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**NUCLEUS
SOFTWARE
EXPORTS LTD.**



NUCLEUS SOFTWARE EXPORTS LTD.

BOARD OF DIRECTORS	Lt. Gen. T. P. Singh (Retd.)	Chairman
	Vishnu R. Dusad	Managing Director
	Yogesh Andlay	
	Suresh Joshi	
	Arun Shekhar Aran	
COMPANY SECRETARY	Poonam Bhasin	
AUDITORS	M/s Abhay K. Agarwal & Company Chartered Accountants	
BANKERS	Citibank, N.A.	
	Canara Bank	
	The Bank of Rajasthan Ltd.	
REGISTERED OFFICE	33-35 Thyagraj Nagar Market New Delhi-110 003 India	
SHARE LISTING	Delhi, Mumbai, Chennai, Jaipur, Ahmedabad	

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NUCLEUS SOFTWARE EXPORTS LTD.

NOTICE

Notice is hereby given that the Ninth Annual General Meeting of the Members of Nucleus Software Exports Ltd., will be held on 30th January, 1999 at 9.00 a.m. at Indian Council of World Affairs, Sapru House, New Delhi-110001 to transact the following business :-

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as on June 30, 1998 and the Profit and Loss account for the year ended on that date together with Report of Directors' and Auditor's thereon.
2. To appoint a Director in place of Lt. Gen T.P. Singh (Retd.), who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint auditors and authorise Board of Directors to fix their remuneration. The present Auditors are eligible for re-appointment.

SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification the following Resolution as a Special Resolution.

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of the Company be altered in the following manner :-

Insert the following Article as Article 108A after Article 108.

108A : The Board may from time to time pay the members such interim dividend as in their judgement the position of the Company justifies.

By Order of the Board
For Nucleus Software Exports Ltd.

Place : New Delhi
Dated : 15-12-1998

(VISHNU R. DUSAD)
Managing Director

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 4

In view of the absence of the clause for the payment of interim dividend in the Articles of Association of the Company, it is necessary to insert new Article 108A immediately after the existing Article 108 of the Articles of Association of the Company.

Pursuant to Section 31 of the Companies Act, 1956, approval of the Members is necessary for the insertion of the Article in the Articles of Association of the Company.

The proposed resolution is accordingly being recommended for approval of the shareholders.

None of the Directors of the Company is interested in the resolution.

By Order of the Board
For Nucleus Software Exports Ltd.

Place : New Delhi
Dated : 15-12-1998

(VISHNU R. DUSAD)
Managing Director

NOTES :

1. The relative Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956 in respect of the item of Special Business is annexed to the Notice.
2. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. Proxies, in order to be effective, must be received at the registered office of the Company not less than 48 hours before the meeting.
3. The Register of members and Share Transfer Books will remain closed from 16th January, 1999 to 30th January, 1999 both days inclusive.
4. Members are requested to notify immediately changes, if any, in their addresses to the Company, specifying full address with Pin Code of the Post Office.
5. Members are requested to bring their copy of the Annual Report with them to the Annual General Meeting as extra copies will not be provided.
6. Members are requested to send to the company their queries, if any, on accounts and operations of the company at least ten days before the date of meeting so that the same could be suitably answered at the meeting.



NUCLEUS SOFTWARE EXPORTS LTD.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting to you the Ninth Annual report on the affairs of the company and audited accounts for the year from 01/07/1997 to 30/06/1998 together with the auditors report.

FINANCIAL RESULTS

	Current Year (Rs. in lacs)	Previous Year (Rs. in lacs)
Gross Revenue	539.83	559.40
Operating Profit (PBIDT)	52.92	56.34
Depreciation	42.04	25.56
Finance Charges	5.52	9.28
Profit Before Tax	5.36	21.50
Short/Excess Provision for Income Tax	.53	4.50
Less: Provision for Tax	Nil	3.00
Profit After Tax	5.89	23.00
Appropriations		
Transfer to General Reserve	Nil	Nil
Proposed Dividend	Nil	Nil
Balance Carried to Balance Sheet	5.89	23.00

DIFFICULTIES DUE TO CURRENCY CRISIS IN TRADITIONAL MARKETS

The year 1997-98 was a very difficult year for your company, due to the situation in the South East Asian markets where the company has been doing business almost exclusively since 1990. We entered the year on 1st July 1997 on a very strong/optimistic note. However the developments that started unfolding from 3rd July 1997, in terms of the unprecedented currency crisis in those economies, crippled our growth right through the year. We kept monitoring the situation in the target markets very closely through the first half of the year, as Experts were forecasting that the currencies would recover. It was only in January 1998 that it became clear that it would take at least a year or two for the region to stabilise and start recovery.

DEVELOPMENT OF NEW MARKETS

To address the situation and to avoid recurrence of similar happenings in future, we focussed our energies on developing the domestic market as well as new international markets, as our presence in the domestic market was very limited in terms of number of Customers. This effort resulted in our making entry into Personal Finance Services of American Express Bank, HDFC Bank and State Bank of Mauritius and prestigious companies in the US and Canada.

