

**RAMCO SYSTEMS CANADA INC.**

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

**Financial Statements for the years ended March' 31 2017 and 2016  
and Independent Auditor's Report**

**ramco**

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# CNGSN & ASSOCIATES LLP

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**Independent Auditors' Report**

**To the Shareholder of Ramco Systems Canada Inc.**

**Dr. C.N. GANGADARAN**  
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**E.K. SRIVATSAN**  
B.Com., ACA

We have audited the accompanying financial statements of Ramco Systems Canada Inc. which comprise the balance sheet as of March 31, 2017 and March 31, 2016 and the statement of operation, Shareholders' equity, and cash flows for each of the period ended March 31, 2017 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, 2017 and March 31 2016, and its financial performance and its cash flows for the each of the years in the three year period ended March, 31 2016 in accordance with Canadian generally accepted accounting principles.

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

Place : Chennai  
Date : 15 May, 2017

  
C.N. GANGADARAN  
Partner  
Membership No.:11205

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

Figures in CAD

Balance Sheet

	<u>Note</u>	<u>As at Mar 31 2017</u>	<u>As at March 31 2016</u>
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and Cash equivalents		182,553	169,994
Accounts receivable, net of allowances	3	186,618	153,577
Due from officers and employees		3,000	-
Notes receivable from fellow subsidiary, due on demand	4	-	-
Other Current Assets	5	4,200	-
		<u>376,371</u>	<u>323,571</u>
<b>Fixed Asset- Net</b>		-	-
<b>TOTAL ASSETS</b>		<b>376,371</b>	<b>323,571</b>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts payable		-	14,802
Accrued expense		70,971	80,334
Deferred revenue		22,039	43,607
Due to related parties (net)	10	85,153	12,367
		<u>178,163</u>	<u>151,111</u>
<b>Stockholder's equity:</b>			
Common stock – 10,000 shares of \$1 each		10,000	10,000
Retained earnings		188,208	162,460
		<u>198,208</u>	<u>172,460</u>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>		<b>376,371</b>	<b>323,571</b>
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 2016- 31<sup>st</sup> March 2017</u> (in CAD)	<u>01 April 2015- 31<sup>st</sup> March 2016</u> (in CAD)
<b>Revenues</b>		
License	88,086	14,594
Services and maintenance	527,626	283,905
Others	-	-
	<hr/> 615,712	<hr/> 298,499
<b>Cost of revenues</b>		
License	35,234	5,837
Services and maintenance	513,185	167,314
Others	-	-
	<hr/> 548,420	<hr/> 173,151
<b>Gross Margin</b>	<b>67,293</b>	<b>125,347</b>
<b>Operating expenses</b>		
Selling, general and administrative expenses	35,431	35,286
Depreciation	-	-
	<hr/> 35,431	<hr/> 35,286
<b>Income from Operations</b>	<b>31,862</b>	<b>90,062</b>
Interest Income	2,934	-
<b>Income before income taxes</b>	<b>34,795</b>	<b>90,062</b>
Income taxes expenses (income), Net	9,047	25,000
<b>Net Income</b>	<b>25,748</b>	<b>65,062</b>
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 2017**

	Common Stock		Retained earnings	Total Stockholder's equity
	Shares	Amount (in CAD)	In CAD	In CAD
Opening Balance	10,000	10,000	94,262	104,262
Net Profit/(Loss) for the period 01 Apr 2014 - 31 Mar 2015			3,137	3,137
<b>Balance as on March 31 2015</b>	10,000	10,000	97,398	107,398
Opening Balance	10,000	10,000	97,398	107,398
Net Profit/(Loss) for the period 01 Apr 2015 - 31 Mar 2016			65,062	65,062
<b>Balance as on March 31 2016</b>	10,000	10,000	162,460	172,460
Opening Balance	10,000	10,000	162,460	172,460
Net Profit/(Loss) for the period 01 Apr 2016 - 31 Mar 2017			25,748	25,748
<b>Balance as on March 31 2017</b>	10,000	10,000	188,208	198,208



Ramco Systems Canada Inc.

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

Statement of Cash flows for the period 01-Apr-2016 to 31-Mar-2017

	<u>01 Apr 2016-31<sup>st</sup></u> <u>March 2017</u> (in CAD)	<u>01 Apr 2015-31<sup>st</sup></u> <u>March 2016</u> (in CAD)	<u>01 Apr 2014-31<sup>st</sup></u> <u>March 2015</u> (in CAD)
<b>Cash flow operating activities:</b>			
Net Income for the period	25,748	65,062	3,136
Adjustments to reconcile net income to net cash provided by operating activities:-	-	-	-
Bad debt expenses – Accounts Receivable	-	-	-
Depreciation	-	-	460
<u>Net changes in working capital items:</u>			
Accounts receivable	(33,040)	(109,698)	2,936
Due from officers and employees	(3,000)	-	-
Other Current Assets	(4,200)	-	46,139
Accounts payable	(14,802)	14,802	(222)
Accrued expenses	(9,364)	27,401	(39,834)
Deferred revenue	(21,570)	9,147	(23,146)
Dues to related parties	72,786	(2,416)	13,467
	<hr/>	<hr/>	<hr/>
Net Cash provided by / (used in) Operating activities	<b>12,559</b>	<b>4,298</b>	<b>2,935</b>
<b>Cash flow from Investing activities:</b>			
Purchase of Fixed assets	-	-	-
	<hr/>	<hr/>	<hr/>
Net Cash provided by / (used in) Investing activities	-	-	-
<b>Cash flow from financing activities:</b>			
Proceeds from Issue of Shares	-	-	-
Loan to related party	-	-	-
	<hr/>	<hr/>	<hr/>
Net Cash provided by / (used in) financing activities	-	-	-
Net increase (decrease) in cash and cash equivalents for the period	<b>12,559</b>	<b>4,298</b>	<b>2,935</b>
<b>Cash and cash equivalents, beginning of year</b>	169,994	165,695	162,760
<b>Cash and cash equivalents, end of year</b>	<b>182,552</b>	<b>169,994</b>	<b>165,695</b>
See accompanying notes to financial statement			



