INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
RAMCO SYSTEM INC.
(A Wholly-owned Subsidiary of Ramco Systems Limited)
1805 Cityland Condominium 10 Tower 1
156 H.V. Dela Costa Street, Ayala North
Salcedo Village, Barangay Bel-air, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **RAMCO SYSTEM INC.** (the "Company"), which comprise the statements of financial position as of March 31, 2018 and 2017, and the statements of income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS for SMEs, 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.

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 intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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 auditors' 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 PSAs 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 PSAs, 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 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 auditors' 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 auditors' 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.

We communicate with those charged with governance 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.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 and 19-2011 in Notes 26 and 27, respectively, to the financial statements, are presented for purposes of filing with Bureau of Internal Revenue and are not required parts of the basic financial statements. Such information is the responsibility of the Management of **RAMCO SYSTEM INC.** The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until December 31, 2018
SEC Group A Accredited
Accreditation No. 0153-FR-3
Valid until September 6, 2020
BSP Group B Accredited
Valid until 2018 audit period
CDA CEA No. 0013-AF
Valid until December 12, 2019
IC Accreditation No. F-2016/002-R
Valid until August 30, 2019
CEZA Accredited
Valid until June 14, 2018

ROMEO A. DE JESUS, JR.
Managing Partner
CPA Certificate No. 86071
BIR Accreditation No. 08-004744-001-2018
Valid from February 12, 2018 until February 11, 2021
Tax Identification No. 109-227-897
IC Accreditation No. SP-2016/007-R
Valid until August 30, 2019
PTR No. 6615478
Issued on January 4, 2018 at Makati City

May 10, 2018

RAMCO SYSTEM INC.

(A Wholly-owned Subsidiary of Ramco Systems Limited)

STATEMENTS OF FINANCIAL POSITION

March 31, 2018 and 2017

(In Philippine Peso)

	NOTES	2018	2017
ASSETS			
Current Assets			
Cash	7	7,374,886	8,677,038
Installment and other trade receivables	8	142,019,711	70,935,550
Prepayments and other current assets	9	394,872	968,596
		149,789,469	80,581,184
Non-current Asset			
Installment receivables – net of current portion	8	105,684,078	38,231,933
Equipment – net	10	611,401	137,294
		106,295,479	38,369,227
TOTAL ASSETS		256,084,948	118,950,411
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities			
Trade and other payables	11	74,220,707	22,709,682
Due to related parties	12	90,306,228	58,400,373
Income tax payable		15,381,122	7,126,849
		179,908,057	88,236,904
Non-current Liability			
Deferred tax liability	23	941,727	699,428
TOTAL LIABILITIES		180,849,784	88,936,332
STOCKHOLDERS' EQUITY			
Capital Stock	14	11,750,000	11,750,000
Unappropriated Retained Earnings		11,485,164	10,264,079
Appropriated Retained Earnings	15	52,000,000	8,000,000
TOTAL STOCKHOLDERS' EQUITY		75,235,164	30,014,079
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		256,084,948	118,950,411

(See Notes to Financial Statements)

RAMCO SYSTEM INC.

(A Wholly-owned Subsidiary of Ramco Systems Limited)

STATEMENTS OF INCOME

For the Years Ended March 31, 2018 and 2017

(In Philippine Peso)

	NOTES	2018	2017
REVENUES	16	260,064,439	131,677,058
COST OF SERVICES	17	163,025,507	90,420,913
GROSS PROFIT		97,038,932	41,256,145
OTHER INCOME	18	1,816,684	2,321,485
		98,855,616	43,577,630
OPERATING EXPENSES	19	33,036,752	17,487,274
FINANCE COST	12	1,222,205	-
PROFIT BEFORE TAX		64,596,659	26,090,356
INCOME TAX	22	19,375,574	7,826,277
PROFIT		45,221,085	18,264,079

(See Notes to Financial Statements)

RAMCO SYSTEM INC.

(A Wholly-owned Subsidiary of Ramco Systems Limited)

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended March 31, 2018 and 2017

(In Philippine Peso)

			Retained Earnings		
	Notes	Capital Stock	Unappropriated	Appropriated	Total
Issuance of shares	14	11,750,000			**11,750,000**
Profit			18,264,079		**18,264,079**
Appropriation	15		(8,000,000)	8,000,000	-
Balance, March 31, 2017		**11,750,000**	**10,264,079**	**8,000,000**	**30,014,079**
Profit			45,221,085		**45,221,085**
Appropriation	15		(44,000,000)	44,000,000	-
Balance, March 31, 2018		**11,750,000**	**11,485,164**	**52,000,000**	**75,235,164**

(See Notes to Financial Statements)

RAMCO SYSTEM INC.

(A Wholly-owned Subsidiary of Ramco Systems Limited)

STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2018 and 2017

(In Philippine Peso)

	NOTES	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**64,596,659**	26,090,356
Adjustments for:			
Finance cost	12,13	**1,222,205**	-
Depreciation	10,19	**129,641**	5,376
Finance income	7,18	**(11,412)**	(2,765)
Unrealized foreign exchange gain – net	18	**(3,139,091)**	(2,331,428)
Operating cash flows before changes in working capital		**62,798,002**	23,761,539
Decrease (Increase) in operating assets:			
Installment and other trade receivables		**(136,314,809)**	(101,659,028)
Prepayments and other current assets		**573,724**	(968,596)
Increase in operating liabilities:			
Trade and other payables		**51,512,721**	17,387,940
Due to related parties		**31,905,855**	58,400,373
Cash generated from (used in) operation		**10,475,493**	(3,077,772)
Income taxes paid		**(10,879,002)**	-
Net cash used in operating activities		**(403,509)**	(3,077,772)
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income received	7	**11,412**	2,765
Acquisition of equipment	10	**(603,748)**	(142,670)
Net cash used in investing activities		**(592,336)**	(139,905)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans	13	**54,672,929**	-
Finance cost paid	12,13	**(1,222,205)**	-
Payments made to loans	13	**(54,672,929)**	-
Proceeds from issuance of shares	14	**-**	11,750,000
Net cash from financing activities		**(1,222,205)**	11,750,000
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH	7	**915,898**	144,715
NET INCREASE (DECREASE) IN CASH		**(1,302,152)**	8,677,038
CASH AT BEGINNING OF YEAR		**8,677,038**	-
CASH AT END OF YEAR		**7,374,886**	8,677,038

(See Notes to Financial Statements)

RAMCO SYSTEM INC.
(A Wholly-owned Subsidiary of Ramco Systems Limited)
NOTES TO FINANCIAL STATEMENTS
March 31, 2018 and 2017

1. CORPORATE INFORMATION

Ramco System Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 5, 2016. The principal activity of the Company is to carry on the business pertaining to or connected with and involving information technology, computer data processing, computerized information, retrieval systems, computer software, development and management feasibility studies analysis and design or turnkey system for scientific, mathematical, statistical, statutory, financial banking, commercial and business applications, database management, software techniques, word processing software, electronic funds, transfer systems, on-line acquiring systems, transactional processing systems, data capture, data logging, computer graphics, plotting and charting software, process control software, simulations and modeling.

