

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** as at 31 March, 2011, the Profit and Loss Account 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 purposes of our audit;
 - b. in our opinion, proper books of account have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Profit and Loss Account 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, 2011;
 - ii. in the case of the Profit and Loss Account, of the loss 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
(Registration No. 015125N)



JITENDRA AGARWAL
Partner
Membership No. 87104

GURGAON, 27 April, 2011

Nucleus Software Japan Kabushiki Kaisha
Balance Sheet as at 31 March 2011

	Schedule Reference	As at 31 March 2011 (JPY)	As at 31 March 2010 (JPY)	As at 31 March 2011 (Rupees) (Unaudited)*	As at 31 March 2010 (Rupees) (Unaudited)*
Sources of funds					
Shareholders' funds					
Share capital	1	10,000,000	10,000,000	5,390,000	4,835,000
Currency translation reserve		-	-	(9,090)	288,745
		<u>10,000,000</u>	<u>10,000,000</u>	<u>5,380,910</u>	<u>5,123,745</u>
Application of funds					
Fixed assets					
	2				
Gross block		6,792,646	5,902,073	3,661,236	2,853,652
Less: Accumulated depreciation		(4,925,117)	(3,399,545)	(2,654,638)	(1,643,680)
Net block		<u>1,867,529</u>	<u>2,502,528</u>	<u>1,006,598</u>	<u>1,209,972</u>
Current assets, loans and advances					
Sundry debtors	3	23,345,403	68,382,986	12,583,172	33,063,174
Cash and bank balances	4	70,063,862	214,689,318	37,764,421	103,802,285
Loans and advances	5	11,115,296	53,961,296	5,991,145	26,090,287
Other current assets	6	23,405,008	49,186,231	12,615,299	23,781,543
		<u>127,929,568</u>	<u>386,219,831</u>	<u>68,954,037</u>	<u>186,737,289</u>
Less: Current liabilities and provisions					
Current liabilities	7	145,033,891	401,431,701	78,173,267	194,092,227
Provisions	8	70,000	-	37,730	-
		<u>145,103,891</u>	<u>401,431,701</u>	<u>78,210,997</u>	<u>194,092,227</u>
Net current assets		(17,174,323)	(15,211,870)	(9,256,960)	(7,354,938)
Profit and Loss Account (Debit balance)		<u>25,306,794</u>	<u>22,709,342</u>	<u>13,631,272</u>	<u>11,268,711</u>
		<u>10,000,000</u>	<u>10,000,000</u>	<u>5,380,910</u>	<u>5,123,745</u>

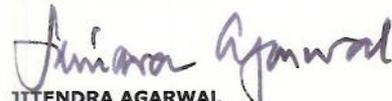
Significant accounting policies and notes to the accounts 13

* Refer note 2 (i) to schedule 13

The schedules referred to above form an integral part of the Balance Sheet.

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants


JITENDRA AGARWAL
Partner

For and on behalf of the Board of Directors


VISHNU R DUSAD
Director

Gurgaon
Date: 27 APRIL, 2011

Noida
Date: 27 APRIL, 2011

Nucleus Software Japan Kabushiki Kaisha
Profit and Loss Account for the year ended 31 March 2011

