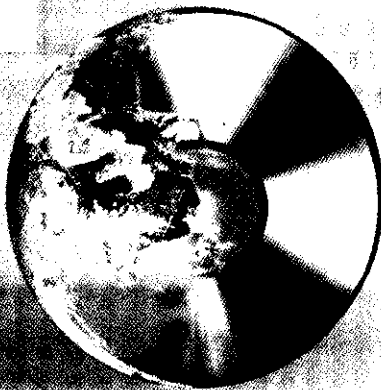


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**NUCLEUS
SOFTWARE**



NUCLEUS SOFTWARE EXPORTS LTD.

BOARD OF DIRECTORS

Lt. Gen. T. P Singh (Retd.)	Chairman
Vishnu R Dusad	Managing Director
Yogesh Andlay	Director
Suresh Joshi	Director
Arun Shekhar Aran	Director

BANKERS

Citibank
HDFC Bank
Canara Bank
The Bank of Rajasthan

COMPANY SECRETARY

Poonam Bhasin

AUDITORS

Abhay K Agarwal & Co.
Chartered Accountants




NUCLEUS SOFTWARE EXPORTS LTD.
CONTENTS

	<i>Page</i>
★ The Year at a Glance	3
★ Letter to the shareholders	4
★ Directors' Report	5
★ Risk Management	11
★ Auditors' Report	15
★ Financial Statements prepared in accordance with Indian Generally Accepted Accounting Principles (Indian GAAP)	18
★ Management's Discussion and Analysis of Financial Condition and Results of Operations	27
★ Statement of Cash Flow	30
★ Balance Sheet abstract and Company's general business profile	31
★ Statement Pursuant to Section 212 of the Companies Act, 1956 Relating to Subsidiary Company	32
★ Financial Statements of Nucleus Software Solutions Pte. Ltd. Wholly owned Subsidiary	33
★ Shareholder Information	39
★ Frequently Asked Questions	42
★ Ratio Analysis	44
★ A Historical Perspective	46
★ Management Structure	47



NUCLEUS SOFTWARE EXPORTS LTD.

The Year at a Glance

	NSEL- June, 1999 Rs. (in lacs)	WOS- Singapore June, 1999 S\$	Group June, 1999 Rs. (in lacs)	NSEL- June, 1998 Rs. (in lacs)	WOS- Singapore June, 1998 S\$	Group June, 1998 Rs. (in lacs)
For the year						
Total Revenue	790.01	948,856.00	969.76	539.83	896,480.00	649.45
Exports	488.19	72,060.00	667.28	395.27	214,224.00	503.56
Operating Profits-PBIDT	274.65	102,316.00	300.53	53.04	(51,026.00)	40.79
Profit after Tax (PAT) from ordinary activities	124.70	82,113.00	147.73	1.92	(68,077.00)	(14.30)
PBIDT as percentage of total revenue	34.09%	10.72%	30.34%	9.37%	(5.74%)	5.41%
PAT (from ordinary activities) as a percentage of Total revenue	15.78%	8.65%	15.23%	0.36%	(7.59%)	(2.22%)
Earning per share (from ordinary activities)	3.67	19.71	4.28	0.06	(16.34)	(0.42)
Capital Investment	208.07	17,432.00	212.26	52.04	Nil	52.04
PAT as a percentage of average net worth	9.41%	65.66%	11.04%	0.44%	(57.66%)	(0.68%)
At the end of the year						
Total assets	1,484.13	171,635.00	1,501.32	1,363.99	86,797.00	1360.82
Working capital	818.40	156,498.00	855.96	785.67	78,436.00	804.50
Total debt	15.71	Nil	15.71	29.90	Nil	29.90
Net worth	1,468.42	171,635.00	1,485.62	1,334.09	86,797.00	1330.92
Equity	339.33	100,000.00	339.33	339.29	100,000.00	339.29
Market capitalisation	1,751.72	N.A.	1,751.72	874.16	N.A.	874.16

Market Capitalisation is calculated by considering the market price of the scrip at the close of the year. The above figures are for information purposes only.

Note: While calculating the figures of group, inter group transactions between NSEL and WOS-NSS Singapore have been ignored. Rate of conversion from Singapore Dollar to Rupee has been taken as 24/-.



NUCLEUS SOFTWARE EXPORTS LTD.