The Company is wholly-owned by Ramco Systems Limited, an entity incorporated under the laws of India.

The Company's registered office address is located at 1805 Cityland Condominium 10, Tower 1, 156 H.V. Dela Costa Street, Ayala North, Salcedo Village, Barangay Bel-air, Makati City while the principal place of business is located at Unit 03 PBCOM Tower, 6795 Ayala Avenue, Makati City.

2. ADOPTION OF PHILIPPINE FINANCIAL REPORTING STANDARDS FOR SMALL AND MEDIUM-SIZED ENTITIES (PFRS for SMEs)

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs). The PFRS for SMEs defines 'small and medium-sized entities' as entities that:

- do not have public accountability; and
- publish general purpose financial statements for external users.

An entity has public accountability if:

- it files, or it is in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; or
- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. Most banks, credit unions, insurance brokers or dealers, mutual funds and investment banks would meet this second criterion.

The SEC requires entities to use PFRS for SMEs if all of the following criteria are met, except when they meet certain criteria in which case they have an option to use PFRS:

- have total assets of between ₱3 Million and ₱350 Million or total liabilities of between ₱3 Million and ₱250 Million. If the entity is a parent company, the said amounts shall be based on the consolidated figures;

- are not required to file financial statements under Part II of SRC Rule 68;
- are not in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market; and
- are not holders of secondary licenses issued by regulatory agencies.

2.01 Amendments to PFRS for SMEs Applied with No Material Effect on the Financial Statements

The following amendments have been adopted in these financial statements. The application of these amendments has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Section 1, *Small and Medium-sized Entities*

  Clarify that the types of entities listed in paragraph 1.3(b) of this framework are not automatically publicly accountable. And, add a clarifying guidance on the use of the PFRS for SMEs in the parent's separate financial statements.

- Section 2, *Concepts and Pervasive Principles*

  Add a clarifying guidance on the undue cost or effort exemption as well as a new requirement within the relevant sections for entities to disclose their reasoning for using such an exemption.

- Section 4, *Statement of Financial Position*

  Add a requirement to present investment property measured at cost less accumulated depreciation and impairment separately on the face of the statement of financial position. And, remove the requirement to disclose comparative information for the reconciliation of the opening and closing number of shares outstanding.

- Section 5, *Statement of Comprehensive Income and Income Statement*

  Clarify that the single amount presented for discontinued operations includes any impairment of the discontinued operation. And, add a requirement that entities shall group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss.

- Section 6, *Statement of Changes in Equity and Statement of Income and Retained Earnings*

  Clarify the information to be presented in the statement of changes in equity.

- Section 9, *Consolidated and Separate Financial Statements*

  Clarify that all subsidiaries acquired with the intention of sale or disposal within one year shall be excluded from consolidation and the addition of clarifying guidance on how to account for and disclose these subsidiaries. And, add a clarifying guidance on the preparation of consolidated financial statements if group entities have different reporting dates.

Clarify that cumulative exchange differences that arise from the translation of a foreign subsidiary are not recognized in profit or loss on the disposal of the subsidiary. And, add an option to permit an entity to account for investments in subsidiaries, associates and jointly controlled entities in its separate financial statements using the equity method and clarification of the definition of 'separate financial statements'. In addition, modify the definition of 'combined financial statements' to refer to entities under common control, instead of only those under common control by a single investor.

- Section 11, *Basic Financial Instruments*

  Add an undue cost or effort exemption from the measurement of investments in equity instruments at fair value. And, clarify the interaction of the scope of Section 11 with other sections of the PFRS for SMEs.

  Clarify the application of the criteria for basic financial instruments to simple loan arrangements; when an arrangement would constitute a financing transaction; and the guidance on fair value measurement in Section 11 of when the best evidence of fair value may be a price in a binding sale agreement.

- Section 12, *Other Financial Instruments Issues*

  Clarify the interaction of the scope of Section 12 with other sections of the PFRS for SMEs and the requirements for hedge accounting, including the addition of a sentence that clarifies the treatment of exchange differences relating to a net investment in a foreign operation.

- Section 17, *Property, Plant and Equipment*

  Align the wording with the amendments to PAS 16, *Property, Plant and Equipment,* from Annual Improvements to PFRSs 2009–2011 Cycle, issued in May 2012, regarding the classification of spare parts, stand-by equipment and servicing equipment as property, plant and equipment or inventory.

  Add the exemption in paragraph 70 of PAS 16 allowing an entity to use the cost of the replacement part as an indication of what the cost of the replaced part was at the time that it was acquired or constructed, if it is not practicable to determine the carrying amount of a part of an item of property, plant and equipment that has been replaced.

  And, add an option to use the revaluation model.

- Section 18, *Intangible Assets other than Goodwill*

  Modify the requirement that if the useful life of goodwill or another intangible asset cannot be established reliably, the useful life shall be determined based on management's best estimate but shall not exceed ten (10) years.

- Section 19, *Business Combinations and Goodwill*

  Replace the undefined term 'date of exchange' with the defined term 'date of acquisition'.

  And, add a clarifying guidance on the measurement requirements for employee benefit arrangements, deferred tax and non-controlling interests when allocating the cost of a business combination.

In addition, add an undue cost or effort exemption to the requirement to recognize intangible assets separately in a business combination and the addition of a disclosure requirement for all entities to provide a qualitative description of the factors that make up any goodwill recognized.

- Section 20, *Leases*

  Modify to include leases with an interest rate variation clause that is linked to market interest rates within the scope of Section 20 instead of Section 12.

  And, clarify that only some outsourcing arrangements, telecommunication contracts that provide rights to capacity and take-or-pay contracts are, in substance, leases.

