

RAMCO SYSTEMS CANADA INC.

(A wholly-owned Subsidiary of Ramco Systems Corporation, USA)

Financial Statements for the years ended March' 31 2019 and 2018 and Independent Auditor's Report

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Independent Auditors' Report

To the Shareholder of Ramco Systems Canada Inc.

We have audited the accompanying financial statements of Ramco Systems Canada Inc. which comprise the balance sheet as of March 31, 2019 and March 31, 2018 and the statement of operation, Shareholders' equity, and cash flows for each of the period ended March 31, 2019 and a summary of significant accounting policies and other explanatory information.

Ramco Systems Canada Inc. was incorporated on 30th September 2010.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. 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 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ramco Systems Canada Inc as at March 31, 2019 and March 31 2018, and its financial performance and its cash flows for the each of the years in the two year period ended March, 31 2019 in accordance with Canadian generally accepted accounting principles.

For M/s. CNGSN & Associates LLP
Chartered Accountants
Firm Registration No.004915S

Place : Chennai
Date : 08/05/2019



C.N. Gangadaran
C.N. GANGADARAN
Partner
Membership No.:11205

Independent Auditors' Report

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C N Gangadaran

Partner

CNGSN & Associates LLP

Chennai, India

Date: May 15, 2019



Ramco Systems Canada Inc.
(A wholly owned subsidiary of Ramco Systems Corporation, USA)

Figures in CAD

Balance Sheet

	Note	As at March 31 2019	As at March 31 2018
Assets			
Current Assets:			
Cash and Cash equivalents		371,216	291,273
Accounts receivable, net of allowances	3	140,310	44,072
Due from related parties (net)	10	225,578	117,139
Other Current Assets	5	-	-
		<hr/>	<hr/>
		737,104	452,484
Fixed Asset- Net	6	-	-
TOTAL ASSETS		737,104	452,484
Liabilities			
Current Liabilities:			
Accounts Payable		32,931	-
Accrued expense		100,523	119,425
Deferred revenue		112,634	13,914
Due to related parties (net)	10	65,862	25,486
		<hr/>	<hr/>
		311,950	158,824
Stockholder's equity:			
Common stock – 10,000shares of \$1 each		10,000	10,000
Retained earnings		415,154	283,660
		<hr/>	<hr/>
		425,154	293,660
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY		737,104	452,484
See accompanying notes to financial statement			



Ramco Systems Canada Inc.
(A wholly owned subsidiary of Ramco Systems Corporation, USA)

Figures in CAD

Statement of Operations

	<u>01 April 2018- 31st</u> <u>March 2019</u> (in CAD)	<u>01 April 2018- 31st</u> <u>March 2019</u> (in CAD)
Revenues		
License	101,377	-
Services and maintenance	213,946	409,544
	315,323	409,544
Cost of revenues		
License	40,551	-
Services and maintenance	104,340	221,538
	144,890	221,538
Gross Profit	170,433	188,007
Operating expenses		
Selling, general and administrative expenses	24,106	49,977
	24,106	49,977
Income from Operations	146,327	138,029
Interest Income	1,133	39
Income before income taxes	147,461	138,068
Income taxes expenses (income), Net	15,966	42,617
Net Income	131,494	95,451
See accompanying notes to financial statement		



Ramco Systems Canada Inc.
(A wholly owned subsidiary of Ramco Systems Corporation, USA)

Figures in CAD

Statement of Stockholder's equity as on Mar 31 2019

	Common Stock		Retained earnings	Total Stockholder's equity
	Shares	Amount (in CAD)	In CAD	In CAD
Opening Balance	10,000	10,000	188,209	198,209
Net Profit/(Loss) for the period 01 Apr 2017 - 31 Mar 2018			95,451	95,451
Balance as on March 31 2018	10,000	10,000	283,660	293,660
Net Profit/(Loss) for the period 01 Apr 2018 - 31 Mar 2019			131,494	131,494
Balance as on March 31 2019	10,000	10,000	415,154	425,154



