

NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA

AUDITED FINANCIAL STATEMENT

FOR THE YEAR ENDED

31 MARCH, 2014

Deloitte Haskins & Sells

Chartered Accountants
7th Floor, Building 10, Tower B
DLF Cyber City Complex
DLF City Phase-II
Gurgaon - 122 002, Haryana
India

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA

Report on the Financial Statements

We have audited the accompanying financial statements of **NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA** ("the Company"), which comprise the Balance Sheet as at 31 March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Deloitte Haskins & Sells

Opinion

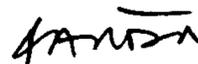
In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Restriction on Distribution and Use

The financial statements are prepared to assist the Holding Company for preparation of consolidated financial statements. As a result, the financial statements may not be suitable for any other purpose. Our report is intended solely for the purpose of preparation of the Consolidated Financial Statements of the Holding Company and should not be distributed or used for any other purpose.

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



RASHIM TANDON
Partner
(Membership No. 095540)

Place : Gurgaon
Date : May 2, 2014

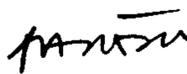
**NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA
BALANCE SHEET AS AT 31 MARCH, 2014**

	Notes Ref.	As at 31 Mar 2014 (JPY)	As at 31 Mar 2013 (JPY)	As at 31 Mar 2014 (Rupees) (Unaudited) See note 1.2 (i)	As at 31 Mar 2013 (Rupees) (Unaudited) See note 1.2 (i)
EQUITY AND LIABILITIES					
1. SHAREHOLDERS' FUNDS					
a. Share capital	2.1	10,000,000	10,000,000	5,850,000	5,754,000
b. Reserves and surplus	2.2	45,536,455	43,848,685	26,638,825	25,230,533
		55,536,455	53,848,685	32,488,825	30,984,533
2. NON-CURRENT LIABILITIES					
Long-term borrowings	2.3	-	33,962,040	-	19,541,758
3. CURRENT LIABILITIES					
a. Trade payables	2.4	55,597,532	93,706,120	32,524,557	53,918,502
b. Other current liabilities	2.5	14,195,729	19,820,934	8,304,502	11,404,965
c. Short-term provisions	2.6	-	2,277,996	-	1,310,759
		69,793,261	115,805,050	40,829,059	66,634,226
		125,329,716	203,615,775	73,317,884	117,160,517
ASSETS					
1. NON-CURRENT ASSETS					
a. Fixed assets					
- Tangible assets	2.7	346,333	778,109	202,605	447,724
- Intangible assets	2.7	-	3,150	-	1,812
		346,333	781,259	202,605	449,536
b. Long-term loans and advances	2.8	10,184,600	9,347,200	5,957,991	5,378,379
		10,530,933	10,128,459	6,160,596	5,827,915
2. CURRENT ASSETS					
a. Trade receivables	2.9	19,848,906	22,143,875	11,611,610	12,741,586
b. Cash and cash equivalents	2.10	59,119,149	127,005,038	34,584,702	73,078,698
c. Short-term loans and advances	2.11	771,798	1,900,318	451,502	1,093,443
d. Other current assets	2.12	35,058,930	42,438,086	20,509,474	24,418,875
		114,798,783	193,487,316	67,157,288	111,332,602
		125,329,716	203,615,775	73,317,884	117,160,517

