	14,051,225
Software Packages	—	—	48,410	—	4,201,000
Total	2,944,053	1,087,660	8,962,818	11,453,047	18,252,225
9. Expenditure in foreign currency (on cash basis)					
Travel expenses	39,472,691	8,677,521	80,577,937	26,702,327	45,311,407
Professional charges	2,480,121	—	4,960,327	188,100	73,154
Others	1,148,419	1,233,689	6,083,191	1,311,038	4,503,475
Total	43,101,231	9,911,210	91,621,455	28,201,465	49,888,036



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	Quarter ended 31 December		Nine months ended 31 December		Year ended 31 March
	2002	2001	2002	2001	2002
10. Earnings in foreign currency					
Income from software development services and products	106,102,235	85,164,939	348,328,957	230,269,200	314,527,739
Interest	3,797	—	8,553	—	1,281
Total	106,106,032	85,164,939	348,337,510	230,269,200	314,529,020
11. Dividend remitted in foreign currency					
<i>Amount remitted (net of tax)</i>					
Final dividend (2001)	—	—	—	36,800	36,800
Interim dividend (2002)	—	53,850	56,050	53,850	53,850
<i>Number of shares held</i>					
Final dividend (2001) (Numbers)	—	—	—	36,800	36,800
Interim dividend (2002) (Numbers)	—	53,850	56,050	53,850	—
<i>Number of non- resident shareholders</i>					
Final dividend (2001) (Numbers)	—	—	—	24	24
Interim dividend (2002) (Numbers)	—	26	27	26	26



12. Cash flow statement	<i>(All amounts in Rs.)</i>		
	Nine months ended 31 December 2002	2001	Year ended 31 March, 2002
<b>A. Cash flow from operating activities</b>			
Net profit before tax	40,051,959	86,919,666	104,071,363
<i>Adjustment for:</i>			
Depreciation	10,795,115	21,758,426	25,074,237
Exchange difference on translation of foreign currency accounts	1,366,216	(706,963)	(1,058,913)
Dividend income from investments	(1,302,591)	(6,506,787)	(9,022,873)
Interest income	(1,796,555)	(537,972)	(1,006,667)
Profit on sale of investments	(993,847)	(562,318)	(591,336)
Amortisation of employees compensation expenses	3,144,242	1,099,202	1,184,513
Interest expense	1,547,314	1,244,356	578,142
Loss on sale of fixed assets	98,951	56,630	1,008,410
Loss on assets discarded	5,371,544	—	—
Provision for bad and doubtful debts	24,561,390	—	3,059,148
Provision for gratuity and leave encashment	2,155,787	(258,431)	2,173,791
Miscellaneous expenditure written off	167,605	167,606	223,472
	85,167,130	102,673,415	125,693,287
Operating profit before working capital changes			
Decrease / (increase) in debtors	8,689,641	(19,778,795)	(73,296,538)
Decrease / (increase) in loans and advances	(15,935,887)	(14,335,813)	(12,434,385)
Decrease / (increase) in other current assets	(26,737,455)	(336,253)	(157,172)
(Decrease) / increase in current liabilities	43,923,097	5,577,802	7,195,363
	95,106,526	73,800,356	47,000,555
Direct taxes paid	(4,999,451)	(2,200,678)	(6,000,000)
<i>Net cash from operating activities (A)</i>	90,107,075	71,599,678	41,000,555
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress	(20,832,455)	(59,763,141)	(68,044,309)
Sale of fixed assets	449,364	230,000	380,000
Purchase of investments	(12,092,372)	(168,115,627)	(160,631,713)
Investment in subsidiary	(4,193,485)	(19,211,912)	(19,209,912)
Interest received	1,796,555	537,972	1,006,667
Dividend received from investments	1,302,591	6,506,787	9,022,873
Inter corporate deposit	—	(5,000,000)	—
<i>Net cash used in investing activities (B)</i>	(33,569,802)	(244,815,921)	(237,476,394)
<b>C. Cash flow from financing activities</b>			
Repayment of loans	(37,812,310)	39,950,026	38,524,512
Interest paid	(1,547,314)	(1,244,356)	(578,142)
Receipt against share premium/calls in arrears	—	155,015,675	155,015,675
Dividend paid	(7,911,150)	(12,520,223)	(12,520,223)
Share application money pending allotment	592,000	18,755,000	18,755,000
<i>Net cash used in financing activities (C)</i>	(46,678,774)	199,956,122	199,196,822
Net increase in cash and cash equivalents	9,858,499	26,739,879	2,720,983
Cash and cash equivalents opening balance	19,232,499	15,452,603	15,452,603
Exchange difference on translation of foreign currency accounts	197,624	706,963	1,058,913
Cash and cash equivalent closing balance	29,288,622	42,899,445	19,232,499

Note:

- The above cash flow statement has been prepared in accordance with the 'Indirect method' as set out in the Accounting Standard 3 on "Cash Flow Statements" issued by ICAI.
- Cash and cash equivalents consist of cash on hand and balances with scheduled banks.



13. Earnings per share	Quarter ended		Nine months ended		(All amounts in Rs.)
	31 December	31 December	31 December	31 December	Year ended
	2002	2001	2002	2001	31 March
					2002
Profit after taxation available to equity shareholders (Rs.)	17,313,804	31,569,782	38,441,374	86,919,666	101,992,542
Weighted average number of equity shares used in calculating basic earnings per share	7,911,150	7,911,150	7,911,150	7,332,966	7,485,326
Add: Effect of dilutive issue of shares	138,768	92,834	127,571	688,860	539,282
Weighted average number of equity shares used in calculating diluted earnings per share	8,049,918	8,003,984	8,038,721	8,021,826	8,024,608
14. Other prior period adjustments 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.					
15. Company has entered into a marketing agreement with a company ("the party") which provides information technology solutions for the advertising and media industry in respect of which the Company shall receive a specified commission on the orders booked by it. Further, the Company shall bear marketing expenses, including expenses incurred by the party, upto a maximum of Rs. 2,500,000. No income has accrued upto the quarter ended 31 December 2002 and expenses incurred have been charged to the profit and loss account.					
16. Estimated amount of contracts remaining to be executed on capital account and not provided for in the books of account (net of advances) Rs.959,312 (previous period/year Nil).					
17. 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.)  
January 29, 2003

P K Sanghi  
Chief Financial Officer

Poonam Bhasin  
Company Secretary



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

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### OVERVIEW

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and the Generally Accepted Accounting Principles (GAAP) in India. 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 perception.