- Section 22, *Liabilities and Equity*

  Add a clarifying guidance on classifying financial instruments as equity or a liability.

  Add exemption from the initial measurement requirements in paragraph 22.8 for equity instruments issued as part of a business combination, including business combinations of entities or businesses under common control.

  Add the conclusions of IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments,* to provide guidance on debt for equity swaps when the financial liability is renegotiated and the debtor extinguishes the liability by issuing equity instruments.

  Clarify that income tax relating to distributions to holders of equity instruments (owners) and to transaction costs of an equity transaction should be accounted for in accordance with Section 29.

  Modify to require that the liability component of a compound financial instrument is accounted for in the same way as a similar standalone financial liability.

  Add an undue cost or effort exemption from the requirement to measure the liability to pay a non-cash distribution at the fair value of the non-cash assets to be distributed and clarifying guidance on accounting for the settlement of the dividend payable.

  Add exemption from the requirements in paragraph 22.18 for distributions of non-cash assets ultimately controlled by the same parties before and after the distribution.

- Section 26, *Share-based Payment*

  Align the scope and the definitions with PFRS 2, *Share-based Payment,* to clarify that share-based payment transactions involving equity instruments of other group entities are in the scope of Section 26.

  Clarify that Section 26 applies to all share-based payment transactions in which the identifiable consideration appears to be less than the fair value of the equity instruments granted or the liability incurred and not only to share-based payment transactions that are provided in accordance with programmes established under law.

  Clarify the accounting treatment for vesting conditions and modifications to grants of equity instruments.

Clarify that the simplification provided for group plans is for the measurement of the share-based payment expense only and does not provide relief from its recognition.

- Section 27, *Impairment of Assets*

  Clarify that Section 27 does not apply to assets arising from construction contracts.

- Section 28, *Employee Benefits*

  Clarify the application of the accounting requirements in paragraph 28.23 to other long-term employee benefits. And, remove the requirement to disclose the accounting policy for termination benefits.

- Section 29, *Income Tax*

  Align the main principles of Section 29 with PAS 12, *Income Taxes,* for the recognition and measurement of deferred income tax, but modified to be consistent with the other requirements in the PFRS for SMEs. And, add an undue cost or effort exemption to the requirement to offset income tax assets and liabilities.

- Section 30, *Foreign Currency Translation*

  Clarify that financial instruments that derive their value from the change in a specified foreign exchange rate are excluded from Section 30, but not financial instruments denominated in a foreign currency.

- Section 33, *Related Party Disclosures*

  Align the definition of 'related party' with PAS 24, *Related Party Disclosures*, including incorporation of the amendment to the definition in PAS 24 from Annual Improvements to PFRSs 2010–2012 Cycle, issued in December 2013, which include a management entity providing key management personnel services in the definition of a related party.

- Section 34, *Specialized Activities*

  Remove the requirement to disclose comparative information for the reconciliation of changes in the carrying amount of biological assets. And, align the main recognition and measurement requirements for exploration and evaluation assets with PFRS 6, *Exploration for and Evaluation of Mineral Resources*.

- Section 35, *Transition to the PFRS for SMEs*

  Add an option to permit Section 35 to be used more than once—based on the amendments to PFRS 1, *First-time Adoption of International Financial Reporting Standards,* from Annual Improvements to PFRSs 2009–2011 Cycle.

  Add an exception to the retrospective application of the PFRS for SMEs for government loans that exist at the date of transition to the IFRS for SMEs.

  Add an option to permit first-time adopters to use an event-driven fair value measurement as 'deemed cost'.

Add an option to permit an entity to use the previous generally accepted accounting principles (GAAP) carrying amount of items of property, plant and equipment or intangible assets used in operations subject to rate regulation.

Add guidance for entities emerging from severe hyperinflation that are applying the PFRS for SMEs for the first time.

Simplify the wording used in the exemption from the restatement of financial information on first-time adoption.

There are also consequential changes to various sections of this framework resulting from the foregoing amendments.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.01 Statement of Compliance

The financial statements have been prepared in conformity with PFRS for SMEs and are under the historical cost convention, except for certain financial instruments that are carried at amortized cost.

3.02 Functional and Presentation Currency

Items included in the financial statements of the Company are measured using Philippine Peso (₱), the currency of the primary economic environment in which the Company operates (the "functional currency").

The Company chose to present its financial statements using its functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Company in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Financial Assets

Financial assets are classified as either 'basic financial assets' or 'other financial assets'.

4.01.01 Basic Financial Assets

The Company recognizes basic financial assets only when the entity becomes a party to the contractual provisions of the instrument. The Company shall measure it at the transaction price including transaction costs. Subsequent to initial recognition, basic financial assets are measured at amortized cost.

The Company's basic financial assets as presented in the statements of financial position comprise of cash, installment and other trade receivables and security deposit presented under 'prepayments and other current assets'.

4.01.02 Cash

Cash pertains to cash in bank only. Cash deposits held at call with bank are subject to insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

4.01.03 Trade Receivables

Trade receivables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

4.01.04 Amortized Cost

The amortized cost of a financial instrument at each reporting date is the net of the following amounts:

- the amount at which the financial instrument is measured at initial recognition;
- minus any repayments of the principal;
- plus or minus the cumulative amortization using the effective interest method of any difference between the amount at initial recognition and the maturity amount; and
- minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

4.01.05 Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a financial asset (or a group of financial assets) and of allocating the finance income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset. The effective interest rate is determined on the basis of the carrying amount of the financial asset at initial recognition.

4.01.06 Impairment of Financial Instruments Measured at Amortized Cost

At the end of each reporting period, the Company assesses whether there is objective evidence of impairment of any financial assets that are measured at amortized cost. If there is objective evidence of impairment, the Company recognizes an impairment loss in profit or loss immediately.

The Company assesses impairment either individually or grouped on the basis of similar credit risk characteristics.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider;
- it has become probable that the debtor will enter bankruptcy or other financial reorganization; and

- observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group, such as adverse national or local economic conditions or adverse changes in industry conditions.

Other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates.

The impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If such a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

4.01.07 Derecognition of Financial Assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or are settled, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the Company derecognizes the asset and any rights and obligations retained or created in the transfer.

4.02 Equipment

Equipment is stated initially at cost including expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management and subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses.