See accompanying notes forming part of the financial statements 1 & 2

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

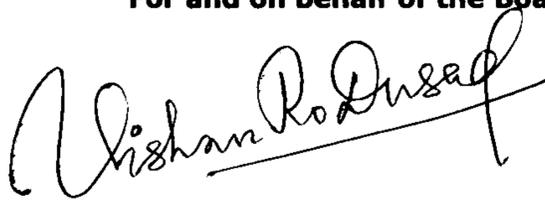


RASHIM TANDON
Partner

Place : Gurgaon
Date : May 2, 2014



For and on behalf of the Board of Directors



VISHNU R DUSAD
Director

Place : New Delhi
Date : May 2, 2014



P K SANGHI
Director

NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2014

	Notes Ref.	Year ended 31 Mar 2014 (JPY)	Year ended 31 Mar 2013 (JPY)	Year ended 31 Mar 2014 (Rupees) (Unaudited) See note 1.2 (i)	Year ended 31 Mar 2013 (Rupees) (Unaudited) See note 1.2 (i)
1. REVENUE FROM OPERATIONS					
Sales and services	2.13	491,847,038	557,226,551	298,698,706	366,877,961
2. OTHER INCOME	2.14	2,700	4,942,513	1,640	3,254,151
3. TOTAL REVENUE (1+2)		491,849,738	562,169,064	298,700,346	370,132,112
4. EXPENSES					
a. Employee benefits expenses	2.15	26,247,996	29,074,632	15,940,408	19,142,738
b. Operating and other expenses	2.16	457,861,550	481,954,619	278,059,318	317,318,921
c. Finance cost	2.17	1,236,797	1,821,348	751,107	1,199,176
d. Depreciation and amortisation expense	2.7	434,922	608,754	264,128	400,804
TOTAL EXPENSES		485,781,265	513,459,353	295,014,961	338,061,638
5. PROFIT BEFORE TAX (3-4)		6,068,473	48,709,711	3,685,385	32,070,473
6. TAX EXPENSE					
a. Current tax expense for current year		2,100,000	4,054,183	1,275,330	2,669,274
b. Withholding taxes charged off	2.23	1,792,004	-	1,088,284	-
c. Tax expense relating to prior years		488,700	-	296,788	-
NET CURRENT TAX EXPENSE		4,380,704	4,054,183	2,660,402	2,669,274
7. PROFIT FOR THE YEAR (5-6)		1,687,769	44,655,528	1,024,983	29,401,199
8. EARNINGS PER EQUITY SHARE					
Equity shares of JPY 50,000 each					
a. Basic and Diluted	2.19	8,439	223,278	5,125	147,006
Number of shares used in computing earnings per share		200	200	200	200

See accompanying notes forming part of the 1 & 2 financial statements

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

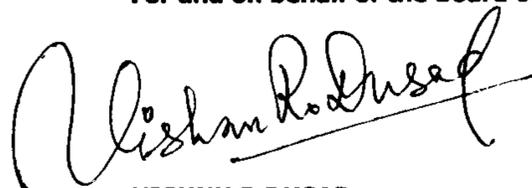


RASHIM TANDON
Partner

Place : Gurgaon
Date : May 2, 2014



For and on behalf of the Board of Directors



VISHNU R DUSAD
Director

Place : New Delhi
Date : May 2, 2014



P K SANGHI
Director

NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2014

	Notes Ref.	Year ended 31 Mar 2014 (JPY)	Year ended 31 Mar 2013 (JPY)	Year ended 31 Mar 2014 (Rupees) (Unaudited) See note 1.2 (i)	Year ended 31 Mar 2013 (Rupees) (Unaudited) See note 1.2 (i)
A. Cash flow from operating activities					
Net Profit / (loss) before tax		6,068,473	48,709,711	3,685,385	32,070,473
<i>Adjustments for:</i>					
Depreciation and amortisation expense		434,922	608,754	264,128	400,804
Fixed assets written off			161,028	-	106,021
Exchange difference on translation of foreign currency accounts		-	-	2,733,105	(7,651,215)
Interest expense		952,256	1,283,791	578,305	845,248
Operating Profit / (loss) before working capital changes		7,455,651	50,763,284	7,260,923	25,771,331
Adjustment for (Increase)/decrease in operating assets					
Trade receivables		2,294,969	141,725,809	1,393,735	93,312,273
Long-term loans and advances		(837,400)	266,600	(508,553)	175,529
Short-term loans and advances		1,128,520	971,043	685,350	639,335
Other current assets		7,379,156	(15,147,029)	4,481,361	(9,972,804)
Adjustment for increase/ (decrease) in operating liabilities					
Trade payables		(38,108,584)	(117,971,573)	(23,143,344)	(77,672,484)
Other current liabilities		(5,625,205)	(919,107)	(3,416,187)	(605,140)
Short-term provisions		(2,277,996)	2,207,996	(1,383,427)	1,453,745
		(28,590,889)	61,897,024	(14,630,142)	33,101,785
Taxes paid (net)		4,380,704	4,054,183	2,660,402	2,669,274
Net cash from / (used in) operating activities (A)		(32,971,593)	57,842,841	(17,290,544)	30,432,511
B. Cash flow from investing activities					
		-	-	-	-
C. Cash flow from financing activities					
Repayment of term loan		(33,962,040)	(5,412,360)	(20,625,147)	(3,563,498)
Interest paid on term loan		(952,256)	(1,283,791)	(578,305)	(845,248)
Net cash from / (used in) Financing activities (C)		(34,914,296)	(6,696,151)	(21,203,452)	(4,408,746)
Net Increase/ (decrease) in cash and cash equivalents (A+B+C)		(67,885,889)	51,146,690	(38,493,996)	26,023,765
Cash and cash equivalents at the beginning of the year	2.10	127,005,038	75,858,348	73,078,698	47,054,933
Cash and cash equivalents at the end of the year	2.10	59,119,149	127,005,038	34,584,702	73,078,698

