

**NUCLEUS SOFTWARE JAPAN
KABUSHIKI KAISHA**

Financial Statements for the year ended
March 31, 2016 and Independent
Auditor's report

**INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF
NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA**

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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, 2016, 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 Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, as applicable. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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.

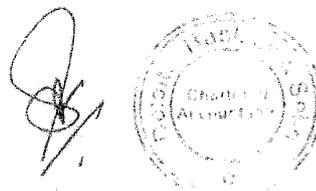
Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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



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**Deloitte
Haskins & Sells**

statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

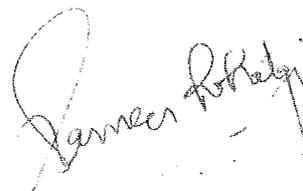
Opinion

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, of the state of affairs of the Company as at 31 March, 2016, and its profit and its cash flows 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)



SAMEER ROHATGI
Partner
(Membership No. 094039)

Noida,
3 May, 2016

NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA
BALANCE SHEET AS AT 31 MARCH 2016

	Notes Ref.	As at 31 March 2016 (JPY)	As at 31 March 2015 (JPY)	As at 31 March 2016 (Rupees) (Unaudited) See note 1.2 (i)	As at 31 March 2015 (Rupees) (Unaudited) See note 1.2 (i)
EQUITY AND LIABILITIES					
1. SHAREHOLDERS' FUNDS					
a. Share capital	2.1	10,000,000	10,000,000	5,899,000	5,208,000
b. Reserves and surplus	2.2	36,483,710	15,311,366	20,802,887	7,974,160
		46,483,710	25,311,366	26,701,887	13,182,160
2. NON-CURRENT LIABILITIES					
Long-term borrowings	2.3	-	-	-	-
3. CURRENT LIABILITIES					
a. Trade payables	2.4	-	-	-	-
i) Total outstanding dues of micro enterprises and small enterprises		-	-	-	-
ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		62,067,005	75,681,689	37,332,178	39,415,024
b. Other current liabilities	2.5	30,766,373	45,611,110	18,149,083	23,754,266
c. Short-term provisions	2.6	882,315	-	520,478	-
		93,715,693	121,292,799	56,001,739	63,169,290
		140,199,403	146,604,165	82,703,626	76,351,450
ASSETS					
1. NON-CURRENT ASSETS					
a. Fixed assets					
- Tangible assets	2.7	2,702,583	4,729,152	1,594,254	2,462,942
- Intangible assets	2.7	78,196	53,075	46,128	27,642
		2,780,779	4,782,227	1,640,382	2,490,584
b. Long-term loans and advances	2.8	11,805,340	12,296,140	6,963,970	6,403,830
		14,586,119	17,078,367	8,604,352	8,894,414
2. CURRENT ASSETS					
a. Trade receivables	2.9	88,984,159	69,641,374	52,491,755	36,269,227
b. Cash and cash equivalents	2.10	12,631,649	34,331,533	7,451,410	17,879,862
c. Short-term loans and advances	2.11	962,135	2,877,936	567,564	1,498,829
d. Other current assets	2.12	23,035,341	22,674,955	13,588,545	11,809,118
		125,613,284	129,525,798	74,099,274	67,457,036
		140,199,403	146,604,165	82,703,626	76,351,450

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

In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

For and on behalf of the Board of Directors
NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA


SAMEER ROHATGI
Partner


VISHNU R DUSED
Director


RAVI PRATAP SINGH
Director

Place Noida
Date 03 May 2016

Place : Noida
Date : 03 May 2016



NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Year ended	Year ended	Year ended	Year ended
	Ref.	31 March 2016	31 March 2015	31 March 2016	31 March 2015
		(JPY)	(JPY)	(Rupees)	(Rupees)
				(Unaudited)	(Unaudited)
				See note 1.2 (i)	See note 1.2 (i)
1. REVENUE FROM OPERATIONS					
Sales and services	2.13	555,542,378	455,460,448	300,881,751	255,467,765
2. OTHER INCOME					
	2.14	7,796	3,166,186	4,222	1,775,914
3. TOTAL REVENUE (1+2)					
		555,550,174	458,626,634	300,885,973	257,243,679
4. EXPENSES					
a. Employee benefits expenses	2.15	79,348,552	53,176,118	42,975,176	29,826,485
b. Operating and other expenses	2.16	449,256,425	432,692,994	243,317,280	242,697,500
c. Finance cost	2.17	465,937	575,018	252,352	322,528
d. Depreciation and amortisation expense	2.7	2,254,610	2,224,894	1,221,097	1,247,943
TOTAL EXPENSES					
		531,325,524	488,669,024	287,765,905	274,094,456
5. PROFIT/ (LOSS) BEFORE TAX (3-4)					
		24,224,650	(30,042,390)	13,120,068	(16,850,777)
6. TAX EXPENSE					
a. Current tax expense		3,052,306	183,700	1,653,129	103,037
b. Withholding taxes charged off		-	918,500	-	515,187
c. Tax expense relating to prior years		-	(919,500)	-	(515,748)
NET CURRENT TAX EXPENSE					
		3,052,306	182,700	1,653,129	102,476
7. PROFIT/ (LOSS) FOR THE YEAR (5-6)					
		21,172,344	(30,225,090)	11,466,939	(16,953,253)
8. EARNINGS PER EQUITY SHARE					
Equity shares of JPY 50,000 each					
a. Basic and Diluted	2.19	105,862	(151,125)	57,335	(84,766)
Number of shares used in computing earnings per share					
		200	200	200	200

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

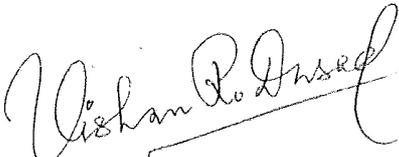
In terms of our report attached

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

For and on behalf of the Board of Directors


SAMEER ROHATGI
Partner

Place : Noida
Date : 03 May 2016


VISHNU R DUSAD
Director

Place : Noida
Date : 03 May 2016


RAVI PRATAP SINGH
Director

Place : Noida
Date : 03 May 2016



NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

Notes Ref.	Year ended 31 March 2016 (JPY)	Year ended 31 March 2015 (JPY)	Year ended 31 March 2016 (Rupees) (Unaudited) See note 1.2 (i)	Year ended 31 March 2015 (Rupees) (Unaudited) See note 1.2 (i)
A. Cash flow from operating activities				
Net Profit / (loss) before tax				
Adjustments for:	24,224,650	(30,042,390)	13,120,068	(16,850,777)
Depreciation and amortisation expense	2,254,610	2,224,894	1,221,097	1,247,943
Interest income on deposits with banks	(562)	(13,471)	(304)	(7,556)
Exchange difference on translation of foreign currency accounts	5,318,592	(5,393,150)	4,204,757	(5,826,484)
Interest expense	238,546	223,794	129,197	125,526
Operating Profit / (loss) before working capital changes	32,035,836	(33,000,323)	18,674,815	(21,311,348)
Adjustment for (increase)/decrease in operating assets				
Trade receivables	(24,222,203)	(44,913,054)	(13,118,745)	(25,191,731)
Long-term loans and advances	(11,800)	(1,608,940)	(6,391)	(902,454)
Short-term loans and advances	1,915,801	(2,208,338)	1,037,598	(1,238,657)
Other current assets	(360,386)	12,383,975	(195,185)	6,946,172
Adjustment for increase/ (decrease) in operating liabilities				
Trade payables	(13,685,414)	20,084,157	(7,412,020)	11,265,204
Other current liabilities	(392,837)	31,415,381	(212,761)	17,620,887
Taxes paid (net)	(4,721,003)	(17,847,142)	(1,232,689)	(12,811,928)
Net cash from / (used in) operating activities (A)	(6,388,394)	(18,430,242)	(2,135,748)	(13,138,989)
B. Cash flow from investing activities				
Purchase of fixed assets	(253,162)	(6,660,784)	(137,113)	(3,736,034)
Interest income on deposits with banks	562	13,471	304	7,556
Net cash from / (used in) Investing activities (B)	(252,600)	(6,647,313)	(136,809)	(3,728,478)
C. Cash flow from financing activities				
Repayment of term loan	(14,400,000)	-	(7,799,040)	-
Interest paid on term loan	(238,546)	(223,794)	(129,197)	(125,526)
Net cash from / (used in) Financing activities (C)	(14,638,546)	(223,794)	(7,928,237)	(125,526)
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	(21,279,540)	(25,301,349)	(10,200,794)	(16,992,993)
Cash and cash equivalents at the beginning of the year	34,331,533	59,119,149	17,879,862	34,584,702
Exchange difference on translation of foreign currency accounts	(420,344)	513,733	(227,658)	288,153
Cash and cash equivalents at the end of the year	12,631,649	34,331,533	7,451,410	17,879,862