The Company adds to the carrying amount of an item of equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is computed on the straight-line method based on the estimated useful life of the computer equipment which is five (5) years or 20% annually.

The asset's residual value, useful life and depreciation method are reviewed, and adjusted prospectively, if appropriate, if there is an indication of a significant change since the last reporting period.

An item of equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount, as discussed in Note 4.03.

4.03 Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that its equipment may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as an income.

4.04 Borrowing Costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.05 Financial Liabilities and Equity Instruments

4.05.01 Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

4.05.02 Financial Liabilities

Financial liabilities are initially measured at fair value inclusive of directly attributable transaction costs. They are classified as either financial liabilities 'at Fair Value through Profit or Loss 'FVTPL', or 'at amortized cost'.

The Company's financial liabilities as presented in the statements of financial position comprise of trade and other payables (excluding unearned revenues and payable to government agencies) and due to related parties.

4.05.03 Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value inclusive of directly attributable transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with finance cost recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating finance cost over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

4.05.04 Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

If an existing borrower and lender exchange financial instruments with substantially different terms, the transaction is accounted for as an extinguishment of the original financial liability and a new financial liability is recognized. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and a new financial liability is recognized. Any difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in profit or loss.

4.05.05 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of transaction costs.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds, net of tax.

4.06 Employee Benefits

4.06.01 Short-term Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Said benefits are measured at the undiscounted amount expected to be paid in exchange for services rendered. Short-term benefits given by the Company to its employees include salaries and wages, SSS, Philhealth and HDMF contributions and other employee costs.

4.07 Unearned Revenue

Unearned revenue pertains to amounts collected in advance for services which have not yet been performed. It is recorded as a liability until performance is made, at which time it is recognized as revenue.

4.08 Provisions

Provisions are recognized when Company has a present obligation, whether legal or constructive, as a result of a past event, and it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting period and adjusted to reflect the current best estimate.

4.09 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services rendered in the normal course of business.

The gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the Company. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of commission.

4.09.01 Rendering of Services

Revenues are derived from the following streams and accounted as stated below:

4.09.01.01 License Fees

Software license revenues represent all fees earned from granting customers' licenses to use the software. For software license arrangements that do not require significant modification or customization of the underlying software, revenue is recognized upon delivery of the software, including cases with extended credit period.

4.09.01.02 Software Development / Implementation Fees

Software development/implementation contracts are either in fixed price or time and material-based. In the case of fixed price contracts, revenue is recognized in accordance with percentage-of-completion method. In the case of time and material contracts, revenue is recognized based on billable time spent in the project, priced at the contractual rate.

4.09.01.03 Product Support Service / Application Maintenance Contract fees

Fees for product support and application maintenance services are recognized as revenue ratably on a straight-line basis, over the term of the support arrangement.

4.09.01.04 Change Request

Fees for additional services aside from the agreed scope provided to existing customers. Revenue is recognized upon rendering of service.

4.09.01.05 Partner Training

Fees charged for demonstrating the software of the Parent Company. Revenue is recognized upon rendering of service.

4.09.02 Finance Income

Finance income is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.10 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the activities of the Company.

The Company recognizes expenses in the statements of income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

4.11.01 The Company as Lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4.12 Foreign Currency Transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, i.e. foreign currencies, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognized in profit or loss in the period in which they arise

The closing rates used in the translation of foreign currency monetary assets and liabilities are as follows:

	March 31, 2018	March 31, 2017
1 USD:	52.050 PhP	49.841 PhP
1 INR:	1.2390 PhP	1.2931 PhP
1 SGD:	35.49 PhP	39.66 PhP
1 MYR:	11.72 PhP	13.81 Php

4.13 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Company that is preparing its financial statements. A person or a close member of that person's family is related to Company if that person has control or joint control over the Company, has significant influence over the Company, or is a member of the key management personnel of the Company or of a parent of the Company.

An entity is related to the Company if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- Both entities are joint ventures of the same third party;
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- The entity is controlled or jointly controlled by a person identified above;
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Company and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.14 Current and Deferred Income Taxes

The tax expense for the period comprises current and deferred taxes. Tax is recognized in profit or loss, except that a change attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting period in the country where the Company operates and generates taxable income.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carry-over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets are reviewed at each reporting period and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

4.15 Events after the Reporting Period

The Company identifies subsequent events as events that occurred after the reporting period but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Company's position at the reporting period, adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements when material.

4.16 Changes in Accounting Policies

The Company shall account for a change in accounting policy resulting from a change in the requirements of this PFRS in accordance with the transitional provisions, if any, specified in that amendment. When an entity has elected to follow PAS 39, *Financial Instruments: Recognition and Measurement*, instead of following Section 11, *Basic Financial Instruments*, and Section 12, *Other Financial Instruments Issues*, as permitted by paragraph 11.2, and the requirements of PAS 39 change, the entity shall account for that change in accounting policy in accordance with the transitional provisions, if any, specified in the revised PAS 39. The Company shall account for all other changes in accounting policy retrospectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Company's accounting policies, which are disclosed in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.01 Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations that Management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

5.01.01 Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine Peso (₱). The Philippine Peso (₱) is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the sales prices for goods and services and of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services.

5.01.02 Assessment of Principal-Agency Arrangement

Revenue includes only the gross inflows of economic benefits received and receivable by the entity on its own account. The Company is in an agency relationship where commission payments are made to its business partner for identified opportunity of licensing and implementation services.

The Company acts as the principal in the execution of licensing and implementation services. For the years ended March 31, 2018 and 2017, commission fees amounted to ₱7,346,403 and ₱7,919,501, respectively, as disclosed in Note 19.

5.02 Key Sources of Estimation Uncertainties

The following are key assumptions concerning the future, and other key sources of estimation uncertainties at the end of the reporting periods that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.02.01 Reviewing Residual Value, Useful Life and Depreciation Method of Equipment

The residual values, useful lives and depreciation method of the Company's equipment are reviewed and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Company's equipment are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an equipment, the Company considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Company's equipment. In addition, the estimation of the useful lives is based on Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of equipment would increase the recognized expenses and decrease non-current assets. The Company uses a depreciation method that reflects the pattern in which it expects to consume the equipment's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which an Company expects to consume the equipment's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

In both years, Management assessed that there is no significant change from the previous estimates. As of March 31, 2018 and 2017, the carrying values of equipment amounted to ₱611,401 and ₱137,294, respectively, as disclosed in Note 10.

