



NUCLEUS SECURITIES LIMITED



**20TH ANNUAL REPORT
2003 - 2004**

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NUCLEUS SECURITIES LIMITED

BOARD OF DIRECTORS : MR. ASIT C. MEHTA - *CHAIRMAN & MANAGING DIRECTOR*
MRS. DEENA A. MEHTA
MR. KIRIT H. VORA
MR. MANOHAR LAL VIJ
MR. VIJAY LADHA

CHIEF EXECUTIVE OFFICER : MR. A. S. NAGARAJA RAO

**COMPANY SECRETARY AND
COMPLIANCE OFFICER** : MS. DHANASHRI MOHE

AUDITORS : M/S. M. P. CHITALE & COMPANY
CHARTERED ACCOUNTANTS
MUMBAI

BANKERS : THE KARNATAKA BANK LTD.
CITIBANK N.A.
HDFC BANK LTD.
BANK OF INDIA

REGISTERED OFFICE : 'NUCLEUS HOUSE',
SAKI-VIHAR ROAD,
ANDHERI (EAST),
MUMBAI 400 072.

SHARE TRANSFER AGENTS :-

**1) PHYSICAL MODE &
ELECTRONIC/DEMAT MODE** : MCS LIMITED
SHRI VENKATESH BHAVAN,
PLOT NO. 27, ROAD NO. 11,
M.I.D.C. AREA, ANDHERI (EAST),
MUMBAI - 400 093.
TEL : (022) 2821 52 35 FAX : (022) 2835 04 56

**20TH ANNUAL GENERAL MEETING ON THURSDAY, THE 23RD SEPTEMBER, 2004, AT 12.00 NOON AT THE
REGISTERED OFFICE OF THE COMPANY.**

NUCLEUS SECURITIES LIMITED

Regd. Office : 'Nucleus House', Saki-Vihar Road, Andheri (East), Mumbai 400 072.

NOTICE

NOTICE, is hereby given that the Twentieth Annual General Meeting of the Members' of the Company will be held at the Registered Office of the Company at 'Nucleus House', Saki-Vihar Road, Andheri (East), Mumbai 400 072 on Thursday, the 23rd day of September, 2004 at 12.00 noon, to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 and Profit and Loss Account for the year ended on that date and the reports of Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Kirit H. Vora, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. HOWEVER, PROXY FORMS SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 16.9.2004 to 23.9.2004 (both days inclusive).
3. Pursuant to sub section (5) of Section 205A of the Companies Act, 1956, dividends for the financial year 1996-97 and thereafter, which remain unclaimed for a period of 7 years from the date of transfer of the same as referred to in sub section (1) of Section 205A of the Act, will be transferred to the Investor Education and Protection Fund of the Central Government established under sub section (1) of Section 205C of the Act. According to the provisions of the Act, as amended, no claims shall lie against the said Fund or the Company for the amounts of dividend so transferred nor shall any payment be made in respect of such claims. Intimation in respect of unclaimed dividend has been mailed to the concerned Members.
4. Pursuant to Section 109A of the Companies Act, 1956, Shareholders may file Nomination in respect of their shareholdings, any Shareholder willing to avail this facility may submit to the Company in the prescribed form 2B (in duplicate), if not already filed.
5. Members are requested to notify any change in their addresses to the Registered Office or to the Company's Share Transfer Agents.
6. Members are requested to bring their copy of the Annual Report and the Attendance Slip to the Annual General Meeting.

By order of the Board

Place : Mumbai
Date : July 29, 2004

Dhanashri Mohe
Company Secretary

NUCLEUS SECURITIES LIMITED

5. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND EXPENDITURES :

As the Company is not a manufacturing Company, The Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 is not applicable and hence the particulars under the said Rules are not furnished herewith. The Foreign Exchange earnings and outgo are reported in Schedule '19', forming part of the Accounts for the year ended on 31st March, 2004.

