

BSR & Co.

Nucleus Software Netherlands B.V.
Audited Financial Statements for the period
1 April 2009 to 31 March 2010

B S R & Co.

(Registered)

Chartered Accountants

Building No.10, 8th Floor, Tower-B
DLF Cyber City, Phase - II
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Auditors' Report

To the Board of Directors of
Nucleus Software Netherlands B.V.

We have audited the attached Balance Sheet of Nucleus Software Netherlands B.V. ("the Company"), as at 31 March 2010 the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, 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.

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 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.

The report does not include a statement on the matters specified in paragraph 4 and 5 of the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, since in our opinion and according to the information and explanations given to us, the said Order is not applicable to the Company.

The rupee amounts are presented in the accompanying financial statements solely for the convenience of the reader and have been translated on the basis prescribed in note 2(i) of schedule 8 to the financial statements. The translation from Euro to Indian Rupees is unaudited.

We report as follows:

- (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, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the 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, to the extent applicable;



BSR & Co.

- (e) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and 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 2010;
 - (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 BSR & Co.
Chartered Accountants
Firm Registration No.: 101248W


Jiten Chopra
Partner
Membership No.: 092894

Place: Gurgaon
Date: 25 April 2010

Nucleus Software Netherlands B.V.

Balance Sheet as at 31 March 2010

	Schedule	As at 31 March 2010 (Euro)	As at 31 March 2009 (Euro)	As at * 31 March 2010 (Rupees) (Unaudited)	As at 31 March 2009 (Rupees) (Unaudited)
Sources of funds					
Shareholders' funds					
Share capital	1	300,000	200,000	18,132,000	13,412,000
		<u>300,000</u>	<u>200,000</u>	<u>18,132,000</u>	<u>13,412,000</u>
Application of funds					
Fixed assets					
Gross block	2	7,257	7,257	438,613	486,653
Less: Accumulated depreciation		1,773	278	107,160	18,643
Net block		<u>5,484</u>	<u>6,979</u>	<u>331,453</u>	<u>468,010</u>
Current assets, loans and advances					
Cash and bank balances	3	14,975	65,098	905,089	4,365,472
Loans and advances	4	16,592	18,626	1,002,820	1,249,060
		<u>31,567</u>	<u>83,724</u>	<u>1,907,909</u>	<u>5,614,532</u>
Less: Current liabilities					
Current liabilities	5	24,146	10,754	1,459,384	721,163
		<u>24,146</u>	<u>10,754</u>	<u>1,459,384</u>	<u>721,163</u>
Net current assets		7,421	72,970	448,525	4,893,369
Profit and Loss Account		287,095	120,051	17,352,022	8,050,621
		<u>300,000</u>	<u>200,000</u>	<u>18,132,000</u>	<u>13,412,000</u>
Significant accounting policies and notes to the accounts	8				

* Refer note 2 (i) to schedule 8.

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

As per our report of even date attached

For B S R & Co.

Chartered Accountants

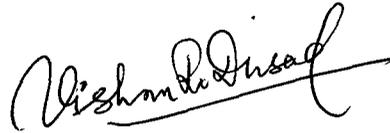
Firm registration number : 101248W



Jiten Chopra

Partner

Membership No.: 092894



Director

Place: Gurgaon

Date: 25 April 2010

Place: Noida

Date: 25 April 2010

Nucleus Software Netherlands B.V.

Profit and Loss Account for the year ended 31 March 2010

	Schedule	Year ended 31 March 2010 (Euro)	Year ended 31 March 2009 (Euro)	Year ended * 31 March 2010 (Rupees) (Unaudited)	Year ended 31 March 2009 (Rupees) (Unaudited)
Expenses					
Selling and marketing expenses	6	112,656	52,390	6,808,929	3,513,274
General and administration expenses	7	52,893	17,889	3,196,853	1,199,636
Depreciation		1,495	278	90,358	18,643
Loss after taxation		(167,044)	(70,557)	(10,096,140)	(4,731,553)
Balance brought forward		(120,051)	(49,494)	(7,255,882)	(3,319,068)
Balance carried forward to the Balance Sheet		(287,095)	(120,051)	(17,352,022)	(8,050,621)
Earnings per share					
Basic and diluted		(71.72)	(67.78)	(4,334.97)	(4,545.20)
Weighted average number of shares used in computing earnings per share					
Basic and diluted		2,329	1,041	2,329	1,041

Significant accounting policies and notes to the accounts

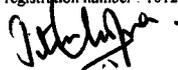
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* Refer note 2 (i) to schedule 8.