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

In terms of our report attached
For **DELOITTE HASKINS & SELLS**
Chartered Accountants

For and on behalf of the Board of Directors

SAMEER ROHATGI
Partner

Place: Noida
Date: 03 May 2016

VISHNU R DUSAD
Director

Place: Noida
Date: 03 May 2016

RAVI PRATAP SINGH
Director

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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 specified under Section 133 of the Companies Act, 2013 as applicable. 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 financial statements have been prepared for the purpose of compliance with the provisions of Section 129(3) of the Companies Act, 2013 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	3
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.

Revenue from service income for sale and marketing fee from Holding Company is recognised on rendering of services and in accordance with the terms of the contract.

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

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of applicable local tax laws.

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.



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

(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.

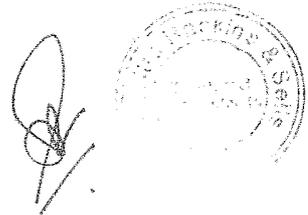
A disclosure for a contingent liability is made where it is more likely than not that a present obligation or possible obligation may result in or involve an outflow of resources. When no present or possible obligation exists and the possibility of an outflow of resources is remote, no disclosure is 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.

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

Particulars	As at 31 March 2016 (JPY)	As at 31 March 2015 (JPY)	As at 31 March 2016 (Rupees) (Unaudited) See note 1.2 (i)	As at 31 March 2015 (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>5,899,000</u>	<u>5,208,000</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>5,899,000</u>	<u>5,208,000</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	5,899,000	5,208,000
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	5,899,000	5,208,000
(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	5,899,000	5,208,000
2.2 RESERVES AND SURPLUS				
a. Surplus / (Deficit) in Statement of Profit and Loss				
Opening Balance	15,311,366	45,536,455	12,695,595	29,648,848
Add: Profit/ (Loss) for the year	21,172,344	(30,225,090)	11,466,939	(16,953,253)
Closing balance	<u>36,483,710</u>	<u>15,311,366</u>	<u>24,162,534</u>	<u>12,695,595</u>
b. Currency Translation Reserve				
Opening Balance	-	-	(4,721,435)	(3,010,022)
Add / (Less) : Effect of Foreign Exchange rate variations during	-	-	1,361,788	(1,711,413)
Closing balance	<u>-</u>	<u>-</u>	<u>(3,359,647)</u>	<u>(4,721,435)</u>
	<u>36,483,710</u>	<u>15,311,366</u>	<u>20,802,887</u>	<u>7,974,160</u>
2.3 LONG-TERM BORROWINGS (Unsecured)				
Term Loan from fellow subsidiary (see note below)	-	14,400,000	-	7,499,520
Less : Current maturities of long term debt	-	(14,400,000)	-	(7,499,520)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes:

i) Details of terms of repayment

The Company had taken loan amounting to USD 600,000 from Nucleus Software Solution Pte. Ltd., Singapore, a fellow subsidiary, repayable in annual installments of USD 120,000 each on 31 December every year. The Company has repaid USD 600,000 till the year ended 31 March, 2016.

ii) Interest on the above loan was payable @ 2% over Libor for six months.