5.02.02 Asset Impairment

The Company performs an impairment review when certain impairment indicators are present. Determining the fair value of equipment which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that equipment is impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS for SMEs.

In both years, Management assessed that there is no indication of impairment on its equipment. As of March 31, 2018 and 2017, the carrying values of equipment amounted to ₱611,401 and ₱137,294, respectively, as disclosed in Note 10.

5.02.03 Estimating Allowances for Doubtful Accounts

The Company estimates the allowance for doubtful accounts related to its trade receivables based on assessment of specific accounts where the Company has information that certain counterparties are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the counterparties and the counterparties' current credit status based on third party credit reports and known market factors. The Company used judgment to record specific allowances for counterparties against amounts due to reduce the expected collectible amounts. These specific allowances are re-evaluated and adjusted as additional information received impacts the amounts estimated.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

Management believes that the recoverability of its trade receivables is certain; hence, no allowance for doubtful accounts was provided. As of March 31, 2018 and 2017, the carrying values of trade receivables are ₱247,703,789 and ₱109,167,483, respectively, as disclosed in Note 8.

6. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of:

		2018		2017
Financial Assets:				
Financial assets measured at amortized cost less impairment (Notes 7, 8 and 9)	₱	255,334,275	₱	118,014,521
Financial Liabilities:				
Financial liabilities measured at amortized cost (Notes 11 and 12)	₱	106,793,072	₱	67,574,565

Financial assets measured at amortized cost less impairment include cash, installment and other trade receivables and security deposit under 'prepayments and other current assets'.

Financial liabilities measured at amortized cost include trade and other payables (excluding unearned revenues and payable to government agencies) and due to related parties.

7. CASH

For the purpose of the statements of cash flows, cash pertains to cash in bank only. As of March 31, 2018 and 2017, cash as shown in the statements of financial position amounted to ₱7,374,886 and ₱8,677,038, respectively.

Cash in bank earn interest at floating rates based on bank's daily deposit rates. Finance income amounted to ₱11,412 and ₱2,765 in 2018 and 2017, respectively, as disclosed in Note 18.

In 2017 and 2016, the Company recognized unrealized foreign gain amounting to ₱915,898 and ₱144,715, respectively, as disclosed in Note 18.

8. INSTALLMENT AND OTHER TRADE RECEIVABLES

The Company's installment and other trade receivables shown in the statement of financial position are as follows:

		2018		2017
Current:				
Installment receivable	₱	58,248,949	₱	4,147,398
Other trade receivable		83,770,762		66,788,152
		142,019,711		70,935,550
Non-current:				
Installment receivable		105,684,078		38,231,933
	₱	247,703,789	₱	109,167,483

Installment receivable pertains to outstanding balances for license fees which are billed by the Company on a monthly basis and with the average terms of three (3) to five (5) years.

Other trade receivables pertain to receivables from rendering of software development or implementation of contracts by the Company and accrued interest from licenses.

The average credit period on sale of services ranges between zero (0) to thirty (30) days or may vary depending on the agreement with customers. The Company may also charge interest based on agreement with customers amounting to 3.5% in both years. Interest on licenses charged by the Company in 2018 and 2017 amounted to ₱2,974,332 and ₱1,161,317, respectively, as disclosed in Note 16.

Other trade receivables include transactions with related parties with outstanding balances of ₱1,369,190 and nil as of March 31, 2018 and 2017, respectively, as disclosed in Note 12.

In 2018 and 2017, the Company recognized unrealized foreign gain amounting to ₱2,221,497 and ₱2,187,736, respectively as disclosed in Note 18.

9. PREPAYMENTS AND OTHER CURRENT ASSETS

The details of the Company's prepayments and other current assets are shown below:

		2018		2017
Security deposit (Note 21)	₱	**255,600**	₱	170,000
Prepaid rent (Note 21)		**139,272**		414,766
Excess tax credits		-		235,417
Advances to employees		-		75,000
Others		-		73,413
	₱	**394,872**	₱	968,596

Advances to employees pertain to salary advances granted subject to salary deduction.

10. EQUIPMENT – net

The carrying amount of the Company's computer equipment as of March 31, 2018 and 2017 is as follows:

		2018		2017
Cost				
April 1	₱	**142,670**	₱	-
Additions		**603,748**		142,670
March 31		**746,418**		142,670
Accumulated Depreciation				
April 1		**5,376**		-
Depreciation (Note 19)		**129,641**		5,376
March 31		**135,017**		5,376
Carrying amount	₱	**611,401**	₱	137,294

All additions were all paid in cash.

In both years, the Company has determined that there is no indication that impairment has occurred on its equipment.

11. TRADE AND OTHER PAYABLES

The components of trade and other payables account are as follows:

		2018		2017
Trade	₱	880,308	₱	471,315
Unearned revenues		52,364,741		5,504,176
Accrued expenses		15,577,711		8,693,645
Payable to government agencies		5,369,122		8,031,314
Payable to employees		28,825		9,232
	₱	74,220,707	₱	22,709,682

The average credit period on purchases of services from suppliers is thirty (30) days. No interest is charged on trade payables from the date of invoice.

Unearned revenues pertain only to down payments made by customers who intend to purchase licenses to use software. These unearned revenues form part of the purchase price and are refundable when the customers do not proceed on buying the software.

Payable to government agencies pertains to withholding taxes payable and statutory employee welfare contribution payable at reporting dates.

In 2018 and 2017, the Company recognized unrealized foreign exchange gain and loss amounting to ₱1,696 and ₱1,023, respectively as disclosed in Note 18.

Breakdown of accrued expenses are as follows:

		2018		2017
Commission	₱	13,620,361	₱	-
Travel		876,638		525,597
Hosting		68,798		37,356
Others		1,011,914		8,130,690
	₱	15,577,711	₱	8,693,643

12. RELATED PARTY TRANSACTIONS

Nature of relationships of the Company and its related parties are disclosed below:

Related Parties	Nature of Relationship
Ramco Systems Limited	Parent
Ramco Systems Sdn. Bhd.	Fellow Subsidiary
Ramco Systems Pte. Ltd.	Fellow Subsidiary

Balances and transactions between the Company and its related parties are disclosed below:

12.01 Due from Related Parties

Balances of due from related parties are summarized per category as follows:

12.01.01 Parent

Transaction with parent as disclosed in Note 8 are detailed below:

	March 31, 2018		March 31, 2017	
	Amount/ Volume	**Outstanding Balance**	Amount/ Volume	Outstanding Balance
Ramco Systems Limited				
Reimbursement	₱ **593,747**	₱ **593,747**	₱ -	₱ -

Reimbursement pertains to travel expenses incurred by the Company which are subsequently reimburse to its related party.