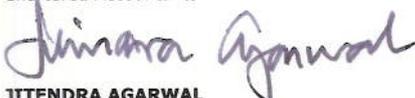
	Schedule Reference	Year ended 31 March 2011 (JPY)	Year ended 31 March 2010 (JPY)	Year ended 31 March 2011 (Rupees) (Unaudited)*	Year ended 31 March 2010 (Rupees) (Unaudited)*
Income					
Sales and services		642,600,482	912,091,591	344,112,558	467,811,777
Software development expenses.	9	<u>568,370,191</u>	<u>831,861,618</u>	<u>304,362,238</u>	<u>426,661,825</u>
Gross profit		74,230,291	80,229,973	39,750,320	41,149,952
Selling and marketing expenses	10	64,572,464	45,237,114	34,578,554	23,202,115
General and administration expenses	11	<u>13,824,544</u>	<u>44,478,441</u>	<u>7,403,043</u>	<u>22,812,993</u>
Operating loss before depreciation		(4,166,717)	(9,485,582)	(2,231,277)	(4,865,156)
Depreciation	2	<u>1,525,572</u>	<u>1,483,826</u>	<u>816,944</u>	<u>761,054</u>
Operating loss after depreciation		(5,692,289)	(10,969,408)	(3,048,221)	(5,626,210)
Other income	12	<u>3,712,983</u>	<u>1,218,210</u>	<u>1,988,302</u>	<u>624,820</u>
Loss before taxation		(1,979,306)	(9,751,198)	(1,059,919)	(5,001,390)
Provision for income tax		<u>618,146</u>	<u>70,000</u>	<u>331,017</u>	<u>35,903</u>
Loss after taxation		(2,597,452)	(9,821,198)	(1,390,936)	(5,037,293)
Balance brought forward		<u>(22,709,342)</u>	<u>(12,888,144)</u>	<u>(12,240,336)</u>	<u>(6,231,418)</u>
Loss carried forward to Balance Sheet		(25,306,794)	(22,709,342)	(13,631,272)	(11,268,711)
Earnings per equity share (face value JPY 50,000 each) (See note 8)					
Basic and diluted		(12,987.26)	(49,105.99)	(6,954.68)	(25,186.47)
Number of shares used in computing earnings per equity share					
Basic and diluted		200	200	200	200

Significant accounting policies and notes to the accounts 13
*Refer note 2 (i) to schedule 13

The schedules referred to above form an integral part of the Profit and Loss Account.

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants


JITENDRA AGARWAL
Partner

Gurgaon
Date: 27 APRIL, 2011

For and on behalf of the Board of Directors


VISHNU R DUSAD
Director

Noida
Date: 27 APRIL, 2011

Nucleus Software Japan Kabushiki Kaisha
Cash Flow Statement for the year ended 31 March 2011

	Year ended 31 March 2011 (JPY)	Year ended 31 March 2010 (JPY)	Year ended 31 March 2011 (Rupees) (Unaudited)*	Year ended 31 March 2010 (Rupees) (Unaudited)*
A. Cash flow from operating activities				
Net loss before tax	(1,979,306)	(9,751,198)	(1,059,919)	(5,001,390)
Adjustments for:				
Depreciation	1,525,572	1,483,826	816,944	761,054
Exchange difference on translation of foreign currency accounts	-	-	(1,182,146)	(6,393,092)
Interest income	(780,020)	(255,378)	(417,701)	(130,983)
Operating loss before working capital changes	(1,233,754)	(8,522,750)	(1,842,822)	(10,764,411)
Decrease / (increase) in debtors	45,037,583	239,757,832	20,480,002	122,971,792
Decrease / (increase) in loans and advances	42,367,855	(3,863,907)	20,099,143	(1,981,798)
Decrease / (increase) in other current assets	25,781,223	30,202,069	11,166,244	15,490,641
(Decrease) / increase in current liabilities	(256,467,810)	(173,465,502)	(115,881,230)	(88,970,456)
	(144,514,903)	84,107,742	(65,978,663)	36,745,768
Direct taxes paid	-	(4,569,490)	-	(2,343,691)
Net cash from / (used in) operating activities (A)	(144,514,903)	79,538,252	(65,978,663)	34,402,077
B. Cash flow from investing activities				
Purchase of fixed assets / capital work in progress	(890,573)	(481,346)	(476,902)	(246,882)
Interest received	780,020	255,378	417,701	130,983
Net cash used in investing activities (B)	(110,553)	(225,968)	(59,201)	(115,899)
Net increase in cash and cash equivalents (A+B)	(144,625,456)	79,312,284	(66,037,864)	34,286,178
Opening cash and cash equivalents	214,689,318	135,377,034	103,802,285	69,516,107
Closing cash and cash equivalents	70,063,862	214,689,318	37,764,421	103,802,285