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

Particulars	As at	As at	As at	As at
	31 March 2016 (JPY)	31 March 2015 (JPY)	31 March 2016 (Rupees) (Unaudited) See note 1.2 (i)	31 March 2015 (Rupees) (Unaudited) See note 1.2 (i)
2.4 TRADE PAYABLES				
a. Trade payables				
i) Total outstanding dues of micro enterprises and small enterprises (See note below)	-	-	-	-
ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	19,161,000	9,624,852	11,303,074	5,012,624
b. Due to Holding Company	26,323,201	26,011,243	16,246,908	13,546,655
c. Due to fellow subsidiary	16,582,804	40,045,594	9,782,196	20,855,745
	<u>62,067,005</u>	<u>75,681,689</u>	<u>37,332,178</u>	<u>39,415,024</u>

Note: The Company has no amounts payable to micro, small and medium enterprises as defined in section 7(1) of the Micro, Small and Medium Enterprises Development Act, 2006, to extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

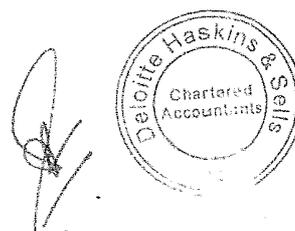
2.5 OTHER CURRENT LIABILITIES

a. Current maturities of term loan	-	14,400,000	-	7,499,520
b. Advance from customers/ Advance billing	22,560,790	17,423,391	13,308,610	9,074,102
c. Other employee payables	-	11,600	-	6,041
d. Other payables - statutory liabilities	8,205,583	13,776,119	4,840,473	7,174,603
	<u>30,766,373</u>	<u>45,611,110</u>	<u>18,149,083</u>	<u>23,754,266</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 2,169,991 (previous year Nil)]	882,315	-	520,478	-
	<u>882,315</u>	<u>-</u>	<u>520,478</u>	<u>-</u>



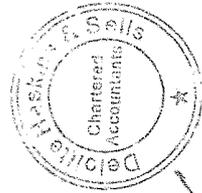
NUCLEUS SOFTWARE JAPAN KABUSHIKI KAISHA
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2.7 Fixed Assets (At Cost)

PARTICULARS	GROSS BLOCK			ACCUMULATED DEPRECIATION / AMORTISATION			NET BLOCK	
	As at 1 April 2015	Additions	Currency Translation	As at 31 March 2016	For the Year	Currency Translation	As at 31 March 2016	As at 31 March 2015
Tangible assets								
Office equipment	930,200 (894,800)	35,600	(-)	930,200 (930,200)	11,890 (38,033)	-	906,086 (894,196)	24,114 (36,004)
Computers	2,538,358 (1,860,809)	222,300 (577,549)	(-)	2,740,658 (2,538,358)	254,939 (348,749)	-	2,234,028 (1,979,089)	506,630 (559,269)
Furniture and fixtures	849,621 (727,452)	222,169	(-)	849,621 (849,621)	41,040 (65,613)	-	756,674 (715,634)	92,947 (133,987)
Lease Hold Improvements	5,763,002	763,002	(-)	5,763,002 (5,763,002)	1,921,000 (1,763,110)	-	3,684,110 (1,763,110)	2,078,892 (3,999,892)
Intangible assets								
Software	10,081,181 (3,482,861)	202,300 (6,598,320)	(-)	10,283,481 (10,081,181)	2,228,869 (2,215,505)	-	7,580,898 (5,352,029)	4,729,152 (346,333)
Total	11,077,732 (4,416,948)	253,162 (6,660,784)	(-)	11,330,894 (11,077,732)	2,254,610 (2,224,894)	(-)	8,550,115 (6,295,505)	2,780,779 (4,782,227)

PARTICULARS	GROSS BLOCK			ACCUMULATED DEPRECIATION / AMORTISATION			NET BLOCK	
	As at 1 April 2015	Additions	Currency Translation	As at 31 March 2016	For the Year	Currency Translation	As at 31 March 2016	As at 31 March 2015
Tangible assets								
Office equipment	484,448 (523,341)	(18,540)	64,277 (57,433)	548,725 (484,448)	6,440 (21,333)	62,363 (56,491)	534,500 (465,697)	18,751 (22,485)
Computers	1,321,977 (1,088,573)	109,566 (352,868)	185,171 (119,464)	1,616,714 (1,321,977)	138,075 (195,614)	149,068 (118,653)	1,317,853 (1,030,710)	291,267 (134,824)
Furniture and fixtures	442,483 (425,560)	63,626	58,708 (46,703)	501,191 (442,483)	22,227 (36,802)	51,433 (44,363)	446,362 (372,702)	54,830 (69,781)
Lease Hold Improvements	3,001,371 (-)	(3,001,371)	398,224 (-)	3,399,595 (3,001,371)	1,040,414 (988,928)	214,614 (70,700)	2,173,256 (918,228)	2,083,143 (-)
Intangible assets								
Software	5,250,279 (2,037,474)	109,566 (3,436,405)	706,380 (223,600)	2,787,337 (1,834,867)	1,207,156 (1,242,677)	477,478 (290,207)	4,471,971 (2,787,337)	2,462,942 (202,605)
Total	5,769,283 (2,583,915)	137,113 (3,468,936)	777,698 (285,568)	6,684,094 (5,769,283)	1,221,097 (1,247,943)	543,916 (350,552)	5,043,712 (3,278,699)	1,640,382 (2,490,584)