Letter to the shareholders

Dear Shareholder,

We are glad to welcome our Shareholders and are pleased to present the annual results for the year 1998-99. The combined turnover of the Company inclusive of wholly owned subsidiary in Singapore has reached 9.69 crores and group net profit is 1.54 crores. We have also crossed Rs. 10/- crore marks in order bookings for the first time.

As compared to the previous year your Company's turnover has gone up by 46% to 7.82 crores while the gross profit has gone up by 462% to 2.67 crores and net profit substantially to 1.31 crores. The 4th quarter showed impressive growth by achieving nearly 3 crores turnover and 51 lacs net profit. Decision has been taken to depreciate software assets over 3 to 5 years. This decision has resulted in additional depreciation of Rs.66.44 lacs.

Your Company is focussed on the Banking and Financial Services Sector, delivering value to its customers through some world-class software products and development and support services. The products continue to gain acceptance with wider prestigious Customer Base, all of whom decide to go in for the product only after elaborate due diligence. In terms of services too, our old and new Customers have continued to reward us with repeat business.

The Company has set up a wholly owned subsidiary in USA. To build on this presence and to inform our existing and prospective customers in the region, we have started participating in the industry events such as exhibitions and conferences. We launched our product FINNESS in the US market by exhibiting it at Oracle Open World 1999 Conference and Exhibition at Los Angeles in November 1999. We have expanded marketing operations into Canada, Africa, Gulf Region and SAARC countries.

The target of achieving SEI CMM Level 3 certification by June 1999, could not be met as the required time and effort was underestimated. However now it is planned to be achieved by March 2000.

Our first offsite development center at Singapore has been fully operational for a year now. We have started a development and support centers in Bangalore and Mumbai to support our Customers in the rest of the country.

Your Company is determined to achieve 100% growth in turnover and profits during the current year and to maintain the rate of growth in the years to come through dedicated and committed efforts of all the Nucleites.

Thanking you for your continued patronage to Nucleus Software Exports Limited.

Vishnu R Dusad
Managing Director



NUCLEUS SOFTWARE EXPORTS LTD.

Directors' Report

To the Members,

Your directors are pleased to present their report on the business and operations of your company for the year ended June 30, 1999.

FINANCIAL RESULTS

Year Ended June, 30	Rs. in Lacs	
	1999	1998
Total Revenue	790.01	539.83
Operating Profit (PBIT)	274.65	53.04
Finance Charges	6.14	5.52
Depreciation	122.65	42.04
Profit before tax	143.86	5.36
Provision for Tax	12.00	(.53)
Profit after Tax	131.86	5.89
Appropriations		
Transfer to General Reserve	—	—
Proposed Dividend	—	—
Balance carried to Balance Sheet	131.86	5.89

RESULTS OF OPERATIONS

Your Company was able to achieve reasonable growth during this year. Total revenue has grown to Rs.790.01 lacs during the current year from Rs.539.83 lacs, a growth rate of 46.34%. The operating profit has grown to Rs.274.65 lacs (34.77% of total revenue) from Rs. 53.04 lacs (9.83% of total revenue), and achieved a growth rate of 417.82%. The operating profit margins have increased due to enhanced revenue productivity, lower growth in administrative expenses, good cost controls and better budgeting. Profit after tax from ordinary activities has increased to Rs.124.70 lacs (15.78% of total revenue) from Rs.1.92 lacs (.36% of total revenue). The Company has instituted a contingency plan to meet any possible disruption in its business due to Y2K impact on the technology and communication infrastructure provided to the Company by its service providers. An amount of Rs.75 lacs (approx.) has already been spent under the plan. The provision of income tax has increased, as a percentage of total revenue, to 1.52 % due to increase in revenue as well as profit from Indian operations.

During the current year your Company has revised the estimated useful lives of software to 3 to 5 years resulting in an additional charge of depreciation of Rs.66.44 lacs. A capital expenditure of Rs. 208.07 lacs was incurred, compared to Rs.52.04 lacs in the previous year.

PREFERENTIAL ISSUE OF SHARES

Your Company has decided to allot 20,00,000 equity shares of Rs.10/- each on preferential basis to the promoter/ associates and permanent employees of the Company. This was approved by you at the Extraordinary General Meeting held on 24th September 1999. The price has been worked out to be Rs.103.15 per share as per SEBI Guidelines. Out of these 20,00,000 shares, 15,00,000 shares issued to promoters and/or their associates shall be under a lock in period of 5 years from the date of allotment.



