

**FINANCIAL STATEMENTS OF
M/s.RAMCO SYSTEMS FZ-LLC
DUBAI INTERNET CITY, DUBAI - (U.A.E.)
FOR THE YEAR ENDED
31 MARCH 2020**

CONTENTS

1. COMPANY INFORMATION
2. OFFICE BEARERS
3. DIRECTORS' REPORT
4. INDEPENDENT AUDITOR'S REPORT
5. BALANCE SHEET
6. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
7. STATEMENT OF CASH FLOWS
8. STATEMENT OF CHANGES IN EQUITY
9. SCHEDULE OF NOTES TO THE FINANCIAL STATEMENTS

COMPANY INFORMATION

1. Name & Address of the Company

M/s. Ramco Systems FZ-LLC
P. O. Box 500189
Dubai Internet City
Dubai (U.A.E.)

Tel: 04 - 3685394

Location: Dubai Internet City, Dubai (U.A.E.)

2. Bankers to the Company

2.1 Citibank

Dubai Branch
P. O. Box 749
Dubai (U.A.E.)

2.2 El-Nilein Bank

Abu Dhabi Branch
P. O. Box 46013
Abu Dhabi (U.A.E.)

2.3 Mashreq Bank

Dubai Internet City Branch
P. O. Box 500287
Dubai (U.A.E.)

3. Auditors to the Company

M/s.SALIM RAJKOTWALA
Chartered Accountants
P. O. Box 40972,
Dubai (U.A.E.)

Tel: 04 - 2368945

Fax: 04 - 2368944

*A member firm of **MGI** Worldwide*

OFFICE BEARERS

Directors

1. Mr. Venketrama Raja P.R. Raja
P. O. Box 500189
Dubai Internet City

Tel: 04 - 3685394

2. Mr. Ramamurthy Ravi Kula Chandran
P. O. Box 500189
Dubai Internet City

Tel: 04 - 3685394

3. Mr. Venkataramanan Harikrishnan
P. O. Box 500189
Dubai Internet City

Tel: 04 - 3685394

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS OF
M/s.RAMCO SYSTEMS FZ-LLC, DUBAI INTERNET CITY

The Directors are pleased to present herewith the report of the Board of Directors of the Company for the year ended 31 March 2020.

Financial Results

The net profit for the year after all expenses is	AED	3,471,946
Retained profits brought forward from previous year	AED	24,746,203
And the net surplus carried forward is	AED	<u>28,218,149</u>

Dividend

The company has a net surplus of AED 28,218,149. The Directors do not recommend distribution of any dividend during the year but to retain the profits in the Company to consolidate its financial position.

Auditors

The Board of Directors recommend re-appointing M/s.Salim Rajkotwala Chartered Accountants, Dubai (U.A.E.), as Auditors to the Company for the year to end on 31 March 2021.

On behalf of the Board of Directors



Mr. Venkataramanan Hari Krishnan
Director



Mr. Ramamurthy Ravi Kula Chandran
Director

Date: 14 May 2020

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF **M/s. RAMCO SYSTEMS FZ-LLC** **DUBAI INTERNET CITY - (U.A.E.)**

Opinion

We have audited the financial statements ("the financial statements") of **M/s. RAMCO SYSTEMS FZ-LLC, DUBAI INTERNET CITY, U.A.E.** (the "Company") which comprise the balance sheet as at **31st March 2020**, and the profit or loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on Pages 4 to 23.

In our opinion, the accompanying financial statements give a true and fair view of the state of the Company's affairs as at 31st March 2020 and of the Company's financial performance and cash flows for the year then ended and have been prepared in accordance with Indian Accounting Standards ("Ind AS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We are independent of the Company in accordance with the International Ethics Standard Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with applicable law in the United Arab Emirates and Indian Accounting Standards ("Ind AS"), and for such internal control as the management determines is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company, or to cease operations, or have no realistic alternative but to do so.