* Refer note 2 (i) to schedule 13

Notes:

- The above cash flow statement has been prepared in accordance with the 'Indirect method' as set out in the Accounting Standard 3 on "Cash Flow Statements" prescribed under Companies (Accounting Standard) Rules, 2006.
- Cash and cash equivalents consist of balances with non scheduled banks.

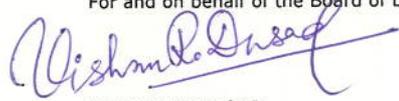
In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants


JITENDRA AGARWAL
Partner

Place: Gurgaon
Date: 27 APRIL, 2011

For and on behalf of the Board of Directors


VISHNU R DUSAD
Director

Place: Noida
Date: 27 APRIL 2011

Nucleus Software Japan Kabushiki Kaisha
Schedules forming part of the Balance Sheet

	<u>As at</u> <u>31 March 2011</u> <u>(JPY)</u>	<u>As at</u> <u>31 March 2010</u> <u>(JPY)</u>	<u>As at</u> <u>31 March 2011</u> <u>(Rupees)</u> <u>(Unaudited)*</u>	<u>As at</u> <u>31 March 2010</u> <u>(Rupees)</u> <u>(Unaudited)*</u>
SCHEDULE 1				
Share capital				
Authorised capital				
200 (previous year 200) equity shares of JPY 50,000 each	<u>10,000,000</u>	<u>10,000,000</u>	<u>5,390,000</u>	<u>4,835,000</u>
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>5,390,000</u>	<u>4,835,000</u>

* Refer note 2 (i) to schedule 13

A

Nucleus Software Japan Kabushiki Kaisha
Schedules forming part of the Balance Sheet

SCHEDULE 2

Fixed assets (At cost)

	Gross block				Depreciation			Net block	
	As at 1 April 2010	Additions	Currency Translation	As at 31 March 2011	As at 1 April 2010	Depreciation for the year	Currency Translation	As at 31 March 2011	As at 31 March 2010
Tangible assets									
Office and other equipment	855,800	38,800		894,600	281,051	174,115		455,166	574,749
Computers	3,557,621	399,886		3,957,507	2,392,246	940,776		3,333,022	1,165,375
Furniture and fixtures	585,652	320,800		906,452	356,801	94,736		451,537	228,851
Intangible assets									
Software package	903,000	131,087		1,034,087	369,447	315,945		685,392	533,553
Current year (JPY)	5,902,073	890,573	-	6,792,646	3,399,545	1,525,572	-	4,925,117	2,502,528
Current year (Rupees) (Unaudited)*	2,853,652	476,902	330,682	3,661,236	1,643,680	816,944	194,014	2,654,638	1,209,972
Previous year (JPY)	5,420,727	481,346	-	5,902,073	1,915,719	1,483,826	-	3,399,545	2,502,528
Previous year (Rupees) (Unaudited)*	2,783,543	246,882	(176,773)	2,853,652	983,722	761,054	(101,096)	1,643,680	1,209,972

* Refer note 2 (i) to schedule 13

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Nucleus Software Japan Kabushiki Kaisha
Schedules forming part of the Balance Sheet