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

RASHIM TANDON
Partner

Place : Gurgaon
Date : May 2, 2014



For and on behalf of the Board of Directors

Vishnu R Dusat

VISHNU R DUSAD
Director

Place : New Delhi
Date : May 2, 2014

P K Sanghi

P K SANGHI
Director

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

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 of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable.

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.

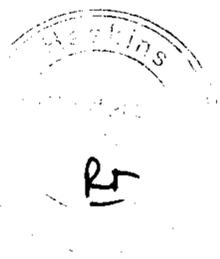
These financial statements are being prepared on a going concern basis, that is the assets and liabilities are recorded on the basis that the Company will be able to realise its assets and discharge its liabilities in the normal course of business.

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. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/materialise.



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

(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.

(iv) Cash and cash equivalents (for purpose of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

(v) 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.

(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.

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) Revenue recognition

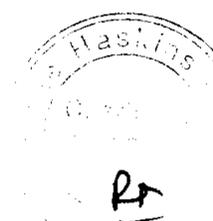
Revenue from software development services comprises income from time and materials and fixed price contracts.

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.



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

(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 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.

(ix) Employee benefits

Short-Term Employee Benefits

All employee benefits payable wholly within twelve months of rendering services are classified as short-term employee benefits. Benefits such as salaries, wages and bonus etc. are recognised in the Statement of Profit and Loss in the period in which the employee renders related service.

(x) 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.

(xi) 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.

(xii) 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.

(xiii) 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.



(xiv) 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.

(xv) Consumption Tax input tax credit

Consumption Tax is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing / utilising the credits.

(xvi) Operating Cycle

Based on the nature of activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.



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

Particulars	As at 31 Mar 2014 (JPY)	As at 31 Mar 2013 (JPY)	As at 31 Mar 2014 (Rupees) (Unaudited) See note 1.2 (i)	As at 31 Mar 2013 (Rupees) (Unaudited) See note 1.2 (i)
2.1 SHARE CAPITAL				
a. Authorised				
200 (previous year 200) equity shares of JPY 50,000 each	<u>10,000,000</u>	<u>10,000,000</u>	<u>5,850,000</u>	<u>5,754,000</u>
b. Issued, Subscribed and Fully Paid-Up				
200 (previous year 200) equity shares of JPY 50,000 each, held by Nucleus Software Exports Limited (The Holding Company)	<u>10,000,000</u>	<u>10,000,000</u>	<u>5,850,000</u>	<u>5,754,000</u>

Refer notes (i) to (iii) below

(i) Reconciliation of number of shares and amount outstanding at the beginning and at the end of the year :

As at the beginning of the year				
- Number of Shares	200	200	200	200
- Amount	10,000,000	10,000,000	5,754,000	6,203,000
Shares issues/ (bought back) during the year				
- Number of Shares	-	-	-	-
- Amount	-	-	-	-
As at the end of the year				
- Number of Shares	200	200	200	200
- Amount	10,000,000	10,000,000	5,850,000	5,754,000

(ii) Rights, preferences and restrictions attached to shares

The company has one class of equity shares having par value of JPY 50,000 each. Each shareholder is eligible for one vote per share held.