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

As per our report of even date attached

For B S R & Co.
Chartered Accountants
Firm registration number : 101248W



Jiten Chopra
Partner
Membership No.: 092894

Place: Gurgaon
Date: 25 April 2010


Director

Place: Noida
Date: 25 April 2010

Nucleus Software Netherlands B.V.

Cash Flow Statement for the year ended 31 March 2010

	Year ended 31 March 2010 (Euro)	Year ended 31 March 2009 (Euro)	Year ended * 31 March 2010 (Rupees) (Unaudited)	Year ended * 31 March 2009 (Rupees) (Unaudited)
A. Cash flow from operating activities				
Net loss before tax	(167,044)	(70,557)	(10,096,140)	(4,731,553)
Adjustments for:				
Depreciation	1,495	278	90,358	18,643
Operating loss before working capital changes	(165,549)	(70,279)	(10,005,782)	(4,712,910)
Decrease/ (Increase) in loans and advances	2,034	(14,251)	122,936	(955,672)
Increase in current liabilities	13,392	5,906	809,412	396,056
Net cash used in operating activities (A)	(150,123)	(78,624)	(9,073,434)	(5,272,526)
B. Cash flow from investing activities				
Purchase of fixed assets/capital work in progress	-	(7,257)	-	(486,653)
Net cash used in investing activities (B)	-	(7,257)	-	(486,653)
C. Cash flow from financing activities				
Issue of share capital	100,000	100,000	6,044,000	6,706,000
Net cash from financing activities (C)	100,000	100,000	6,044,000	6,706,000
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(50,123)	14,119	(3,029,434)	946,821
Cash and cash equivalents opening balance	65,098	50,979	3,934,523	3,418,651
Cash and cash equivalent closing balance	14,975	65,098	905,089	4,365,472

* Refer note 2 (i) to schedule 8

Notes:

1. 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.

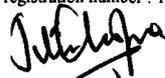
2. Cash and cash equivalents consist of balances with non scheduled banks.

As per our report of even date attached

For BSR & Co.

Chartered Accountants

Firm registration number : 101248W



Jiten Chopra

Partner

Membership No.: 092894

Place: Gurgaon

Date: 25 April 2010



Director

Place: Noida

Date: 25 April 2010

Nucleus Software Netherlands B. V.

Schedules forming part of the financial statements

SCHEDULE 2:

Fixed assets

(Amount in EURO unless otherwise stated)

	Gross block				Depreciation				Net block	
	As at 1 April 2009	Additions during the year	Deductions / adjustments	As at 31 March 2010	As at 1 April 2009	Depreciation for the year	Deductions / adjustments	As at 31 March 2010	As at 31 March 2010	As at 31 March 2009
Office and other equipment	1,056	-	-	1,056	42	212	-	254	802	1,014
Computers	883	-	-	883	36	221	-	257	626	847
Furniture and fixtures	5,318	-	-	5,318	200	1,062	-	1,262	4,056	5,118
Current year (Euro)	7,257	-	-	7,257	278	1,495	-	1,773	5,484	6,979
Current year (Rupees) (Unaudited)*	438,613	-	-	438,613	16,802	90,358	-	107,160	331,453	421,811
Previous year (Euro)	-	7,257	-	7,257	-	278	-	278	6,979	
Previous year (Rupees) (Unaudited)*	-	486,653	-	486,653	-	18,643	-	18,643	468,010	

* Refer note 2 (i) to schedule 8.

Nucleus Software Netherlands B.V.

