

AUDITORS' REPORT

TO THE MEMBERS OF
NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA

NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA

NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA (the Company) as at 31 March, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

AUDITED FINANCIAL STATEMENT

2. 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It 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.

**YEAR ENDED
31 MARCH, 2012**

3. Further, we report that:

- a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose 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 those books;
- c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;



AUDITORS' REPORT

TO THE MEMBERS OF NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA

1. We have audited the attached Balance Sheet of **NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA** ("the Company") as at 31 March, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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 misstatements. 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.
3. Further, we report that:
 - a. we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose 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 those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;



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 March, 2012;
- ii. in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm Registration No. 015125N)



RASHIM TANDON
Partner
Membership No. 95540



GURGAON, 28 April 2012



RASHIM TANDON
Partner
28 April 2012

NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA
BALANCE SHEET AS AT 31 MARCH, 2012

| | Notes No. | As at 31 Mar 2012 (JPY) | As at 31 Mar 2011 (JPY) | As at 31 Mar 2012 (Rupees) (Unaudited) See note 1.2 (i) | As at 31 Mar 2011 (Rupees) (Unaudited) See note 1.2 (i) |
|-----------------------------------|--------------|-------------------------------|-------------------------------|---|---|
| A. EQUITY AND LIABILITIES | | | | | |
| 1. SHAREHOLDERS' FUNDS | | | | | |
| a. Share capital | 2.1 | 10,000,000 | 10,000,000 | 6,203,000 | 5,390,000 |
| b. Reserves and surplus | 2.2 | (806,843) | (25,306,794) | (500,485) | (13,640,362) |
| | | 9,193,157 | (15,306,794) | 5,702,515 | (8,250,362) |
| 2. NON-CURRENT LIABILITIES | | | | | |
| Long-term borrowings | 2.3 | 39,374,400 | - | 24,423,940 | - |
| 3. CURRENT LIABILITIES | | | | | |
| a. Trade payables | 2.4 | 211,677,693 | 142,045,670 | 131,303,673 | 76,562,616 |
| b. Other current liabilities | 2.5 | 20,740,041 | 2,988,222 | 12,865,048 | 1,610,651 |
| c. Short-term provisions | 2.6 | 70,000 | 70,000 | 43,421 | 37,730 |
| | | 232,487,734 | 145,103,892 | 144,212,142 | 78,210,997 |
| Total | | 281,055,291 | 129,797,098 | 174,338,597 | 69,960,635 |
| B. ASSETS | | | | | |
| 1. NON-CURRENT ASSETS | | | | | |
| a. Fixed assets | | | | | |
| - Tangible assets | 2.7 | 1,478,715 | 1,518,835 | 917,247 | 818,652 |
| - Intangible assets | 2.7 | 72,326 | 348,695 | 44,864 | 187,947 |
| | | 1,551,041 | 1,867,530 | 962,111 | 1,006,599 |
| b. Long-term loans and advances | 2.8 | 9,613,800 | 9,124,720 | 5,963,440 | 4,918,224 |
| | | 11,164,841 | 10,992,250 | 6,925,551 | 5,924,823 |
| 2. CURRENT ASSETS | | | | | |
| a. Trade receivables | 2.9 | 163,869,684 | 23,345,402 | 101,648,365 | 12,583,171 |
| b. Cash and Cash Equivalents | 2.10 | 75,858,348 | 70,063,862 | 47,054,933 | 37,764,421 |
| c. Short-term loans and advances | 2.11 | 2,871,361 | 1,990,576 | 1,781,105 | 1,072,921 |
| d. Other current assets | 2.12 | 27,291,057 | 23,405,008 | 16,928,643 | 12,615,299 |
| | | 269,890,450 | 118,804,848 | 167,413,046 | 64,035,812 |
| Total | | 281,055,291 | 129,797,098 | 174,338,597 | 69,960,635 |

See accompanying notes forming part of the Financial Statements 1 & 2

The notes referred to above form an integral part of the Financial Statements

In terms of our report attached

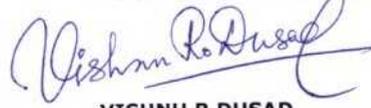
For **DELOITTE HASKINS & SELLS**
Chartered Accountants




RASHIM TANDON
Partner

Gurgaon
Date : 28 April, 2012

For and on behalf of the Board of Directors
NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA



VISHNU R DUSAD
Director



P K SANGHI
Director

New Delhi
Date : 28 April, 2012

NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2012

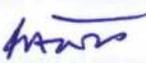
| | Notes No. | Year ended 31 Mar 2012 (JPY) | Year ended 31 Mar 2011 (JPY) | Year ended 31 Mar 2012 (Rupees) (Unaudited) See note 1.2 (i) | Year ended 31 Mar 2011 (Rupees) (Unaudited) See note 1.2 (i) |
|---|--------------|------------------------------------|------------------------------------|--|--|
| REVENUE FROM OPERATIONS | | | | | |
| Sales and services | | 536,615,908 | 642,600,482 | 326,799,088 | 344,112,558 |
| OTHER INCOME | 2.13 | 9,414 | 3,712,983 | 5,733 | 1,988,303 |
| TOTAL REVENUE (1+2) | | 536,625,322 | 646,313,465 | 326,804,821 | 346,100,861 |
| EXPENSES | | | | | |
| a. Employee benefit expenses | 2.14 | 24,109,064 | 23,388,999 | 14,682,420 | 12,524,809 |
| b. Operating and other expenses | 2.15 | 485,888,205 | 622,596,028 | 295,905,918 | 333,400,173 |
| c. Finance cost | 2.16 | 991,797 | 782,172 | 604,004 | 418,853 |
| d. Depreciation and amortisation expense | 2.7 | 1,071,381 | 1,525,572 | 652,471 | 816,944 |
| TOTAL EXPENSES | | 512,060,447 | 648,292,771 | 311,844,813 | 347,160,779 |
| PROFIT / (LOSS) BEFORE TAX | | 24,564,875 | (1,979,306) | 14,960,008 | (1,059,918) |
| TAX EXPENSE | | | | | |
| a. Current tax | | 64,924 | 618,146 | 39,539 | 331,018 |
| PROFIT / (LOSS) FOR THE YEAR | | 24,499,951 | (2,597,452) | 14,920,469 | (1,390,936) |
| EARNING PER EQUITY SHARE | | | | | |
| Equity shares of JPY 50,000 each | | | | | |
| a. Basic and Diluted | 2.18 | 122,500 | (12,987) | 74,602 | (6,955) |
| Number of shares used in computing earnings per share | | 200 | 200 | 200 | 200 |

See accompanying notes forming part of the Financial Statements 1 & 2

The notes referred to above form an integral part of the Financial Statements

in terms of our report attached

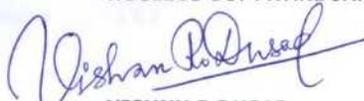
for **DELOITTE HASKINS & SELLS**
Chartered Accountants


RASHIM TANDON
Partner



Gurgaon
Date : 28 April, 2012

For and on behalf of the Board of Directors
NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA


VISHNU R DUSAD
Director

New Delhi
Date : 28 April, 2012


P K SANGHI
Director

NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2012

| | Year ended 31 March 2012 (JPY) | Year ended 31 March 2011 (JPY) | Year ended 31 March 2012 (Rupees) (Unaudited) See note 1.2 (i) | Year ended 31 March 2011 (Rupees) (Unaudited) See note 1.2 (i) |
|--|--------------------------------------|--------------------------------------|--|--|
| A. Cash flow from operating activities | | | | |
| Net Profit / (loss) before tax | 24,564,875 | (1,979,306) | 14,960,008 | (1,059,918) |
| Adjustments for: | | | | |
| Depreciation | 1,071,381 | 1,525,572 | 652,471 | 816,944 |
| Exchange difference on translation of foreign currency accounts (unrealised) | | - | 5,316,741 | (1,182,146) |
| Interest expense | 460,564 | | 280,483 | - |
| Interest income | | (780,020) | - | (417,701) |
| Operating Profit / (loss) before working capital changes | 26,096,820 | (1,233,754) | 21,209,703 | (1,842,821) |
| Adjustment for (increase)/decrease in operating assets | | | | |
| Trade Receivables | (140,524,282) | 45,037,583 | (85,579,288) | 20,480,002 |
| Long-Term Loans and Advances | (489,080) | 42,367,855 | (297,850) | 20,099,142 |
| Short -Term Loans and Advances | (880,785) | | (536,398) | |
| Other current assets | (3,886,048) | 25,781,223 | (2,366,604) | 11,166,244 |
| Adjustment for increase/ (decrease) in operating liabilities | | | | |
| Trade payables | 69,632,024 | | 42,405,902 | |
| Other current liabilities | 17,751,817 | | 10,810,856 | |
| Current liabilities | | (256,467,810) | - | (115,881,230) |
| Direct taxes paid | 64,924 | - | 39,539 | - |
| Net cash from / (used in) operating activities (A) | (32,364,459) | (144,514,903) | (14,393,215) | (65,978,663) |
| B. Cash flow from investing activities | | | | |
| Purchase of fixed assets | (754,892) | (890,573) | (459,729) | (476,902) |
| Interest received | - | 780,020 | - | 417,701 |
| Net cash used in investing activities (B) | (754,892) | (110,553) | (459,729) | (59,201) |
| C. Cash flow from financing activities | | | | |
| Interest paid | (460,564) | - | (280,483) | - |
| Proceeds from Long term borrowings | 39,374,400 | - | 24,423,940 | - |
| Net cash from Financing activities (C) | 38,913,836 | - | 24,143,457 | - |
| Net increase/ (decrease) in cash and cash equivalents (A+B+C) | 5,794,485 | (144,625,456) | 9,290,512 | (66,037,864) |
| Cash and cash equivalents at the beginning of the Year | 70,063,862 | 214,689,318 | 37,764,421 | 103,802,285 |
| Cash and cash equivalents at the end of the Year | 75,858,348 | 70,063,862 | 47,054,933 | 37,764,421 |