Contd...[2]



Independent Auditor's Report (Contd...)
M/s. Ramco Systems FZ-LLC, Dubai
Year ended 31 March 2020

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- * Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- * Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- * Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- * Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- * Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- * Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company's audit. We remain solely responsible for our audit opinion.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Contd...[3]

Independent Auditor's Report (Contd...)
M/s. Ramco Systems FZ-LLC, Dubai
Year ended 31 March 2020

Report on Other Regulatory Matters

We also confirm that in our opinion proper books of account have been kept by the Company, and that these financial statements are in agreement with the books of account. We have obtained all the information and explanations we required for the purpose of our audit, and to the best of our knowledge and belief no breach of the Free Zone Regulations and applicable laws or the Memorandum of Association of the Company has occurred during the year which would have had a material effect on the Company's business or financial position.



SALIM RAJKOTWALA CHARTERED ACCOUNTANTS

DUBAI 14 MAY 2020

Registration No. 805

RAMCO SYSTEMS FZ-LLC
P. O. BOX 500189, DUBAI INTERNET CITY
BALANCE SHEET AS AT 31 MARCH 2020
IN UAE DIRHAMS

	<u>Notes</u>	<u>31.03.2020</u>	<u>31.03.2019</u>
<u>ASSETS</u>			
Property and equipment	3	63,220	99,910
Right-to-use assets	4	361,717	-
Financial assets			
Accounts receivables	5(i)	1,524,943	2,846,370
Security deposits		5,000	5,000
Unbilled licenses revenue	6(i)	8,083,525	9,711,744
Total non-current assets		<u>10,038,405</u>	<u>12,663,024</u>
<u>Current assets</u>			
Financial assets			
Accounts receivables	5(ii)	31,826,553	30,228,976
Bank balances	7	105,870	170,952
Other financial assets			
Employee advance		232,713	100,118
Unbilled licenses revenue	6(ii)	9,780,530	10,436,223
Other current assets			
Advance to suppliers		200,597	112,191
Prepaid expenses		106,994	159,823
Unbilled services revenue	6(ii)	5,396,959	5,375,184
Total current assets		<u>47,650,216</u>	<u>46,583,467</u>
Total assets		<u>57,688,621</u>	<u>59,246,491</u>
<u>SHAREHOLDERS' FUNDS AND LIABILITIES</u>			
<u>Shareholders' funds</u>			
Share capital	8	50,000	50,000
Retained profits		28,218,149	24,746,203
Total Shareholders' funds		<u>28,268,149</u>	<u>24,796,203</u>
<u>Liabilities</u>			
<u>Non-current liabilities</u>			
Financial liabilities			
Lease liabilities	9(i)	151,072	-
Other financial liabilities, related parties	10(i)	85,568	-
Provision for gratuity and leave encashment	11(i)	239,126	293,921
Total non-current liabilities		<u>475,766</u>	<u>293,921</u>

Contd...[5]

Balance Sheet (Contd...)
M/s. Ramco Systems FZ-LLC, Dubai
Year ended 31 March 2020

	<u>Notes</u>	<u>31.03.2020</u>	<u>31.03.2019</u>
Current liabilities			
Borrowings from bank	12	1,770,601	927,740
Borrowings from related parties	13	11,201,647	10,840,000
Financial liabilities			
Accounts payables related parties	14	3,503,386	10,498,645
Accounts payables		3,463,249	3,844,624
Lease liabilities	9(ii)	200,559	-
Other financial liabilities, related parties	10(ii)	603,010	-
Provision for gratuity and leave encashment	11(ii)	21,876	47,550
Other current liabilities			
Expenses payable		-	177,359
Value added tax payable		105,100	118,875
Unearned revenue		7,894,766	7,060,784
Customer advance		180,512	640,790
Total current liabilities		<u>28,944,706</u>	<u>34,156,367</u>
Total liabilities		<u>29,420,472</u>	<u>34,450,288</u>
Total Shareholders' funds and liabilities		<u>57,688,621</u>	<u>59,246,491</u>

Annexed Schedule of Notes forms an integral part of these financial statements.