Ramco Systems Canada Inc.**(A wholly owned subsidiary of Ramco Systems Corporation, USA)****Statement of Cash flows for the period 01-Apr-2018 to 31-Mar-2019**

	<u>01 Apr 2018-31st</u> <u>March 2019</u> (in CAD)	<u>01 Apr 2017-31st</u> <u>March 2018</u> (in CAD)
Cash flow operating activities:		
Net Income for the period	131,494	95,451
Adjustments to reconcile net income to net cash provided by operating activities:-	-	-
Bad debt expenses – Accounts Receivable	-	-
Depreciation		
<u>Net changes in working capital items:</u>		
Accounts receivable	(75,603)	142,545
Due from officers and employees	-	3,000
Due from related parties	(108,439)	(117,139)
Other Current Assets	-	4,200
Accounts payable	32,931	-
Accrued expenses	(18,902)	48,454
Deferred revenue	78,086	(8,123)
Dues to related parties	40,376	(59,668)
Net Cash provided by / (used in) Operating activities	79,943	108,720
Cash flow from Investing activities:		
Purchase of Fixed assets	-	-
Net Cash provided by / (used in) Investing activities	-	-
Cash flow from financing activities:		
Proceeds from Issue of Shares		
Loan to related party	-	-
Net Cash provided by / (used in) financing activities	-	-
Net increase (decrease) in cash and cash equivalents for the period	79,943	108,720
Cash and cash equivalents, beginning of year	291,273	182,553
Cash and cash equivalents, end of year	371,216	291,273
See accompanying notes to financial statement		



Notes to Financial Statements

(1) Overview

Ramco Systems Canada Inc. ("RSCI" or "the Company") was incorporated on 30th September 2010 under the laws of the Province of Ontario in Canada. The Company shifted its registered office from Ontario to British Columbia, in Canada on 22nd January 2015. The Company is wholly owned subsidiary of Ramco Systems Corporation ("RSC, USA" or "Parent"), a company incorporated under the laws of the State of California, USA

The Company markets personalized assembled solutions using the delivery platform Ramco VirtualWorks[®] developed by its ultimate parent company, Ramco Systems Limited, India and provides its related consulting services and maintenance to customers located in the Canada. The Company currently operates in single segment – Software solutions & Services

(2) Summary of Significant Accounting Policies

(a) Basis of preparation of financial statements

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP")

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 those estimates. Specific areas where estimation made was in determination of work in progress for revenue recognition.

(c) Cash and cash equivalents

Cash and cash equivalents consist primarily of unrestricted cash and short-term investments having an initial maturity of three months or less, and are recorded at fair market value.

(d) Revenue recognition

Revenue consists of fees for licenses of software products, software development, consulting services, maintenance and customer support, Application Maintenance Services, Software as a Services (SaaS), Managed Services, Value added Resale Hardware & Software.

Revenue from software product license fee is generally recognized when: (i) a signed non cancellable agreement exists, (ii) delivery has occurred, (iii) the fee is fixed or determinable, and (iv) collectability is probable.

Maintenance revenue is deferred and recognized ratably over the term of the maintenance agreement, which is generally one to three years. Deferred revenue includes payments received in advance of maintenance services, which are being recognized in revenue ratably over the term of the maintenance agreement.

Revenues from implementation, software development, consulting, customer support and other services are generally based upon time and materials billings, and are recognized as the related



services are performed, customer approval is received, collectability is probable and such revenue are contractually non-refundable. These services are separately priced from other deliverables. Amounts collected prior to satisfying the above revenue recognition criteria are classified as deferred revenue.

For contracts that are custom software developments, the Company adopts the percentage of completion method of revenue recognition. The assumptions used to determine percentage of completion be reviewed by the management on a periodic basis in order to ensure that the revenue amount that is recognized indicate the actual value that is completed and the methodology that is followed is consistent and is supported by applicability to multiple projects with similar revenue streams.

