

IGNITION ENTERTAINMENT, LTD
(Incorporated in USA)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED MARCH 31, 2010 AND MARCH 31, 2009

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The CPA. Never Underestimate The Value.®

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INDEPENDENT AUDITORS' REPORT

To
The Stockholders
IGNITION ENTERTAINMENT, LTD
USA

We have audited the accompanying balance sheets of IGNITION ENTERTAINMENT, LTD as of March 31, 2010 and March 31, 2009, and the related statements of income and retained earnings for the periods 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 auditing standards generally accepted in the United States of America. 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 provide a reasonable basis of our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IGNITION ENTERTAINMENT, LTD as of March 31, 2010 and March 31, 2009, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Rajeev Aggarwal", written over a horizontal line.

RAJEEV AGGARWAL
Certified Public Accountant

May 14, 2010

IGNITION ENTERTAINMENT, LTD
(Incorporated in USA)

BALANCE SHEETS
FOR THE YEARS ENDED MARCH 31, 2010 AND MARCH 31, 2009

	31-Mar-10	31-Mar-09
ASSETS		
Current Assets		
Cash & cash equivalents	310,669	169,217
Accounts receivable	1,933,620	4,340,697
Prepayment & Accrued Income	2,054,668	942,940
Inventories	1,191,597	354,065
Work in Progress	<u>13,964,879</u>	<u>6,161,388</u>
Total Current Assets	<u>19,455,433</u>	<u>11,968,307</u>
Other Assets		
Deferred Taxes	<u>4,695,042</u>	<u>3,799,817</u>
Total Other Assets	<u>4,695,042</u>	<u>3,799,817</u>
Property and equipment, net of depreciation	<u>528,430</u>	<u>585,771</u>
TOTAL ASSETS	<u>\$24,678,905</u>	<u>\$16,353,895</u>
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Accounts payable	1,038,371	1,367,378
Payroll Taxes	43,620	36,956
Accruals & deferred income	782,991	75,000
Due to related party	<u>13,723,791</u>	<u>14,656,490</u>
Total Current Liabilities	<u>15,588,773</u>	<u>16,135,824</u>
Other Liabilities:		
Provision for Taxes	<u>0</u>	<u>0</u>
Advance preference share application money	<u>9,584,209</u>	<u>0</u>
Total Other Liabilities	<u>9,584,209</u>	<u>0</u>
Stockholder Equity		
Share Capital	2,000	2,000
Retained Earnings	<u>-496,077</u>	<u>216,071</u>
Total Stockholder's Equity	<u>-494,077</u>	<u>218,071</u>
TOTAL LIABILITIES & STOCKHOLDER'S EQUITY	<u>\$24,678,905</u>	<u>\$16,353,895</u>

The accompanying notes to financial statements are an integral part of this statement.

IGNITION ENTERTAINMENT, LTD
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STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED MARCH 31, 2010 AND MARCH 31, 2009

	31-Mar-10	31-Mar-09
Sales	8,158,723	8,196,424
Cost of sales	7,290,075	9,731,037
Gross profit (Loss)	<u>868,648</u>	<u>(1,534,613)</u>
Selling, general and administrative expenses	(2,509,502)	(1,896,343)
Other Operating Income	32,720	-
Profit / (Loss) from Operations	<u>(1,608,134)</u>	<u>(3,430,956)</u>
Interest Income	762	876
Interest Expense	-	(40)
Income before income taxes	<u>(1,607,372)</u>	<u>(3,430,120)</u>
Income Tax Benefits (Provision)	895,224	3,813,158
Net Profit / Loss	<u>(712,148)</u>	<u>383,038</u>
Stockholder's equity - P&L -beginning	216,071	(166,967)
Stockholder's equity - P&L -ending	(\$496,077)	\$216,071

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Summary of Significant Accounting Policies

Nature of Business:

Ignition Entertainment, Ltd was formed on May 22, 2006, under the laws of the State of California and it has obtained a certificate of authority to do business in the state of Florida on January 24, 2008. The Company engages in development, distribution, marketing and sale of gaming software and products. The Company is a 100% owned by Ignition Entertainment Ltd, United Kingdom and primarily dependent on the funding from its parent company.