For RAMCO SYSTEMS FZ-LLC



DIRECTOR



DIRECTOR

RAMCO SYSTEMS FZ-LLC
P. O. BOX 500189, DUBAI INTERNET CITY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020
IN UAE DIRHAMS

	<u>Notes</u>	<u>Current Year</u>	<u>Previous Year</u>
<u>Income</u>			
Revenue from operations			
Revenue from software products		12,432,905	19,724,051
Revenue from software services		10,639,606	8,800,484
Value added hardware and software re-sale		-	179,635
Finance income		546,158	392,048
Total income		<u>23,618,669</u>	<u>29,096,218</u>
<u>Expenses</u>			
Royalty to related parties		3,763,947	7,889,620
Service fees to related parties		4,345,665	3,942,014
Cost of sales		3,808	201,516
Employee benefits expense		4,716,347	5,081,778
Finance costs			
Interest on lease liability		38,031	-
Interest on loan from banks		61,160	29,917
Interest on loan from related parties		985,967	969,221
Other finance costs		-	24,413
Depreciation expense		40,545	34,114
Depreciation on leased assets		197,297	-
Other expenses	15	5,993,956	9,571,755
Total expenses		<u>20,146,723</u>	<u>27,744,348</u>
NET PROFIT FOR THE YEAR		<u>3,471,946</u>	<u>1,351,870</u>

Annexed Schedule of Notes forms an integral part of these financial statements.

For RAMCO SYSTEMS FZ-LLC



DIRECTOR



DIRECTOR

RAMCO SYSTEMS FZ-LLC
P. O. BOX 500189, DUBAI INTERNET CITY
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020
IN UAE DIRHAMS

	<u>Notes</u>	<u>Current Year</u>	<u>Previous Year</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net profit for the year		3,471,946	1,351,870
<u>Adjustments for:</u>			
Depreciation expense		40,545	34,114
Depreciation on leased assets		197,297	-
Operating profit before working capital changes		<u>3,709,788</u>	<u>1,385,984</u>
Decrease/(Increase) in accounts receivable and prepayments		1,817,815	(45,689)
(Decrease)/Increase in accounts payable and accruals		(198,805)	579,294
(Decrease) in amounts due to related parties		(6,995,259)	(875,458)
Increase in other financial liabilities to related parties		688,578	-
Increase/(Decrease) in provisions		(80,469)	53,280
Net cash received from/(used in) operating activities	(A)	<u>(1,058,352)</u>	<u>1,097,411</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Payment for purchase of property & equipment		(3,855)	(86,451)
Net cash (used in) investing activities	(B)	<u>(3,855)</u>	<u>(86,451)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Loan received/(repaid) from a related party (net)		361,647	(1,182,365)
Lease liabilities		(207,383)	-
Net cash received from/(used in) financing activities	(C)	<u>154,264</u>	<u>(1,182,365)</u>
Net (decrease) in cash and cash equivalents	(A+B+C)	(907,943)	(171,405)
Cash and cash equivalents - beginning of the year		(756,788)	(585,383)
Cash and cash equivalents - end of the year	16	<u>(1,664,731)</u>	<u>(756,788)</u>

For RAMCO SYSTEMS FZ-LLC



DIRECTOR



DIRECTOR


RAMCO SYSTEMS FZ-LLC
P. O. BOX 500189, DUBAI INTERNET CITY
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020
IN UAE DIRHAMS

	<u>Share Capital</u>	<u>Retained Profits</u>	<u>Total</u>
Balance as on 01.04.2018	50,000	23,394,333	23,444,333
Profit for the year	-	1,351,870	1,351,870
Balance as on 31.03.2019	50,000	24,746,203	24,796,203
Profit for the year	-	3,471,946	3,471,946
Balance as on 31.03.2020	50,000	28,218,149	28,268,149

For RAMCO SYSTEMS FZ-LLC



DIRECTOR



DIRECTOR

INDEPENDENT AUDITOR'S REPORT - PAGE 1 to 3

RAMCO SYSTEMS FZ-LLC
P. O. BOX 500189, DUBAI INTERNET CITY
SCHEDULE OF NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020
FIGURES IN UAE DIRHAMS

1. LEGAL STATUS

- 1.1 M/s. RAMCO SYSTEMS FZ-LLC, DUBAI INTERNET CITY, U.A.E., is a Free Zone Company incorporated on 22nd June 2011, with limited liability registered under Dubai Technology Electronic Commerce and Media Free Zone Dubai, U.A.E. The following is its shareholder:

		<u>Share in Capital/ Profit & Losses</u>
M/s. Ramco Systems Limited, India	-	<u>100%</u>
		<u>100%</u>

- 1.2 The Company is involved in the Information Technology industry and the principal activities of the Company are software and systems development, software sales, consultancy and related services.
- 1.3 The principal place of business of the Company is located at Dubai Internet City, Dubai, U.A.E.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been re-structured from International Financial Reporting Standards ("IFRS"), (2019) to Indian Accounting Standards ("Ind AS"), (2020) for facilitating the global consolidation by the Parent Company, which are in accordance with the internal rules for consolidation. However, there is no impact in restructuring the financial statements from IFRS to Ind AS. The management of the Company is responsible for these re-structured financial statements, which are in accordance with the book keeping and the external financial statements, except for the different structure and grouping.