The amounts outstanding are unsecured, non-interest bearing, collectible on demand and will be settled in cash. No guarantees have been received. No provisions have been made for doubtful accounts in respect of the amounts owed by the related party.

12.01.02 Fellow Subsidiary

Transaction with fellow subsidiary as disclosed in Note 8 are detailed below:

	March 31, 2018		March 31, 2017	
	Amount/ Volume	**Outstanding Balance**	Amount/ Volume	Outstanding Balance
Ramco Systems Pte Ltd.				
Reimbursement	₱ **775,443**	₱ **775,443**	₱ -	₱ -

Reimbursement pertains to travel expenses incurred by the Company which are subsequently reimburse to its related party.

The amounts outstanding are unsecured, non-interest bearing, collectible on demand and will be settled in cash. No guarantees have been received. No provisions have been made for doubtful accounts in respect of the amounts owed by the related party.

12.02 Due to Related Parties

Balances of due to related parties are summarized per category as follows:

12.02.01 Parent

Transactions with parent are detailed below:

	March 31, 2018		March 31, 2017	
	Amounts/ Volume	**Outstanding Balances**	Amounts/ Volume	Outstanding Balances
Ramco Systems Limited				
Royalties (Note 17)	₱ 93,533,723	₱ 42,196,534	₱ 48,537,275	₱ 17,745,022
Transfer pricing charges (Note 17)	49,136,993	38,886,784	36,310,317	36,310,317
Loans (Note 13)	30,097,479	-	-	-
Marketing and administrative	9,607,453	3,503,406	2,780,414	1,553,817
Finance cost (Note 13)	642,141	-	-	-
Final withholding taxes	(27,480,053)	-	(14,561,183)	-
Payments	(126,560,168)	-	(17,457,667)	-
	₱ 28,977,568	₱ 84,586,724	₱ 55,609,156	₱ 55,609,156

Details of the transactions are as follows:

- Royalties pertain to expenses incurred for the right to use the license of the Parent Company.
- Transfer pricing charges are the amounts charged for off-shore services on upgrades, modifications, bug-fixes, patches or enhancements to the software of the Parent Company.
- Marketing and administrative expenses are paid by the Company as a form of reimbursement to its related party.

Loan transactions with related party are subject to 12.5% interest per annum, unsecured, payable on demand and will be settled in cash. In 2018, the Company paid ₱642,141 of finance cost to its Parent Company, as disclosed in Note 13.

12.02.02 Fellow Subsidiaries

Transactions with fellow subsidiaries are detailed below:

	March 31, 2018		March 31, 2017	
	Amounts/ Volume	**Outstanding Balances**	Amount/ Volume	Outstanding Balances
Ramco Systems Sdn. Bhd.				
Loans (Note 13)	₱ 24,575,450	₱ -	₱ -	₱ -
Advances	18,499,843	2,164,424	2,791,217	2,791,217
Payments	(43,702,086)	-	-	-
Finance cost (Note 13)	580,064	-	-	-
Ramco Systems Pte Ltd.				
Advances	3,555,080	3,555,080	-	-
	₱ 3,508,351	₱ 5,719,504	₱ 2,791,217	₱ 2,791,217

Advances pertain to amounts paid by the related parties for travel expenses incurred by the employees of the latter to Philippines subject for reimbursement to the Company which are included in the agreement with Parent Company. Loan transactions with related parties are subject to 10% interest per annum, unsecured, payable on demand and will be settled in cash. In 2018, the Company paid ₱580,064 of finance cost to its fellow subsidiary, as disclosed in Note 13.

12.03 Remuneration of Key Management Personnel

For the years ended March 31, 2018 and 2017, remuneration paid to the Company's key management personnel amounted to ₱540,000 and ₱370,000, respectively.

13. SIGNIFICANT CONTRACT AGREEMENTS

13.01 Service Agreement

On April 5, 2016, the Company entered into a service agreement with Ramco Systems Limited (Parent) wherein the former shall acquire licensing rights from the Parent for the purpose of marketing, licensing, professional services and annual maintenance services to the customers of the Company.

In consideration of the license granted, the Company shall pay the Parent royalty fees equivalent to 40% of the license value. The parties further agreed that upgrades, modifications, bug-fixes, patches or enhancements to the software of the Parent Company shall be provided by the Parent at a price equivalent to 2,500 USD per person per month.

The agreement shall commence upon signing of such agreement and shall continue for a period of ten (10) years provided that where both parties mutually agreed, the period may be less than ten (10) years.

In 2018 and 2017, royalty expenses incurred by the Company amounted to ₱93,533,723 and ₱48,537,275, respectively, as disclosed in Note 17.

13.02 Loan Agreement

13.02.01 Ramco Systems Limited

On November 6, 2017, the Company entered into an unsecured loan agreement with Ramco Systems Limited (Parent) wherein the former can acquire loans in one or more tranches not exceeding 1,000,000 USD subject to 12.50% interest per annum. During 2017, the Company borrowed loans amounting to USD600,000 or ₱30,097,479 which were paid in the same year. Total finance cost incurred and paid by the Company amounted to ₱642,141.

13.02.02 Ramco Systems Sdn. Bhd.

On October 6, 2017, the Company entered into an unsecured loan agreement with Ramco Systems Sdn. Bhd. (fellow subsidiary) wherein the former can acquire loans in one or more tranches not exceeding 1,000,000 USD subject to 10% interest per annum. The Company borrowed loans amounting to USD480,000 or ₱24,575,450 which were paid in the same year. Total finance cost incurred and paid by the Company amounted to ₱580,064.

14. CAPITAL STOCK

The capital stock of the Company as of March 31, 2018 is as follows:

Authorized:		
47,000,000 shares at ₱1 par value per share	₱	47,000,000
Subscribed, issued and outstanding:		
11,750,000 shares at ₱1 par value per share	₱	11,750,000

Ordinary shares carry one (1) vote per share and a right to dividends.