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	As at	As at	As at
	31 March 2016 (JPY)	31 March 2015 (JPY)	31 March 2016 (Rupees) (Unaudited) See note 1.2 (i)	31 March 2015 (Rupees) (Unaudited) See note 1.2 (i)
2.8 LONG-TERM LOANS AND ADVANCES (Unsecured, considered good)				
a. Advance income tax [net of provision Nil (previous year JPY 70,000)]	-	502,600	-	261,754
b. Security deposits	11,805,340	11,793,540	6,963,970	6,142,076
	<u>11,805,340</u>	<u>12,296,140</u>	<u>6,963,970</u>	<u>6,403,830</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	-	22,657,831	-	11,800,198
b. Other trade receivables	88,984,159	46,983,543	52,491,755	24,469,029
	<u>88,984,159</u>	<u>69,641,374</u>	<u>52,491,755</u>	<u>36,269,227</u>
2.10 CASH AND CASH EQUIVALENTS				
a. Balances with non scheduled banks in current accounts :				
- Bank of Tokyo Mitsubishi	5,299,677	1,552,962	3,126,279	808,783
- Shinsei Bank	46,580	47,517	27,478	24,746
- Citibank	7,285,392	32,731,054	4,297,653	17,046,333
	<u>12,631,649</u>	<u>34,331,533</u>	<u>7,451,410</u>	<u>17,879,862</u>
2.11 SHORT-TERM LOANS AND ADVANCES (Unsecured, considered good)				
a. Loans and advances to employee	167,687	-	98,919	-
b. Prepaid expenses	794,448	2,877,936	468,645	1,498,829
	<u>962,135</u>	<u>2,877,936</u>	<u>567,564</u>	<u>1,498,829</u>
2.12 OTHER CURRENT ASSETS (Unsecured)				
Service income accrued but not due				
- considered good	23,035,341	22,674,955	13,588,545	11,809,118
- considered doubtful	1,206,557	1,206,557	711,748	628,375
	24,241,898	23,881,512	14,300,293	12,437,493
Less : Provision for service income accrued but not due	(1,206,557)	(1,206,557)	(711,748)	(628,375)
	23,035,341	22,674,955	13,588,545	11,809,118
	<u>23,035,341</u>	<u>22,674,955</u>	<u>13,588,545</u>	<u>11,809,118</u>