The following accounting policies have been consistently applied in dealing with items considered material to the Company's financial statements:

2.1 Accounting Convention

These financial statements have been prepared under the historical cost convention.

2.2 Accrual Concept

Income and expenditure have been accounted on accrual basis.

2.3 Property, Equipments and Depreciation

Property and equipment are stated at cost less accumulated depreciation. Cost is depreciated on straight-line basis over their expected useful lives as follows:

<u>Item</u>	<u>No. of years</u>	<u>Percentage</u>
Furniture, fixtures & office equipment	4 years	25%
Computer hardware	3-4 years	33.33%

2.4 Debtors

Debtors are recognized for amounts to be received in future for goods or services delivered. Bad debts, if any, are written off as they arise.

2.5 Accounts Payable and Accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether or not billed to the Company.

2.6 Employee Benefits

Provision has been made in the accounts for End-of-Term and other benefits accruing to staff as per the UAE Labour Law and contractual agreements.

2.7 Foreign Currency Conversion

Balances in foreign currencies have been converted into UAE Dirhams at the rate of exchange prevailing at the balance sheet date.

Transactions in foreign currencies are converted at rates ruling when the transaction was entered into.

Gains or losses resulting from foreign currency transactions are taken to profit and loss account.

2.8 Revenue Recognition

The Company derives revenues from Software Solutions & Services. Revenues are derived from the following streams:

Revenue from Software Products, in the form of (a) Software Licensing (b) Subscription for Software as a Service (c) Product Support Services and (d) Application Maintenance Services;

Revenue from Software Services, in the form of (a) Implementation / Professional Services (b) Managed Services;

Revenue from Resale of Hardware & Software.

Revenue is measured based on the transaction price, which is the consideration, adjusted for finance components and volume discounts, service level credits, performance bonus, price concessions and incentives, if any, as specified in the contract with the customers.

2.8 Revenue Recognition (continued)

Revenue is recognised in the profit and loss account upon transfer of control of promised products or services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those services or products and excluding taxes or duties. To recognise revenues, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognise revenues when a performance obligation is satisfied.

At contract inception, the Company assesses its promise to transfer products or services to a customer to identify separate performance obligations. The Company applies judgement to determine whether each product or service promised to a customer is capable of being distinct, and are distinct in the context of the contract, if not, the promised products or services are combined and accounted as a single performance obligation. The Company allocates the contract value to separately identifiable performance obligations based on their relative stand-alone selling price (mostly as reflected in the contracts) or residual method. Standalone selling prices are determined based on sale prices for the components when it is regularly sold separately. In cases where the Company is unable to determine the stand-alone selling price, the Company uses expected cost-plus margin approach in estimating the stand-alone selling price.

For performance obligations where control is transferred over time, revenues are recognised by measuring progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the promised products or services to be provided.

The method for recognising revenues depends on the nature of the products sold / services rendered:

1) Revenue from Software Products

(a) Software Licensing

Software licensing revenues represent all fees earned from granting customers licenses to use the Company's software, through initial licensing and or through the purchase of additional modules or user rights. For software license arrangements that do not require significant modification or customisation of the underlying software, revenue is recognised on delivery of the software and when the customer obtains a right to use such licenses.

(b) Subscription for Software as a Service

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.

(c) Product Support Services

Fees for product support services, covering inter alia improvement and upgradation of the basic Software, whether sold separately (e.g., renewal period AMC) or as an element of a multiple-element arrangement, are recognised as revenue ratably on straight line basis, over the term of the support arrangement.

(d) Application Maintenance Services

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

2) Revenue from Software Services

(a) Implementation / Professional Services

Software Implementation / Professional Services contracts are either fixed price or time and material based.