NUCLEUS SOFTWARE EXPORTS LTD.

INCREASE IN AUTHORISED SHARE CAPITAL

The Company has increased the authorised share capital from Rs.500 lacs (comprising of 50,00,000 equity shares of Rs.10/- each) to Rs.2000 lacs (comprising of 2,00,00,000 equity shares of Rs.10/- each.) Company, which was approved by you at the Extraordinary General Meeting, held on 24th September 1999.

ALTERATION OF ARTICLES

The previous Articles of Association contained some regulatory gaps and it was necessary to include certain new articles as per the amended guidelines, notifications issued by various authorities, from time to time. Your Company therefore decided to modify the existing set of clauses with a new comprehensive set of clauses, which was approved by you at the Extraordinary General Meeting held on 24th September, 1999.

BUSINESS

The software export as well as domestic market continued to be aggressive during the year. Exports from India grew rapidly. Similarly the domestic market for software products as well as projects is also growing at a very rapid pace. Your Company tried to focus on both the domestic as well as international market by segregating the markets on the basis of product, projects and professional services. As far as products are concerned, your Company gave full emphasis to the domestic market before approaching the international market, in a much-refined way. On the project and professional service side, your Company's main emphasis was on the international market. The revenue mix of our product, project and professional services was 25%, 50% and 25% respectively. The proportion of domestic v/s export business was 37.64% and 62.36% respectively. Nine new clients were added during the year.

NUCLEUS SOFTWARE SOLUTIONS PTE. LTD. - WHOLLY OWNED SUBSIDIARY

Nucleus Software Solutions Pte. Ltd., a wholly owned subsidiary of the Company located in Singapore has also performed well during the year under review in comparison to the previous year. The turnover of the Company has grown from S\$ 900,997 to S\$ 948,856, an increase of 5.31%. Similarly the net profit after depreciation and tax has gone up to S\$ 84,838 from a loss of S\$ 62,549.

Nucleus Software Solutions is on the growth path and much better results likely to be achieved by the end of the next year.

The Directors' Report of the Nucleus Software Solutions Pte. Ltd., alongwith the statement of accounts for the year ended 30th June 1999 and 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.

NEW DEVELOPMENT/SUPPORT CENTERS AND INFRASTRUCTURE

Your Company has opened new development /support centers at Mumbai and Bangalore. Over the next 2 to 3 years your Company expects to open more development / support centers in U.S.A, Southeast Asia, Gulf Region and Canada. Your Company is also having an aggressive plan to improve its infrastructure. Over the next 2 years your Company expects to add 50,000 sq. feet of space (including the above development /support centers) to accommodate over 600 software professionals.

QUALITY

The time and efforts required for Implementation of the SEI CMM Level 3 compliant processes was underestimated, resulting inability to meet the June 1999 target. However learning from the experience, the management team now is fully geared up for the implementation of Level 3 processes by March 2000.

ADDITIONAL INFORMATION TO SHAREHOLDERS

Your Company has taken up new initiative to provide as much information as feasible to shareholders. To substantiate our effort the Company has provided additional information under the heading "Shareholder's Information ". Your Company would



NUCLEUS SOFTWARE EXPORTS LTD.

like to provide more information in the years to come in the form of human resource accounting, economic value added analysis (EVA) etc.

CORPORATE GOVERNANCE

With increasing globalisation, there has been a renewed thrust on corporate governance in India. Your Company is planning to include a compliance report on the code of best practices in corporate governance adopted by the Confederation of Indian Industry (CII) and the recommendations of Cadbury Committee during the current year. The increasing diversity of the investing community and the integration of global capital market make corporate governance a key issue in the investing decisions of all the investors.

CAPITAL MARKET DEVELOPMENTS

The market capitalisation of your Company increased to Rs. 1751.72 lacs as on June, 30, 1999 as compared to Rs. 874.16 lacs on June 30, 1998 based on the quotations at the Indian stock exchanges. However the market capitalisation of your Company has increased to Rs. 4932.03 lacs as on October 31st, 1999. We believe that increase in market capitalisation is due to the improvement in the performance as well as profitability of your Company.

SECRETARIAL AUDIT

In order to strengthen the internal processes of the secretarial department of the Company, an audit was being conducted by a professional Company secretary during the year under review.

EMPLOYEE STOCK OPTION SCHEME (ESOS)

Your Company has decided to come up with an Employee Stock Option Scheme subject to your approval. The detailed scheme has been drafted as per the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. 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.

