

NUCLEUS SOFTWARE INC.
(a Corporation)

**Financial Statements and
Accountant's Audit Report**

For the Year Ended March 31, 2011 and 2010

NUCLEUS SOFTWARE INC.

FOR THE YEAR ENDED March 31, 2011 and 2010

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Jignesh N. Thakkar

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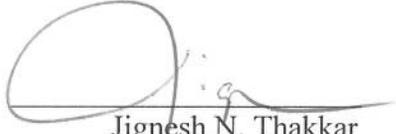
INDEPENDENT AUDITORS' REPORT

The Board of Directors
Nucleus Software Inc.
197 State Route 18 Ste. 3000
East Brunswick, NJ 08816

We have audited the accompanying Balance Sheets of Nucleus Software Inc. as of March 31, 2011 and 2010 and the related statements of income and retained earnings and cash flows for the years then ended. 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.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nucleus Software Inc. at March 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.


Jignesh N. Thakkar
Certified Public Accountant

New York, New York
April 29, 2011

NUCLEUS SOFTWARE INC.
BALANCE SHEET
AS OF MARCH 31, 2011 AND 2010

	3/31/2011	3/31/2010
CURRENT ASSETS		
Cash & cash equivalents - Note -2b	\$ 199,367	\$ 149,325
Accounts receivables - net of allowance Note 2c, 4	222,002	0
Prepaid expenses & taxes	1,040	780
TOTAL CURRENT ASSETS	422,409	150,105
 PROPERTY AND EQUIPMENT – Note2d		
Furniture & equipment	22,834	12,605
Less: accumulated depreciation - f & e	(13,976)	(12,605)
TOTAL PROPERTY AND EQUIPMENT	8,858	-
 OTHER ASSETS		
Security deposits	5,100	5,100
TOTAL OTHER ASSETS	5,100	5,100
 <u>TOTAL ASSETS</u>	\$ 436,367	\$ 155,205

SEE ACCOMPANYING NOTES

NUCLEUS SOFTWARE INC.
BALANCE SHEET (CONT.)
AS OF MARCH 31, 2011 AND 2010

LIABILITIES AND SHAREHOLDERS' EQUITY

	3/31/2011	3/31/2010
CURRENT LIABILITIES		
Accounts payable - note 7	\$ 98,283	\$ 181,928
Accrued expenses & taxes	91,643	185,971
Sundry payables - parent	14,002	-
Advance from customers - note 7	308,393	-
Loans payable - parent co. -current - note 8	100,000	-
TOTAL CURRENT LIABILITIES	612,321	367,899
 LONG TERM LIABILITIES		
Accrued interest - Parent loan - note 8	5,726	-
Loans payable - Parent co. -long term - note 8	400,000	-
TOTAL LONG TERM LIABILITIES	405,726	-
 SHAREHOLDERS' EQUITY		
Common stock, .35 per share par value; Shares authorized, 1,000,000		
Issued & outstanding, 1,000,000	350,000	350,000
Retained earnings (deficit) – end	(931,680)	(562,694)
TOTAL SHAREHOLDERS' EQUITY	(581,680)	(212,694)
 <u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>	\$ 436,367	\$ 155,205

SEE ACCOMPANYING NOTES

NUCLEUS SOFTWARE INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2011 AND 2010

	3/31/2011	3/31/2010
CONSULTING INCOME	\$ 406,787	\$ 322,486
LESS: CASH DISCOUNTS & ALLOWANCES	<u>-</u>	<u>-</u>
NET CONSULTING INCOME	406,787	322,486
OPERATING EXPENSES		
Selling, general and administrative Expenses -Schedule - A	(773,832)	(496,330)
INCOME (LOSS) FROM OPERATIONS	<u>(367,045)</u>	<u>(173,844)</u>
OTHER INCOME (EXPENSE):		
Interest income	-	1
Sales commission-affiliates	-	38,559
Misc income	<u>1,287</u>	<u>-</u>
TOTAL OTHER INCOME (EXPENSE)	<u>1,287</u>	<u>38,560</u>
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(365,758)	(135,284)
Provision for corporation taxes	(3,229)	-
NET INCOME (LOSS)	<u>\$ (368,987)</u>	<u>\$ (135,284)</u>
RETAINED EARNINGS (DEFICIT), AT BEGINNING OF YEAR	(562,694)	(427,410)
Net Income (Loss)	<u>(368,987)</u>	<u>(135,284)</u>
RETAINED EARNINGS (DEFICIT), AT END OF YEAR	<u><u>\$ (931,681)</u></u>	<u><u>\$ (562,694)</u></u>