Revenues from fixed price contracts, where the performance obligations are satisfied over time, are recognised using the “percentage of completion” method. Percentage of completion is determined based on project costs incurred to date as a percentage of total estimated project costs required to complete the project. The cost expended (or input) method has been used to measure progress towards completion as there is a direct relationship between input and productivity. The performance obligations are satisfied as and when the services are rendered since the customer generally obtains control of the work as it progresses.

Where the Software is required to be substantially customised as part of the implementation service, the entire fee for licensing and implementation services is considered to be a single performance obligation and the revenue is recognised using the percentage of completion method as the implementation services are performed.

Revenues from implementation services in respect of hosting contracts are to be recognised 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.

When total cost estimates exceed revenues in an arrangement, the estimated losses are recognised in the statement of profit and loss in the period in which such losses become probable based on the current contract estimates as a contract provision.

In the case of time and material contracts, revenue is recognised based on billable time spent in the project, priced at the contractual rate.

Any change in scope or price is considered as a contract modification. The Company accounts for modifications to existing contracts by assessing whether the services added are distinct and whether the pricing is at the standalone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively as a separate contract if the additional services are priced at the standalone selling price.

Non-refundable one-time upfront fees for enablement / application installation, consisting of standardisation set-up, initiation or activation or user login creation services in the case of hosting contracts, are recognised in accordance with percentage of completion method once the customer obtains a right to access and use the Software.

(b) Managed Services

Fees for managed services, which include business processing services, are recognised as revenue as the related services are performed.

3) Revenue from Resale of Hardware & Software

Revenue from sale of traded hardware / software is recognised on transfer of significant risks, rewards and control to the customer.

Contract assets, liabilities and financing arrangements

A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets primarily relate to unbilled amounts on implementation / professional services contracts and are classified as non-financial asset as the contractual right to consideration is dependent on completion of contractual milestones (which we refer to as unbilled services revenue).

Unbilled revenues on software licensing are classified as a financial asset where the right to consideration is unconditional upon passage of time (which we refer to as unbilled licenses revenue).

A contract liability is an entity's obligation to transfer software products or software services to a customer for which the entity has received consideration (or the amount is due) from the customer (which we refer to as unearned revenue).

The Company assesses the timing of the transfer of software products or software services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, the Company does not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of finance to either the customer or us, no financing component is deemed to exist.

Value Added Tax (VAT)

Revenue, expenses and assets are recognised at amounts net of value added tax except:

(a) where VAT incurred on purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or part of the expense items, as applicable.

(b) where receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

2.9 Cost of Sale

Cost of sales includes purchases and other direct expenses.

2.10 Cash and Cash Equivalents

Cash and cash equivalents for the purpose of cash flow statement consist of cash, balances with banks, bank overdraft and deposits with banks with a maturity of three months or less from the date of deposit.

2.11 Impairment of Assets

Financial Assets

At each balance sheet date, the Company assesses if there is any objective evidence indicating impairment of financial assets or non-collectability of receivables.

For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. Refer to note 18 on credit risk for further detail.

Non-financial Assets

At each balance sheet date, the Company assesses if there is any indication of impairment of non-financial assets. If an indication exists, the Company estimates the recoverable amount of the asset and recognizes an impairment loss in the profit and loss account. The Company also assesses if there is any indication that an impairment loss recognized in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognized immediately in the profit and loss account.

2.12 Financial Instruments

Financial instruments comprise cash, bank balances, deposits, advances, trade debtors, amounts due from/to related parties, trade creditors, and accruals. The financial instruments are recognized on the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

2.13 Leases

For any new contracts entered into on or after 1 April 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

The Company has identified that it has one long-term lease in the current financial year. Management has decided to use the Modified Approach to account for its long-term lease and has accounted for the same through a Right-of-Use asset and a Lease Liability. The Right-of-Use asset is depreciated over the life of the lease and interest is accrued on the lease liability at the incremental borrowing rate of the Company.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