#### A. COMPANY BACKGROUND

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

The Company's business broadly consists of software development and support services for banks, financial services and insurance companies. Nucleus is a multi-product, multi service Company with Customers in more than 17 countries. So far, over 475 projects have been developed, implemented and supported successfully in leading financial institutions in Australia, India, Indonesia, Japan, Korea, Mauritius, Mongolia, Malaysia, New Zealand, Philippines, Saudi Arabia Singapore, Taiwan, Thailand, UAE, UK and U.S.A.

Over the years Nucleus has gained tremendous experience working closely with IT leaders in the Banking and Financial Services industry, leading to, not only a thorough but also an unmatched insight into the unique needs of the sector.

#### B. COMPANY MANAGEMENT

The Company is managed through a Board of Directors with Mr. Vishnu R Dusad as the Managing Director. Mr. R. P. Singh, President Technology and the Management Council support him in managing the Company.

The organisation is structured and divided into a number of Independent Business Units (IBU), which are independent profit centers.

#### C. OPPORTUNITIES AND THREATS

The Company started its operations in 1989 and is involved in software exports since inception. The first assignment handled by the Company was to provide onsite support to the data center of a large multinational bank in Indonesia using IBM AS-400 computers.

The customers of the Company, many of who pioneer business practices and innovate products, continue placing repeat orders for getting their innovative practices and products implemented. The Company continues developing customised solutions for the earliest client Citibank in Singapore, Malaysia, Thailand, Australia and UK.

From consultancy and services, to the creation of innovative solutions, the transformation of Nucleus



Software into products Company, has been a deliberate, much thought-out process. Consequently, Nucleus Software is today a much-respected provider of Customized Software Solutions and Products for Financial Services, including Retail banking, Credit Cards and Leasing. Nucleus is managed by a group of professionals.

The Company has set up the following wholly owned Subsidiaries:

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

In addition, the Company operates a Branch office at London, U.K.

The Company has built long term relationships with its clients and current and future revenues are a mix of repeat business from the existing base as well as the new prospects on a global perspective. The Company's focus on products enables it to deliver solutions worldwide on a standardized basis supported by specific customer mandated modifications. The business space occupied by the Company in the banking technology area is extremely large and the worldwide potential is immense. With significant breakthroughs in the Japanese market the Company expects to continue growing well into the future. The challenge is to gear up for and fully exploit business opportunities. Our focus remains on investing for the future and delivering quality solutions

#### D. SEGMENT WISE PERFORMANCE

The revenue of the Company from its product business constituted 26% of total revenue while the total revenue from projects and professional services constituted 74%.

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

GEOGRAPHICAL AREA	Quarter Ended		Year Ended
	December 31, 2002	December 31, 2001	March 31, 2002
India	27.78%	26.60%	22.25%
Far East	28.34%	36.80%	30.18%
Singapore	30.44%	16.55%	31.55%
Others	13.44%	20.05%	16.02%
Total	100.00%	100.00%	100.00%

#### E. OUTLOOK

The Company continues to be cautiously optimistic about its growth prospects for the current financial year.

#### F. RISKS AND CONCERNS

##### 1. Business Portfolio Risks

###### 1.1. Client concentration

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



its profitability on a sustained basis. The Company has gained wealth of experience through customers worldwide in the field of consulting, system integration and customized software development.

The Company has added 6 new clients and earned 71% of its revenues from the top five clients, including two subsidiary companies during the quarter under review.

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

	Quarter Ended		Year Ended
	December 31, 2002	December 31, 2001	March 31, 2002
Active Clients	65	55	56
Clients added during the quarter/year	6	2	12
% of Revenue from the top-five clients	71%	72%	71%
Clients accounting for >10% of total revenue	2	4	5

### 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. To avail the distinct characteristics of each individual market in the form of growth, cost of penetration and price points, Company has decided not to impose rigid limits on geographical concentration.

The Company has gained adequate experience over the recent years in handling the problems arising out of operating in different countries. In addition, the Company is proactively looking for business operations in new geographical areas and thereby mitigating the risk of economic slowdown in a region.

### 1.3 *Market risks*

Market risk is the risk of loss of future earnings, to fair values. Our revenues are difficult to predict because they can fluctuate significantly given the nature of markets in which we operate.

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

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

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

## 2. Financial Risks

### 2.1 *Foreign currency rate fluctuations*

Our exchange rate risk primarily arises from our foreign currency revenues and receivables. The Company derives its revenue from more than seventeen countries around the world. While a large portion of our expenses are in Indian rupees, at the same time operating profits are subject to foreign currency rate fluctuations. While the depreciation of the Indian rupee in comparison to foreign currency



would have a favourable bottom line impact, an appreciation would effect the Company's profitability adversely.

## 2.2 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
	December 31, 2002	December 31, 2001	March 31, 2002
Days of sale receivable	111	135	191
Cash and equivalents as % of assets	5.20%	7.64%	3.41%
Cash and equivalents as % of total revenue	19.83%	37.82%	4.65%
Current investments as % of assets	31.31%	30.49%	28.85%
Current Investments as % of total revenue	119.46%	150.90%	39.33%

## 2.3 Leverage

To minimise fixed costs, the Company generally refrains from borrowing. However due to the growing business needs the Company has availed loans against assets and working capital facilities for meeting certain financial requirements.