PRODUCTS

All our products are continuing to provide competitive edge to our existing customers. The new customers are getting benefited by the world-class functionality made available by our products. Four prestigious names were added to the list of Customers of FINNESS during the year. The development and improvements continued throughout the year, adding new features that enabled our customers to do their business with greater ease.

E-COMMERCE INITIATIVE

Your company implemented one of the first few real Electronic Commerce solutions in the country for an innovative service provider, Current Opinion and Future Trends, COFT. This solution developed using the latest internet tools enables clients of COFT to access the information they used to get on weekly basis through paper reports, on daily basis directly over internet by logging into the company's website. The charges for access of information are debited on-line with complete statement of account being also made available, if required by the Customer.

INSURANCE SECTOR INITIATIVE

Your company made an entry into the Insurance Sector, by developing a multimedia information kiosk for New India Assurance Company, the biggest non-life insurance company in India. This kiosk was inaugurated by the Honourable Finance minister of India Mr. Yashwant Sinha in Hazaribagh, Bihar. Insurance being part of the Financial Services Sector, our flagship product FINNESS is planned to be extended to cover this activity as well.

PROCESS IMPROVEMENT INITIATIVE

Individual productivity improvement is being made on an ongoing basis through improvement and implementation of processes. Plans are in place to achieve SEI Level 3 within 1st half of the Year 1999.



NUCLEUS SOFTWARE EXPORTS LTD.

FINANCIAL YEAR

Your Directors have decided to change the Financial Year end from June to March. As such the present Financial Year will end on 31st March, 1999 and thereafter the Financial Year of the Company will be from April to March every year.

SUBSIDIARY OF THE COMPANY

The Directors' Report of the Nucleus Software Solutions Pte. Ltd., a wholly owned subsidiary of the Company and statement of accounts for the year ended 30th June, 1998 together with Auditors report thereon form part of this report and are attached to the Annual Report. A statement pursuant to Section 212 of the Companies Act, 1956 is also attached.

DIVIDEND

Your Directors do not recommend any dividend for the year 1997-98 in order to conserve the resources of the Company.

PUBLIC DEPOSITS

The Company has not accepted any deposits from the Public.

AUDITORS

The Auditors M/s. Abhay K. Agarwal, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible have expressed their willingness to be re-appointed.

DIRECTORS

Lt. Gen. T.P. Singh (Retd.), Director retire by rotation and being eligible, offers himself for re-appointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In accordance with the requirements of Section 217(1) (e) of the Companies Act 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, particulars with respect to Conservation of energy. Technology Absorption. Foreign Exchange earnings and outgo are annexed and form part of this Report.

PERSONNEL

The Board of Directors wishes to record its appreciation of all the employees of the company for their whole hearted efforts and contribution in the growth of the company during the year.

The statement of particulars of employees pursuant to section 217 (2A) of the Companies Act 1956, read with the Companies (Particulars of employees) Rules 1975, as amended, is annexed hereto and forms part of this report.

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation and gratitude to the Company's bankers, business associates, shareholders and entire Nucleus team members for their contribution at all levels.

For and on behalf of the Board of Directors

Place : New Delhi
Date : 15-12-1998

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

ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY

Improvements of methods of energy conservation and optimal utilisation of energy in all operation continued to receive close attention and efforts have been made to use energy most efficiently.

B. RESEARCH & DEVELOPMENT

Continuous innovation through Research & Development shall be the only way for our sustained growth in the future.

1. Specific areas in which R&D is carried out by the Company:
Process Development and optimisation to achieve improvements in quality and efficiency.
Product & Application Development.
2. Benefits derived as a result of the above R&D:
New Product have been developed to meet the requirements of end users.
3. Future Plan of action:

A Quality Management System has been launched for implementation of SEI-CMM Quality standards. The detailed framework & System for the same are under documentation & Implementation. Your Company would strive for the SEI-CMM level 3 certification



NUCLEUS SOFTWARE EXPORTS LTD.

in 1999. Subsequently, your company shall take on the pattern of quality certification specially relevant for the I.T. Industry & better acknowledged the world over. This is none other than Six Sigma Quality Standard.

Development for new types of products to meet changing requirements of customers.

C. TECHNOLOGY ABSORPTION

Efforts towards technology absorption, adaptation and innovation:

Modification of process, equipment and products are carried out to suit market requirements and to achieve optimum operational efficiency.