6. PARTICULARS OF EMPLOYEES :

Information required to be given pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 is not applicable since no employee of the Company was in receipt of remuneration in excess of Rs. 24,00,000/- p.a. or Rs. 2,00,000/- p.m.

7. DIRECTORS :

In accordance with Article 103 of Articles of Association of the Company, Mr. Kirit H. Vora retires by rotation and being eligible offers himself for re-election.

8. REPORT ON CORPORATE GOVERNANCE :

A detailed report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement as also the Management Discussion and Analysis Report are annexed to this report.

9. DIRECTORS' RESPONSIBILITY STATEMENT :

The Directors confirm :-

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31st March, 2004 and of the profit or loss of the Company for that period.
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the annual accounts on a going concern basis.

10. AUDITORS OBSERVATION :

With reference to para (vii) of the Annexure to the report of the Auditors, your Board would like to state that the Company had internal audit with limited scope and coverage. The Company shall extend the scope of Internal Audit from the current year onwards.

11. AUDITORS :

M/s. M. P. Chitale & Company, Chartered Accountants, Mumbai, the Company's Auditors, retire on conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

12. ACKNOWLEDGEMENT :

Your Directors take this opportunity to offer their sincere thanks to the various government departments, RBI, SEBI, TC Issuer Companies, Bankers and Clients for their continued assistance and support. Your Directors would also like to place on record their appreciation to all executives and employees for their individual and collective performance.

For and on behalf of the Board

Place : Mumbai
Dated : July 29, 2004

Asit C. Mehta
Chairman & Managing Director

NUCLEUS SECURITIES LIMITED

MANAGEMENT DISCUSSION & ANALYSIS REPORT

1. The Overall Review :

The Company's revenue streams are from three areas of activities (a) Money Changing, (b) Money Transfer and (c) Arbitrage activities.

During the year, the Company had a conscious strategy to exit from the Money Changing and Money Transfer activities in view of extremely low margins and intense competition. As a consequence, the Branches were gradually closed down during the year and the business declined. Also due to closure of branches the business of Money Transfer activities was affected and the revenues declined. The Arbitrage activities were undertaken during the year, which significantly improved the overall performance of the company.

2. Operations Review and Segment wise performance :

Revenues for the year ended 31st March, 2004 increased by 41% to Rs.3.58 crores as compared to Rs.2.54 crores in the previous year. Operating profit before depreciation and amortisation of goodwill improved to Rs.46.16 lacs as compared to a loss of Rs.89.76 lacs in the previous year. The Company has repaid substantial amount of debts, both short term and long term, thus achieving savings in interest costs. Profit after tax was Rs.13.44 lacs after (amortization of Goodwill) as compared to the loss of Rs.119.37 lacs in the previous year.

As mentioned above, the Company's revenue streams are from three areas of activities (a) Money Changing (b) Money Transfer and (c) Arbitrage activities. The segment wise performance as per Accounting Standard 17 has been given in Notes to Accounts annexed.

3. Opportunities and Threats:

Due to adverse risk return profile, your Company decided to exit from Money Changing and Western Union Money Transfer Services. The Company intends to focus on services related to equity / debt markets as the risk return profile coupled with available skills sets are favourable. Arbitrage business is an unpredictable business in terms of earnings due to inherent volatile nature of financial markets. Hence, the opportunities depend on market volumes, transaction costs, technology, skill levels and general competition. This activity is also heavily influenced by regulations in the capital markets.

4. Outlook:

This has been dealt with in the Directors' Report.

5. Risks and Concerns :

The business of Money Changing and Money Transfer is susceptible to volatility in the foreign exchange market. Keeping the transactions cost low is critical for maintaining profitability. It is also prone to risks arising out of handling / dealing in cash or near cash instruments such as frauds by clients, sub-agents, employees, etc. It is also linked to Travel industry and hence all related risks of travel industry affecting volumes are applicable.