(iii) Details of shares held by the Holding Company

Nucleus Software Exports Limited				
- Number of Shares	200	200	200	200
- Percentage	100%	100%	100%	100%
- Amount	10,000,000	10,000,000	5,850,000	5,754,000

2.2 RESERVES AND SURPLUS

a. Surplus / (Deficit) in Statement of Profit and Loss				
Opening Balance	43,848,685	(806,843)	28,623,864	(777,335)
Add: Profit for the year	1,687,769	44,655,528	1,024,983	29,401,199
Closing balance	<u>45,536,455</u>	<u>43,848,685</u>	<u>29,648,847</u>	<u>28,623,864</u>
b. Currency Translation Reserve				
Opening Balance	-	-	(3,393,331)	276,850
Add / (Less) : Effect of Foreign Exchange rate	-	-	383,309	(3,670,181)
Closing balance	<u>-</u>	<u>-</u>	<u>(3,010,022)</u>	<u>(3,393,331)</u>
	<u>45,536,455</u>	<u>43,848,685</u>	<u>26,638,825</u>	<u>25,230,533</u>



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

Particulars	As at 31 Mar 2014 (JPY)	As at 31 Mar 2013 (JPY)	As at 31 Mar 2014 (Rupees) (Unaudited) See note 1.2 (i)	As at 31 Mar 2013 (Rupees) (Unaudited) See note 1.2 (i)
2.3 LONG-TERM BORROWINGS (Unsecured)				
Term Loan from fellow subsidiary	12,282,000	45,282,720	7,184,970	26,055,677
Less : Current Maturities of long term debt (see Note 2.5)	(12,282,000)	(11,320,680)	(7,184,970)	(6,513,919)
	<u>-</u>	<u>33,962,040</u>	<u>-</u>	<u>19,541,758</u>
Note:				
i. Details of Terms of repayment				
The Company has taken loan amounting to USD 600,000 from Nucleus Software Solution Pte. Ltd., a fellow subsidiary, repayable in annual installments of USD 120,000 each on 31 December every year. The Company has repaid USD 360,000 during the current year ended 31 March, 2014 and will pay balance amount on 31 December, 2014.				
ii. Interest on the above loan is payable @ 2% over Libor for six months.				
2.4 TRADE PAYABLES				
a. Trade Payables				
- Others	19,033,015	12,725,488	11,134,314	7,322,246
b. Due to Holding Company	12,058,063	18,020,361	7,053,967	10,368,916
c. Due to fellow subsidiary	24,506,454	62,960,271	14,336,276	36,227,340
	<u>55,597,532</u>	<u>93,706,120</u>	<u>32,524,557</u>	<u>53,918,502</u>
2.5 OTHER CURRENT LIABILITIES				
a. Current maturities of term loan (see note below)	12,282,000	11,320,680	7,184,970	6,513,919
b. Interest accrued but not due on borrowings	133,083	280,067	77,854	161,151
c. Deferred revenue	-	1,375,023	-	791,188
d. Other payables - statutory liabilities	1,780,646	6,845,164	1,041,678	3,938,707
	<u>14,195,729</u>	<u>19,820,934</u>	<u>8,304,502</u>	<u>11,404,965</u>
Note : See Note 2.3 Long-term borrowings for terms of repayment of long term debt.				
2.6 SHORT-TERM PROVISIONS				
Provision for Income Tax {Net of Advance Tax of JPY Nil (Rupees Nil) (previous year JPY 1,792,004 (Rupees 1,031,119))}	-	2,277,996	-	1,310,759



