

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.

FINANCIAL STATEMENTS

MARCH 31, 2023



LUO & ASSOCIATES
CPA PROFESSIONAL CORPORATION

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of **Newgen Software Technologies Canada, Ltd.**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Newgen Software Technologies Canada, Ltd.** (the Company), which comprise the balance sheet as at March 31, 2023, the statement of income and retained earnings, the statement of cash flows for the year 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, 2023, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises ("ASPE").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility 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 ASPE, and for such internal controls as management determines are 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' Responsibility 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards 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 Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



LUO & ASSOCIATES
CPA PROFESSIONAL CORPORATION
LICENSED PUBLIC ACCOUNTANTS

Park Place Corporate Centre
15 Wertheim Court, Suite 701
Richmond Hill, ON L4B 3H7
Tel: 647-277-8889
Web: www.bizpro.cpa
Fax: 1-888-388-1898

- 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ardell Luo.

Luo & Associates CPA Professional Corporation

Richmond Hill, Canada
April 25, 2023

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
Authorized to practise public accounting by
the Chartered Professional Accountants of Ontario

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.

BALANCE SHEET

As at March 31

2023

2022

ASSETS

Current

Cash and cash equivalents	\$ 937,699	\$ 780,269
Accounts receivable (Note 2)	238,848	120,553
Government remittances recoverable	-	34,735
Income tax recoverable	-	419
Prepaid expenses and sundry	40,486	39,090

1,217,033 975,066

Equipment (Note 3)

1,645 53

Incorporation costs (Note 4)

791 1,291

\$ 1,219,469 \$ 976,410

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 209,324	\$ 112,288
Government remittances payable	25,995	-
Income taxes payable	22,427	-
Deferred revenue	331,380	364,504

589,126 476,792

SHAREHOLDER'S EQUITY

Share capital

1,000,000 Common shares 100,000 100,000

Retained earnings

530,343 399,618

630,343 499,618

\$ 1,219,469 \$ 976,410

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	2023	2022
Revenue		
Sales	\$ 1,806,198	\$ 1,588,516
Interest income	4,948	-
Foreign exchange gain (loss)	2,655	(1,158)
	1,813,801	1,587,358
Expenses		
Wages and benefits	1,058,887	553,765
Sub-contracts <i>(Note 8)</i>	132,735	715,237
Office and general <i>(Note 8)</i>	110,905	53,542
Travel	92,936	16,350
Commissions	60,765	36,993
Occupancy costs	59,955	56,620
Professional fees	39,022	9,234
Consulting fees	32,087	35,004
Telephone	17,226	12,925
Advertising and promotion	16,938	3,000
Bad debts	8,427	-
Bank charges and interest	5,012	2,133
Amortization	1,375	1,331
	1,636,270	1,496,134
Income before income taxes	177,531	91,224
Provision for income taxes <i>(Note 5)</i>	46,806	24,461
Net income	130,725	66,763
Retained earnings, beginning of year	399,618	332,855
Retained earnings, end of year	\$ 530,343	\$ 399,618

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****2023****2022**

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

Net income	\$ 130,725	\$ 66,763
Add: items not involving cash		
Amortization	1,375	1,331
	132,100	68,094
Changes in non-cash working capital items		
Accounts receivable	(118,295)	144,418
Prepaid expenses and sundry	(1,396)	(24,962)
Accounts payable and accrued liabilities	97,036	(185,324)
Government remittances payable	60,730	(54,905)
Income taxes payable	22,846	(2,518)
Deferred revenue	(33,124)	53,487
	159,897	(1,710)
INVESTING ACTIVITIES		
Purchase of equipment	(2,467)	-
	(2,467)	-
Net increase (decrease) in cash	157,430	(1,710)
Cash and cash equivalents, beginning of year	780,269	781,979
Cash and cash equivalents, end of year	\$ 937,699	\$ 780,269

Represented by:

Cash	\$ 432,751	\$ 780,269
Guaranteed investment certificate	504,948	-
	\$ 937,699	\$ 780,269

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, 2023

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 and listed in India. The company is located in Ontario and provides software development, engineering and technical support services and solutions license subscription to its customers across Canada.