	<u>31.03.2020</u>	<u>31.03.2019</u>
3. <u>PROPERTY AND EQUIPMENT</u>		
<u>FURNITURE, FIXTURES & OFFICE EQUIPMENT</u>		
<u>Cost</u>		
As at 31.03.2019	191,719	105,268
Additions during the year	3,855	86,451
As at 31.03.2020	<u>195,574</u>	<u>191,719</u>
<u>Less: Depreciation</u>		
Upto 31.03.2019	91,809	57,695
For the year	40,545	34,114
Upto 31.03.2020	<u>132,354</u>	<u>91,809</u>
<u>Net Book Value</u>		
As at 31.03.2020	<u>63,220</u>	<u>99,910</u>
As at 31.03.2019	<u>99,910</u>	<u>47,573</u>
4. <u>RIGHT-TO-USE ASSETS</u>		
<u>LEASEHOLD PREMISES</u>		
<u>Cost</u>		
As at 31.03.2019	-	-
Additions during the year	559,014	-
As at 31.03.2020	<u>559,014</u>	<u>-</u>
<u>Less: Depreciation</u>		
Upto 31.03.2019	-	-
For the year	197,297	-
Upto 31.03.2020	<u>197,297</u>	<u>-</u>
<u>Net Book Value</u>		
As at 31.03.2020	<u>361,717</u>	<u>-</u>
As at 31.03.2019	<u>-</u>	<u>-</u>

Note:

The lease is for a period of 34 months and begins on 1st April 2019.

31.03.2020 31.03.2019

5. ACCOUNTS RECEIVABLES

(i) Non-current portion

Accounts receivables (Notes: a, b, c, d & e)	3,103,578	5,988,107
Less: Provision for doubtful debts	(1,578,635)	(3,141,737)
	<u>1,524,943</u>	<u>2,846,370</u>

(ii) Current portion

Accounts receivables (Notes: a, b, c, d & e)	32,810,880	30,840,887
Less: Provision for doubtful debts	(984,327)	(611,911)
	<u>31,826,553</u>	<u>30,228,976</u>
	<u>33,351,496</u>	<u>33,075,346</u>

Notes:

a) Ageing of Accounts receivables:

Outstanding for more than twelve months	23,937,553	18,366,264
Outstanding for more than six months but less than twelve months	1,725,108	363,114
Outstanding for less than six months	10,251,797	18,099,616
	<u>35,914,458</u>	<u>36,828,994</u>

b) Due from top five accounts receivables at the year-end

	<u>17,798,937</u>	<u>18,645,815</u>
--	-------------------	-------------------

c) Number of accounts receivables at the year-end

	<u>104</u>	<u>101</u>
--	------------	------------

d) Accounts receivables are geographically distributed as below:

i) In AGCC countries	59%	59%
ii) In Africa	38%	36%
iii) In other countries	3%	5%
	<u>100%</u>	<u>100%</u>

e) Accounts receivables are considered good for recovery by the management and provision for expected credit losses have been provided.

31.03.2020 31.03.2019

6. UNBILLED REVENUE

(i) Non-current portion

Unbilled licenses revenue (Note: a)	8,726,221	10,536,079
Less: Provision for doubtful debts	(642,696)	(824,335)
	<u>8,083,525</u>	<u>9,711,744</u>

(ii) Current portion

Unbilled licenses revenue (Note: a)	10,083,024	10,612,260
Less: Provision for doubtful debts	(302,494)	(176,037)
	<u>9,780,530</u>	<u>10,436,223</u>
Unbilled services revenue (Note: a)	5,563,859	5,495,412
Less: Provision for doubtful debts	(166,900)	(120,228)
	<u>5,396,959</u>	<u>5,375,184</u>
	<u>23,261,014</u>	<u>25,523,151</u>

Note:

- a) Unbilled revenue are amounts receivable against license, services and maintenance contracts. These amounts are supported by agreement and considered good for recovery by management and provision for expected credit losses have been provided.

7. BANK BALANCES

Balances with Banks

In current accounts	105,870	170,952
	<u>105,870</u>	<u>170,952</u>

8. SHARE CAPITAL

The authorised share capital of the Company consists of 50 ordinary share of AED 1,000/= each, issued, subscribed and fully paid-up, as under:

M/s. Ramco Systems Limited, India	50 shares	50,000	50,000
		<u>50,000</u>	<u>50,000</u>