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

2.7 Fixed Assets (At Cost)

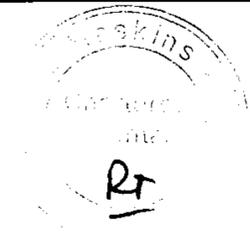
(Amount In JPY)

PARTICULARS	GROSS BLOCK			ACCUMULATED DEPRECIATION/ AMORTISATION					NET BLOCK		
	As at 1 Apr 2013	Deductions / adjustments	Currency Translation	As at 31 Mar 2014	As at 1 Apr 2013	For the year	Deductions / adjustments	Currency Translation	As at 31 Mar 2014	As at 31 Mar 2014	As at 31 Mar 2013
Tangible assets											
Office equipment	894,600 (894,600)	- (-)	- (-)	894,600 (894,600)	813,495 (634,576)	42,668 (178,919)	- (-)	- (-)	856,163 (813,495)	38,436 (81,105)	81,105 (260,024)
Computers	1,860,809 (1,860,809)	- (-)	- (-)	1,860,809 (1,860,809)	1,302,671 (969,935)	327,669 (332,736)	- (-)	- (-)	1,630,340 (1,302,671)	230,468 (558,138)	558,138 (890,874)
Furniture and fixtures	727,452 (906,452)	- (179,000)	- (-)	727,452 (727,452)	588,586 (578,635)	61,435 (78,425)	- (68,474)	- (-)	650,021 (588,586)	77,429 (138,866)	138,866 (327,817)
	3,482,861 (3,661,861)	- (179,000)	- (-)	3,482,861 (3,482,861)	2,704,752 (2,183,146)	431,772 (590,080)	- (68,474)	- (-)	3,136,524 (2,704,752)	346,333 (778,109)	778,109 (1,478,715)
Intangible assets											
Software	934,087 (1,034,087)	- (100,000)	- (-)	934,087 (934,087)	930,937 (961,761)	3,150 (18,674)	- (49,498)	- (-)	934,087 (930,937)	- (3,150)	3,150 (72,326)
Total	4,416,948 (4,695,948)	- (279,000)	- (-)	4,416,948 (4,416,948)	3,635,689 (3,144,907)	434,922 (608,754)	- (117,972)	- (-)	4,070,611 (3,635,689)	346,333 (781,259)	781,259 (1,551,041)

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

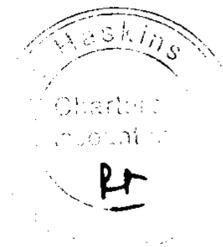
PARTICULARS	GROSS BLOCK			ACCUMULATED DEPRECIATION/ AMORTISATION					NET BLOCK		
	As at 1 Apr 2013	Deductions / adjustments	Currency Translation	As at 31 Mar 2014	As at 1 Apr 2013	For the year	Deductions / adjustments	Currency Translation	As at 31 Mar 2014	As at 31 Mar 2014	As at 31 Mar 2013
Tangible assets											
Office equipment	514,753 (554,920)	- (-)	8,588 ((40,168))	523,341 (514,753)	468,085 (393,627)	25,912 (117,800)	- (-)	6,858 ((43,343))	500,855 (468,085)	22,485 (46,668)	46,668 (161,293)
Computers	1,070,709 (1,154,260)	- (117,854)	17,864 (34,303)	1,088,573 (1,070,709)	749,557 (601,651)	198,993 (219,073)	- (-)	5,199 ((71,167))	953,749 (749,557)	134,824 (321,152)	321,152 (552,609)
Furniture and fixtures	418,576 (562,272)	- (-)	6,983 ((143,696))	425,559 (418,576)	338,672 (358,927)	37,309 (51,635)	- (45,083)	4,281 ((26,807))	380,262 (338,672)	45,296 (79,904)	79,904 (203,345)
	2,004,038 (2,271,452)	- (117,854)	33,436 ((149,561))	2,037,474 (2,004,038)	1,556,314 (1,354,205)	262,215 (388,508)	- (45,083)	16,337 ((141,317))	1,834,867 (1,556,314)	202,605 (447,724)	447,724 (917,247)
Intangible assets											
Software	537,473 (641,444)	- (65,840)	8,968 ((38,131))	546,441 (537,473)	535,661 (596,580)	1,913 (12,295)	- (32,589)	8,867 ((40,625))	546,441 (535,661)	- (1,812)	1,812 (44,864)
Total	2,541,511 (2,912,896)	- (183,694)	42,404 ((187,691))	2,583,915 (2,541,511)	2,091,975 (1,950,785)	264,128 (400,803)	- (77,672)	25,204 ((181,942))	2,381,307 (2,091,975)	202,605 (449,536)	449,536 (962,111)