SEE ACCOMPANYING NOTES

NUCLEUS SOFTWARE INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2011 AND 2010

	3/31/2011	3/31/2010
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ (368,987)	\$ (135,284)
Adjustments to reconcile net income to cash provided (used) by operating activities		
Add: Depreciation & amortization	1,371	-
(Increase) Decrease in		
Accounts receivable	(222,002)	67,901
Other current assets	(260)	24,220
Increase (Decrease) in		
Accounts payable	(83,645)	(27,276)
Accrued expenses and taxes	(94,328)	70,871
Advance from customers	308,393	
Sundry payables - parent	19,728	-
TOTAL ADJUSTMENTS	(70,743)	135,716
Net cash flows provided (used) by operating activities	(439,730)	432
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loans Payables - Parent company	500,000	-
Net cash flows provided by financing activities	500,000	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of computers	(10,228)	-
Net cash flows used for investing activities	(10,228)	
NET INCREASE (DECREASE) CASH AND CASH EQUIVALENT:	50,042	432
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	149,325	148,893
CASH AND CASH EQUIVALENTS, AT END OF YEAR	\$ 199,367	\$ 149,325

SEE ACCOMPANYING NOTES

NUCLEUS SOFTWARE INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011 AND 2010

NOTE 1 – DESCRIPTION OF COMPANY:

The Company was incorporated on August 5, 1997 in the state of New Jersey. It is a wholly owned subsidiary of Nucleus Software Exports Ltd., an Indian company. The Company is in the business of computer software development and providing software products and services. The Company has also obtained a certificate of authority to do business in the state of Delaware. In the current fiscal year a certificate of authority to do business in the state of Connecticut was also obtained.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). Those principles considered significant are detailed below.

(a) **Basis of Accounting:**

The Company's Financial Statements are prepared on an accrual basis of accounting, i.e. all expenses are recorded as and when they are incurred and all income as and when it is earned.

(b) **Cash & Cash Equivalents:**

Cash equivalents consist of \$ 825 in the interest bearing premium money market account and \$ 198,542 in the business checking accounts.

(c) **Account Receivables:**

The Company considers account receivables to be fully collectible hence a provision for doubtful accounts has not been set up for the year ended March 31, 2011. The accounts receivable balance as of year end March 31, 2011 is 222,002.

(d) **Fixed Assets:**

Fixed assets are reflected at cost. Depreciation is provided using the straight-line method over the following estimated useful life:

Office and computer equipment	4 years
Furniture and fixtures	7 years

(e) **Income Taxes:**

The Company has incurred a loss for the year ended March 31, 2011 however it is still liable for state minimum income taxes for the states of New Jersey, Delaware and Connecticut.

NUCLEUS SOFTWARE INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011 AND 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):

(f) Statement of Cash Flows:

For purposes of the statement of cash flows the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(g) Use of Estimates:

In preparing financial statements in accordance with generally accepted accounting principles, management makes certain estimates and assumptions, where applicable, that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amount of revenues and expenses during the reporting period. While actual results could differ from these estimates, management does not expect such variances, if any, to have a material effect on the financial statements.

NOTE 3 – COMMITMENTS:

The company leases office space under operating leases agreements. The lease period is from 07/01/2009 to 06/30/2011. The monthly rental expense is \$ 980 and the future minimum annual rental commitment is as follows:

04/01/2011 to 06/30/2011 \$ 2,940

Net rent expense for the years ended March 31, 2011 and 2010 was \$ 15,722 and \$ 16,617 respectively.

NOTE 4 – ECONOMIC DEPENDENCY:

For the year ended March 31, 2011, consulting income from two customers was approximately 87% of the Company's total net consulting income. At year end March 31, 2011, net consulting income was \$ 406,787 and consulting income from two customers was \$ 354,000. The account receivables at March 31, 2011 from these two customers aggregated to \$ 222,002. One of these customers is an affiliate of this company based in Singapore as they both have a common parent company in India. The accounts receivable as of March 31, 2011 from the affiliate company was -0- as the entire year-end receivable was from the other customer.