	As at 31 March 2011 (JPY)	As at 31 March 2010 (JPY)	As at 31 March 2011 (Rupees) (Unaudited)*	As at 31 March 2010 (Rupees) (Unaudited)*
SCHEDULE 3				
Sundry debtors (Unsecured)				
Debts outstanding for a period exceeding six months				
- Considered good	-	-	-	-
- Considered doubtful	6,613,761	-	3,564,817	-
	<u>6,613,761</u>	<u>-</u>	<u>3,564,817</u>	<u>-</u>
Less: Provision for doubtful debts	(6,613,761)	-	(3,564,817)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other debts (considered good)	23,345,403	68,382,986	12,583,172	33,063,174
	<u>23,345,403</u>	<u>68,382,986</u>	<u>12,583,172</u>	<u>33,063,174</u>
SCHEDULE 4				
Cash and bank balances				
Balances with non scheduled banks				
- in current accounts **				
Bank of Tokyo Mitsubishi - Japan	11,552,400	12,120,124	6,226,743	5,860,080
Shinsei Bank-Japan	20,493,107	9,034,232	11,045,785	4,368,051
Citibank-Japan	38,018,355	193,534,962	20,491,893	93,574,154
	<u>70,063,862</u>	<u>214,689,318</u>	<u>37,764,421</u>	<u>103,802,285</u>
** Maximum amount outstanding during the year				
Bank of Tokyo Mitshubishi -Japan	54,714,193	303,837,440	29,490,950	146,905,402
Shinsei Bank - Japan	72,855,687	96,612,386	39,269,215	46,712,089
Citibank - Japan	216,766,288	266,103,267	116,837,029	128,660,930
SCHEDULE 5				
Loans and advances (Unsecured, considered good)				
Advances recoverable in cash or in kind or for value to be received	454,925	41,687,976	245,205	20,156,137
Advance income tax	-	478,146	-	231,184
Security deposits	9,124,720	9,560,087	4,918,224	4,622,302
Prepaid expenses	1,535,651	2,235,087	827,716	1,080,665
	<u>11,115,296</u>	<u>53,961,296</u>	<u>5,991,145</u>	<u>26,090,288</u>
SCHEDULE 6				
Other current assets				
Income accrued but not due [net of provision of JPY 6,224,310 (JPY 6,005,822; Rs. 3,354,903; Rs. 2,903,815)]				
	<u>23,405,008</u>	<u>49,186,231</u>	<u>12,615,299</u>	<u>23,781,543</u>
SCHEDULE 7				
Current liabilities				
Sundry creditors	39,953,314	267,828,507	21,534,836	129,495,083
Due to holding company	102,092,356	132,299,402	55,027,780	63,966,761
Advances from customers	-	1,303,792	-	630,383
Other liabilities	2,988,221	-	1,610,651	-
	<u>145,033,891</u>	<u>401,431,701</u>	<u>78,173,267</u>	<u>194,092,227</u>
SCHEDULE 8				
Provisions				
Taxation	70,000	-	37,730	-
	<u>70,000</u>	<u>-</u>	<u>37,730</u>	<u>-</u>

* Refer note 2 (i) to Schedule 13

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Nucleus Software Japan Kabushiki Kaisha
Schedules forming part of the Profit and Loss Account