15. APPROPRIATED RETAINED EARNINGS

Movements of the Company's appropriated retained earnings are as follows:

		2018		2017
Balance, April 1	₱	8,000,000	₱	-
Additional appropriation		44,000,000		8,000,000
Balance, March 31	₱	52,000,000	₱	8,000,000

On April 19, 2017, the Board of Directors and stockholders of the Company approved the appropriation of retained earnings for business expansion amounting to ₱8,000,000, which is expected to materialize in 2019.

On March 22, 2018, the Board of Directors and stockholders of the Company approved additional appropriation of retained earnings amounting to ₱44,000,000 to be used for future business expansion by intensifying sales of the Company through hiring of additional manpower. The appropriated earnings will be utilized within a period of five (5) years.

16. REVENUES

Details of revenues are as follows:

		2018		2017
Licenses	₱	223,555,744	₱	116,750,559
Implementation services		28,214,098		11,914,583
Application maintenance charges		4,494,565		1,850,599
Interest on licenses (Note 8)		2,974,332		1,161,317
Change request		700,700		-
Partner training		125,000		-
	₱	260,064,439	₱	131,677,058

License revenues represent all fees earned from granting customers' licenses to use the software.

Implementation services pertain to income derived from application of the software.

17. COST OF SERVICES

The following is an analysis of the Company's cost of services from its operations:

		2018		2017
Royalties (Notes 12 and 13)	₱	93,533,723	₱	48,537,275
Transfer pricing charges (Note 12)		49,136,993		36,310,317
Salaries and wages (Note 20)		13,406,882		1,700,280
Subcontractors		3,257,701		2,682,837
Hosting		3,054,932		443,597
Marketing		343,886		643,435
SSS, Philhealth and HDMF contributions (Note 20)		191,910		41,689
Other employee costs (Note 20)		99,480		61,483
	₱	163,025,507	₱	90,420,913

Hosting pertain to payments made to make the software of the Parent Company available for viewing through the use of internet.

18. OTHER INCOME

Components of foreign exchange gains – net are as follows:

		2018		2017
Unrealized foreign exchange gains (Notes 7, 8 and 11)	₱	3,139,091	₱	2,331,428
Realized foreign exchange loss		(1,333,819)		(12,708)
Finance income (Note 7)		11,412		2,765
	₱	1,816,684	₱	2,321,485

19. OPERATING EXPENSES

The account is composed of the following:

		2018		2017
Transportation and travel	₱	15,019,704	₱	5,139,174
Commission		7,346,403		7,919,501
Rent (Note 21)		3,779,128		1,381,347
Professional fees		3,718,026		1,073,894
Communication, light and water		1,550,289		73,737
Marketing		551,100		1,592,431
Representation expense		176,074		-
Taxes and licenses		161,107		232,296
Depreciation (Note 10)		129,641		5,376
Printing and stationery		17,258		17,161
Others		588,022		52,357
	₱	33,036,752	₱	17,487,274

Transportation and travel pertains to expenses incurred by the employees of its related parties to the Philippines which are reimbursed by the Company. This account also includes local transportation expenses of the Company.

Commission pertains to payments made to the Company's business partner for identified opportunity of licensing and implementation services.

Professional fees pertain to legal, consultancy and audit fees.

Others pertain to maintenance costs of the office and guest house and out-of-pocket reimbursements from the tax consultant of the Company.

20. EMPLOYEE BENEFITS

20.01 Short-term Employee Benefits

The Company's short-term employee benefits, as disclosed in Note 17 are composed of the following:

	2018	2017
Salaries and wages	₱ 13,406,882	₱ 1,700,280
SSS, Philhealth and HDMF contributions	191,910	41,689
Other employee costs	99,480	61,483
	₱ 13,698,272	₱ 1,803,452

21. OPERATING LEASE AGREEMENTS

21.01 The Company as a Lessee

21.01.01 Compass Offices

The Company leased an office space located at 16/F Tower 6789 Ayala Avenue, Makati. The lease shall be for a period of one (1) year starting from April 1, 2017, renewable for another year thereafter upon mutual agreement. As of March 31, 2018 and 2017, security deposit amounted to ₱105,600 and nil, respectively.

In 2018 and 2017, rent expense charged to operations amounted to ₱2,539,362 and nil, respectively, as disclosed in Note 19.

21.01.02 Smartman Properties, Inc.

The Company leased a condominium apartment unit located at Salcedo Street, Legazpi Village, Makati City. The unit is to be used by employees travelling from abroad for project execution for Philippine customers. The lease shall be for a period of one (1) year, from April 30, 2017 to April 29, 2018, renewable for another year thereafter upon mutual agreement. As of March 31, 2018 and 2017, security deposit amounted to ₱150,000 and nil, respectively.

As of March 31, 2018 and 2017, advanced rent amounted to ₱139,272 and nil, respectively, as disclosed in Note 9.

In 2018 and 2017, rent expense charged to operations amounted to ₱1,239,766 and nil, respectively, as disclosed in Note 19.

21.01.03 Masterman Land Corporation

The Company leased a condominium apartment unit located at 153 Legazpi Street, Legazpi Village, Makati City. The unit is to be used by employees travelling from abroad for project execution for Philippine customers. The lease shall be for a period of one (1) year, from August 20, 2016 to August 19, 2017, renewable for another year thereafter upon mutual agreement. If the lessee does not renew for another year and fails to inform the lessor of its intention to renew or not by written agreement at least sixty (60) days prior to expiration of lease, the lessee agrees to the forfeiture of security bond as liquidated damages. The contract was not renewed for the fiscal year 2018.

Prior to signing the contract of lease, the lessee shall pay the amount of ₱170,000, representing security deposit which was refunded to the Company in 2018, as disclosed in Note 9. This shall be applied to answer for the lessee's obligations, subject to refund to lessee sixty (60) days after termination of lease, after deducting thereof whatever accounts owing by the lessee to the lessor. The bond shall in no case be applied for payment of unpaid rentals in case of renewal of the period of lease. As of March 31, 2018 and 2017, advance rent amounted to nil and ₱414,766, respectively, as disclosed in Note 9.

In 2018 and 2017, rent expense charged to operations amounted to nil and ₱658,918, as disclosed in Note 19.

21.01.04 Regus PLT Centre, Inc.

The Company entered into an agreement to lease an office space located at 40/F PBCom Tower Ayala Avenue cor. Rufino, Makati City. The lease is being renewed on a monthly basis, as the Company continuously occupies the premises. During the year, the Company did not renewed the contract.