6. Internal Control:

The Company has adequate system of internal controls to see that the assets are safeguarded and are productive. Proper authorization and controls are in place to ensure that the transactions are adequately authorized and reported correctly. The Company engaged the services of professional firms for the audit at branches for the Money Changing activities to ensure the working of internal control and systems. The audit committee reviewed these from time to time.

7. Human Resources :

Relations with the staff members were cordial during the year. To foster better team effort and higher level of engagement monthly / quarterly meetings were held to share the views of the members. The average number of employees during the year were 45.

Cautionary Statement:

Statement in the Management Discussion and Analysis report describing the Company's position and expectations may be forward looking statements. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions, changes in government regulations, tax, laws and other incidental factors.

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ANNEXURE TO DIRECTORS' REPORT - REPORT ON CORPORATE GOVERNANCE

I. Company's Philosophy on Corporate Governance :

The Board of Directors of the Company fully subscribes to the framework for corporate governance as prescribed by the code. The Board of Directors and the Management is committed for the implementation of a corporate governance system to ensure transparency, control, accountability and responsibility in all areas of operations. The Board believes that the Company should develop this desired framework by adopting good governance practices so as to protect and achieve enhanced value for all its stakeholders' i.e. shareholders, employees, customers and society in general. Appropriate steps have been taken including the setting up of sub-committees of the Board, which mainly consist of non-executive directors to oversee the critical functions of the Company.

II. Board of Directors:

The Board of Directors comprises of five members with a mix of executive / non-executive and promoter group / independent directors. The composition of the Board is compliant with the requirements of clause 49(1)(A) – i.e., more than 50% of the directors are non-executive and more than 33% of the directors are independent directors. The detailed composition of the Board and other related information is given in the table below:

The composition of the Board of Directors during the year ended 31st March, 2004

Name	Category	Designation	No. of meetings held	No. of meetings attended	No. of Memberships in Boards of other Companies	Attendance of each Director at last AGM
Mr. Asit C. Mehta	Promoter & Executive Director	Chairman & Managing Director	6	6	6	Yes
Mrs. Deena A. Mehta	Promoter & Non-Executive Director	Director	6	4	7	No
Mr. Kirit H. Vora	Independent & Non-Executive Director	Director	6	6	5	Yes
Mr. Manohar Lal Vij	Independent & Non-Executive Director	Director	6	1	2	No
Mr. Vijay Ladha	Independent & Non-Executive Director	Director	6	4	1	No

None of the directors of your Company hold directorship in more than 15 public companies or is a member of more than 10 committees or is the chairman of more than 5 committees across all the companies in which they are directors.

Meetings of the Board of Directors:

During the financial year 2003 - 2004 the Board of Directors had 6 meetings on the following dates:

28th April, 2003, 8th July, 2003, 31st July, 2003, 22nd October, 2003, 30th January, 2004 and 22nd March, 2004. The time gap between any two meetings was less than four months.

All the information required under Annexure – 1 to clause 49 of the Listing Agreement is being placed before the Board with current status update. A detailed Agenda is sent in advance to the Board members. To enable the Board discharge its responsibilities effectively, the Chairman & Managing Director briefs the Board at each meeting on the overall performance of the Company, followed by presentation by the Chief Executive Officer.

NUCLEUS SECURITIES LIMITED

Other than the Annual General Meeting, there was no General Meeting of the shareholders of the Company held during the year ended on 31st March, 2004.

Details of Directors seeking re-appointment at the ensuing Annual General Meeting (as required under clause 49 VI A of the Listing Agreements with the Stock Exchanges) :

Mr. Kirit H. Vora

Mr. Kirit H. Vora, 45 years of age, is a Chartered Accountant by profession. His term of office ends at the ensuing Annual General Meeting. He was appointed as a Director on 4.3.1992. He is currently Whole-time Director of Asit C. Mehta Investment Intermediates Limited and is also a Member of Asit C. Mehta Forex Pvt. Ltd., Asit Mehta Comdex Services Pvt. Ltd., Balmukund Investment Company Pvt. Ltd. and Nucleus Netsoft And GIS (India) Ltd.