# Notes to Financial Statements

## (1) Overview

Ramco Systems Canada Inc. ("RSCI" or "the Company") was incorporated on 30<sup>th</sup> 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 22<sup>nd</sup> 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.

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.

(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:

	<b>Method</b>	<b>Rate/period</b>
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 the case of services performed by the company to its customers using the technology developed by RSL, India, the Company pays 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 \$ 186,618 (\$153,577 as on Mar 31 2016) is net of allowance for doubtful receivables.

For the years ended March 31, 2017 and 2016 the company had no bad debts expenses.

**For the year ended March 31**

	2017	2016
Balance, beginning of year	2,335,908	2,335,908
Provision for doubtful accounts	-	-
Write off of accounts receivable	-	-
Others- Exchange Fluctuation	609,582	-
<b>Balance, end of year</b>	<b>2,945,490</b>	<b>2,335,908</b>



#### (4) Notes receivable from related parties

Notes receivable from related parties as on Mar31, 2017 is \$0 ( \$0 as on Mar 31,2016).

#### (5) Other Current Assets

Other current assets consist of the following:

	For the year ended March 31	
	2017	2016
Income tax receivable	-	-
Prepaid Expenses-Others	4,200	-

#### (6) Fixed Assets

Fixed Assets consist of the following:

	For the year ended March 31	
	2017	2016
Computer equipment	2,033	2,033
Accumulated depreciation	2,033 (2033)	2,033 (2033)
<b>Fixed Assets, net</b>	-	-

#### (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 2016 & March 31 2015

	<b>For the year ended March 31</b>	
	<b>2017 In USD</b>	<b>2016 In USD</b>
Cash & Cash equivalents	114,063	133,933
Accounts Receivables	16,413	25,979

The following exchange rates applied during the years ended March 31 2017 & March 31 2016.

	<b>For the year ended March 31</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Average Rate</b>	<b>Reporting date rate</b>	<b>Average Rate</b>	<b>Reporting date rate</b>
US \$ per Canadian \$	0.76187	0.75190	0.76227	0.77000

(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 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2016

**For the year ended March 31**

	2017		2016	
	Carrying amounts	Maturity Less than 1 year	Carrying amounts	Maturity Less than 1 year
Accounts Payable	-	-	14,802	14,802
Accrued Liabilities	70,971	70,971	80,334	80,334

**(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

**(b) 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

**(c) Economic Dependence**

About 85% (100% for 2016) of the Company's revenues come from Single customer. 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 this single major customer after bad debt allowance is 100% (100% for 2016)



**(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 26% were the following:

	01 Apr 2016- 31 Mar 2017	01 Apr 2015- 31 Mar 2016
Expected tax at statutory rates	9,047	23,416
Increase resulting from:		
a. Non-deductible expenses	-	-
b. Difference in tax rates, foreign exchange and other	-	1,584
<b>Income tax expenses/(recovery)</b>	<b>9,047</b>	<b>25,000</b>

**(9) Common stock**

Authorized: Unlimited common shares

Issued and Paid up:

	Number	Amount
Balance as at March, 31 2016	10,000	\$10,000
Balance as at March, 31 2017	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**

<u>Dues to Related Parties</u>	<u>2017</u>	<u>2016</u>
A. Ramco Systems Limited, India	76,303	12,367
B. Ramco Systems Corporation, USA	8,850	-
<b>Total</b>	<b>85,153</b>	<b>12,367</b>



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

<u>Payable to Ramco Systems Limited, India</u>	<u>31-Mar-17</u>	<u>31-Mar-16</u>
<b>Opening balance</b>	12,367	13,369
<u>Debits:</u>		
Transfer Pricing	411,404	138,994
Royalty	75,154	30,802
Salary	-	-
Travel & Others	50,001	1,794
Payments made (including withholding taxes)	(472,622)	(172,592)
<b>Closing balance</b>	<b>76,303</b>	<b>12,367</b>

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>Payable to Ramco Systems Corporation, USA</u>	<u>31-Mar-17</u>	<u>31-Mar-16</u>
<b>Opening balance</b>	-	-
<u>Debits:</u>		
Salary	-	-
Travel	7,278	-
Others	1,572	1,414
Payments made	-	1,414
<b>Closing balance</b>	<b>8,850</b>	<b>-</b>



**(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-17</u>	<u>31-Mar-16</u>
Net Profit available to stockholders	25,748	65,062
Weighted average number of equity shares outstanding	10,000	10,000
<b>Earnings per share</b>	<b>\$2.5748</b>	<b>\$6.5062</b>

**(12) Business Segment Data:**

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

**(13) Statement of Comprehensive Income**

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