Schedules forming part of the financial statements

	As at 31 March 2010 (Euro)	As at 31 March 2009 (Euro)	As at * 31 March 2010 (Rupees) (Unaudited)	As at * 31 March 2009 (Rupees) (Unaudited)
SCHEDULE 3				
Cash and bank balances				
Balances with non scheduled banks				
- in current accounts				
Citibank-Netherlands	14,975	65,098	905,089	4,365,472
[Maximum amount outstanding during the year Euro 102,847 (previous year Euro 101,200)]				
	<u>14,975</u>	<u>65,098</u>	<u>905,089</u>	<u>4,365,472</u>
SCHEDULE 4				
Loans and advances (Unsecured-considered good)				
Advances recoverable in cash or in kind or for value to be received	9,978	12,012	603,070	805,525
Security deposits	6,614	6,614	399,750	443,535
	<u>16,592</u>	<u>18,626</u>	<u>1,002,820</u>	<u>1,249,060</u>
SCHEDULE 5				
Current liabilities				
Sundry creditors	9,714	355	587,114	23,806
Other liabilities	-	1,299	-	87,111
Due to holding company	14,432	9,100	872,270	610,246
	<u>24,146</u>	<u>10,754</u>	<u>1,459,384</u>	<u>721,163</u>

* Refer note 2 (i) to schedule 8.

Nucleus Software Netherlands B.V.

Schedules forming part of the financial statements

	Year ended 31 March 2010 (Euro)	Year ended 31 March 2009 (Euro)	Year ended * 31 March 2010 (Rupees) (Unaudited)	Year Ended * 31 March 2009 (Rupees) (Unaudited)
SCHEDULE 6				
Selling and marketing expenses				
Salaries and allowances	54,769	24,132	3,310,238	1,618,292
Contribution to provident and other funds	3,439	1,494	207,853	100,188
Staff welfare	854	355	51,616	23,806
Communication	3,041	-	183,798	-
Rent	17,711	16,998	1,070,453	1,139,886
Repair and maintenance				
- Others	3,351	4,957	202,534	332,416
Travelling	18,523	2,192	1,119,530	146,996
Power and fuel	470	-	28,407	-
Business promotion	7,440	-	449,674	-
Miscellaneous expenses	3,058	2,262	184,826	121,690
	<u>112,656</u>	<u>52,390</u>	<u>6,808,929</u>	<u>3,513,274</u>
SCHEDULE 7				
General and administration expenses				
Legal and professional	50,043	14,402	3,024,599	965,798
Bank charges	2,221	1,489	134,237	99,852
Rates and taxes	629	1,998	38,017	133,986
	<u>52,893</u>	<u>17,889</u>	<u>3,196,853</u>	<u>1,199,636</u>

* Refer note 2 (i) to schedule 8.

Nucleus Software Netherlands B.V.
Schedules forming part of the accounts

Schedule 8: Significant accounting policies and notes to the accounts

1. Background

Nucleus Software Netherlands B.V. ('the Company') was incorporated on 3 February 2006 in Netherlands. The Company's entire share capital is held by Nucleus Software Exports Ltd., India ('the holding Company').

2. Significant accounting policies

(i) Basis of preparation

The financial statements are prepared under the historical cost convention on the accrual basis, in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") and mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006 and the provisions of the Companies Act, 1956. 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 is 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 significantly eroded as at year end. 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, Profit and Loss Account and Cash Flow Statement have been restated to Indian rupees at exchange rate prevailing on the last day of the financial year. The functional currency of the Company is Euro. The translation from Euro to Indian rupees is unaudited.

(ii) Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles 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.

(iii) Fixed assets

Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation. Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not put to use before the year end, are disclosed as capital work-in-progress.

(iv) 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 Rs. 5,000 are fully depreciated in the year of purchase.

Nucleus Software Netherlands B.V.
Schedules forming part of the accounts

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

Asset category	Useful life (in years)
Office equipment	5
Computers	4
Furniture and fixtures	5

(v) 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.

(vi) 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.

(vii) Impairment

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. 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. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized.

(viii) 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.

Nucleus Software Netherlands B.V.
Schedules forming part of the accounts

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 does not have any reportable segment information as required to be disclosed by this statement. Accordingly, no additional disclosure for segment reporting has been made in the financial statements.