See Note 2.10

See accompanying notes forming part of the Financial Statements

1 & 2

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

RASHIM TANDON
Partner

Gurgaon
Date : 28 April, 2012



For and on behalf of the Board of Directors
NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA

VISHNU R DUSAD
Director

New Delhi
Date : 28 April, 2012

P K SANGHI
Director

Note 1:

1.1 Company Overview

Nucleus Software Japan Kabushiki Kaisha ('the Company') was incorporated on 2 November 2001 in Japan. The Company's entire share capital is held by Nucleus Software Exports Ltd., India ('the Holding Company'). The principal activities of the Company consists of developing, producing and dealing in software systems and providing support and technical advisory and consultancy services, which are executed through a service level agreement with the Holding Company.

1.2 Significant accounting policies

(i) Basis of preparation

The financial statements are prepared under the historical cost convention, in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP), Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006 and the provisions of Companies Act, 1956 as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognised on accrual basis. Accounting policies have been consistently applied except where a newly issued accounting standard if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

These financial statements are being prepared on a going concern basis, that is the assets and liabilities are recorded on the basis that the Company will be able to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared for the purpose of compliance with the provisions of Section 212 of the Companies Act, 1956 and the Balance Sheet has been restated to Indian rupees at exchange rate prevailing on the last day of the financial year and the statement of Profit and Loss and the Cash flow statement have been restated on the average exchange rate for the financial year.

The functional currency of the Company is Japanese Yen (JPY). The translation from JPY to Indian Rupees is unaudited.

(ii) Use of estimates

The preparation of financial statements in conformity with Indian 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. Actual results could differ from these estimates. Any changes in estimates are adjusted prospectively.

(iii) Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.



Nucleus Software Japan Kabushiki Kaisha
Notes forming part of the Financial Statements

(iv) Fixed assets

Fixed assets are stated at the cost of acquisition less accumulated depreciation and impairment losses, if any. The cost of acquisition includes all incidental costs related to acquisition and installation till the date of capitalisation of the asset. Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not ready to use before the year end, are disclosed as capital work-in-progress.

(v) Depreciation

Depreciation on fixed assets is provided on the straight-line method based on useful lives of respective assets as estimated by the management. Depreciation is charged on a pro-rata basis for assets purchased / sold during the year. Assets costing Rupees 5,000 or less are fully depreciated in the year of purchase.

The management's estimates of the useful lives of the various fixed assets in use are as follows:

| Asset category | Useful life (in years) |
|------------------------|-------------------------------|
| Computers | 4 |
| Furniture and fixtures | 5 |
| Office Equipments | 5 |
| Software | 3 |

(vi) Revenue recognition

Revenue from software development services comprises income from time and materials and fixed price contracts.

Revenue from time and materials contracts is recognised as the services are rendered.

Revenue from fixed price contracts and sale of license and related customisation and implementation is recognised in accordance with the percentage completion method calculated based on output method. Provision for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become certain based on the current estimates.

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

Service income accrued but not due represents revenue recognised on contracts to be billed in the subsequent period, in accordance with the 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.

(vii) 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 are recognised as Income or Expense in the statement of Profit and Loss. Monetary assets and liabilities are restated at the exchange rate prevalent at the date of balance sheet. The resulting gain/loss is recognized in the statement of Profit and Loss.



Nucleus Software Japan Kabushiki Kaisha
Notes forming part of the Financial Statements

(viii) Operating leases

Lease payments under operating lease are recognised as an expense in the statement of Profit and Loss on a straight-line basis over the lease term.

(ix) Earnings per share

Basic earnings per share are computed by dividing the Profit / Loss after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the Profit / Loss after Tax by the weighted average number of equity and dilutive equivalent shares outstanding during the year, except where results are anti-dilutive.

(x) Taxes on Income

Income taxes are accrued in the same period the related revenue and expenses arise. The differences that result between the taxable profit and the profit as per the financial statements are identified and thereafter deferred tax assets or deferred tax liabilities are recorded as 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. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only to the extent there is virtual certainty of realisation of such assets. In other situations, deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future. Such assets are reviewed at each balance sheet date for realisability.