III. Audit Committee:

The Company has an Independent Audit Committee which was constituted in January 2003. The composition is as per Clause 49 II (A) of Listing Agreements and which is as follows:

Name	Designation	Category
Mr. Kirit H. Vora	Chairman	Non-Executive & Independent Director
Mr. Manohar Lal Vij	Member	Non-Executive & Independent Director
Mr. Vijay Ladha	Member	Non-Executive & Independent Director
Mr. Jayraj Shah *	Secretary & Compliance Officer	A.V.P. – Accounts & Finance
Ms. Dhanashri Mohe	Secretary & Compliance Officer	Company Secretary

* Since resigned.

All the members have excellent knowledge of finance, accounts and Company Law.

The Audit Committee met three times during the year on the following dates : 30th June, 2003, 22nd October, 2003 and 30th January, 2004.

The attendance of the Audit Committee were as follows :

Name	Designation	No. of Meetings Attended
Mr. Kirit H. Vora	Chairman	3
Mr. Manohar Lal Vij	Member	-
Mr. Vijay Ladha	Member	3

The minutes of the meeting of the Audit Committee are placed before the Board.

The Audit Committee is responsible for overseeing the Company's financial reporting process, reviewing with the management the financial statements and adequacy of internal audit function and to discuss significant internal audit findings. The Audit Committee while reviewing the Audited Financial Statements also reviewed the applicability of various Accounting Standards (AS) issued by the Institute of Chartered Accountants of India during the year. Compliance of AS, as applicable to the Company have been ensured in the enclosed Financial Statements for the year 2003-2004.

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IV. Investors Grievance Committee:

The Board of Directors constituted the Shareholders / Investors Grievance Committee on 31.7.2002. The present composition, as per Clause 49 II (A) of Listing Agreements is as follows:

Name	Designation	Category
Mrs. Deena A. Mehta	Member & Chairperson	Non-Executive Director
Mr. Kirit H. Vora	Member	Non-Executive & Independent Director
Mr. Jayraj Shah *	Compliance Officer	A.V.P. – Accounts & Finance
Ms. Dhanashri Mohe	Compliance Officer	Company Secretary

* Since Resigned.

The terms of reference of the Committee is to ensure effective redressal of complaints of the shareholders such as dematerialization, transfer, non-receipt of annual report / share certificate, etc.

During the year 2003-04, four meetings of the Committee were held. The minutes of the Committee were discussed and taken note of by the Board of Directors.

Status of Complaints for the period 1st April, 2003 to 31st March, 2004

No. of complaints received	No. of complaints resolved	Complaints pending at 31.3.2004	Share Transfer pending for approval as at 31.3.2004
2	2	Nil	Nil

V. Remuneration of Directors:

The Company does not have a Remuneration Committee. The Executive Chairman is paid remuneration as per the agreement entered with the Company. The agreement is placed for approval before the Board, Shareholders' and such other authorities as may be necessary. The non-executive Directors' are paid sitting fees plus reimbursement of actual travel expenses, if any.

Details of the remuneration paid to Directors and their relationship with each other, are as follows:

Name of Director	Relationship	Salary	Sitting Fees	Total (Rs)
Asit Mehta	Husband of Deena Mehta	470,400	NIL	470,400
Deena Mehta	Wife of Asit Mehta		6,000	6,000
Kirit Vora			9,000	9,000
Vijay Ladha			6,000	6,000

- Note :
- Salary includes contribution towards Provident Fund.
 - The agreement with the Executive Director is for a period of five years. Either party to the agreement is entitled to terminate the agreement by giving not less than 3 months' notice in writing to the other party.
 - None of the other directors are paid remuneration.