## 2.4 Credit risks

The business of Nucleus involves extending credit to international customers. This has the inherent risk of delayed payments and defaults.

The Company's credit policy addresses this risk. It ensures that a credit analysis of the client is carried out before determining the amount and the period of credit to be extended.

## 3. Legal And Statutory Risks

### 3.1 Contractual liabilities

The Management has clearly charted out a review and documentation process for contracts. This process focuses on evaluating the legal risks involved in the contract, after ascertaining the contractual and legal responsibilities of the Company under the applicable law. Effort is made to restrict our liability for damages arising from negligent acts, errors, mistakes or omissions in rendering its services under the contract. The Management reviews this on a continuous basis and takes corrective action. As a matter of policy the Company does not enter into contracts-which have open-ended legal obligations.

### 3.2 Statutory compliance

Compliance with respect to various laws in India as well as jurisdictions of other Countries where the Company has its business activities is an important task. Nucleus has compliance officers as well as consultants who advise the Company on compliance issues and ensures that the Company is in compliance of such laws. The compliance officers report from time to time on the compliance or otherwise of the laws of various jurisdictions to the Board of Directors.



## 4 Internal Process Risks

### 4.1 *Project execution*

Inability to deliver quality software services within budgeted time and cost is a major risk and if not controlled can cause serious erosion of profit margin. In order to achieve an efficient risk management of processes, Nucleus has adopted the Capability Maturity Model (CMM) thereby ensuring that uncertain areas are identified and measures are taken to mitigate them at the project stage itself. During the financial year 2001-2002, the Company has achieved CMM Level 3 Certification.

### 4.2 *Human resource related risks*

Nucleus remains totally committed to its human resources, which it believes are its life source. The Company has experienced significant growth in recent years. The Company and its wholly owned subsidiaries employ 763 professionals worldwide as on December 31, 2002 as compared to 661 professionals as on December 31, 2001. This continued growth places an extra challenge to the Company for:

- a) Effective recruitment of skilled technical, marketing and management personnel.
- b) Providing adequate training and supervision to maintain the high quality standards and
- c) Preserving the Nucleus culture and values

To meet these challenges the Company has maintained relationships with various universities, not only to draw talent pool from them but also to expand the knowledge base of the existing Nucleites. The Company has been able to create a challenging and favourable work environment added with a warm, close-knit Nucleite culture. The Company will always consider development of Human resources as integral part of the business. Developing every individual's potential to match the needs of the organisation and business environment will always be the prime concern.

The Company's ability to perform existing projects and to attract new clients depends mainly on its ability to attract, train, motivate and retain highly skilled professionals. The Company has in place various employee motivation and retention strategies with the focus on quality recruitment. The Company's success depends to a significant degree upon continued contributions of each employee of the Company. Thrust areas include PCMM (People's Capability Maturity Model) for quality to attain high level of maturity in HR processes.

Nucleus has implemented Employee Stock Option Schemes whereby the Compensation Committee grants options to the eligible Nucleites. The schemes have been drafted as per the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The Compensation Committee, appointed by the Board of Directors decides the eligibility criteria. Your Directors consider the ESOS to be a key instrument in implementing the business strategy of your Company by making Nucleites partners in the growth and prosperity of the Company.

The Company's ability to rapidly adapt to the changing business environment, its total commitment to quality in all of its forms, and long-term investment in the development of human resources has given a competitive edge in the chosen area of operation. The Company believes that in the knowledge driven industry, human capital alone provides the sustainable competitive advantage.

## 5. Forecasting Model

Business organizations operate in an environment that is constantly changing. Some changes are quite unpredictable (random) but when some kind of prediction or forecast can be made decisions can be taken



(given the objectives of the business and subject to any constraints, which might apply) based on the expectations of future conditions. Hence a very robust forecasting model, which captures the uncertainty in the business, is highly critical for the success of every organization.

The Company is working on methods to improve the forecasting model to ramp up to the demand, at a lower cost.

#### 6. Management Information System

The Company has put in place an improved MIS for project control and cost maintaining. The Company has also targeted Six-Sigma level process efficiencies in the medium term to increase productivity and efficiency of operations.

#### G. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Internal Control systems are aimed at promoting operational efficiencies while emphasizing adherence to policies.

Nucleus has maintained clear processes and well defined roles and responsibilities for people at various levels. A well defined internal information systems, further ensures appropriate information flow to facilitate monitoring. Additionally, the following measures are in place to ensure proper control.

Any unbudgeted expense has to be approved by the Managing Director.

A Corporate Management Committee headed by the Managing Director has been formed which has the following major functions:

- to-strengthen the existing management structure.

- to look into the long-term and short-term issues facing the Company and to be responsible for implementing the decisions taken, senior management personnel present a weekly review at the meeting held every Friday. Moreover monthly review meetings are held at the end of each month for review of the targets achieved and for comparison of Budgeted Vs Actual results. Adequate control measures are in place to ensure that no process breakdown occurs.

All Independent Business Units have set their goals, which are tracked by senior management. Monthly review meetings are held of all key matrices as per goals 2002-03.

During the financial year 2001-2002, an Audit Committee consisting of independent and non-executive Directors was constituted. The Audit Committee is independent and is empowered by the Board with the authority to investigate any matter relating to the internal control system and to review the scope of Internal Audit. The Committee also reviews the quarterly, half -yearly and annual financial statements before these are submitted to the Board and ensures compliance of internal control systems.

#### H. FINANCIAL PERFORMANCE

##### 1. Share Capital

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

The Share Capital of the Company comprises 7,911,150 Equity Shares of Rs.10/- each out of which 2,637,050 Equity Shares were issued as fully paid up Bonus Shares on October 22,2001 and 1,452,270 Equity Shares



were issued as fully paid up Bonus Shares in 1994-95. The paid up Share Capital as on December 31, 2002 is Rs.791.26 lacs. (Rs.791.26 lacs as on December 31,2001). There is no change in Share Capital in the quarter and nine month period ending Dec 31,2002.