(xi) Impairment

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. An impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

(xii) Provisions and Contingencies

The Company recognises a provision when there is a present obligation as a result of a past event and it is probable that it would involve an outflow of resources and a reliable estimate can be made of the amount of such obligation. Such provisions are not discounted to their present value and are determined based on the management's estimate of the amount required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect management's current estimates.

A disclosure for a contingent liability is made where it is more likely than not that a present obligation or possible obligation may result in or involve an outflow of resources. When no present or possible obligation exists and the possibility of an outflow of resources is remote, no disclosure is made.



NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1 SHARE CAPITAL

| Particulars | As at 31 Mar 2012 (JPY) | As at 31 Mar 2011 (JPY) | As at 31 Mar 2012 (Rupees) (Unaudited) See note 1.2 (i) | As at 31 Mar 2011 (Rupees) (Unaudited) See note 1.2 (i) |
|---|-------------------------------|-------------------------------|---|---|
| a. Authorised capital | | | | |
| 200 (previous year 200) equity shares of JPY 50,000 each | <u>10,000,000</u> | <u>10,000,000</u> | <u>6,203,000</u> | <u>5,390,000</u> |
| b. Issued, Subscribed and Paid-Up | | | | |
| 200 (previous year 200) equity shares of JPY 50,000 each, fully paid up, held by Nucleus Software Exports Limited (The Holding Company) | <u>10,000,000</u> | <u>10,000,000</u> | <u>6,203,000</u> | <u>5,390,000</u> |

2 RESERVES AND SURPLUS

| | | | | |
|---|-------------------|---------------------|-------------------|---------------------|
| a. Surplus / (Deficit) in Statement of Profit and Loss | | | | |
| Opening Balance | (25,306,794) | (22,709,342) | (15,697,804) | (12,240,336) |
| Add: Profit / (Loss) for the year | <u>24,499,951</u> | <u>(2,597,452)</u> | <u>14,920,469</u> | <u>(1,390,936)</u> |
| Closing balance | <u>(806,843)</u> | <u>(25,306,794)</u> | <u>(777,335)</u> | <u>(13,631,272)</u> |
| b. Currency Translation Reserve | | | | |
| Opening Balance | - | - | (9,090) | 288,745 |
| Add: Created during the Year | <u>-</u> | <u>-</u> | <u>285,940</u> | <u>(297,835)</u> |
| Closing balance | <u>-</u> | <u>-</u> | <u>276,850</u> | <u>(9,090)</u> |
| Total | <u>(806,843)</u> | <u>(25,306,794)</u> | <u>(500,485)</u> | <u>(13,640,362)</u> |

3 LONG-TERM BORROWINGS (Unsecured)

| | | | | |
|---|-------------------|----------|-------------------|----------|
| Term Loan from Fellow Subsidiary Nucleus Software Solutions Pte. Ltd., Singapore | <u>39,374,400</u> | <u>-</u> | <u>24,423,940</u> | <u>-</u> |
|---|-------------------|----------|-------------------|----------|

- Note: i. Details of Terms of repayment
The above loan is repayable in 5 annual instalments of USD 120,000 each starting from 31 December, 2012
ii. For the current maturities of Long term borrowings, refer Item (a.) in Note No. 2.5- Other Current Liabilities.

4 TRADE PAYABLES

| | | | | |
|--|--------------------|--------------------|--------------------|-------------------|
| a. Trade Payables | | | | |
| - Micro and small enterprises (refer note below) | - | - | - | - |
| - Others | 39,938,023 | 18,955,180 | 24,773,556 | 10,216,842 |
| b. Due to Fellow Subsidiaries | 81,923,990 | 20,998,134 | 50,817,451 | 11,317,994 |
| c. Due to Holding Company | <u>89,815,680</u> | <u>102,092,356</u> | <u>55,712,666</u> | <u>55,027,780</u> |
| Total | <u>211,677,693</u> | <u>142,045,670</u> | <u>131,303,673</u> | <u>76,562,616</u> |

Note: The Company has no amounts payable to micro, small and medium enterprises as defined in section 7(1) of the Micro, Small and Medium Enterprises Development Act, 2006, to the extent such parties have been identified from the available information.

5 OTHER CURRENT LIABILITIES

| | | | | |
|---|-------------------|------------------|-------------------|------------------|
| a. Current Maturities of Long Term Debt (refer Note below) | 9,843,600 | - | 6,105,985 | - |
| b. Interest accrued but not due on borrowings | 344,809 | - | 213,885 | - |
| c. Deferred Revenue | 1,192,816 | - | 739,904 | - |
| d. Other payables - statutory dues | <u>9,358,816</u> | <u>2,988,222</u> | <u>5,805,274</u> | <u>1,610,651</u> |
| Total | <u>20,740,041</u> | <u>2,988,222</u> | <u>12,865,048</u> | <u>1,610,651</u> |

Note: Refer Note No. 2.3 Long Term Borrowings for Details of Security and terms of repayment.