In 2018 and 2017, rent expense charged to operations amounted to nil and ₱722,429, respectively, as disclosed in Note 19.

22. INCOME TAXES

Components of income tax expense are as follows:

		2018		2017
Current tax expense	₱	**19,133,275**	₱	7,126,849
Deferred tax expense		**242,299**		699,428
	₱	**19,375,574**	₱	7,826,277

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rate in 2018 and 2017 is as follows:

		2018		2017
Accounting profit	₱	**64,596,659**	₱	26,090,356
Tax expense at 30%		**19,378,998**		7,827,107
Tax effect of finance income subjected to final tax		**(3,424)**		(830)
	₱	**19,375,574**	₱	7,826,277

23. DEFERRED TAX LIABILITY

The Company's deferred tax liability arising from unrealized foreign exchange gain and its movements is as follows:

		2018		2017
Balance, April 1	₱	**699,428**	₱	-
Recognized in profit or loss		**242,299**		699,428
Balance, March 31	₱	**941,727**	₱	699,428

24. RECLASSIFICATIONS OF COMPARATIVE AMOUNTS

Certain amounts in the comparative financial statements and note disclosures have been reclassified to conform to the current year's presentation. The reclassifications include comparative amounts detailed as follows:

Previous Classification	Current Classification		Amount
Operating Expenses	**Cost of Services**		
Other employee cost	Other employee cost	₱	61,483
Trade receivable	**Trade payable**		5,321,742

In 2017, the Company accounted the other employee cost under operating expenses, hence it was reclassified to proper account to conform to the current year's presentation. In addition, the Company determined that the outstanding balance of trade payable amounting to ₱5,321,742 has been misclassified or offset against trade receivable in previous year; hence the Company retrospectively reclassified the said account to conform to the current year's presentation.

Management believes that the above reclassifications resulted to a better presentation of accounts and did not have any impact on prior year's profit or loss and statement of cash flows.

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issuance by the Board of Directors on May 10, 2018.

26. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 15-2010

The Bureau of Internal Revenue (BIR) released a revenue regulation dated November 25, 2010 amending Revenue Regulations No. 21-2002 setting forth additional disclosures on Notes to Financial Statements. Below are the disclosures required by the said Regulation:

26.01 Taxes and Licenses Paid or Accrued

The details of the Company's taxes and licenses fees paid or accrued in 2018 are as follows:

26.01.01 Output VAT

The Company is VAT registered with output tax declaration of ₱31,207,733 for the year based on vatable receipts amounting to ₱260,064,439.

26.01.02 Input VAT

An analysis of the Company's input tax claimed during the year is as follows:

Current year's domestic purchases/payments for services lodged under other accounts	₱	863,030
Claims for tax credit		(863,030)
Balance, March 31	₱	-

26.01.03 Other Taxes and Licenses

An analysis on the Company's taxes and licenses and permit fees paid or accrued during the year is as follows:

Fees and charges	₱	138,106
Others		23,001
	₱	**161,107**

26.01.04 Withholding Taxes

The Company's withholding tax paid or accrued during the year are as follows:

Final withholding taxes	₱	29,275,600
Withholding taxes on compensation		2,353,964
Expanded withholding taxes		756,097
	₱	**32,385,661**

Expanded withholding taxes arose from payments of rentals and directors' fees.

Final withholding taxes arose from payment of royalties, interest expense paid on non-resident foreign corporation, and professional fees for non-resident foreign corporation.

27. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 19–2011

Pursuant to Section 244 in relation to Section 6(H) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are prescribed to revise BIR Form 1702 setting forth the following schedules. Below are the disclosures required by the said Regulation.

27.01 Revenues

The following is an analysis of the Company's revenues for the taxable year:

Licenses	₱	223,555,744
Implementation services		28,214,098
Application maintenance charges		4,494,565
Interest on licenses		2,974,332
Change request		700,700
Partner training		125,000
	₱	**260,064,439**

27.02 Cost of Services

The following is an analysis of the Company's cost of services for the taxable year:

Royalties	₱	93,533,723
Transfer pricing charges		49,136,993
Salaries and wages		13,406,882
Subcontractors		3,257,701
Hosting		3,054,932
Marketing		343,886
SSS, Philhealth and HDMF contributions		191,910
Other employee costs		99,480
	₱	**163,025,507**

27.03 Other Taxable Income

The Company's other taxable income for the year which pertain to realization of unrealized foreign exchange gain in 2017 amounted to ₱2,331,428.

27.04 Itemized Deductions

The following is an analysis of the Company's itemized deductions for the taxable year:

Transportation and travel	₱	15,019,704
Commission		7,346,403
Rent		3,779,128
Professional fees		3,718,026
Communication, light and water		1,550,289
Realized foreign exchange loss		1,333,819
Finance cost		1,222,205
Marketing		551,100
Representation expense		176,074
Taxes and licenses		161,107
Depreciation		129,641
Printing and stationery		17,258
Others		588,022
	₱	**35,592,776**

R.S. BERNALDO & ASSOCIATES PKF

SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
RAMCO SYSTEM INC.
(A Wholly-owned Subsidiary of Ramco Systems Limited)
1805 Cityland Condominium 10 Tower 1
156 H.V. Dela Costa Street, Ayala North
Salcedo Village, Barangay Bel-air, Makati City

We have examined the financial statements of **RAMCO SYSTEM INC.** for the years ended March 31, 2018 and 2017 on which we have rendered the attached report dated May 10, 2018.

In compliance with Revenue Regulation V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

In compliance with Securities Regulation Code Rule 68, we are stating that the above Company has one (1) stockholder owning one hundred (100) or more shares.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until December 31, 2018
SEC Group A Accredited
Accreditation No. 0153-FR-3
Valid until September 6, 2020
BSP Group B Accredited
Valid until 2018 audit period
CDA CEA No. 0013-AF
Valid until December 12, 2019
IC Accreditation No. F-2016/002-R
Valid until August 30, 2019
CEZA Accredited
Valid until June 14, 2018

ROMEO A. DE JESUS, JR.
Managing Partner
CPA Certificate No. 86071
BIR Accreditation No. 08-004744-001-2018
Valid from February 12, 2018 until February 11, 2021
Tax Identification No. 109-227-897
IC Accreditation No. SP-2016/007-R
Valid until August 30, 2019
PTR No. 6615478
Issued on January 4, 2018 at Makati City

May 10, 2018