Particulars	Year ended	Year ended	Year ended	Year ended
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	(JPY)	(JPY)	(Rupees) (Unaudited) See note 1.2 (i)	(Rupees) (Unaudited) See note 1.2 (i)
2.13 SALES AND SERVICES				
a. Software development services	446,806,009	446,039,706	241,990,134	250,183,671
b. Service income for software development from holding company	18,599,812	9,420,742	10,073,658	5,284,094
c. Service income for sales & marketing fee from holding Company	90,136,557	-	48,817,959	-
	<u>555,542,378</u>	<u>455,460,448</u>	<u>300,881,751</u>	<u>255,467,765</u>
2.14 OTHER INCOME				
a. Interest income on deposits with banks	562	13,471	304	7,556
b. Interest income on tax refund	7,234	-	3,918	-
c. Gain on foreign currency transaction and translation (net)	-	3,152,715	-	1,768,358
	<u>7,796</u>	<u>3,166,186</u>	<u>4,222</u>	<u>1,775,914</u>
2.15 EMPLOYEE BENEFITS EXPENSE				
a. Salaries and wages	71,478,273	47,396,516	38,712,633	26,584,706
b. Contribution to social security fund	7,666,940	5,700,249	4,152,415	3,197,270
c. Staff welfare expenses	203,339	79,353	110,128	44,509
	<u>79,348,552</u>	<u>53,176,118</u>	<u>42,975,176</u>	<u>29,826,485</u>
2.16 OPERATING AND OTHER EXPENSES				
a. Outsourced technical service expenses	332,943,298	329,980,790	180,322,090	185,086,225
b. Power and fuel	436,842	157,846	236,594	88,536
c. Rent (see note 2.21)	72,996,721	66,590,727	39,535,024	37,350,739
d. Repair and maintenance				
- Building	1,449,701	4,075,417	785,158	2,285,901
- Others	22,821	42,906	12,360	24,066
e. Insurance	943,492	75,882	510,995	42,562
f. Rates and taxes	15,112	96,438	8,185	54,092
g. Travelling	4,592,376	5,136,505	2,487,231	2,881,066
h. Advertisement and business promotion	3,073,819	3,134,504	1,664,780	1,758,143
i. Legal and Professional (see note 2.18)	9,651,371	11,260,108	5,227,183	6,315,795
j. Training & Recruitment expenses	17,611,145	7,414,304	9,538,196	4,158,683
k. Conveyance	1,507,616	1,186,306	816,525	665,399
l. Communication	2,369,846	1,657,291	1,283,509	929,575
m. Printing and Stationery	436,055	475,994	236,167	266,985
n. Loss on foreign currency transaction and translation (net)	952,452	-	515,848	-
o. Provision for other current assets	-	1,206,557	-	676,758
p. Miscellaneous expenses	253,758	201,419	137,435	112,976
	<u>449,256,425</u>	<u>432,692,994</u>	<u>243,317,280</u>	<u>242,697,500</u>
2.17 FINANCE COST				
a. Bank charges	227,391	351,224	123,155	197,002
b. Interest on borrowings	238,546	223,794	129,197	125,526
	<u>465,937</u>	<u>575,018</u>	<u>252,352</u>	<u>322,528</u>
2.18 PROFESSIONAL EXPENSES INCLUDE:				
Audit fees (excluding service tax)	2,119,003	2,760,802	1,250,000	1,548,534
2.19 EARNINGS PER SHARE				
Basic and Diluted				
a. Profit / (loss) after tax	21,172,344	(30,225,090)	11,466,939	(16,953,253)
b. Weighted average number of equity shares	200	200	200	200
c. Earnings per share	105.862	(151.125)	57.335	(84.766)



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

Particulars	Year ended	Year ended	Year ended	Year ended
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	(JPY)	(JPY)	(Rupees)	(Rupees)
			(Unaudited)	(Unaudited)
			See note 1.2 (i)	See note 1.2 (i)
Transactions with related parties				
a. Sales and Service Income from Holding Company				
Software Development Service income	18,599,812	9,420,742	10,073,658	5,284,094
Sales & Marketing Service income	90,136,557	-	48,817,959	-
b. Outsourced technical service expenses				
Holding Company				
- Nucleus Software Exports Limited	117,482,123	161,233,776	63,628,318	90,436,025
Fellow subsidiary company				
- Nucleus Software Solutions Pte. Ltd.	189,486,207	155,200,024	102,625,730	87,051,693
c. Reimbursement of expenses				
From Holding Company				
- Nucleus Software Exports Limited	133,333	221,352	72,213	124,157
From fellow subsidiary company				
- Nucleus Software Solutions Pte. Ltd.	379,532	104,473	205,555	58,599
To Holding Company				
- Nucleus Software Exports Limited	944,599	735,664	511,595	412,634
d. Repayment of Long-term borrowings				
Fellow subsidiary company				
- Nucleus Software Solutions Pte. Ltd.	14,400,000	-	7,799,040	-
e. Interest on Borrowings				
Fellow Subsidiary Company				
- Nucleus Software Solutions Pte. Ltd.	238,546	223,794	129,197	125,526