Accounts Receivable:

The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience and a review of the current status of trade accounts receivable. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. The company has not provided any provision for doubtful accounts as of March 31, 2010 & March 31, 2009, since all debtors are considered collectible.

Inventories:

Inventories are valued at the lower of cost and net realizable value.

Work in Progress:

Work in Progress primarily consists of cost of software development and the company has adopted FASB 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed". The management represents its capitalization is based on the technological feasibility of the project and has capitalized all direct and indirect cost incurred for the development of the software and such costs to be recoverable against future revenues and the total amount of work in progress incurred is \$13,964,879 as of March 31, 2010 (\$6,161,388 as of March 31, 2009). The management represents that the project is progressing as per plan and this amount will be amortized over the useful life of the product / project after its completion during Summer of 2011.

Property & Equipment:

Property & Equipment at cost as of March 31, 2010 and March 31, 2009, consists of computers, software and furniture. Depreciation is computed on straight-line method over the estimated useful lives of the assets.

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Income Taxes:

The company adopted FASB interpretation No.109, "Accounting for Income Taxes". Under the interpretation, the deferred income taxes are recognized for the effect of temporary differences between financial reporting and tax filing. Temporary tax differences primarily consist of software development costs reported differently for financial reporting and tax purposes. As of March 31, 2010, the company accounted deferred tax asset for an amount of \$4.695 million (as of March 31, 2009 the deferred tax assets is \$3.800 million), which reflects the benefit of net operating loss which has limited life. Realization is dependent on generating sufficient future taxable income prior to expiration of the net operating loss. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

The company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes." Under the Interpretation, realization of an uncertain income tax position must be estimated as "more likely than not" (i.e., greater than 50% likelihood of receiving a benefit) before it can be recognized in the financial statements. Further, the recognition of tax benefits recorded in the financial statements must be based on the amount most likely to be realized assuming a review by tax authorities having all relevant information.

Foreign Exchange Transaction:

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Realized foreign exchange gain / loss are recognized in profit and loss account. Unrealized foreign exchange gains / losses are reflected in balance sheet.

Related Party Dues:

As of March 31, 2010, the company owes \$13.724 million to related party (as of March, 31, 2009 the amount due to related party is \$14.656 million).

Cash and Cash Equivalents:

During the period ended March 31, 2010, the bank balance exceeded the FDIC insured limit of \$250,000.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

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Contingent Liabilities:

The company assures no events or transactions have occurred subsequent to the balance sheet date and through this that would require adjustment to, or disclosure in, the financial statements

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SUPPLEMENTARY INFORMATION

NET SALES
FOR THE YEARS ENDED MARCH 31, 2010 AND MARCH 31, 2009

NET SALES	31-Mar-10	31-Mar-09
Sales net of trade discounts	9,423,366	8,449,168
Less: Price Protection	<u>1,264,643</u>	<u>252,744</u>
Net Sales	<u>\$8,158,723</u>	<u>\$8,196,424</u>

COST OF SALES
FOR THE YEARS ENDED MARCH 31, 2010 AND MARCH 31, 2009

	31-Mar-10	31-Mar-09
Purchases	4,459,919	9,042,444
Royalties	2,387,640	315,799
Commissions	194,580	146,411
Distribution & Logistics Cost	<u>247,936</u>	<u>226,383</u>
Cost of Goods Sold	<u>\$7,290,075</u>	<u>\$9,731,037</u>

GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED MARCH 31, 2010 AND MARCH 31, 2009

	31-Mar-10	31-Mar-09
Personnel	1,083,791	570,009
Travel Expenses	196,588	287,196
Premises Cost	83,485	61,946
General Administrative Expenses	337,330	282,336
Legal & Professional Expenses	<u>808,308</u>	<u>694,856</u>
Total Selling, General & Administrative Expenses	<u>\$2,509,502</u>	<u>\$1,896,343</u>

The accompanying notes to financial statements are an integral part of this statement.