

NUCLEUS SOFTWARE INC.
(a Corporation)

Financial Statements and

Accountant's Audit Report

For the Year Ended March 31, 2010 and 2009



NUCLEUS SOFTWARE INC.

FOR THE YEAR ENDED March 31, 2010 and 2009

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Jignesh N. Thakkar
Certified Public Accountant

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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, 2010 and 2009 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, 2010 and 2009 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 23, 2010



NUCLEUS SOFTWARE INC.
BALANCE SHEET
AS OF MARCH 31, 2010 AND 2009

	3/31/2010	3/31/2009
CURRENT ASSETS		
Cash & cash equivalents - Note -2b	\$ 149,325	\$ 148,893
Accounts receivables - net of allowance Note 2c, 4	0	67,901
Loans & exchange -other	0	25,000
Prepaid expenses & taxes	780	0
TOTAL CURRENT ASSETS	150,105	241,794
 PROPERTY AND EQUIPMENT – Note2d		
Furniture & equipment	12,605	12,605
Less: accumulated depreciation - f & e	(12,605)	(12,605)
TOTAL PROPERTY AND EQUIPMENT	-	-
 OTHER ASSETS		
Security deposits	5,100	5,100
TOTAL OTHER ASSETS	5,100	5,100
 <u>TOTAL ASSETS</u>	 \$ 155,205	 \$ 246,894

SEE ACCOMPANYING NOTES

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JIGNESH N. THAKKAR
CERTIFIED PUBLIC ACCOUNTANT



NUCLEUS SOFTWARE INC.
BALANCE SHEET (CONT.)
AS OF MARCH 31, 2010 AND 2009

LIABILITIES AND SHAREHOLDERS' EQUITY

	3/31/2010	3/31/2009
CURRENT LIABILITIES		
Accounts payable	\$ 181,928	\$ 209,204
Accrued expenses & taxes	185,971	99,192
Accrued salaries	-	15,908
TOTAL CURRENT LIABILITIES	<u>367,899</u>	<u>324,304</u>
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	(562,694)	(427,410)
TOTAL SHAREHOLDERS' EQUITY	<u>(212,694)</u>	<u>(77,410)</u>
<u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>\$ 155,205</u>	<u>\$ 246,894</u>

SEE ACCOMPANYING NOTES

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JIGNESH N. THAKKAR
CERTIFIED PUBLIC ACCOUNTANT

NUCLEUS SOFTWARE INC.
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2010 AND 2009

	3/31/2010	3/31/2009
CONSULTING INCOME	\$ 322,486	\$ 166,789
LESS: CASH DISCOUNTS & ALLOWANCES	<u>-</u>	<u>1</u>
NET CONSULTING INCOME	322,486	166,790
OPERATING EXPENSES		
Selling, general and administrative Expenses -Schedule - A	(496,330)	(625,146)
INCOME (LOSS) FROM OPERATIONS	<u>(173,844)</u>	<u>(458,356)</u>
OTHER INCOME (EXPENSE):		
Interest income	1	2,376
Sales commission-affiliates	38,559	61,441
TOTAL OTHER INCOME (EXPENSE)	<u>38,560</u>	<u>63,817</u>
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(135,284)	(394,539)
Provision for income taxes	-	(191)
Provision for corp. taxes	-	(2,625)
NET INCOME (LOSS)	<u>\$ (135,284)</u>	<u>\$ (397,355)</u>
RETAINED EARNINGS (DEFICIT), AT BEGINNING OF YEAR	(427,410)	(30,055)
Net Income (Loss)	(135,284)	(397,355)
RETAINED EARNINGS (DEFICIT), AT END OF YEAR	<u>\$ (562,694)</u>	<u>\$ (427,410)</u>

SEE ACCOMPANYING NOTES

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JIGNESH N. THAKKAR
CERTIFIED PUBLIC ACCOUNTANT



NUCLEUS SOFTWARE INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2010 AND 2009

	3/31/2010	3/31/2009
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ (135,284)	\$ (397,355)
Adjustments to reconcile net income to cash provided (used) by operating activities		
Add: Depreciation & amortization	-	-
(Increase) Decrease in		
Accounts receivable	67,901	473,886
Other current assets	24,220	(9,410)
Increase (Decrease) in		
Accounts payable	(27,276)	(151,604)
Accrued expenses and taxes	70,871	(367,668)
TOTAL ADJUSTMENTS	135,716	(54,796)
Net cash flows provided (used) by operating activities	432	(452,151)
NET INCREASE (DECREASE) CASH AND CASH EQUIVALENT:	432	(452,151)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	148,893	601,044
CASH AND CASH EQUIVALENTS, AT END OF YEAR	\$ 149,325	\$ 148,893

SEE ACCOMPANYING NOTES

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JIGNESH N. THAKKAR
CERTIFIED PUBLIC ACCOUNTANT

NUCLEUS SOFTWARE INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010 AND 2009

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.

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 \$ 980 in the interest bearing premium money market account and \$ 147,620 in the business checking accounts. The remaining balance of \$726 is held in an attorney trust account for filing of H-1b visas for employees from abroad.

(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, 2010. The accounts receivable balance as of year end March 31, 2010 is -0-.

(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	5 years
Furniture and fixtures	7 years

(e) **Income Taxes:**

The Company has incurred a loss for the year ended March 31, 2010 however it is still liable for state minimum income taxes for the states of New Jersey and Delaware.



NUCLEUS SOFTWARE INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010 AND 2009

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, 2010 and 2009 was \$ 38,559 and \$ 61,441 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 US customers. The company bills the customer directly and the parent company bills this company for its services. In the last fiscal year ending March 31, 2010 consultants from the parent company and/or its subsidiaries were not used on any projects.

NOTE 6 – CAPITAL STOCK:

The capital stock was unchanged for the fiscal year ending March 31, 2010 and March 31, 2009. However, management believes that the parent company will continue to send capital as and when needed in this development stage of the company.

Jignesh N. Thakkar

Certified Public Accountant

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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 23, 2010

NUCLEUS SOFTWARE INC.
SCHEDULE OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED MARCH 31, 2010 AND 2009
SCHEDULE 'A'

<u>SELLING, GENERAL & ADMINISTRATIVE EXPENSES</u>	3/31/2010	3/31/2009
Bank charges	\$ 878	\$ 216
Consulting fees	65,872	118,722
General insurance	-	5,622
Immigration & evaluation fees	-	475
Meals & entertainment	-	27
Medical insurance	53,406	46,813
Office supplies & expenses	68	-
Payroll service charges	1,263	1,421
Payroll taxes	14,697	24,061
Postage	860	-
Professional fees	5,400	11,710
Bad debt expense	28,460	24,142
Rent	16,617	17,205
Salary other	293,199	346,436
Telephone	5,432	6,335
Travel	5,441	15,666
Worker's compensation	4,737	6,295
TOTAL SELLING, GENERAL & ADMINISTRATIVE EXPENSES	<u>\$ 496,330</u>	<u>\$ 625,146</u>

SEE ACCOMPANYING NOTES