## 2. Reserves and Surplus

The Reserves and Surplus of the Company including balances in the Profit and Loss Account is Rs. 4800.94 lacs as on December 31, 2002. (Rs.4396.55 lacs as on December 31, 2001) . This includes Rs.384.42 lacs of net profit for the nine-month period ended Dec 31, 2002.

## 3. Fixed Assets

The Company, during quarter ended December 31, 2002 has added Rs.52.18 lacs to the gross block including investment in technology assets of Rs.48.74 lacs. The amount added to gross block and technology assets was Rs.55.08 lacs and Rs.22.16 lacs respectively during the corresponding quarter in the previous year.

The charge towards depreciation is Rs.27.67 lacs during the quarter under review as against Rs.56.14 lacs during the corresponding quarter in the previous year.

Depreciation charge has decreased as 93.94% of the asset "Software Package" stands depreciated as on Dec 31, 2002.

## 4. Investments

The investment of the Company in the equity share capital of its subsidiaries stood as follows:

*(Rs. in lacs)*

Name of Subsidiary	Quarter Ended		Year Ended
	December 31, 2002	December 31, 2001	March 31, 2002
Nucleus Software Solutions Pte. Ltd., Singapore	163.20	163.20	163.20
Nucleus Software Inc., U.S.A.	162.93	162.93	162.93
Nucleus Software Japan Kabushiki Kaiga, Japan	40.92	40.92	40.92
Nucleus Software (HK) Ltd., Hongkong	6.20	Nil	Nil
Nucleus Software (Australia) Pty. Ltd., Australia	35.74	Nil	Nil
NucleusSoftware.com Pvt. Ltd.	Nil	0.02	Nil

Other investments of the Company include:

- Rs.5.21 lacs in Units-64,
- Rs.1.28 lacs in 20,000 Bonds of 20th Century Mutual Fund,
- Rs.287.52 lacs in Alliance Cash Manager,
- Rs.165.00 lacs in Zurich India Liquid Fund
- Rs.250.00 lacs in HDFC Liquid Fund.
- Rs.20.93 lacs in Templeton India Fund
- Rs.75.00 lacs in Templeton India Liquid Fund
- Rs.158.00 lacs in Zurich India Liquidity Fund-Saving plan
- Rs.150.00 lacs in DSP Merrill Lynch Liquidity Fund
- Rs.75.00 lacs in Chola Liquid Fund
- Rs.238.70 lacs in IL & FS Liquid Fund
- Rs.150.00 lacs in GCFG Grindlays Cash Fund.
- Rs.193.95 lacs in Templeton India Treasury Management

Investments in mutual funds are in low risk liquid funds.



## 5. Sundry Debtors

Sundry Debtors amount to Rs.1766.43 lacs (net of provisions for doubtful debts) as on December 31, 2002 as compared with Rs.1608.42 lacs as on December 31, 2001.

(Rs. in lacs)

As on	Quarter Ended		Year Ended
	December 31, 2002	December 31, 2001	March 31, 2002
Due from			
—subsidiaries	1,178.13	400.76	896.59
—others	588.30	1,207.66	1,216.41
Total	1,766.43	1,608.42	2,113.00
Days of sales receivable	111	135	191

The days of sales receivable has improved with focus on collections.

The age profile of the debtors is given below:

Period in days	Quarter Ended		Year Ended
	December 31, 2002	December 31, 2001	March 31, 2002
0-30	60.73%	38.67%	46.52%
31-60	9.17%	10.48%	6.47%
61-90	5.03%	4.23%	20.98%
More than 90	25.07%	46.62%	26.03%

## 6. Cash and Bank Balances

(Rs. in lacs)

	Quarter Ended		Year Ended
	December 31, 2002	December 31, 2001	March 31, 2002
Cash in hand (including cheques in hand)	25.09	5.48	9.56
Balances with Scheduled Banks			
—In current Accounts	118.90	178.62	74.77
—Exchange Earning Foreign			
—Currency (EEFC) Account	28.18	185.01	38.05
—In Fixed Deposit Account	97.00	58.25	60.88
Balance with Citibank, U.K. (Branch)	23.71	1.63	9.07
TOTAL	292.88	428.99	192.33

Cash and bank balance represent 5.20% and 7.64% of the total assets as on December 31, 2002 and December 31, 2001 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.99.91 lacs as on December 31, 2002 (Rs.345.27 lacs as on December 31,2001.)

Security Deposits are mainly for the hiring of premises for the office and staff accommodation. The amount is Rs.70.22 lacs as on December 31, 2002 (Rs.39.80 lacs as on December 31, 2001).



Deposits with Government authorities are towards electricity and telephone facilities. The amount is Rs.0.89 lacs as on December 31, 2002 (Rs.0.10 lacs as on December 31, 2001)

Advance Income tax including Tax deducted at source (TDS) stood at Rs.20.78 lacs as on December 31, 2002 (Rs.58.05 lacs as on December 31, 2001).

Prepaid expenses stood at Rs.7.13 lacs as on December 31, 2002 (Rs.3.24 lacs as on December 31, 2001)

Advances to Subsidiaries include:

- (a) Amounts receivable/reimbursable on account of expenses incurred at Rs.32.31 lacs as on December 31, 2002 (Nil as on December 31, 2001).
- (b) Loan of S \$ 1 million, equivalent to Rs.272.48 lacs disbursed in September 2002 to its wholly owned subsidiary, Nucleus Software Solutions Pte. Ltd. at an interest rate of 0.5% over S \$ LIBOR for 6 months and with a repayment schedule of 5 equal yearly instalments starting from the financial year 2003-2004.

## 8. Current Liabilities

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

The total amount of Sundry Creditors as on December 31, 2002 is Rs.502.08 lacs (Rs.77.11 lacs as on December 31, 2001).