For the year ended March 31, 2010, consulting income from one customer was approximately 87% of the Company's total net consulting income. At year end March 31, 2010, net consulting income was \$322,486 and consulting income from one customer was \$ 280,000. The account receivables at March 31, 2010 from this customer aggregated to \$ -0-. This customer is a affiliate of this company based in Singapore as they both have a common parent company in India.

NUCLEUS SOFTWARE INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011 AND 2010

NOTE 5 – RELATED PARTY TRANSACTIONS:

The company has an agreement with its affiliated companies to market all its products and services for which the company will receive sales commission at an agreed upon rate of the product license fee and associated services fee charged by the affiliates. Sales commission earned for the years ended March 31, 2011 and 2010 was \$ -0- and \$ 38,559 respectively and is shown separately on the other income section of the income statement.

The company sometimes uses consultants from the parent company and/or its subsidiaries to provide services to its customers. The company bills the customer directly and the parent company bills this company for its services.

NOTE 6 – CAPITAL STOCK:

The capital stock was unchanged for the fiscal year ending March 31, 2011 and March 31, 2010. However, management believes that the parent company will continue to send capital as and when needed in this development stage of the company.

NOTE 7 – CONTRACTS:

The company has also signed a new contract in the current fiscal year with a customer in the Caribbean Islands wherein the company will implement a PowerCARD Solution for the customer by using a technology which they will purchase from a vendor in Africa. This project has started in the fiscal year ending March 31, 2011 and the related revenue and projects costs have been recognized in this period based on the work that was completed as of year ended March 31, 2011. The total amount received under this contract in the year ended March 31, 2011 was \$450,000. From this amount revenue in the amount of \$154,000 was recognized in this fiscal year. The remaining balance of \$296,000 is shown as part of advance from customer in the current liabilities section of the balance sheet. The corresponding project cost for the implementation of this project has been accrued in the amount of \$98,283 and is reflected in the current liabilities section of the balance sheet.

NOTE 8 – LOAN FROM PARENT COMPANY:

In the current fiscal year, the parent company has advanced a loan in the amount of \$500,000 to this company. The interest charged on this loan is 3% over the Libor rate. The loan will be repaid at \$100,000 per year on 12/31 of each year beginning with 12/31/11. The interest accrued on this loan is \$5,726 at year end March 31, 2011.

Jignesh N. Thakkar

Certified Public Accountant

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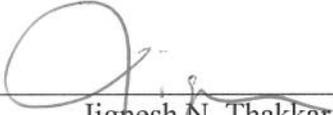
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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

The Board of Directors
Nucleus Software Inc.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Nucleus Software Inc. taken as a whole. The additional information presented hereinafter is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, however, has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Jignesh N. Thakkar
Certified Public Accountant

New York, New York
April 29, 2011

NUCLEUS SOFTWARE INC.
SCHEDULE OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED MARCH 31, 2011 AND 2010
SCHEDULE 'A'

<u>SELLING, GENERAL & ADMINISTRATIVE EXPENSES</u>	3/31/2011	3/31/2010
Accounting	\$ 6,600	\$ 5,400
Bank charges	1,059	878
Bad debt expense	-	28,460
Consulting fees	108,000	65,872
Depreciation	1,371	-
Immigration & evaluation fees	2,296	-
Interest expense	5,726	-
Legal	40,286	-
Licence and permit	-	860
Meals & entertainment	286	-
Medical insurance	40,970	53,406
Office supplies & expenses	42	68
Organizational expense	1,550	-
Payroll service charges	1,945	1,263
Payroll taxes	28,095	14,697
Postage	52	-
Rent	15,722	16,617
Salary other	354,136	293,199
Sales incentive plans	2,310	-
Software trading	98,283	-
Telephone	7,930	5,432
Travel	16,251	5,441
Web hosting services	40,922	-
Worker's compensation	-	4,737
TOTAL SELLING, GENERAL & ADMINISTRATIVE EXPENSES	\$ 773,832	\$ 496,330

SEE ACCOMPANYING NOTES