Fees for the application maintenance services, covering inter alia the support of the customized software, are recognised as revenue ratably on straight line basis, over the term of the support arrangement.

SaaS Subscription fees for offering the hosted software as a service are recognised as revenue ratably on straight line basis, over the term of the subscription arrangement.

Fees for managed services, which include business processing services, are recognised as revenue as services are provided.

Revenue from sale of traded hardware / software is recognized on transfer of significant risks and rewards of ownership to customers which generally coincides with dispatch of goods.

Multiple element arrangements:

Software licenses are often sold in combination with implementation and product support services. The consideration in such multiple element contracts is allocated based either on the fair value of each element or on the residual method. Under the residual method, the balance of the consideration, after allocating the fair values of undelivered components of a transaction has been allocated to the delivered components for which specific fair values do not exist.

In cases, where implementation services significantly alter the software's capabilities, software license revenue is recognized on percentage of completion method, instead of considering software and implementation services as separate elements.

Revenues from implementation services in respect of hosting contracts are to be recognized as revenue ratably over the longer of the contract term or the estimated expected life of the customer relationship. However, considering the existence of partners being available for rendering such implementation services, these services are considered to be a separate element and recognised in accordance with percentage of completion method.

(e) Fixed Assets

Fixed Assets are carried at cost less accumulated amortization. The Company provides for amortization of property and equipment commencing once the related assets have been put into service using the following methods and rates or period:

	Method	Rate/period
Computer equipment	Declining balance	30%
Furniture and fixtures	Declining balance	20%
Exhibition equipment	Declining balance	30%
Leasehold improvements	Straight-line	Over term of Lease



(f) Impairment of Long-lived assets

The Company assesses the carrying value of its long-lived assets which includes property & equipment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized if the carrying value of a long-lived asset exceeds the sum of the estimated undiscounted future cash flows expected from its use. The amount of impairment loss, if any, is determined as the excess of the carrying value of the assets over their fair value. No impairments were recorded in 2017.

(g) Income taxes

The Company provides for income taxes using the asset and liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse. The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

(h) Foreign currency transactions

Monetary items held in foreign currency are translated at year-end closing rates; Non-monetary items are retained in the Balance Sheet at historic rates. Revenues and expenditures in foreign currency are accounted at the average rate for the year. The receivables and payable in foreign currency are translated at closing exchange rate and foreign gain / loss are included in income statement

(i) Allowance for doubtful accounts

Credit is extended based on evaluation of a customers' financial condition and, generally, collateral is not required. Accounts receivable are most often due within 30 to 90 days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts that are outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes-off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. The Company does not accrue interest on accounts receivable past due.

(i) Related Party transactions

The Company has significant transactions with its parent company "Ramco Systems Corporation, USA (RSC, USA)", its ultimate parent company "Ramco Systems Limited, India (RSL, India) and other fellow subsidiary. The Company is dependent on its parent company for financial support. Management has obtained a commitment from its parent to support the Company, as necessary.

Under a distribution agreement, the Company markets personalized assembly applications that have been developed by RSL, India, to customers in Canada. Under this agreement, the Company pays RSL, India a 40% royalty on license & support services. In case the company avails services from the ultimate parent company for its customers, the Company pays to the ultimate parent company for time and material spent at agreed transfer pricing rates.



(j) Earnings per share

Basic net earnings per common share are calculated using the weighted average number of common shares outstanding during the year.

(3) Accounts receivable

The accounts receivable amounting to \$ 140,310 (\$44,072 as on Mar 31 2018) is net of allowance for doubtful receivables.

For the years ended March 31, 2019 and 2018 the company had no bad debts expenses.