4. Related party disclosures

a) List of related parties where control exists

Holding Company:

- Nucleus Software Exports Ltd.

b) Transactions with related parties:

	Year ended 31 March 2010 (EURO)	Year ended 31 March 2009 (EURO)	Year ended * 31 March 2010 (Rupees) (Unaudited)	Year ended * 31 March 2009 (Rupees) (Unaudited)
i. Advances				
From holding company	5,332	7,368	322,266	494,098
ii. Issue of share capital				
From holding company	100,000	100,000	6,044,000	6,706,000

* Refer note 2(i) above

c) Outstanding balances as at year end

	As at 31 March 2010 (EURO)	As at 31 March 2009 (EURO)	Year ended * 31 March 2010 (Rupees) (Unaudited)	Year ended * 31 March 2009 (Rupees) (Unaudited)
i. Sundry Creditors				
Due to Holding company	14,432	9,100	872,270	610,246

* Refer note 2(i) above

5. Legal and professional includes payment to auditors:

	Year ended 31 March 2010 (EURO)	Year ended 31 March 2009 (EURO)	Year ended * 31 March 2010 (Rupees) (Unaudited)	Year ended * 31 March 2009 (Rupees) (Unaudited)
Audit fee	827	224	50,000	15,000

* Refer note 2(i) above

Nucleus Software Netherlands B.V.
Schedules forming part of the accounts

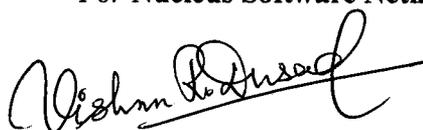
6. No provision for tax has been made in view of the losses in the current year. As at 31 March 2010, the Company has unabsorbed losses. In view of absence of virtual certainty of realisation of unabsorbed tax losses, no deferred tax asset has been recognised by the Company as at 31 March 2010.
7. The 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 2010 (EURO)	Year ended 31 March 2009 (EURO)	Year ended * 31 March 2010 (Rupees) (Unaudited)	Year ended* 31 March 2009 (Rupees) (Unaudited)
Salaries and allowances	54,769	24,132	3,310,238	1,618,292
Contribution to provident and other funds	3,439	1,494	207,853	100,188
Staff welfare	854	355	51,616	23,806
Conveyance	1,113	-	67,270	-
Communication	3,041	-	183,798	-
Rent	17,711	16,998	1,070,453	1,139,886
Rates and taxes	629	1,998	38,017	133,986
Legal and professional	50,043	14,402	3,024,599	965,798
Bank charges	2,221	1,489	134,237	99,852
Travelling	18,523	2,192	1,119,530	146,996
Power and fuel	470	-	28,407	-
Business promotion	7,440	-	449,674	-
Repairs and maintenance - others	3,351	4,957	202,534	332,416
Miscellaneous expenses	1,945	1,243	117,556	83,356
	165,549	70,279	10,005,782	4,712,910

* Refer note 2(i) above

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

For Nucleus Software Netherlands B.V


 Director

Place: Noida

Date: 25 April 2010

Nucleus Software Netherlands B.V.

Balance Sheet Abstract and Company's General Business Profile

I. Registration details

Registration No. <i>Not applicable</i>	State Code <i>Not applicable</i>
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Balance Sheet Date
31 March 2010

II. Capital raised during the year (EURO in thousands)

Public issue <i>Nil</i>	Rights issue <i>Nil</i>
Bonus issue <i>Nil</i>	Private placement <i>100</i>

III. Position of mobilisation and deployment of funds (EURO in thousands)

Total liabilities <i>324</i>	Total assets <i>324</i>
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Sources of funds (EURO in thousands)

Paid-up capital <i>300</i>	Reserves and surplus <i>Nil</i>
Secured loans <i>Nil</i>	Unsecured loan <i>Nil</i>

Application of funds (EURO in thousands)

Net fixed assets <i>5</i>	Investments <i>Nil</i>
Net current assets <i>8</i>	Miscellaneous expenditure <i>Nil</i>
Accumulated losses <i>287</i>	

IV. Performance of company (EURO in thousands except earnings per share)

Turnover <i>NIL</i>	Total expenditure <i>167</i>
Loss before tax <i>167</i>	Loss after tax <i>167</i>
Earnings per share (in Euro) <i>(71.72)</i>	Dividend rate % <i>Not applicable</i>

Nucleus Software Netherlands B.V.

Balance Sheet Abstract and Company's General Business Profile

V. Generic names of Principal Products/Services of Company (as per monetary terms)

Product description: *Software services*

Item code (ITC code): *Not applicable*

For Nucleus Software Netherlands B.V.



Director

Place: Noida

Date: 25 April 2010