

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.

FINANCIAL STATEMENTS

MARCH 31, 2018

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FINANCIAL STATEMENTS

MARCH 31, 2018

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Leung Luo Pang LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Newgen Software Technologies Canada, Ltd.

We have audited the accompanying financial statements of Newgen Software Technologies Canada, Ltd. , which comprise the balance sheet as at March 31, 2018, the statement of income and retained earnings, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Newgen Software Technologies Canada, Ltd. as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Richmond Hill, Canada
May 4, 2018

**Chartered Professional Accountants
Licensed Public Accountants**

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.**BALANCE SHEET**

As at March 31

2018

2017

ASSETS**Current**

Cash	\$ 628,051	\$ 199,396
Accounts receivable (Note 2)	433,490	653,532
Government remittances recoverable	31,075	70,363
Prepaid expenses and sundry	28,508	17,651

1,121,124 **940,942****Equipment (Note 3)**

1,211 **822**

\$ 1,122,335 **\$ 941,764**

LIABILITIES**Current**

Accounts payable and accrued liabilities	\$ 903,335	\$ 765,063
Income taxes payable	14,213	10,680

917,548 **775,743****SHAREHOLDER'S EQUITY****Share capital**

1,000,000 Common shares	100,000	100,000
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Retained earnings	104,787	66,021
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204,787 **166,021**

\$ 1,122,335 **\$ 941,764**

The accompanying notes are an integral part of the financial statements

Approved on behalf of the Board

Director

Director

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.
STATEMENT OF INCOME AND RETAINED EARNINGS

For the year ended March 31

2018

2017

Revenue	\$ 1,896,518	\$ 1,754,635
Expenses		
Sub-contracts	1,192,971	1,111,668
Wages and benefits	412,677	372,727
Travel	104,988	115,966
Occupancy costs	46,194	44,538
Bad debts	34,775	-
Office and general	20,986	28,714
Professional fees	16,039	10,169
Advertising and promotion	7,500	3,453
Telephone	4,714	5,902
Bank charges and interest	1,342	1,301
Commissions	-	19,026
Amortization	1,348	769
	1,843,534	1,714,233
Income before income taxes	52,984	40,402
Provision for income taxes (Note 4)	14,218	10,680
Net income	38,766	29,722
Retained earnings, beginning of year	66,021	36,299
Retained earnings, end of year	\$ 104,787	\$ 66,021

The accompanying notes are an integral part of the financial statements

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.**STATEMENT OF CASH FLOWS****For the year ended March 31****2018****2017**

CASH PROVIDED BY (USED IN) THE FOLLOWING ACTIVITIES:**OPERATING ACTIVITIES**

Net income	\$ 38,766	\$ 29,722
Add: items not involving cash		
Amortization	1,348	769
	<hr/> 40,114	<hr/> 30,491
Changes in non-cash working capital items		
Accounts receivable	220,042	(235,902)
Prepaid expenses and sundry	(10,857)	(2,235)
Accounts payable and accrued liabilities	138,272	264,892
Government remittances payable	39,288	(16,742)
Income taxes payable	3,533	2,443
	<hr/> 430,392	<hr/> 42,947

INVESTING ACTIVITIES

Purchase of equipment	(1,737)	-
	<hr/> (1,737)	<hr/> -

FINANCING ACTIVITIES

Due to related party	-	(1,989)
	<hr/> -	<hr/> (1,989)

Net increase in cash	428,655	40,958
Cash, beginning of year	199,396	158,438
Cash, end of year	\$ 628,051	\$ 199,396

The accompanying notes are an integral part of the financial statements

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2018

Newgen Software Technologies Canada, Ltd. ("the Company") was incorporated under the laws of the Province of Ontario on April 26, 2012. The Company is a subsidiary of Newgen Software Technologies Limited, which is incorporated in India. The company is located in Ontario and provides software development, engineering and technical support services to its customers across Canada through utilizing the resources of its parent company.