Other liabilities represent amounts accrued for Statutory dues for the taxes deducted at source by the Company, staff provident fund, employee state insurance liabilities, sales tax, service tax etc. The total amount of other liabilities as on December 31, 2002 is Rs.32.40 lacs (Rs.164.26 lacs as on December 31, 2001).

Withholding tax payable represents the amount of withholding taxes to be deducted at time of payment by overseas clients on income billed to them. The total amount of withholding tax payable as on December 31, 2002 is Rs.147.52 lacs (Nil as on December 31, 2001).

Advances from customers as on December 31, 2002 is Rs.42.40 lacs (Rs.56.29 lacs as on December 31, 2001).

## 9. Provisions

The Company evaluates its liability towards gratuity and leave encashment on actuarial basis and make full provision for the future liability on the basis of the actuarial valuation. Provision for taxation represents estimated tax liability of the Company on both current basis and deferred basis.

## I. RESULTS OF OPERATIONS

### 1. Income

The Company derives its income from software services and the sale of software products. 72.31% of the Company's income in this quarter is derived from export activities.

The Company's net sales/income from operations has gone up by 33.85% to Rs.1467.97 lacs, in the quarter as against Rs.1096.73 lacs in the same quarter in the previous year.

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 biggest component of the total cost.

The Company's personnel expenses constitute 32.21% and 26.75% of total revenue for the quarters ended December 31, 2002 and December 31, 2001 respectively. The amounts are 40.64% and 45.91% respectively as % of the total operating expenses of the Company.

### 2.2 Administrative and other expenses

Administrative and other expenses constitute 9.51% and 12.96% of total revenue and 11.99% and 22.24% of the operating expenses for the quarters ended December 31, 2002 and December 31, 2001 respectively.

### 2.3 Operational expenses

The operating expenses constitute 37.53% and 18.56% of total revenue and 47.35% and 31.84% of the operating expenses for the quarters ended December 31, 2002 and December 31, 2001 respectively.

Operational expenses includes travel expenditure which is 28.28% and 12.27% of the total revenue and 35.68% and 21.05% of the total operating expenses for the quarters ended December 31, 2002 and December 31, 2001 respectively.

## 3. Operating Profit

During the quarter ended December 31, 2002, the Company earned an operating profit (profit before finance charges, depreciation and tax) of Rs.306.45 lacs representing 20.75% of total revenue as compared with Rs.473.26 lacs representing 41.72% of total revenue for the quarter ended December 31, 2001.

## 4. Depreciation

Depreciation on fixed assets is 1.87% of the total revenue for the quarter ended December 31, 2002 whereas it was 4.94% of the total revenue for the quarter ended December 31, 2001.

## 5. Finance Charges

Finance charges comprise of interest charged by banks on cash credit facilities and other secured/unsecured loans and bank charges. The comparative figures are Rs.1.21 lacs for the quarter ended December 31, 2002 and Rs.6.42 lacs for the quarter ended December 31, 2001.

## 6. Withholding taxes

Withholding taxes charged off represent withholding taxes as charged to the Profit and loss amount during the quarter ended December 31, 2002 of Rs.77.88 lacs and Rs.95.00 lacs for December 31, 2001.

## 7. Provision for Tax

The Company has made a provision for current tax Rs.30.00 lacs; 2.03% of the total revenue and has written back deferred tax Rs.3.46 lacs; 0.23% of the total revenue for the quarter ended December 31, 2002 (Nil as on December 31, 2001).



9. Net Profit

During the quarter ended December 31, 2002, Company earned a net profit of Rs.173.14 lacs (corresponding quarter Rs.315.70 lacs) after providing provision for current income tax of Rs.30.00 lacs (corresponding quarter NIL) and deferred tax of (Rs.3.46 lacs) (corresponding quarter nil).

10. Utilization of Proceeds from Preferential Issue:

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



## 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 ended December 31, 2002 have been prepared incorporating Accounting Policies of the parent Company under the historical cost convention, in compliance with Indian Generally Accepted Accounting Practices ("GAAP") in accordance with mandatory and relevant Accounting Standards issued by the Institute of Chartered Accountants of India and in compliance with the provisions of The Companies Act, 1956.

### Use of Estimates

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



NUCLEUS SOFTWARE EXPORTS LTD.

Consolidated Balance Sheet as at 31 December 2002 (Unaudited)

All amounts in Rupees

Particulars	As at 31 December 2002	As at 31 December 2001	As at 31 March 2002
<b>SOURCES OF FUNDS</b>			
(Audited)			
Shareholders' Funds			
Share Capital	79,126,500	79,126,500	79,126,500
Share application money pending allotment	1,369,560	928,340	805,340
Reserves & Surplus	505,355,496	446,889,706	447,520,155
	<u>585,851,556</u>	<u>526,944,546</u>	<u>527,451,995</u>
Loan Funds			
Secured Loans	2,508,000	10,945,821	7,672,310
Unsecured Loans	—	30,800,000	32,648,000
	<u>2,508,000</u>	<u>41,745,821</u>	<u>40,320,310</u>
Deferred Tax Liability	405,601	800,000	6,688,126
<b>TOTAL</b>	<u>588,765,157</u>	<u>569,490,367</u>	<u>574,460,431</u>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets			
Gross Block	240,219,874	228,870,333	236,904,673
Less: Depreciation	90,086,655	89,079,985	93,327,458
Net block	150,133,219	139,790,348	143,577,215
Add: Capital work in progress	4,329,818	1,930,408	5,895,419
	<u>154,463,037</u>	<u>141,720,756</u>	<u>149,472,634</u>
Investments	177,059,066	172,303,023	163,972,847
Current Assets, Loans & Advances			
Sundry Debtors	175,619,167	251,777,224	205,691,619
Cash & Bank Balances	131,782,727	66,891,238	63,344,208
Loans & Advances	27,689,580	45,534,863	49,626,417
Other Current Assets	26,894,626	336,253	157,172
	<u>361,986,100</u>	<u>364,539,578</u>	<u>318,819,416</u>
Less : Current Liabilities & Provisions			
Current Liabilities	95,853,894	98,789,343	39,594,234
Provisions	9,507,115	11,051,334	18,922,053
	<u>105,361,009</u>	<u>109,840,677</u>	<u>58,516,287</u>
Net Current Assets	256,625,091	254,698,901	260,303,129
Miscellaneous Expenditure (To the extent not written off or adjusted)	617,963	767,687	711,821
<b>TOTAL</b>	<u>588,765,157</u>	<u>569,490,367</u>	<u>574,460,431</u>



NUCLEUS SOFTWARE EXPORTS LTD.