	Year Ended 31 March 2011 (JPY)	Year Ended 31 March 2010 (JPY)	Year Ended 31 March 2011 (Rupees) (Unaudited)*	Year Ended 31 March 2010 (Rupees) (Unaudited)*
SCHEDULE 9				
Software development expenses				
Salaries and allowances	9,296,367	8,101,552	4,978,204	4,155,286
Staff welfare	593,527	461,274	317,834	236,588
Rent	78,839,680	97,049,988	42,218,649	49,776,939
Travelling				
- Foreign	2,221,575	3,386,225	1,189,653	1,736,795
- Domestic	-	128,040	-	65,672
Consultancy charges	448,629,812	636,171,363	240,241,265	326,292,292
Cost of software purchased for delivery to clients	28,789,230	86,558,366	15,416,633	44,395,786
Miscellaneous expenses	-	4,810	-	2,467
	568,370,191	831,861,618	304,362,238	426,661,825
SCHEDULE 10				
Selling and marketing expenses				
Salaries and allowances	11,533,811	17,648,655	6,176,356	9,051,995
Staff welfare	736,377	1,004,856	394,330	515,391
Conveyance	1,331,019	2,219,835	712,761	1,138,553
Communication	2,963,031	4,880,120	1,586,703	2,503,014
Rent	9,215,563	7,003,775	4,934,934	3,592,236
Legal and professional (See note 5)	34,833,756	9,761,252	18,653,476	5,006,546
Travelling				
- Foreign	1,736,575	1,290,891	929,936	662,098
- Domestic	620,923	285,591	332,504	146,479
Advertisement and business promotion	1,381,138	173,929	739,599	89,208
Power & Fuel	220,271	-	117,955	-
Commission on sale	-	966,149	-	495,538
Miscellaneous expenses	-	2,061	-	1,057
	64,572,464	45,237,114	34,578,554	23,202,115
SCHEDULE 11				
General and administration expenses				
Salaries and allowances	1,155,165	1,160,144	618,591	595,038
Staff welfare	73,752	66,055	39,494	33,880
Conveyance	147,891	246,648	79,196	126,506
Communication	481,082	911,493	257,619	467,505
Rent	1,023,951	778,197	548,326	399,137
Rates and taxes	160,200	134,200	85,787	68,831
Legal and professional (See note 5)	8,204,888	33,005,075	4,393,718	16,928,303
Provision for doubtful debt\other current assets	(2,163,283)	2,974,594	(1,158,438)	1,525,669
Repairs and maintenance				
- Building	2,862,000	866,833	1,532,601	444,599
- Others	47,100	133,057	25,222	68,245
Printing and stationery	314,576	1,043,731	168,455	535,330
Power and Fuel	24,475	-	13,106	-
Insurance	37,000	35,600	19,814	18,259
Bank charges	782,172	1,128,070	418,853	578,587
Travelling				
- Foreign	192,953	214,355	103,326	109,943
- Domestic	68,991	31,732	36,945	16,275
Miscellaneous expenses	411,631	1,748,657	220,428	896,886
	13,824,544	44,478,441	7,403,043	22,812,993
SCHEDULE 12				
Other income				
Interest	780,020	255,378	417,701	130,983
Gain on foreign exchange fluctuation (net)	2,052,568	962,832	1,099,150	493,837
Miscellaneous income	880,395	-	471,452	-
	3,712,983	1,218,210	1,988,303	624,820

* Refer note 2 (i) to schedule 13

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Nucleus Software Japan Kabushiki Kaisha
Schedules forming part of the accounts

Schedule 13: Significant accounting policies and notes to the accounts

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.

2. Significant accounting policies

(i) Basis of preparation

The financial statements are prepared under the historical cost convention, in accordance with the Indian Generally Accepted Accounting Principles (GAAP), 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 the 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.

The Company's net worth is fully eroded. However, the directors consider that it is appropriate to prepare these accounts on the going concern basis in view of the continued financial support from its holding company. Accordingly, these accounts 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 Balance Sheet has been restated to Indian rupees at exchange rate prevailing on the last day of the financial year and the Profit and Loss Account and the Cash flow statement has been restated on the average exchange rate of financial year.

The functional currency of the Company is JPY. The translation from JPY to Indian rupees is unaudited.

(ii) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Any change in estimates are adjusted prospectively.

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Nucleus Software Japan Kabushiki Kaisha
Schedules forming part of the accounts

(iii) 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.

(iv) Operating leases

Lease payments under operating lease are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

(v) Fixed assets

Fixed assets are stated at the cost of acquisition including 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.

(vi) 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 less than Rupees 5,000 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

(vii) Earnings per share

Basic earnings per share are computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity and dilutive equivalent shares outstanding during the year, except where results are anti-dilutive.