Note : Figures in brackets denote amounts pertaining to the previous year.



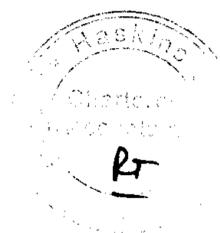
NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Particulars	As at 31 Mar 2014 (JPY)	As at 31 Mar 2013 (JPY)	As at 31 Mar 2014 (Rupees) (Unaudited) See note 1.2 (i)	As at 31 Mar 2013 (Rupees) (Unaudited) See note 1.2 (i)
2.8 LONG-TERM LOANS AND ADVANCES (Unsecured, considered good)				
Security deposits	<u>10,184,600</u>	<u>9,347,200</u>	<u>5,957,991</u>	<u>5,378,379</u>
2.9 TRADE RECEIVABLES (Unsecured, considered good)				
a. Trade receivables outstanding for a period exceeding six months from the date they were due for payment	16,702,552	14,976,744	9,770,993	8,617,618
b. Other trade receivables	<u>3,146,354</u>	<u>7,167,131</u>	<u>1,840,617</u>	<u>4,123,968</u>
	<u>19,848,906</u>	<u>22,143,875</u>	<u>11,611,610</u>	<u>12,741,586</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 Exports Limited, Holding Company	3,055,354	-	1,787,382	-
- Nucleus Software Inc., USA	16,702,552	14,976,744	9,770,993	8,617,618
2.10 CASH AND CASH EQUIVALENTS				
a. Balances with non scheduled banks in current accounts :				
- Bank of Tokyo Mitsubishi	5,434,530	11,986,007	3,179,200	6,896,748
- Shinsei Bank	45,359	36,657,251	26,535	21,092,582
- Citibank	53,639,260	78,361,780	31,378,967	45,089,368
	<u>59,119,149</u>	<u>127,005,038</u>	<u>34,584,702</u>	<u>73,078,698</u>
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. Loans and advances to employee	184	-	108	-
b. Prepaid expenses	669,414	1,900,318	391,607	1,093,443
c. Advance income tax (net of provision for income tax JPY 2,100,000 (Rupees 1,228,500))	102,200	-	59,787	-
	<u>771,798</u>	<u>1,900,318</u>	<u>451,502</u>	<u>1,093,443</u>
2.12 OTHER CURRENT ASSETS (Unsecured, considered good)				
Service Income accrued but not due	<u>35,058,930</u>	<u>42,438,086</u>	<u>20,509,474</u>	<u>24,418,875</u>