Consolidated Profit and Loss Account for the quarter and nine-months ended as on December 31, 2002 (Unaudited)  
All amounts in Rupees

Particulars	For the quarter ended		For the nine months ended		For the year ended 31 March, 2002
	31 December, 2002	31 December, 2001	31 December, 2002	31 December, 2001	
Income					(Audited)
Software development services and products	224,362,604	166,934,968	658,655,175	443,691,899	612,115,000
Other income	862,805	3,782,896	4,495,710	7,749,446	10,803,018
<b>Total</b>	<b>225,225,409</b>	<b>170,717,864</b>	<b>663,150,885</b>	<b>451,441,345</b>	<b>622,918,018</b>
Expenditure					
Personnel Expenses	105,654,954	69,602,034	302,216,411	184,278,207	269,047,811
Administrative and other Expenses	22,565,917	19,893,703	74,316,665	52,384,720	78,475,630
Operational Expenses	59,239,110	27,452,118	177,188,323	78,104,429	115,439,022
<b>Total Operating Expenses</b>	<b>187,459,981</b>	<b>116,947,855</b>	<b>553,721,399</b>	<b>314,767,356</b>	<b>462,962,463</b>
Operating Profit (PBIDT)	37,765,428	53,770,009	109,429,486	136,673,989	159,955,555
Finance charges	121,177	641,991	1,547,314	1,244,356	1,675,445
Depreciation	4,193,851	6,338,555	14,649,380	23,874,581	28,261,184
Withholding Tax Charged Off	7,801,990	9,500,000	23,019,927	16,500,000	17,571,000
<b>Total</b>	<b>12,117,018</b>	<b>16,480,546</b>	<b>39,216,621</b>	<b>41,618,937</b>	<b>47,507,629</b>
Profit before Tax (PBT) before prior period adjustments	25,648,410	37,289,464	70,212,865	95,055,052	112,447,926
Prior period adjustments on account of withholding tax	—	—	14,897,989	—	—
Other prior period adjustments	—	—	(3,890,515)	—	—
Profit before Tax (PBT)	25,648,410	37,289,464	59,205,391	95,055,052	—
Provision for tax - current	5,302,650	702,364	11,483,045	2,064,686	6,755,230
- deferred	(968,645)	—	(6,282,525)	—	(2,708,379)
<b>Profit after Tax (PAT)</b>	<b>21,314,405</b>	<b>36,587,100</b>	<b>54,004,871</b>	<b>92,990,366</b>	<b>108,401,075</b>
Amount available for appropriation					
Profit for the period	21,314,405	36,587,100	54,004,871	92,990,366	108,401,075
Add: Balance brought forward	154,587,308	186,528,272	121,896,842	129,703,232	129,703,232
<b>Total amount available</b>	<b>175,901,713</b>	<b>223,115,372</b>	<b>175,901,713</b>	<b>222,693,598</b>	<b>238,104,307</b>
Interim dividend	—	7,911,150	—	7,911,150	15,822,300
Dividend tax	—	806,938	—	385,164	385,165
Amount transferred to general reserve	—	100,000,000	—	100,000,000	100,000,000
<b>Balance in the Profit and Loss Account</b>	<b>175,901,713</b>	<b>114,397,284</b>	<b>175,901,713</b>	<b>114,397,286</b>	<b>121,896,842</b>
Earnings per share (Equity shares, par value Rs. 10 each)					
Basic	2.69	4.62	6.83	12.68	14.48
Diluted	2.65	4.57	6.72	11.59	13.51
Number of shares used in computing earning per share					
Basic	7,911,150	7,911,150	7,911,150	7,332,966	7,485,326
Diluted	8,049,918	8,003,984	8,038,721	8,021,826	8,024,608