Nucleus Software Japan Kabushiki Kaisha
Schedules forming part of the accounts

(viii) Foreign exchange transactions

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realised gains and losses on foreign exchange transactions during the year are recognised in the Profit and Loss Account. Monetary assets and liabilities that are determined in foreign currency are restated at the exchange rate prevalent at the date of balance sheet. The resulting gain/loss is recorded in the Profit and Loss Account.

(ix) Income taxes

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.

(x) 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.

(xi) 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 estimation of the obligation 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.

3. 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.

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Nucleus Software Japan Kabushiki Kaisha
Schedules forming part of the accounts

4. Related party disclosures

a) List of related parties – where control exists

Holding Company:

- Nucleus Software Exports Ltd., India

b) Other related parties with whom transactions have taken place during the year

Fellow subsidiaries:

- Nucleus Software Solutions Pte Limited, Singapore

c) Transactions with related parties

	Year ended 31 March 2011 (JPY)	Year ended 31 March 2010 (JPY)	Year ended 31 March 2011 (Rupees) (Unaudited)*	Year ended 31 March 2010 (Rupees) (Unaudited)*
i. Consultancy charges paid				
Holding company				
-Nucleus Software Exports Ltd.	248,085,200	217,686,213	132,849,625	111,651,259
Fellow subsidiary company				
-Nucleus Software Solutions Pte Limited, Singapore	79,206,902	209,944,078	42,692,520	107,680,318
ii Reimbursement of expenses				
From holding company				
-Nucleus Software Exports Ltd.	691,682	4,705,845	370,396	2,413,628
From fellow subsidiary				
-Nucleus Software Solutions Pte Limited, Singapore	-	24,390,783	-	12,510,033
-Virstra i-Technology Services Ltd, India	-	1,260,000	-	646,254
To fellow subsidiary				
-Nucleus Software Solutions Pte Limited, Singapore	3,147,200	7,490,844	1,685,326	3,842,054
To holding company				
-Nucleus Software Exports Ltd.	10,093,561	1,050,476	5,405,102	538,789
iii Commission Paid				
To Fellow Subsidiary company				
-Nucleus Software Inc., USA	-	966,149	-	495,538

* Refer note 2(i) above

Nucleus Software Japan Kabushiki Kaisha
Schedules forming part of the accounts

	As at 31 March 2011 (JPY)	As at 31 March 2010 (JPY)	As at 31 March 2011 (Rupees) (Unaudited)*	As at 31 March 2010 (Rupees) (Unaudited)*
iv. Outstanding balances at year end				
Sundry creditors				
To Holding company				
-Nucleus Software Exports Ltd.	102,092,356	132,299,402	55,027,780	63,966,761
To Fellow subsidiary companies				
-Nucleus Software Solutions Pte Limited, Singapore	20,998,134	91,382,235	11,317,994	44,183,311

* Refer note 2(i) above

5. Auditor's Remuneration

	Year ended 31 March 2011 (JPY)	Year ended 31 March 2010** (JPY)	Year ended 31 March 2011 (Rupees) (Unaudited)*	Year ended 31 March 2010** (Rupees) (Unaudited)*
Audit fee	2,250,000	2,105,000	1,204,875	1,079,655

* Refer note 2(i) above

** pertains to previous auditor

6. The Company's exposure in respect of foreign currency denominated assets not hedged as on 31 March 2011 by derivative instruments or otherwise is as follows:

Current Assets

	As at 31 March 2011			As at 31 March 2010		
	Amount in foreign currency	Amount in JPY	Amount in (Rupees Unaudited)*	Amount in foreign currency	Amount in JPY	Amount in (Rupees Unaudited)*
USD	160,255	13,283,535	7,159,825	USD 482,215	44,961,737	21,739,000

Current Liabilities

	As at 31 March 2011			As at 31 March 2010		
	Amount in foreign currency	Amount in JPY	Amount in Rupees (unaudited)	Amount in foreign currency	Amount in JPY	Amount in Rupees (unaudited)
USD	541,660	44,898,159	24,200,108	USD 2,552,056	237,953,680	115,050,604