Particulars	As at	As at	As at	As at
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	(JPY)	(JPY)	(Rupees)	(Rupees)
			(Unaudited)	(Unaudited)
			See note 1.2 (i)	See note 1.2 (i)
Balances outstanding as at year end				
a. Trade receivables				
Holding Company				
- Nucleus Software Exports Limited	26,673,200	14,395,388	16,350,954	7,497,118
Fellow subsidiary company				
Nucleus Software Inc.		19,582,873	-	10,198,760
b. Trade payables				
Holding Company				
Nucleus Software Exports Limited	26,323,201	26,011,243	16,246,908	13,546,655
Fellow subsidiary company				
Nucleus Software Solutions Pte. Ltd. (Refer note below)	16,582,804	40,045,594	9,782,196	20,855,745
c. Short-term borrowings				
Fellow subsidiary company				
Nucleus Software Solutions Pte. Ltd. (Refer note below)		14,400,000	-	7,499,520

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.



2.21 Operating Lease

Obligations on long-term, non-cancelable operating leases

The Company leases office space and other assets under operating lease. The lease rental expense recognised in the statement of profit and loss for the year in respect of such lease is JPY 72,996,721 (previous year JPY 66,590,727). The future minimum lease payment in respect of such lease is as follows:

Particulars	As at	As at	As at	As at
	31 March 2016 (JPY)	31 March 2015 (JPY)	31 March 2016 (Rupees) (Unaudited) See note 1.2 (i)	31 March 2015 (Rupees) (Unaudited) See note 1.2 (i)
Lease obligations payable				
a. Not later than 1 year	8,671,200	9,600,900	5,115,141	5,000,149
b. Later than 1 year but not later than 5 years	1,445,200	10,116,400	852,523	5,268,621
	<u>10,116,400</u>	<u>19,717,300</u>	<u>5,967,664</u>	<u>10,268,770</u>

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

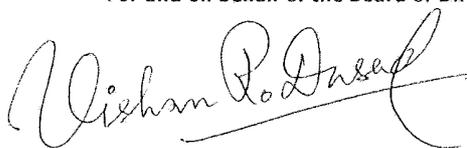
Particulars	Year ended	Year ended	Year ended	Year ended
	31 March 2016 (JPY)	31 March 2015 (JPY)	31 March 2016 (Rupees) (Unaudited) See note 1.2 (i)	31 March 2015 (Rupees) (Unaudited) See note 1.2 (i)
Sales and services	555,542,378	455,460,448	300,881,751	255,467,765
Software development expenses	442,755,869	415,152,219	239,796,579	232,858,881
Gross Profit	<u>112,786,509</u>	<u>40,308,229</u>	<u>61,085,172</u>	<u>22,608,885</u>
Selling and marketing expenses	80,485,961	60,106,425	43,591,197	33,713,694
General and administration expenses	5,829,084	11,185,486	3,157,032	6,273,939
Operating profit/ (loss) before depreciation	<u>26,471,464</u>	<u>(30,983,682)</u>	<u>14,336,943</u>	<u>(17,378,748)</u>
Depreciation	2,254,610	2,224,894	1,221,097	1,247,943
Operating profit/ (loss) after depreciation	<u>24,216,854</u>	<u>(33,208,576)</u>	<u>13,115,846</u>	<u>(18,626,691)</u>
Other income	7,796	3,166,186	4,222	1,775,914
Profit/ (loss) before taxation	<u>24,224,650</u>	<u>(30,042,390)</u>	<u>13,120,068</u>	<u>(16,850,777)</u>
Net current tax expense	3,052,306	182,700	1,653,129	102,476
Profit/ (loss) after taxation	<u>21,172,344</u>	<u>(30,225,090)</u>	<u>11,466,939</u>	<u>(16,953,253)</u>

2.23 SEGMENT REPORTING

Based on the guiding principles stated in Accounting Standard 17 - "Segment Reporting" as specified under section 133 of the Act as applicable, the Company does not have any reportable segment information as required to be disclosed by this statement. Accordingly, no additional disclosure for segment reporting is required in the financial statements.

2.24 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
Director



RAVI PRATAP SINGH
Director

Place : Noida
Date : 03 May 2016