LIQUIDITY

A liquid balance sheet is a key element of the financial strategy of your Company. Enhanced liquidity reduces financial risk and allows a rapid shift in direction, should the market so demand. During the current year internal cash accruals were more than adequately covered the working capital requirements and capital expenditure and have resulted in surplus of Rs. 166.32 lacs. As on June 30, 1999 your Company had liquid assets of Rs. 208.20 lacs. as compared to Rs. 55.83 lacs at the previous year-end. These funds have been invested both in rupee and dollar deposit with the banks. A high level of liquidity reduces return on shareholders funds. However a balance between a high returns on funds deployed in the business and the ready availability of cash for strategic decisions on growth will have to be maintained. The creation of physical and technological infrastructure will take away a significant part of the liquid assets over the next 3 years.

Y2K COMPLIANCE

The application software developed and implemented, both Products and Projects, by us have been tested for Y2K Compliance by us and certificate to that effect have been issued to our Customers. Also entire hardware, systems software and the application software for in house use has also been tested for Y2K compliance. Non compliant hardware has either been replaced or upgraded for compliance.

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, 2000 and thereafter the financial year of the Company will be from April to March every year.

DIVIDEND

Your Directors do not recommend any dividend for the year 1998-99 in order to conserve the resources of the Company.



NUCLEUS SOFTWARE EXPORTS LTD.

FIXED DEPOSITS

Your Company has not accepted any deposits, and hence, no amount of principal or interest was outstanding on the date of Balance Sheet.

AUDITORS

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

DIRECTORS

Mr. Arun Shekhar Aran retires by rotation at the ensuing Annual General Meeting 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.

PARTICULARS OF EMPLOYEES

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.

ACKNOWLEDGMENT

The Board wishes to place on record their appreciation for the efforts of the entire Nucleus team members. The Board also acknowledges the support received from its customers, suppliers, and bankers for their contribution at all levels. The Board appreciates the confidence reposed by shareholders of the Company in the management.

For and on behalf of the Board of Directors

Report Junction.com
Lt. Gen. T.P. Singh (Retd.)
Chairman

New Delhi,
1st December, 1999



NUCLEUS SOFTWARE EXPORTS LTD.

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

The utilisation of energy is minimal and need based. The management of your Company is conscious of the need to conserve energy resources and adopts conservation measures in operations wherever possible. Energy efficient transformers and UPS systems have been installed. As energy cost forms a very small part of the total cost, the impact is not material.

B. RESEARCH & DEVELOPMENT

The Company is aware that continuous stress on Research & Development shall be the only way for sustained growth in the future. Technology is changing constantly and business needs to leverage the latest technologies for creating competitive advantage.

1. *Specific areas in which R & D is carried out by the Company:*

Process Development and optimisation to achieve improvements in quality and efficiency. Your Company will continue to improve its existing products and enhance the effectiveness and utility of these products.

2. *Benefits derived as a result of the above R & D:*

Modification of existing products as well as development of new products has been done to meet the requirements of International Standards. The continued improvement in revenue productivity is due to the above effort.

3. *Future plan of action:*

There will be continued focus on development of new products through sustained R & D. Future benefits are expected to flow in from the initiatives undertaken this year.

C. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Efforts towards technology absorption, adaptation and innovation:

Modification/upgradation of processes, equipment and products are carried out to suit market requirements and to achieve optimum operational efficiency. Your Company has upgraded its NT and UNIX servers, and high-end workstations.

Innovation is encouraged, recognised and rewarded. This policy is not restricted to technology but includes innovation in non-IT processes and HRD.

D. FOREIGN EARNINGS & EXPENDITURE

In 1998-99, 61.79 % of the revenues came from exports. Your Company has incorporated another wholly owned subsidiary in U.S.A in addition to its existing subsidiary in Singapore. The main purpose is to build a marketing network all over the world. Your Company in the previous year has already expanded its client base to U.S.A, Mauritius and Canada. Your Company has actively participated in various international exhibitions to promote its products and services. The export thrust of the Company will also continue in the current year.

b. Foreign Exchange used and earned for the year ended June 30, 1999

	Rs. in lacs	
	1999	1998
Foreign Exchange earnings	488.19	395.27
Foreign Exchange outgo	145.64	132.47

For and on behalf of the Board of Directors

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

New Delhi,
1st December, 1999