1. Summary of significant accounting policies

The financial statements of the Company have been prepared in accordance with Canadian accounting standards for private enterprises. The significant accounting policies followed by the Company are summarized below:

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates including those related to impairment of financial assets, useful life of equipment and revenue recognition. Management believes that the estimates and assumptions used in preparing its financial statements are reasonable and prudent; however, actual results could differ from those estimates.

Accounts receivable

Accounts receivable are stated at amounts due, net of provision for amounts estimated to be uncollectible.

Equipment

- Equipment is stated at cost less accumulated amortization. Amortization is provided over the estimated useful lives at the following rates and methods:

Computer equipment	-	straight line over 3 years
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Revenue recognition

Revenue is accounted for when there is persuasive evidence that an arrangement exists, the services have been rendered to the customers, the price is fixed or determinable, and collection is reasonably assured.

Income taxes

The Company uses the taxes payable method of accounting for income taxes. Under this method, the Company reports as an expense (income) of the period only the cost (benefit) of current income taxes payable determined in accordance with the rules established by taxation authorities.

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2018

1. Summary of significant accounting policies (continued)

Measurement of financial instruments

The Company initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Company subsequently measures all its financial assets and liabilities at cost or amortized cost. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Company has not designated any financial asset or liability to be measured at fair value.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

2. Accounts receivable

	2018	2017
Trade receivable	\$ 433,490	\$ 660,852
Provision for impairment	-	(7,320)
	\$ 433,490	\$ 653,532

3. Equipment

	Cost	Accumulated Amortization	2018 Net Book Value	2017 Net Book Value
Computer equipment	\$ 5,244	\$ 4,033	\$ 1,211	\$ 822

Amortization expense for the year amounted to \$1,348 (\$769 for 2017).

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2018

4. Income tax

The Company accounts for income taxes using the taxes payable method. The reconciliation of income tax computed at statutory rates to the provision for income taxes are as follows:

	2018	2017
Income (loss) before income taxes	\$ 52,984	\$ 40,402
Combined corporate income tax rate (%)	26.50	26.50
Computed income tax expense	14,041	10,707
Increase (decrease) in taxes resulting from:		
Tax on CCA in excess of amortization	109	(67)
Tax on non-deductible expenses	68	40
Income tax expense	\$ 14,218	\$ 10,680

5. Financial instruments

The Company is exposed to various risks through its financial instruments, without being exposed to concentration of risk. The following analysis provides a measure of the Company's risk exposure as at March 31, 2018.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is not exposed to significant liquidity risk.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk relate to its accounts receivable by providing credit to its customers in the normal course of operations. For these and other debts, the Company determines on a continuing basis, the probable losses and sets up provisions for losses based on the estimated realizable value where necessary.

The Company derived net sales from three (2017 - four) major customers amounting to approximately \$1,234,000 (2017 - \$1,493,000), representing 65% (2017 - 85%) of total revenues . Accounts receivable from the above significant customers at March 31, 2018 amounted to approximately \$286,500 (2017 - \$611,400).

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2018

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk as a significant volume of its sales transactions are denominated in U.S. dollars. Unfavourable changes in the foreign exchange rate may impact earnings and accounts receivable.

Foreign exchange loss on monetary assets and liabilities in the amount of \$1,889 (2017 - gain of \$1,555) are included in the determination of earnings.

At year end, the Company had the following amounts denominated in foreign currencies:

Accounts receivable	\$ 60,795 U.S.
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6. Contractual obligations

The Company is committed under a long-term lease for premises expiring in September 2019. Minimum annual lease payments (exclusive of the requirement to pay taxes, insurance and maintenance costs) over the next two years are approximately as follows:

Year ending March 31,	2019	\$ 47,100
	2020	23,550

7. Related party transactions

Newgen Software Technologies Limited and the Company are related parties by virtue of control.

During the year, the Company engaged in transactions in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, as follows:

	2018	2017
Sub-contracts	\$ 1,161,781	\$ 1,111,668

As at March 31, 2018, trade account balance owing to the above-noted related party amounted to \$870,858 (2017 -\$758,045).