

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.

FINANCIAL STATEMENTS

MARCH 31, 2017



Leung Luo Pang LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.

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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, 2017, 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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

A handwritten signature in black ink that reads 'Leung Luo Pang' followed by a stylized flourish.

**Chartered Professional Accountants
Licensed Public Accountants**

Richmond Hill, Canada
May 15, 2017

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

As at March 31

2017

2016

ASSETS**Current**

Cash	\$ 199,396	\$ 158,438
Accounts receivable (Note 2)	653,532	417,630
Government remittances recoverable	70,363	53,621
Prepaid expenses and sundry	17,651	15,416

940,942 **645,105****Equipment (Note 3)****822** **1,592**

\$ 941,764 **\$ 646,697**

LIABILITIES**Current**

Accounts payable and accrued liabilities	\$ 765,063	\$ 500,172
Income taxes payable	10,680	8,237
Due to related party	-	1,989

775,743 **510,398****SHAREHOLDER'S EQUITY****Share capital**1,000,000 Common shares **100,000** **100,000****Retained earnings** **66,021** **36,299**

166,021 **136,299**

\$ 941,764 **\$ 646,697**

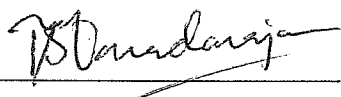
The accompanying notes are an integral part of the financial statements

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

2017 2016

Revenue	\$ 1,754,635	\$ 2,003,057
Expenses		
Sub-contracts	1,111,668	1,574,895
Wages and benefits	372,727	244,328
Travel	115,966	64,442
Occupancy costs	44,538	43,788
Office and general	28,714	17,332
Commissions	19,026	-
Professional fees	10,169	14,969
Telephone	5,902	4,138
Advertising and promotion	3,453	-
Bank charges and interest	1,301	1,430
Bad debts	-	7,320
Amortization	769	1,116
	1,714,233	1,973,758
Income before income taxes	40,402	29,299
Provision for income taxes (Note 4)	10,680	8,237
Net income	29,722	21,062
Retained earnings, beginning of year	36,299	15,237
Retained earnings, end of year	\$ 66,021	\$ 36,299

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****2017****2016**

CASH PROVIDED BY (USED IN) THE FOLLOWING ACTIVITIES:

OPERATING ACTIVITIES		
Net income	\$ 29,722	\$ 21,062
Add: items not involving cash		
Amortization	769	1,116
	30,491	22,178
Changes in non-cash working capital items		
Accounts receivable	(235,902)	2,758
Prepaid expenses and sundry	(2,235)	(4,469)
Accounts payable and accrued liabilities	264,892	2,658
Government remittances payable	(16,742)	(21,316)
Income taxes payable	2,443	3,250
	42,947	5,059
INVESTING ACTIVITIES		
Purchase of equipment	-	(2,308)
	-	(2,308)
FINANCING ACTIVITIES		
Due to related party	(1,989)	1,989
	(1,989)	1,989
Net increase in cash	40,958	4,740
Cash, beginning of year	158,438	153,698
Cash, end of year	\$ 199,396	\$ 158,438

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, 2017

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 provision for doubtful accounts, 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, 2017

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

	2017	2016
Trade receivable	\$ 660,852	\$ 421,618
Provision for impairment	(7,320)	(7,320)
Employee advance, without interest	-	3,332
	\$ 653,532	\$ 417,630

3. Equipment

	2017	2016
	Cost	Accumulated Amortization
	Net Book Value	Net Book Value
Computer equipment	\$ 3,507	\$ 2,685
	\$ 822	\$ 1,592

Amortization expense for the year amounted to \$769 (\$1,116 for 2016).

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2017

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:

	2017	2016
Income (loss) before income taxes	\$ 40,402	\$ 29,299
Combined corporate income tax rate (%)	26.50	26.50
Computed income tax expense	10,707	7,764
Increase (decrease) in taxes resulting from:		
Tax on CCA in excess of amortization	(67)	70
Tax on non-deductible expenses	40	403
Income tax expense	\$ 10,680	\$ 8,237

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, 2017.

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 four (2016 - two) major customers amounting to approximately \$1,493,000 (2016 - \$1,316,800), representing 85% of total revenues (2016 - 66% of total revenues). Accounts receivable from the above significant customers at March 31, 2017 amounted to approximately \$611,400 (2016 - \$224,300).

NEWGEN SOFTWARE TECHNOLOGIES CANADA, LTD.
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31, 2017

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 gains on monetary assets and liabilities in the amount of \$1,555 (2016 - loss of \$108) are included in the determination of earnings.

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

Accounts receivable	\$ 53,858 U.S.
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6. 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:

	2017	2016
Sub-contracts	\$ 1,111,668	\$ 1,574,895

As at March 31, 2017, trade account balance owing to the above-noted related party amounted to \$758,045 (2016 -\$491,492).

7. Comparative figures

Certain comparative figures for the year ended March 31, 2016 have been reclassified to be in conformity with the presentation adopted in the current year.