6 SHORT-TERM PROVISIONS

| | | | | |
|--------------------------|---------------|---------------|---------------|---------------|
| Provision for Income Tax | <u>70,000</u> | <u>70,000</u> | <u>43,421</u> | <u>37,730</u> |
|--------------------------|---------------|---------------|---------------|---------------|



NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2.7 Fixed Assets (At Cost)

(Amount in JPY)

| PARTICULARS | GROSS BLOCK | | | | | ACCUMULATED DEPRECIATION/ AMORTISATION | | | | | NET BLOCK | |
|-----------------------------|---------------------|----------------|-----------------------------|-------------------------|----------------------|--|------------------|-----------------------------|-------------------------|----------------------|----------------------|------------------------|
| | As at 1 Apr 2011 | Additions | Deductions / adjustments | Currency Translation | As at 31 Mar 2012 | As at 1 Apr 2011 | For the year | Deductions / adjustments | Currency Translation | As at 31 Mar 2012 | As at 31 Mar 2012 | As at 31 March 2011 |
| A. Tangible assets | | | | | | | | | | | | |
| Office and other equipment | 894,600 | - | - | | 894,600 | 455,166 | 179,410 | - | | 634,576 | 260,024 | 439,434 |
| Computers | 3,957,507 | 754,892 | 2,851,590 | | 1,860,809 | 3,333,022 | 488,503 | 2,851,590 | | 969,935 | 890,874 | 624,485 |
| Furniture and fixtures | 906,452 | - | - | | 906,452 | 451,536 | 127,099 | | | 578,635 | 327,817 | 454,916 |
| | 5,758,559 | 754,892 | 2,851,590 | | 3,661,861 | 4,239,724 | 795,012 | 2,851,590 | | 2,183,146 | 1,478,715 | 1,518,835 |
| B. Intangible assets | | | | | | | | | | | | |
| Software | 1,034,087 | - | - | | 1,034,087 | 685,392 | 276,369 | - | | 961,761 | 72,326 | 348,695 |
| Total | 6,792,646 | 754,892 | 2,851,590 | - | 4,695,948 | 4,925,116 | 1,071,381 | 2,851,590 | - | 3,144,907 | 1,551,041 | 1,867,530 |
| Previous year | 5,902,073 | 890,573 | | - | 6,792,646 | 3,399,545 | 1,525,572 | - | - | 4,925,117 | 1,867,529 | 205,528 |

(Amount in Rupees) (unaudited See note 1.2 (i))

| PARTICULARS | GROSS BLOCK | | | | | ACCUMULATED DEPRECIATION/ AMORTISATION | | | | | NET BLOCK | |
|-----------------------------|---------------------|----------------|-----------------------------|-------------------------|----------------------|--|-----------------|-----------------------------|-------------------------|----------------------|----------------------|------------------------|
| | As at 1 Apr 2011 | Additions | Deductions / adjustments | Currency Translation | As at 31 Mar 2012 | As at 1 Apr 2011 | For the year | Deductions / adjustments | Currency Translation | As at 31 Mar 2012 | As at 31 Mar 2012 | As at 31 March 2011 |
| A. Tangible assets | | | | | | | | | | | | |
| Office and other equipment | 482,189 | - | - | 100,692 | 554,920 | 245,334 | 131,654 | - | | 393,627 | 161,293 | 236,855 |
| Computers | 2,133,096 | 459,729 | 1,736,618 | 209,442 | 1,154,260 | 1,796,499 | 201,232 | 1,736,618 | | 601,651 | 552,609 | 336,597 |
| Furniture and fixtures | 488,578 | - | - | 102,025 | 562,272 | 243,378 | 120,049 | | | 358,927 | 203,345 | 245,200 |
| | 3,103,863 | 459,729 | 1,736,618 | 412,159 | 2,271,452 | 2,285,211 | 452,935 | 1,736,618 | | 1,354,205 | 917,247 | 818,652 |
| B. Intangible assets | | | | | | | | | | | | |
| Software | 557,373 | - | - | 116,391 | 641,444 | 369,426 | 199,536 | - | | 596,580 | 44,864 | 187,947 |
| Total | 3,661,236 | 459,729 | 1,736,618 | 528,550 | 2,912,896 | 2,654,638 | 652,471 | 1,736,618 | - | 1,950,786 | 962,111 | 1,006,599 |
| Previous year | 2,853,652 | 476,902 | | (330,682) | 3,661,236 | 1,643,680 | 816,944 | - | (194,014) | 2,654,638 | 1,006,598 | 1,209,972 |



NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

| Particulars | As at 31 Mar 2012 (JPY) | As at 31 Mar 2011 (JPY) | As at 31 Mar 2012 (Rupees) (Unaudited) See note 1.2 (i) | As at 31 Mar 2011 (Rupees) (Unaudited) See note 1.2 (i) |
|--|-------------------------------|-------------------------------|---|---|
| 2.8 LONG-TERM LOANS AND ADVANCES (Unsecured, considered good) | | | | |
| a. Security Deposits | <u>9,613,800</u> | <u>9,124,720</u> | <u>5,963,440</u> | <u>4,918,224</u> |
| 2.9 TRADE RECEIVABLES | | | | |
| a. Trade Receivables outstanding for a period exceeding six months from the date they were due for payment | | | | |
| Unsecured | | | | |
| - Considered good | - | - | - | - |
| - Considered doubtful | - | 6,613,761 | - | 3,564,817 |
| | - | 6,613,761 | - | 3,564,817 |
| Less: Provision for doubtful trade receivables | - | (6,613,761) | - | (3,564,817) |
| | - | - | - | - |
| b. Other trade receivables (Unsecured, Considered good) | 163,869,684 | 23,345,403 | 101,648,365 | 12,583,171 |
| Total | <u>163,869,684</u> | <u>23,345,403</u> | <u>101,648,365</u> | <u>12,583,171</u> |
| Note: The above includes receivable from companies under the same management within the meaning of section 370(1B) of Companies Act, 1956. | | | | |
| - Nucleus Software Inc., USA | 10,624,608 | - | 6,590,444 | - |
| 2.10 CASH AND CASH EQUIVALENTS | | | | |
| a. Cash on hand | | | | |
| b. Balance with non scheduled banks in current accounts : | | | | |
| - Bank of Tokyo Mitsubishi | 14,607,831 | 11,552,400 | 9,061,238 | 6,226,743 |
| - Shinsei Bank | 40,010,089 | 20,493,107 | 24,818,258 | 11,045,785 |
| - Citibank | 21,240,428 | 38,018,355 | 13,175,437 | 20,491,893 |
| Total | <u>75,858,348</u> | <u>70,063,862</u> | <u>47,054,933</u> | <u>37,764,421</u> |
| Maximum amount outstanding during the year | | | | |
| - Bank of Tokyo Mitsubishi | 54,338,064 | 54,714,193 | 33,705,901 | 29,490,950 |
| - Shinsei Bank | 80,338,552 | 72,855,687 | 49,834,004 | 39,269,215 |
| - Citibank | 42,308,907 | 216,766,288 | 26,244,215 | 116,837,029 |
| Note: All the above balances meet the definition of cash and cash equivalents as per AS-3 Cash Flow Statements. | | | | |
| 2.11 SHORT-TERM LOANS AND ADVANCES Unsecured, considered good | | | | |
| a. Advance to Employees | 61,348 | 351,925 | 38,054 | 189,688 |
| b. Prepaid Expenses | 2,525,617 | 1,535,651 | 1,566,640 | 827,716 |
| c. Advance to Suppliers | - | 103,000 | - | 55,517 |
| d. Expenses recoverable from Customers | 284,396 | - | 176,411 | - |
| Total | <u>2,871,361</u> | <u>1,990,576</u> | <u>1,781,105</u> | <u>1,072,921</u> |
| 2.12 OTHER CURRENT ASSETS | | | | |
| a. Service Income accrued but not due | | | | |
| Unsecured | | | | |
| - Considered good | 27,291,057 | 23,405,008 | 16,928,643 | 12,615,299 |
| - Considered doubtful | - | 6,224,310 | - | 3,354,903 |
| | 27,291,057 | 29,629,318 | 16,928,643 | 15,970,202 |
| Less : Provision for service income accrued but not due | - | (6,224,310) | - | (3,354,903) |
| Total | <u>27,291,057</u> | <u>23,405,008</u> | <u>16,928,643</u> | <u>12,615,299</u> |



NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

| Particulars | Year ended 31 March 2012 | Year ended 31 March 2011 | Year ended 31 March 2012 | Year ended 31 March 2011 |
|---|-----------------------------|-----------------------------|---|---|
| | (JPY) | (JPY) | (Rupees) (Unaudited) See note 1.2 (i) | (Rupees) (Unaudited) See note 1.2 (i) |
| 2.13 OTHER INCOME | | | | |
| a. Interest Received | 9,414 | 780,020 | 5,733 | 417,701 |
| b. Gain on Foreign currency transaction and translation (net) | - | 2,052,568 | - | 1,099,150 |
| c. Miscellaneous Income | - | 880,395 | - | 471,452 |
| Total | 9,414 | 3,712,983 | 5,733 | 1,988,303 |
| 2.14 EMPLOYEE BENEFIT EXPENSES | | | | |
| a. Salaries and allowances | 22,548,996 | 21,985,343 | 13,732,339 | 11,773,151 |
| b. Staff welfare expenses | 1,560,068 | 1,403,656 | 950,081 | 751,658 |
| Total | 24,109,064 | 23,388,999 | 14,682,420 | 12,524,809 |
| 2.15 OPERATING AND OTHER EXPENSES | | | | |
| a. Consultancy charges | 368,500,632 | 448,629,812 | 224,416,885 | 240,241,265 |
| b. Cost of software purchased for delivery to clients | - | 28,789,230 | - | 15,416,633 |
| c. Power and fuel | 221,368 | 244,746 | 134,813 | 131,061 |
| d. Rent | 80,103,276 | 89,079,194 | 48,782,895 | 47,701,908 |
| e. Repair and maintenance | - | - | - | - |
| - Buildings | 568,795 | 2,862,000 | 346,396 | 1,532,601 |
| - Others | 9,959 | 47,100 | 6,065 | 25,222 |
| f. Insurance | 20,000 | 37,000 | 12,180 | 19,814 |
| g. Rates and taxes | 35,182 | 160,200 | 21,426 | 85,787 |
| h. Travelling | - | - | - | - |
| - Foreign | 4,699,664 | 4,151,103 | 2,862,095 | 2,222,916 |
| - Domestic | 1,520,274 | 689,914 | 925,847 | 369,449 |
| i. Advertisement and business promotion | 528,546 | 1,381,138 | 321,885 | 739,599 |
| j. Legal and professional (see note 2.17) | 25,115,257 | 43,038,644 | 15,295,192 | 23,047,194 |
| k. Conveyance | 999,469 | 1,478,910 | 608,676 | 791,956 |
| l. Communication | 2,311,268 | 3,444,113 | 1,407,562 | 1,844,323 |
| m. Printing and Stationery | 315,469 | 314,576 | 192,121 | 168,455 |
| n. Advances and other current assets written off Less : Provision for doubtful debts / advances / other current assets | 13,131,418 (12,735,071) | - (2,163,283) | 7,997,034 (7,755,658) | - (1,158,438) |
| o. Loss on Foreign currency transaction and translation (net) | 505,054 | - | 307,578 | - |
| p. Miscellaneous expenses | 37,645 | 411,631 | 22,926 | 220,428 |
| Total | 485,888,205 | 622,596,028 | 295,905,918 | 333,400,173 |
| 2.16 FINANCE COST | | | | |
| a. Bank Charges | 531,233 | 782,172 | 323,521 | 418,853 |
| b. Interest on Loan | 460,564 | - | 280,483 | - |
| Total | 991,797 | 782,172 | 604,004 | 418,853 |
| 2.17 Legal and Professional expenses include: | | | | |
| Audit fees (Excluding Service Tax) | 2,237,766 | 2,250,000 | 1,362,799 | 1,204,875 |
| 2.18 Earnings per share | | | | |
| Basic and Diluted | | | | |
| a. Profit / (Loss) after tax | 24,499,951 | (2,597,452) | 14,920,469 | (1,390,936) |
| b. Weighted average number of equity shares. | 200 | 200 | 200 | 200 |
| c. Earnings per share | 122,500 | (12,987) | 74,602 | (6,955) |



2.19 RELATED PARTY TRANSACTIONS

List of related parties – where control exists

- a. **Holding company**
- Nucleus Software Exports Limited
- b. **Other related parties with whom transactions have taken place during the year**
- Fellow Subsidiary**
- Nucleus Software Solutions Pte. Ltd., Singapore
- Nucleus Software Inc., USA