* Refer note 2(i) above

Nucleus Software Japan Kabushiki Kaisha
Schedules forming part of the accounts

7. The following are the aggregate amounts incurred on certain specific expenses that are required to be disclosed under Schedule VI to the Companies Act, 1956:

	Year ended 31 March 2011	Year ended 31 March 2010	Year ended 31 March 2011*	Year ended 31 March 2010*
	(JPY)	(JPY)	(Rupees Unaudited)	(Rupees Unaudited)
Salaries and allowances	21,985,343	26,910,351	11,773,151	13,802,319
Staff welfare	1,403,656	1,532,185	751,658	785,859
Conveyance	1,478,910	2,466,483	791,957	1,265,059
Communication	3,444,113	5,791,613	1,844,322	2,970,519
Rent	89,079,194	104,831,960	47,701,909	53,768,312
Rates and taxes	160,200	134,200	85,787	68,831
Legal and professional	43,038,644	42,766,327	23,047,194	21,934,849
Printing and Stationery	314,576	1,043,731	168,455	535,330
Bank Charges	782,172	1,128,070	418,853	578,587
Travelling				
- Foreign	4,151,103	4,891,471	2,222,915	2,508,836
- Domestic	689,914	445,363	369,449	228,426
Advertisement and business promotion	1,381,138	173,929	739,599	89,208
Consultancy charges	448,629,812	636,171,363	240,241,265	326,292,292
Cost of software purchased for delivery to clients	28,789,230	86,558,366	15,416,633	44,395,786
Provision for doubtful debts/other current assets	(2,163,283)	2,974,594	(1,158,438)	1,525,669
Commission on sale	-	966,149	-	495,538
Power and fuel	244,746	-	131,061	-
Insurance	37,000	35,600	19,814	18,259
Repair and maintenance				
- Building	2,862,000	866,833	1,532,601	444,599
- Others	47,100	133,057	25,222	68,245
Miscellaneous expenses	411,631	1,755,527	220,428	900,409
Total	646,767,199	921,577,172	346,343,835	472,676,932

* Refer note 2(i) above

8. **Earnings per share**

	Year ended 31 March 2011	Year ended 31 March 2010	Year ended 31 March 2011	Year ended 31 March 2010
	(JPY)	(JPY)	(Rupees Unaudited)*	(Rupees Unaudited)*
Loss after tax	2,597,450	9,821,198	1,390,935	5,037,293
Weighted average number of equity shares	200	200	200	200
Basic earnings per share	(12,987.25)	(49,105.99)	(6,954.67)	(25,186.47)

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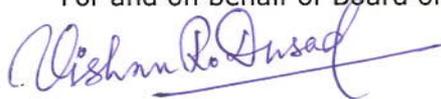
Nucleus Software Japan Kabushiki Kaisha
Schedules forming part of the accounts

9. The Company has incurred a loss of JPY 2,597,450 (Rs. 1,390,935) during the year and has accumulated losses of JPY 22,709,341 (Rs. 12,240,335) as at 31 March, 2011 resulting in erosion of its net worth as at 31 March, 2011 and that the Company's current liabilities exceed its current assets by JPY 17,174,322 (Rs. 9,256,960) as at the year end. The accounts of the Company have been prepared on the basis that the Company is a going concern. However, having regard to the accumulated losses of the Company which have eroded the net worth of the Company, the ability of the Company to continue as a going concern is significantly dependent on the improvement of the Company's future operations and continued financial support from its Holding Company. The Holding Company has confirmed to provide such financial support as and when a need arises.

The accounts do not include any adjustments relating to the recoverability and classification of recorded asset amounts and the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

10. Previous year figures have been regrouped/ reclassified wherever necessary to make them comparable with the current year figures.

For and on behalf of Board of Directors



VISHNU R DUSAD
Director

Place: Noida

Date: 27 APRIL, 2011