For the year ended March 31		
	2019	2018
Balance, beginning of year	-	2,945,490
Provision for doubtful accounts	-	-
Write off of accounts receivable	-	(2,324,345)
Others- Exchange Fluctuation	-	(621,145)
Balance, end of year	-	-

(4) Notes receivable from related parties

Notes receivable from related parties as on March 31, 2019 is \$0 (\$0 as on March 31,2018).

(5) Other Current Assets

Other current assets as on March 31, 2019 is \$0 (\$0 as on March 31, 2018).

(6) Fixed Assets

Fixed Assets as on March 31, 2019 is \$0 (\$0 as on March 31, 2018).

(7) Financial instruments, concentration of risk and Economic dependence

The Company has classified cash and cash equivalents, accounts receivable, notes receivable as held-for-trading financial instruments and as such are recorded on the balance sheet at fair value. The Company has determined that the carrying values of its short-term financial assets and liabilities, including cash and cash equivalents, accounts receivable, notes receivable, accounts payable and accrued liabilities approximate their fair value because of the relatively short period to maturity of the instruments.

(a) Risk Management

The Company is exposed to the following risks as a result of holding financial instruments: currency or foreign exchange risk, credit risk, liquidity risk, interest rate risk and market risk.

(i) Currency risk



The Company is exposed to currency risk as a certain portion of the Company's revenues and expenses are incurred in U.S. dollars resulting in U.S. dollar-denominated accounts receivable and dues to related parties. In addition, certain of the Company's cash and cash equivalents are denominated in U.S. dollars. These balances are therefore subject to gains or losses due to fluctuations in that currency. The Company may enter into foreign exchange contracts in order to offset the impact of the fluctuation of the U.S. dollar regarding the revaluation of its U.S. net monetary assets

The following table provides an indication of the Company's foreign exchange currency exposures as at March 31 2019 & March 31 2018

For the year ended March 31		
	2019 In USD	2018 In USD
Cash & Cash equivalents	268,974	206,746
Accounts Receivables	103,733	53,447

The following exchange rates applied during the years ended March 31 2019 & March 31 2018.

For the year ended March 31				
	2019		2018	
	Average Rate	Reporting date rate	Average Rate	Reporting date rate
US \$ per Canadian \$	0.7620	0.7483	0.77916	0.7756

(ii) Credit risk

Credit risk is the risk associated with incurring a financial loss when the other party fails to discharge an obligation. Financial instruments which potentially subject the Company to credit risk consist principally of cash and cash equivalents, accounts receivable and notes receivable. The Company's cash and cash equivalents are maintained at major financial institutions. Accounts receivable and notes receivables are backed by signed agreements.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring actual and projected cash flows. The Management reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business.



The following are contractual maturities of financial liabilities for the year ended 31st March 2019 and 31st March 2018

For the year ended March 31

	2019		2018	
	Carrying amounts	Maturity Less than 1 year	Carrying amounts	Maturity Less than 1 year
Accounts Payable	-	-	-	-
Accrued Liabilities	133,454	133,454	119,425	119,425

(iv) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to interest rate risk is summarized as follows:

Cash and Cash equivalents	Non-interest bearing
Accounts receivable, net of allowances	Non-interest bearing
Due from officers and employees	Non-interest bearing
Notes Receivable - affiliates, due on demand	As detailed in Note:4
Accounts payable & Accrued expenses	Non-interest bearing
Accrued expenses	Non-interest bearing
Due to Affiliates & related parties	Non-interest bearing

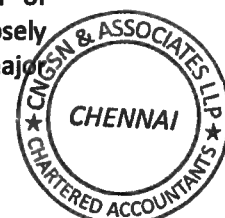
Interest income in the statement of earnings represents interest income for Notes receivable from affiliates/others.