Consolidated Cash flow statement

	2002	Nine Months Ended 31 December 2001	Year ended 31 March, 2002
<b>A. Cash flow from operating activities</b>			
Net profit before tax	59,205,391	95,055,052	112,447,926
<i>Adjustment for:</i>			
Depreciation	14,649,380	23,874,581	28,261,184
Exchange difference on translation of foreign currency accounts	1,208,515	(706,963)	(1,058,913)
Dividend income from investments	(1,317,171)	(6,506,787)	(9,022,873)
Interest income	(2,014,745)	(618,089)	(1,109,611)
Profit on sale of investments	(993,847)	(562,318)	(591,335)
Amortisation of employees compensation expenses	3,144,242	1,099,202	1,184,513
Interest expense	1,547,314	1,244,356	1,675,445
Loss on sale of fixed assets	98,951	56,630	1,008,410
Loss on assets discarded	5,370,556	—	3,059,148
Provision for Bad and Doubtful Debts	24,678,283	—	—
Provision for Gratuity and Leave Encashment	2,155,787	(258,430)	2,173,790
Miscellaneous expenditure written off	167,604	204,405	223,472
	107,900,260	112,881,639	138,251,156
Operating profit before working capital changes			
Decrease / (increase) in debtors	3,988,029	(105,789,916)	(62,763,459)
Decrease / (increase) in loans and advances	12,907,892	(19,779,269)	(14,841,878)
Decrease / (increase) in other current assets	(26,737,454)	(336,253)	(157,172)
(Decrease) / increase in current liabilities	56,259,660	70,569,617	11,374,508
Miscellaneous Expenditure	(73,746)	(36,797)	—
	154,244,640	57,509,023	71,863,155
Direct taxes paid	(6,113,675)	10,877,952	(5,262,989)
<i>Net cash from operating activities (A)</i>	148,130,964	68,386,975	66,600,166
<b>B. Cash flow from investing activities</b>			
Purchase of fixed assets/capital work in progress	(25,558,652)	(64,792,886)	(77,157,865)
Sale of fixed assets	449,364	230,000	971,336
Sale of investments	(12,092,372)	(168,115,627)	(161,223,048)
Interest received	2,014,745	618,089	1,109,611
Dividend received from investments	1,317,171	6,506,787	9,022,873
<i>Net cash used in investing activities (B)</i>	(33,869,743)	(225,553,636)	(227,277,093)
<b>C. Cash flow from financing activities</b>			
Repayment of loans	(37,812,310)	39,950,023	38,524,512
Interest paid	(1,547,314)	(1,244,356)	(1,675,445)
Receipt against share premium/calls in arrears	—	155,015,675	155,015,675
Dividend paid	(7,911,150)	(12,520,222)	(12,520,223)
Share application money pending allotment	592,000	18,755,000	18,755,000
<i>Net cash used in financing activities (C)</i>	(46,678,774)	199,956,120	198,099,519
Net increase in cash and cash equivalents	67,582,446	42,789,459	37,422,592
Cash and cash equivalents opening balance	63,344,208	23,915,975	23,915,975
Exchange difference on translation of foreign currency accounts	856,073	185,804	2,005,641
Cash and cash equivalent closing balance	131,782,727	66,891,238	63,344,208



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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. Annual General Meeting held on                                              | Wednesday July 31, 2002                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 4. Venue of Annual General Meeting                                             | Shah Auditorium, Civil Lines, Delhi.                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 5. Financial Calendar<br>(tentative and subject to change)                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Financial results for the year ending<br>March 31, 2003.                       | between 21st to 30th of April, 2003                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 6. Annual General Meeting for the year<br>ending March 31, 2003.               | July/August, 2003                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 7. Listing on Stock Exchanges                                                  | Nucleus shares are listed at<br><br>The National Stock Exchange Association Ltd.<br>w.e.f December 19, 2002<br><br>The Delhi Stock Exchange Association Ltd.<br>w.e.f November 2, 1995<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<br><br>The Jaipur Stock Exchange Limited<br>w.e.f November 3, 1995<br><br>The Stock Exchange Ahmedabad<br>w.e.f November 4, 1995 |
| 8. Scrip code (BSE)<br>(NSE)                                                   | 531209<br>NUCLEUS                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 9. International Securities Identification<br>Number (ISIN code-NSDL and CDSL) | INE096B01018                                                                                                                                                                                                                                                                                                                                                                                                                                           |



10. Registrars of Company

RMC Share Registry Private Limited  
1515, 1st Floor  
Bhisham Pitamah Marg  
Kotla Mubarkpur  
Near South Extension  
New Delhi-110003

The Company's shares are traded in "Group B-1" category at the Stock Exchange, Mumbai.

11. Locations

Nucleus services its clients through a network of international offices. As on December 31, 2002 Nucleus has wholly owned subsidiaries in Singapore, U.S.A, Japan, Hongkong, Australia and a trading branch in London, U.K.

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

12. Stock market data relating to shares listed in India

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

BSE					
<i>Date</i>	<i>Open (Rs.)</i>	<i>High (Rs.)</i>	<i>Low (Rs.)</i>	<i>Close (Rs.)</i>	<i>No. of shares traded</i>
Oct-02	98.00	110.00	81.00	86.00	45059
Nov-02	82.15	110.00	80.20	102.65	77136
Dec-02	106.90	124.00	97.50	120.35	211927
Total shares traded during the quarter					3,34,122

NSE					
<i>Date</i>	<i>Open (Rs.)</i>	<i>High (Rs.)</i>	<i>Low (Rs.)</i>	<i>Close (Rs.)</i>	<i>No. of shares traded</i>
Oct-02	NA	NA	NA	NA	NA
Nov-02	NA	NA	NA	NA	NA
Dec-02	105.00	123.95	104.00	119.95	227996
Total shares traded during the quarter					2,27,996

- Note: 1. Nucleus shares were listed and admitted to dealings on the National Stock Exchange w.e.f December 19, 2002.
2. The highest share price of the Nucleus scrip at Mumbai Stock Exchange in the quarter was Rs.124.00 in December 2002 and the lowest share price was Rs.80.20 in October 2002.
3. There is nil trading of Nucleus Shares in the Stock Exchanges of Delhi, Ahemdabad, Jaipur and Chennai during the quarter.



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

Quarter Ended	High (Rs.)	Low (Rs.)
2001		
March 31, 2001	105.00	52.50
June 30, 2001	94.70	37.20
September 30, 2001	84.00	37.00
December 31, 2001	103.00	40.00
2002		
March 31, 2002	149.80	75.00
June 30, 2002	224.75	118.50
September 30, 2002	157.00	93.00
December 31, 2002	124.00	80.20

13. Share transfers in physical form and other communication regarding share certificates, dividends, and change of address, etc. in India may be addressed to RCMC Share Registry Private Limited  
1515, 1st Floor  
Bhisham Pitamah Marg  
Kotla Mubarkpur  
Near South Extension  
New Delhi-110003
14. For De-materialisation of Physical Shares and other related communication in this respect may be addressed to RCMC Share Registry Privat Limited  
1515, 1st Floor  
Bhisham Pitamah Marg  
Kotla Mubarkpur  
Near South Extension  
New Delhi-110003

15. Share Transfer System

The Company in compliance with the notification issued by SEBI for the appointment of a common registry, has entered into an agreement with RCMC Share Registry Private Limited, registered with SEBI as Category -I "Registrars to an issue & Share Transfer Agents" and has appointed them as Registrars of the Company. The shareholders are therefore required to send all communication regarding application for transfers, transmission and transposition to the registrars address.