| Particulars | Year ended 31 March 2012 (JPY) | Year ended 31 March 2011 (JPY) | Year ended 31 March 2012 (Rupees) (Unaudited) See note 1.2 (i) | Year ended 31 March 2011 (Rupees) (Unaudited) See note 1.2 (i) |
|---|--|--|--|--|
| Transactions with related parties | | | | |
| a. Sales and services | | | | |
| Fellow Subsidiary Company - Nucleus Software Inc., USA | 8,670,500 | - | 5,280,335 | - |
| b. Consultancy charges | | | | |
| Holding Company - Nucleus Software Exports Limited | 203,061,930 | 248,085,200 | 123,664,715 | 132,849,625 |
| Fellow Subsidiary Company - Nucleus Software Solutions Pte Ltd, Singapore | 110,469,930 | 79,206,902 | 67,276,187 | 42,415,296 |
| c. Reimbursement of expenses | | | | |
| From Holding Company - Nucleus Software Exports Limited | 870,670 | 691,682 | 530,238 | 370,396 |
| From Fellow Subsidiary Company - Nucleus Software Solutions Pte Ltd, Singapore | 1,799,378 | - | 1,095,821 | - |
| To Holding Company - Nucleus Software Exports Limited | 173,367 | 10,093,561 | 105,581 | 5,405,102 |
| To Fellow Subsidiary Company - Nucleus Software Inc, USA | 1,540,428 | 3,147,200 | 938,121 | 1,685,326 |
| d. Borrowings | | | | |
| From Fellow Subsidiary Company - Nucleus Software Solutions Pte Ltd. | 46,752,000 | - | 28,471,968 | - |
| e. Interest on Borrowings | | | | |
| To Fellow Subsidiary Company - Nucleus Software Solutions Pte Ltd. | 460,564 | - | 280,483 | - |
| Particulars | As at 31 March 2012 (JPY) | As at 31 March 2011 (JPY) | As at 31 March 2012 (Rupees) (Unaudited) See note 1.2 (i) | As at 31 March 2011 (Rupees) (Unaudited) See note 1.2 (i) |
| Balances outstanding as at year end | | | | |
| a. Trade Receivables | | | | |
| Fellow subsidiary company - Nucleus Software Inc., USA | 10,624,608 | - | 6,590,444 | - |
| b. Trade Payables | | | | |
| Holding Company - Nucleus Software Exports Limited | 89,815,680 | 102,092,356 | 55,712,666 | 55,027,780 |
| Fellow subsidiary company - Nucleus Software Solutions Pte Ltd | 81,923,990 | 20,998,134 | 50,817,451 | 11,317,994 |
| c. Borrowings | | | | |
| Fellow subsidiary company - Nucleus Software Solutions Pte Ltd | 49,218,000 | - | 30,529,925 | - |
| d. Interest Payable on Borrowings | | | | |
| Fellow subsidiary company - Nucleus Software Solutions Pte Ltd | 344,809 | - | 213,885 | - |



NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2.20 The Company's exposure in respect of foreign currency denominated assets not hedged as on 31 March 2012 by derivative instruments or otherwise is as follows:

| Particulars | Amount (USD) | Amount (JPY) | Amount (Rupees) (Unaudited) See note 1.2 (i) |
|-----------------------------|-----------------|-----------------|---|
| As at 31 March, 2012 | | | |
| a. Current Liabilities | 124,203 | 10,188,409 | 6,319,870 |
| b. Non-Current Liabilities | 480,000 | 39,374,400 | 24,423,940 |
| As at 31 March, 2011 | | | |
| a. Current Assets | 160,255 | 13,283,535 | 7,159,825 |
| b. Current Liabilities | 541,660 | 44,898,159 | 24,200,108 |

2.21 **Function Wise Classification of the Statement of Profit and Loss**

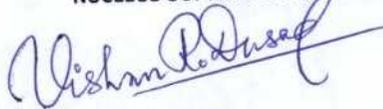
| Particulars | Year ended 31 March 2012 (JPY) | Year ended 31 March 2011 (JPY) | Year ended 31 March 2012 (Rupees) (Unaudited) See note 1.2 (i) | Year ended 31 March 2011 (Rupees) (Unaudited) See note 1.2 (i) |
|---|--------------------------------------|--------------------------------------|--|--|
| Sales and services | 536,615,908 | 642,600,482 | 326,799,088 | 344,112,558 |
| Software development expenses | 368,500,632 | 568,370,191 | 224,416,885 | 304,362,238 |
| Gross Profit | 168,115,276 | 74,230,291 | 102,382,203 | 39,750,320 |
| Selling and marketing expenses | 123,006,133 | 64,572,464 | 74,910,736 | 34,578,554 |
| General and administration expenses | 19,482,301 | 13,824,544 | 11,864,721 | 7,403,043 |
| Operating profit before depreciation | 25,626,842 | (4,166,717) | 15,606,746 | (2,231,277) |
| Depreciation | 1,071,381 | 1,525,572 | 652,471 | 816,944 |
| Operating profit after depreciation | 24,555,461 | (5,692,289) | 14,954,275 | (3,048,221) |
| Other income | 9,414 | 3,712,983 | 5,733 | 1,988,302 |
| Profit before taxation | 24,564,875 | (1,979,306) | 14,960,008 | (1,059,919) |
| - Provision for tax - current income tax | 64,924 | 618,146 | 39,539 | 331,017 |
| Profit after taxation | 24,499,951 | (2,597,452) | 14,920,469 | (1,390,936) |

2.22 **Segment Reporting**

Based on the guiding principles stated in Accounting Standard 17 - "Segment Reporting" as specified in the Companies (Accounting Standard) Rules, 2006, the Company has identified its business of providing software development services and products to the customers in Japan as one reportable segment only. Accordingly, no additional disclosure for segment reporting has been made in the financial statements.

2.23 The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

For and on behalf of the Board of Directors
NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA



VISHNU R DUSAD
Director

New Delhi
Date : 28 April, 2012



P K SANGHI
Director