D. FOREIGN EARNINGS & EXPENDITURE

Earnings in Foreign Exchange :	Rs. 39526859	(Rs. 47617079.90)
Expenditure in Foreign Exchange		
Capital Assets	Rs. 193608	(Nil)
Advances	Nil	(Nil)

ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956
READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

Name, Age & Qualification	Designation	Date of Commencement	Experience (Yrs.)	Gross * Remuneration	Last Employment
R.P. Singh 33 Yrs. B.A. (Hons) PG Diploma in Marketing Management, PG Diploma in Computer Application	President (Products)	1.04.1994	13	734720	Nucleus Software Workshop (Pvt.) Ltd.
AVM N.C. Kaushal (Retd.) 60 Yrs., B.Sc(Engg.), M.Tech MIE(I), M.Sc.(Mil. Sc)	VP (Human Resources & Development)	16.10.1995	37	395209	Indian Air Force
Prakash Pai 37 Yrs., M.Sc. Computers	VP (Business Development)	1.06.1994	15	595600	Bank of India, New Delhi
Parag Bhise 33 Yrs., MCA	Project Manager	15.01.1996	9	394674	—
Kishore Tambe 32 Yrs., DME, MCA	Project Manager	1.02.1996	8	307250	Softtek Ltd.
V.V. Subramaniam 28 Yrs., M.Sc. (Tech)	Project Manager	20.06.1991	7	311490	—

* The Remuneration comprises of Salary, House Rent Allowance, Reimbursement of Expenses, Ex-Gratia, Company's Contribution to PF and LTA.

NUCLEUS SOFTWARE EXPORTS LTD.

AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of M/s. Nucleus Software Exports Limited as on 30th June, 1998 and also the Profit & Loss Account of the Company for the Year ended on that date and report as follows:

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 Issued by the Company Law Board under Section 227 (4A) of the Companies Act, 1956 and on basis of such checks as we considered appropriate and according to the information and explanations given to us we annex hereto a statement on the matters specified in paragraph 4 & 5 of the Order to the extent applicable.
2. Further to our comments in this Annexure referred in Paragraph 1 above, we state that :
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
 - (c) The Balance Sheet and Profit & Loss Account dealt with by this Report are in agreement with, the books of accounts.
 - (d) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes in Schedule 19 thereon give the information required by the Companies Act 1956 in the manner so required and give a true and fair view:
 - (i) in case of the Balance Sheet, of the state of affairs of the Company as on 30th June, 1998 and
 - (ii) in case of the Profit & Loss Account, of the profit for the year ended on that date.

For Abhay K. Agarwal & Company
Chartered Accountants

Place : New Delhi
Date : 12th August, 1998

Abhay K. Agarwal
Proprietor

ANNEXURE TO THE AUDITORS' REPORT (REFERRED IN PARAGRAPH 1 OF OUR REPORT)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. The fixed assets have been physically verified by the management. We are informed that no material discrepancies were noticed by the management on such verification.
2. None of the Fixed Assets have been revalued during the year.
3. The Company has taken loan from Companies as listed in the register maintained under Section 301 of the Companies Act, 1956. However, as informed to us, there are no Companies under the same management within the meaning of section 370 (1-B) of the Companies Act, 1956.
4. According to the information and as per the explanation given to us, no loans and advances in the nature of loans have been given by the company to Companies, firms or other parties as listed in the register maintained under Section 301 of the Companies Act, 1956. However, as informed to us, there are no companies under the same management within the meaning of Section 370(1-B) of the Companies Act, 1956.
5. The parties to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts stipulated subject to Note No. 7 in Schedule 19. Interest free loans or advances in the nature of loans have, however, been given to employees who are repaying the principal amounts as stipulated except in a case.
6. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business. For the purchase of computer consumables, plant and machinery, equipments and other assets.
7. In our opinion and according to the information and as per the explanation given to us, the transaction for the services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 and aggregating during each year to Rs. 50,000/- or more in respect of each party, have been made at prices which in our opinion are reasonable having regard to prevailing market prices of such services or the prices at which similar transactions have been made with other parties.
8. According to the information and as per the explanation given to us, the Company has not accepted deposits from the public.
9. In our opinion, the Company's present internal audit system is commensurate with its size & nature of the business.
10. Provisions of Section 209 (1) (d) of the Companies Act, 1956 with regard to maintenance of cost records do not apply to the Company for any of its products.
11. According to the records of the Company, Provident Fund & E.S.I. dues have been deposited in time during the year with the appropriate authorities generally.
12. According to the information and as per the explanation given to us, no undisputed amount in respect of Wealth Tax, Income Tax, Sales Tax, Custom Duty were outstanding as on 30.06.98 for a period of more than a six months from the date they become payable.
13. According to the information and as per the explanation given to us and on the basis of the books of the Company examined by us, no personal expenses have been charged to the revenue account other than those payable under contractual obligations or in accordance with generally accepted business practices, which have been charged to revenue account.
14. The Company is not a sick industrial Company within the meaning of Clause (0) of sub-section (1) of Section (3) of the Sick Industrial Companies (special provisions) Act, 1985.
15. In respect of services rendered:
 - a. The nature of the services rendered is such that it does not involve consumption of materials.
 - b. In our opinion, the Company has a reasonable system of allocating man-hours utilized to the relative jobs commensurate with its size and nature of business.

For Abhay K. Agarwal & Company
Chartered Accountants

Place : New Delhi
Date : 12th August, 1998

Abhay K. Agarwal
Proprietor