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, accrual of liabilities and determination of the employee compensation expense under the Company's Employee Stock Option Plan.. 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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Deferred revenue

Deferred revenue represents the amount of revenue collected with respect to the license subscription period subsequent to the year-end.

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2023

1. Summary of significant accounting policies *(continued)*

Revenue recognition

Revenue for product engineering and support services 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.

Revenue from solutions license subscription is recognized on a straight-line basis, whereby the total amount of cash to be received under a subscription agreement is recognized into income in equal periodic amounts over the term of the subscription agreement.

The Company records interest income on the accrual basis.

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.

Translation of foreign currencies

The Company uses the temporal method to translate its foreign currency transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate in effect at the date of transaction. Revenues and expenses are translated at the average exchange rates prevailing during the year, except for amortization which are translated at historic rates. Exchange gains or losses are included in the statement of income.

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 cash equivalents 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.

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2023

1. Summary of significant accounting policies (continued)

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

	2023	2022
Trade receivable	\$ 247,696	\$ 120,553
Provision for impairment	(8,848)	-
	\$ 238,848	\$ 120,553

3. Equipment

	Cost	Accumulated Amortization	2023 Net Book Value	2022 Net Book Value
Computer equipment	\$ 2,467	\$ 822	\$ 1,645	\$ 53

Amortization expense for the year amounted to \$875 (\$831 for 2022).

4. Incorporation costs

	2023	2022
Cost	\$ 4,791	\$ 4,791
Accumulated amortization	(4,000)	(3,500)
	\$ 791	\$ 1,291

Amortization expense for the year amounted to \$500 (\$500 for 2022).

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2023

5. 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:

	2023	2022
Income (loss) before income taxes	\$ 177,531	\$ 91,224
Combined corporate income tax rate (%)	26.50	26.50
Computed income tax expense	47,046	24,176
Increase (decrease) in taxes resulting from:		
Tax on CCA in excess of amortization	(260)	220
Tax on non-deductible expenses	20	65
Income tax expense	\$ 46,806	\$ 24,461

6. 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, 2023.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company does not have significant liabilities owing to third parties, and therefore, 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 four (2022 - four) major customers amounting to approximately \$1,689,100 (2022 - \$1,428,000), representing 94% (2022 - 90%) of total revenues. Accounts receivable from the above significant customers at March 31, 2023 amounted to approximately \$232,820 (2022 - \$80,512).

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2023

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 few 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 gain on monetary assets and liabilities in the amount of \$2,655 (2022 - loss of \$1,158) are included in the determination of earnings.

At year end, the Company had the following amount denominated in foreign currencies.

Cash	\$ 25,933 U.S.
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7. Contractual obligations

The Company is committed under a long-term lease for premises expiring in September 2023. Minimum annual lease payments (exclusive of the requirement to pay taxes, insurance and maintenance costs) over the next one year is approximately as follows:

Year ending March 31,	2024	\$ 31,227
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8. 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:

	2023	2022
Sub-contracts	\$ 132,735	\$ 715,237
Back office support charges included in office and general	56,668	32,289
Recruiting fee	29,700	-

As at March 31, 2023, trade account balance owing to the above-noted related party amounted to \$60,644 (2022 -\$16,856).

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2023

9. RSU of NSTL, the parent company, granted to the Company's employees

NSTL, the sole shareholder of the Company, established a Restricted Stock Units (RSU) Scheme, a type of employee stock option plan (ESOP) in fiscal year 2022. Each RSU is convertible into one equity share. One of the Company's executives was granted RSUs in December 2021 and six employees were granted RSUs in January 2023. The granted RSUs will be vested during the period from January 2024 to January 2027.

NSTL incurred no employee benefit costs attributable to the employees of the Company during the current fiscal year as the RSUs have not been vested. As such, no employee benefit costs relating to the RSU scheme were recorded by the Company or included in the statement of income.

10. Comparative figures

Certain comparative figures for the year ended March 30, 2022 have been reclassified to be in conformity with the presentation adopted in the current year.