	<u>31.03.2020</u>	<u>31.03.2019</u>
9. <u>LEASE LIABILITIES</u>		
(i) <u>Non-current portion</u>		
Premises on lease	151,072	-
	<u>151,072</u>	<u>-</u>
(ii) <u>Current portion</u>		
Premises on lease	200,559	-
	<u>200,559</u>	<u>-</u>
	<u>351,631</u>	<u>-</u>
<u>Note:</u>		
The lease liability is worked out considering 8.75% interest rate, for discounting purposes.		
10. <u>OTHER FINANCIAL LIABILITIES, RELATED PARTIES</u>		
(i) <u>Non-current portion</u>		
Royalty payable to Ramco Systems Limited, India	85,568	-
	<u>85,568</u>	<u>-</u>
(ii) <u>Current portion</u>		
Royalty payable to Ramco Systems Limited, India	603,010	-
	<u>603,010</u>	<u>-</u>
	<u>688,578</u>	<u>-</u>
11. <u>PROVISION FOR GRATUITY AND LEAVE ENCASHMENT</u>		
(i) <u>Non-current portion</u>		
Employees' terminal benefits (Note : a)	162,393	169,331
Provision for leave encashment	76,733	124,590
	<u>239,126</u>	<u>293,921</u>
(ii) <u>Current portion</u>		
Employees' terminal benefits (Note : a)	18,202	35,237
Provision for leave encashment	3,674	12,313
	<u>21,876</u>	<u>47,550</u>
	<u>261,002</u>	<u>341,471</u>

31.03.2020 31.03.2019

11. PROVISION FOR GRATUITY AND LEAVE ENCASHMENT (continued)

Note:

- (a) Part provision for end of service benefits is made in accordance with the requirements of the applicable laws of the U.A.E. This is an unfunded defined benefits plan. Employees are entitled to benefits based on length of service and final remuneration. Accrued employees' terminal benefits are payable on termination or completion of the term of employment. This cost is expensed annually to the profit and loss account.

Balance as on 01.04.2019	204,568	151,288
Additional provision during the year	93,106	81,423
Paid during the year	(117,079)	(28,143)
Balance as on 31.03.2020	<u>180,595</u>	<u>204,568</u>

12. BORROWINGS FROM BANK

Bank overdraft - Mashreq Bank	1,770,601	927,740
	<u>1,770,601</u>	<u>927,740</u>

Note:

Bank overdraft is secured by a Letter of Credit issued by Axis Bank Limited, India (Holding Company's bank) in favour of Mashreq Bank, U.A.E to secure the facilities extended for USD 889,000 and facilities are extended upto 95% of the security value.

13. BORROWINGS FROM RELATED PARTIES

M/s. Ramco Systems Limited, India	11,201,647	10,840,000
	<u>11,201,647</u>	<u>10,840,000</u>

Note:

As per the loan agreement dated 16 February 2016, the loan has been sanctioned to meet the day-to-day operation expenses of the Company. The loan carries a floating interest rate of 8.75 % per annum (Previous year: 9.85% per annum) and the outstanding amount is repayable on demand.

31.03.2020 31.03.2019

14. ACCOUNTS PAYABLES RELATED PARTIES

M/s. Ramco Systems Limited, India	2,257,685	10,005,543
M/s. Ramco Systems Limited, Dubai	690,021	108,851
M/s. RSL Software Company Limited, Sudan	220,044	224,073
M/s. Ramco Systems Pte Ltd., Singapore	318,680	160,178
M/s. Ramco Systems Sdn. Bhd., Malaysia	16,956	-
	<u>3,503,386</u>	<u>10,498,645</u>

Note:

Amounts due to related parties are unsecured, free of interest and payable on demand.

Current Previous
Year Year

15. OTHER EXPENSES

Advertisement & sales promotion	123,119	102,940
Audit, accountancy & legal charges	70,579	298,299
Bad and doubtful debts	2,532,822	5,396,731
Bank charges	94,080	94,890
Cash discount	104,676	98,664
Forex translation loss/(gain)	107	(23,948)
Insurance premium	9,800	14,288
Office maintenance	29,624	17,929
Outsourcing costs	442,576	408,653
Postage & telephone	133,769	249,585
Utilities	89,066	65,446
Printing and stationery	3,229	15,835
Rates and taxes	183,265	296,387
Rent & hosting charges	1,001,063	1,072,468
Repairs and maintenance	10,292	26,349
Sales commission	(443,947)	(444,547)
Software subscription, AMC	2,336	796
Travelling and conveyance	1,602,504	1,877,377
Miscellaneous expenses	4,996	3,613
	<u>5,993,956</u>	<u>9,571,755</u>