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 15 days of letter of option, the duly transferred share certificate are mailed 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 Limited (CDSL) within 15 days.

The Company has De-materialised 6,413,026 shares till December 31, 2002 which is 81.06% of the issued share capital.

16. Dividend Payment

The Company is hereby enclosing ECS Mandate (Electronic Clearing Service) for furnishing the details for direct electronic deposit of dividend to your bank accounts. Members who have not furnished the details and are desirous of receiving dividend by direct electronic deposit to their bank accounts may authorise the Company with their ECS mandate.

17. 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	2	2	Nil
2.	Issue of Duplicate Share Certificates	4	4	Nil
3.	Splitting and Demat	50	49	1
4.	Request for stop transfer	Nil	Nil	Nil
5.	Transfer, Transmission etc.	6	6	Nil

The Company has attended to most of the investors' grievances/correspondence within a period of 10 days from the date of receipt of the same, during the quarter from October 1, 2002 to December 31, 2002.

18. Legal Proceedings

There are no pending legal proceedings against the Company.



## 19. Distribution of Shareholding

<i>No. of equity shares held</i>	<i>As on December 31, 2002</i>				<i>As on December 31, 2001</i>			
	<i>No. of shareholders</i>	<i>% of shareholders</i>	<i>No. of shares</i>	<i>% of shareholding</i>	<i>No. of shareholders</i>	<i>% of shareholders</i>	<i>No. of shares</i>	<i>% of shareholding</i>
1 - 100	1,585	36.91	86,340	1.09	1,197	26.54	65,998	0.84
101 - 200	1,578	36.75	244,621	3.09	1,935	42.89	294,233	3.72
201 - 500	679	15.81	233,214	2.95	816	18.09	275,673	3.48
501 - 1000	237	5.52	175,723	2.23	306	6.78	223,043	2.82
1001 - 5000	161	3.75	310,958	3.93	199	4.41	379,084	4.79
5001 - 10000	12	0.28	82,507	1.04	13	0.29	93,987	1.19
10001 and above	42	0.98	6,777,787	85.67	45	1.00	6,579,132	83.16
Total	4,294	100.00	7,911,150	100.00	4,511	100.00	7,911,150	100.00

## 20. Categories of shareholders

<i>Category</i>	<i>As on December 31, 2002</i>			<i>As on December 31, 2001</i>		
	<i>No. of shareholders</i>	<i>Voting Strength (%)</i>	<i>No. of shares held</i>	<i>No. of shareholders</i>	<i>Voting Strength (%)</i>	<i>No. of shares held</i>
Individuals	4,009	24.51	1,938,676	4,226	20.33	1,607,939
Companies	243	54.89	4,342,386	244	49.30	3,899,962
OCBs and NRIs	31	0.29	23,379	26	0.72	57,000
Directors/relatives	11	20.31	1,606,709	13	27.76	2,196,210
Mutual funds, Banks, FI's	Nil	Nil	Nil	2	1.89	150,039
Total	4,294	100.00	7,911,150	4,511	100.00	7,911,150

## 21. Investors' correspondence 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



22. Board Practices

Name	Expiration of current Term of office	Term of office
Lt. Gen T P Singh (Retd.)		Retirement by rotation
Vishnu R Dusad	December 31, 2006	Five years
Suresh Joshi		Retirement by rotation
Arun Shekhar Aran		Retirement by rotation
Sanjiv Sarin		Retirement by rotation
Prithvi Pal Singh Haldea		Retirement by rotation

The Indian Companies Act mandates that not less than two thirds of the members of the Board of Directors should retire by rotation, of which one third of such members should retire every year, and qualifies the retiring members for re-appointment.

23. 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.

24. Major shareholders of the Company

The following table sets forth the information regarding the ownership of the equity shares as on December 31, 2002 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	3,644,385	46.06
Yogesh Andlay and Associates	Equity	963,710	12.18
Arun Jain and Associates	Equity	490,665	6.20

25. Employee strength of Nucleus

Nucleus employed 604 people as on December 31, 2002 as compared to 554 people on December 31, 2001. The distribution of the employees is:

	<i>December 31, 2002</i>		<i>December 31, 2001</i>	
Technical Staff	528	87.42%	493	88.99%
Non-Technical Staff including Business Development Group	76	12.58%	61	11.01%
The gender classification of employees is:				
Male	500	82.78%	448	80.87%
Female	104	17.22%	106	19.13%
Total	604	100.00%	554	100.00%



The age profile of employees is:

	<i>December 31, 2002</i>		<i>December 31, 2001</i>	
Between 20 and 25 years	132	21.85%	197	35.56%
Between 26 and 30 years	342	56.63%	245	44.22%
Between 31 and 40 years	113	18.71%	101	18.24%
Between 41 and 50 years	12	1.98%	11	1.98%
Between 51 and 60 years	5	0.83%	Nil	Nil
Total	604	100.00%	554	100.00%

26. 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:++95 (120) 2581894 E Mail: vishnu@nucleussoftware.com

R P Singh  
President, Technologies                      Tel: ++95 (120) 2581705 E Mail: rp@nucleussoftware.com

P K Sanghi  
Chief Financial Officer                      Tel: ++95 (120) 2581920 E Mail: pksanghi@nucleussoftware.com

Niraj Vedwa  
Vice President,  
Sales and Marketing                      Tel :++ 95 (120) 2581706 E Mail: niraj@nucleussoftware.com

Mita Ray Brahma  
Corporate HR Head                      Tel :++ 95(120) 2583105 E Mail: mita.brahma@nucleussoftware.com

Poonam Bhasin  
Company Secretary                      Tel: ++95 (120) 2588435 E Mail: poonam@nucleussoftware.com

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