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

Particulars	Year ended 31 Mar 2014 (JPY)	Year ended 31 Mar 2013 (JPY)	Year ended 31 Mar 2014 (Rupees) (Unaudited) See note 1.2 (i)	Year ended 31 Mar 2013 (Rupees) (Unaudited) See note 1.2 (i)
2.13 SALES AND SERVICES				
Software Development Services (see note below)	<u>491,847,038</u>	<u>557,226,551</u>	<u>298,698,706</u>	<u>366,877,961</u>
Note : Income from software development services for the year ended 31 Mar 2014 includes prior period revenue of JPY Nil (Rupees Nil) (Previous year JPY 2,262,165 (Rupees 1,622,651)).				
2.14 OTHER INCOME				
a. Interest income on deposits with banks	2,700	16,057	1,640	10,572
b. Provisions no longer required written back	-	4,926,456	-	3,243,579
	<u>2,700</u>	<u>4,942,513</u>	<u>1,640</u>	<u>3,254,151</u>
2.15 EMPLOYEE BENEFITS EXPENSE				
a. Salaries and wages	22,460,376	27,461,190	13,640,186	18,080,448
b. Contribution to social security fund	1,566,226	-	951,169	-
c. Staff welfare expenses	2,221,394	1,613,442	1,349,053	1,062,290
	<u>26,247,996</u>	<u>29,074,632</u>	<u>15,940,408</u>	<u>19,142,738</u>
2.16 OPERATING AND OTHER EXPENSES				
a. Outsourced technical service expenses	364,327,240	371,936,425	221,255,933	244,882,942
b. Power and fuel	64,866	181,926	39,393	119,780
c. Rent	70,548,348	83,473,869	42,844,012	54,959,195
d. Repair and maintenance				
- Others	997,872	50,477	606,008	33,234
f. Insurance	73,273	34,434	44,499	22,671
f. Rates and taxes	105,800	968,040	64,252	637,358
g. Travelling	3,243,613	6,789,681	1,969,846	4,470,326
i. Advertisement and business promotion	63,519	451,663	38,575	297,375
i. Professional expenses (see note 2.19)	11,496,437	9,547,837	6,981,786	6,286,296
j. Recruitment expenses	3,957,748	-	2,403,540	-
k. Conveyance	217,190	128,370	131,899	84,519
l. Communication	1,250,389	1,784,274	759,361	1,174,766
m. Printing and Stationery	136,971	157,246	83,182	103,531
n. Assets Written Off	-	727,743	-	479,146
o. Loss on foreign currency transaction and transalation (net)	1,060,286	5,460,941	643,912	3,595,483
p. Miscellaneous expenses	317,998	261,693	193,120	172,299
	<u>457,861,550</u>	<u>481,954,619</u>	<u>278,059,318</u>	<u>317,318,921</u>
2.17 FINANCE COST				
a. Bank charges	284,541	537,557	172,802	353,928
b. Interest on borrowings	952,256	1,283,791	578,305	845,248
	<u>1,236,797</u>	<u>1,821,348</u>	<u>751,107</u>	<u>1,199,176</u>
2.18 PROFESSIONAL EXPENSES INCLUDE:				
Audit fees (excluding service tax)	2,246,067	2,172,401	1,364,036	1,430,309
2.19 EARNINGS PER SHARE				
Basic and Diluted				
a. Profit / (Loss) after tax	1,687,769	44,655,528	1,024,983	29,401,199
b. Weighted average number of equity shares	200	200	200	200
c. Earnings per share	8,439	223,278	5,125	147,006
2.20 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				



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

Particulars	Year ended	Year ended	Year ended	Year ended
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	(JPY)	(JPY)	(Rupees) (Unaudited) See note 1.2 (i)	(Rupees) (Unaudited) See note 1.2 (i)
Transactions with related parties				
a. Outsourced technical service expenses				
Holding Company				
- Nucleus Software Exports Limited	216,695,752	210,180,103	131,599,330	138,382,580
Fellow subsidiary company				
- Nucleus Software Solutions Pte. Ltd.	134,135,340	150,262,931	81,460,392	98,933,114
b. Reimbursement of expenses				
From Holding Company				
- Nucleus Software Exports Limited	689,300	280,573	418,612	184,729
From fellow subsidiary company				
- Nucleus Software Inc.	-	2,413,747	-	1,589,211
To Holding Company				
- Nucleus Software Exports Limited	620,936	1,426,687	377,094	939,331
c. Repayment of Long-term borrowings				
Fellow subsidiary company				
- Nucleus Software Solutions Pte. Ltd.	37,290,000	10,112,400	22,646,217	6,658,004
d. Interest on Borrowings				
To Fellow Subsidiary Company				
- Nucleus Software Solutions Pte Ltd.	952,256	1,283,791	578,305	845,248