31.03.2020 31.03.2019

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprises of the following balance sheet amounts:

Bank balances	105,870	170,952
Bank overdraft	(1,770,601)	(927,740)
	<u>(1,664,731)</u>	<u>(756,788)</u>

17. TRANSACTIONS WITH RELATED PARTIES

The Company has in the ordinary course of business, entered into trading and financial transactions with "related parties" as contained in the Indian Accounting Standard No. 24. The terms of such transactions were approved by the management. The amounts due to related parties are unsecured, interest free and payable on demand (excluding loans which carries an interest).

a) Transactions with Related Parties :

Royalty to related parties	<u>3,763,947</u>	<u>7,889,620</u>
Service fees to related parties	<u>4,345,665</u>	<u>3,942,014</u>
Interest on loan from related parties	<u>985,967</u>	<u>969,221</u>
Employee benefits expense	<u>2,932,024</u>	<u>1,858,527</u>
Advertisement & sales promotion	<u>2,499</u>	<u>5,362</u>
Bank charges	<u>30,335</u>	<u>31,278</u>
Outsourcing costs	<u>-</u>	<u>9,633</u>
Rent & hosting charges	<u>890,496</u>	<u>664,753</u>
Travelling and conveyance	<u>834,468</u>	<u>864,128</u>

31.03.2020 31.03.2019

17. TRANSACTIONS WITH RELATED PARTIES (continued)

b) Outstanding Balances with Related Parties

Due to Related Parties at the year-end :

M/s. Ramco Systems Ltd., India	2,257,685	10,005,543
M/s. Ramco Systems Limited, Dubai	690,021	108,851
M/s. RSL Software Company Limited, Sudan	220,044	224,073
M/s. Ramco Systems Pte Ltd., Singapore	318,680	160,178
M/s. Ramco Systems Sdn. Bhd., Malaysia	16,956	-
	<u>3,503,386</u>	<u>10,498,645</u>

18. FINANCIAL INSTRUMENTS

Derivative & exchange rate risks

The Company does not use derivative financial instruments for speculative purposes.

The Company does not have any foreign exchange forward contracts or options to manage its exposure to fluctuations in foreign currency exchange rates. The following are the foreign currency assets and liabilities at 31st March 2020:

Financial Assets in Foreign Currency:

Held in USD

Accounts receivables	34,793,566	34,706,379
In current account with a bank	34,864	33,277
	<u>34,828,430</u>	<u>34,739,656</u>

Financial Liability in Foreign Currency:

Held in USD

Accounts payable	<u>87,052</u>	<u>167,327</u>
------------------	---------------	----------------

Note:

The Company's foreign currency exposure is only in USD. Hence the exchange risk is limited.

Credit risks

Financial assets which potentially subject the Company to concentration of credit risk consist principally of bank and accounts receivables. Bank balances are with regulated financial institutions. Credit risk of accounts receivables is stated in Note 5 (a), (b), (c), (d) & (e).

Accounts receivables

An impairment analysis is performed at each reporting date using a specific identification of defaulting customers and provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivables are written-off from books when they become bad, irrecoverable and are not subject to enforcement activity. The Company does not hold collateral as security.

Fair Value

At the balance sheet date, the carrying amount of bank and cash balances, debtors, and creditors approximated their fair values.

	<u>31.03.2020</u>	<u>31.03.2019</u>
19. <u>CONTINGENT LIABILITIES</u>		
Bank guarantee - performance bond	-	80,264
	<u>-</u>	<u>80,264</u>

20. TAXATION

According to Article 15 of Law No. 1 of 2000 (as amended) of the Emirate of Dubai - The Dubai Technology, Electronic Commerce and Media Free Zone Law, Free Zone Establishments shall be exempted from all direct taxes including income tax with regard to their operation within the Free Zone. With effect from 1st January 2018, Value Added Tax is applicable for the Free Zone Establishments under the UAE Federal Decree - Law No.(8) of 2017 on Value Added Tax.

21. COMPARATIVE FIGURES

Comparative figures have been re-grouped/re-classified wherever necessary to conform the current year's classification.

22. SUBSEQUENT EVENTS

The outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time. The ongoing economic uncertainty could impact our future financial results, cash flows and financial condition.

For RAMCO SYSTEMS FZ-LLC



DIRECTOR

rk/egg



DIRECTOR