(a) Fair Values

The Company's financial instruments includes cash and bank indebtedness, accounts receivable, due to and from related parties, accounts payable and accrued liabilities and longterm debt, the fair values of which approximate their carrying values due to their short term maturity or market interest rates

(b) Economic Dependence

About 78% (75% for 2018 from single customer) of the Company's revenues come from two customers. The Company generally extends credit to customers and, therefore, collection of receivables is affected by the financial position of these customers. However, the Company closely monitors extension of significant credit to these customers. The receivable from these two major customers after bad debt allowance is 100% (100% for 2018 from single customer)



(8) Income taxes

There are no material tax effects resulting from temporary differences in the current period that would give rise to future income tax assets and future income tax liabilities.

The major factors that cause variations from the Company's combined federal and provincial statutory Canadian income tax rates of 27% were the following:

	01 Apr 2018- 31 Mar 2019	01 Apr 2017- 31 Mar 2018
Expected tax at statutory rates	39,815	42,617
Increase resulting from:		
a. Non-deductible expenses	-	-
b. Difference in tax rates, foreign exchange and others	(23,848)	-
Income tax expenses/(recovery)	15,966	42,617

(9) Common stock

Authorized: Unlimited common shares

Issued and Paid up:

	Number	Amount
Balance as at March, 31 2018	10,000	\$10,000
Balance as at March, 31 2019	10,000	\$10,000

Voting: Each holder of common stock is entitled to one vote per share.

(10) Related party transactions

All intercompany transactions are transacted at normal commercial terms at exchange amount agreed upon by the parties.

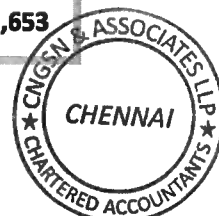
The amount due to related parties was unsecured, non-interest bearing and had no specific repayment term.

Summary of Related party transaction:-

For the year ended March 31

Dues from/(to) to Related Parties	2018	2018
A. Ramco Systems Limited, India	(64,545)	(25,486)
B. Ramco Systems Corporation, USA	224,261	117,139
Total	159,716	91,653

A. Inter Company transactions with ultimate parent Ramco Systems Limited, India



<u>Payable to Ramco Systems Limited, India</u>	<u>31-Mar-19</u>	<u>31-Mar-18</u>
Opening balance	(25,486)	(76,303)
<u>Payable for:</u>		
Cost of services availed	(14,389)	(141,087)
Royalty	(98,073)	(48,391)
Salary	-	(14,929)
Travel & Others	(10,847)	(138,019)
 Payments made (including withholding taxes)	 72,901	 393,243
Withholding taxes	11,349	-
 Closing balance	 (64,545)	 (25,486)

B. Inter Company transactions with parent Ramco Systems Corporation, USA

The Company spent for the Salaries, travel and other related expenses of employees of parent company for the support of Company's Sales and project related activities

The amount due to Parent was unsecured, non-interest bearing and had no specific repayment term.

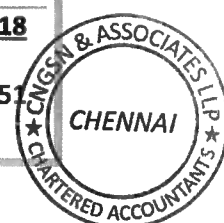
Summary of transactions with Parent Company are as below:-

<u>Receivable from Ramco Systems Corporation, USA</u>	<u>31-Mar-19</u>	<u>31-Mar-18</u>
Opening balance	117,139	(8,850)
<u>Receivable/(Payable) for</u>		
Salary	108,438	117,139
Travel	-	-
Others	(1,316)	-
 Payments made	 -	 8,850
 Closing balance	 224,261	 117,139

(11) Earnings per share

Basic and diluted earnings per share are the same as the Company has no potentially dilutive securities outstanding.

	<u>31-Mar-19</u>	<u>31-Mar-18</u>
Net Profit available to stockholders	131,494	95,451



Weighted average number of equity shares outstanding	10,000	10,000
Earnings per share	<u>13.1494</u>	<u>9.5451</u>

(12) Business Segment Data & Statement of Comprehensive Income:

The Company operates primarily in one geography and sells Software solutions & services. Accordingly, no segmented information has been presented.

The Company has not presented a statement of comprehensive income as it has no other comprehensive income.