Particulars	As at	As at	As at	As at
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	(JPY)	(JPY)	(Rupees) (Unaudited) See note 1.2 (i)	(Rupees) (Unaudited) See note 1.2 (i)
Balances outstanding as at year end				
a. Trade receivables				
Holding Company				
- Nucleus Software Exports Limited	3,055,354	-	1,787,382	-
Fellow subsidiary company				
- Nucleus Software Inc.	16,702,552	14,976,744	9,770,993	8,617,618
b. Trade payables				
Holding Company				
- Nucleus Software Exports Limited	12,058,063	18,020,361	7,053,967	10,368,916
Fellow subsidiary company				
- Nucleus Software Solutions Pte. Ltd. (Refer note below)	24,506,454	62,960,271	14,336,276	36,227,340
c. Short-term borrowings				
Fellow subsidiary company				
- Nucleus Software Solutions Pte. Ltd. (Refer note below)	12,282,000	45,282,720	7,184,970	26,055,677
d. Interest accrued but not due on borrowings				
Fellow subsidiary company				
- Nucleus Software Solutions Pte. Ltd. (Refer note below)	133,083	280,067	77,854	161,151
e. Prepaid expenses				
Holding Company				
- Nucleus Software Exports Limited	256,311	1,100,019	149,942	632,951
f. Share capital				
- Nucleus Software Exports Limited	10,000,000	10,000,000	5,850,000	5,754,000

Note : The holding company, Nucleus Software Exports Limited (NSEL) has given guarantee on behalf of the company to fellow subsidiary Nucleus Software Solutions Pte. Ltd. (NSS) in respect of all amounts payable by the company to the NSS.

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

2.21 The Company's exposures in foreign currency which are not hedged as on 31 March 2014 by derivative instruments or otherwise is as follows:

Particulars	Amount (USD)	Amount (JPY)	Amount (Rupees) (Unaudited)
As at 31 Mar 2014			
a. Current Assets	201,170	20,589,750	12,045,003
b. Current Liabilities	156,400	16,007,569	9,364,428
As at 31 Mar 2013			
a. Current Assets	122,969	11,600,747	6,675,070
b. Current Liabilities	360,000	33,962,040	19,541,758

2.22 FUNCTION WISE CLASSIFICATION OF THE STATEMENT OF PROFIT AND LOSS (Unaudited)

Particulars	Year ended 31 Mar 2014 (JPY)	Year ended 31 Mar 2013 (JPY)	Year ended 31 Mar 2014 (Rupees) (Unaudited) See note 1.2 (i)	Year ended 31 Mar 2013 (Rupees) (Unaudited) See note 1.2 (i)
Sales and services	491,847,038	557,226,551	298,698,706	366,877,961
Software development expenses	450,391,001	457,036,507	273,522,455	300,912,836
Gross Profit	41,456,037	100,190,044	25,176,251	65,965,125
Selling and marketing expenses	24,540,676	39,589,054	14,903,552	26,065,434
General and administration expenses	10,414,666	16,225,038	6,324,827	10,682,565
Operating profit before depreciation	6,500,695	44,375,952	3,947,872	29,217,126
Depreciation	434,922	608,754	264,128	400,804
Operating profit after depreciation	6,065,773	43,767,198	3,683,744	28,816,322
Other income	2,700	4,942,513	1,640	3,254,151
Profit before taxation	6,068,473	48,709,711	3,685,384	32,070,473
Net current tax expense	4,380,704	4,054,183	2,660,402	2,669,274
Profit after taxation	1,687,769	44,655,528	1,024,982	29,401,199

2.23 In view of absence of virtual certainty of realisation of unabsorbed tax losses, no deferred tax asset has been recognised by the Company as at 31 March, 2014.

During the year, the Company has written off withholding taxes amounting to JPY 1,792,004 (Rupees 1,088,284) on account of uncertainty in realisation of withholding taxes.

2.24 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.

2.25 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



Vishnu R. Dusad

VISHNU R DUSAD
Director

P K Sanghi

P K SANGHI
Director

Place : New Delhi
Date : May 2, 2014