

MAHESH J. AGASHIWALA, C.P.A, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT REPORT
DATAMATICS GLOBAL SERVICES INC
APRIL 2016 - MARCH 2017

REPORT DATE: MAY 17, 2017

DATAMATICS GLOBAL SERVICES INC.

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Financial Statements and Supplemental Schedules for the year ended March 31, 2017

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Report of Independent Auditors

To:

**The Board of Directors and Stockholders
Datamatics Global Services Inc.**

Report on the Financial Statements

We have audited the accompanying Balance Sheet of Datamatics Global Services Inc. as of March 31, 2017 and 2016 and the related statements of Income and Expenditure, Retained Earnings and Cash Flows for the period then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

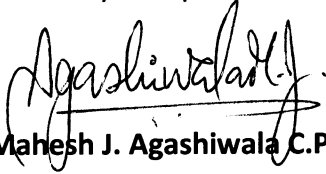
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Datamatics Global Services Inc as of March 31, 2017 and 2016 and the results of its operations and its cash flows for the years then ended in conformity with Generally Accepted Accounting Principles in the United States of America.



Mahesh J. Agashiwala C.P.A., P.C

**New York, NY
May 17, 2017**

MAHESH J. AGASHIWALA, C.P.A, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**DATAMATICS GLOBAL SERVICES INC.
BALANCE SHEET**

| | <u>March 31,</u> <u>2017</u> | <u>March 31,</u> <u>2016</u> |
|--|---------------------------------|---------------------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash & Bank Balance | \$ 1,513,785 | \$ 638,823 |
| Accounts Receivable, Net - Trade (Note 2 & 3) | 5,162,898 | 5,889,741 |
| Prepaid Taxes & Expenses (Note 6) | 777,905 | 672,651 |
| Loans & Advances - Others | 862,851 | 315,173 |
| Total Current Assets | 8,317,439 | 7,516,388 |
| PROPERTY, EQUIPMENT & IMPROVEMENTS (Note 8) | | |
| Net of accumulated depreciation of \$3,015,023 & 2,530,197 respectively | 447,903 | 377,988 |
| OTHER ASSETS | | |
| Security Deposits | 145,587 | 31,002 |
| Investment | 5,931 | 5,931 |
| Total Other Assets | 151,518 | 36,933 |
| INTANGIBLE ASSETS (Note 4 and 9) | | |
| Tricom Contracts - Net of Accumulated Amortization of \$2,126,761 & 1,808,354 respectively | 0 | 318,407 |
| Other Intangible Assets - Net of Accumulated Amortization of \$783,986 & 767,514 respectively | 276,256 | 47,054 |
| TOTAL ASSETS | \$ 9,193,116 | \$ 8,296,770 |
| <u>LIABILITIES & STOCKHOLDERS' EQUITY</u> | | |
| CURRENT LIABILITIES | | |
| Accounts Payable - Trade (Note 7) | \$ 2,127,534 | 1,342,911 |
| CitiBank - Line of Credit (Note 4) | 0 | 1,300,000 |
| Customer Deposits | 175,718 | 175,718 |
| Accrued Expenses & Other Current Liabilities | 1,168,712 | 912,544 |
| Total Current Liabilities | 3,471,964 | 3,731,173 |
| EQUITY | | |
| Equity Capital - Common (Note 11) | 15,887,571 | 15,887,571 |
| Additional Paid in Capital | 12,354,232 | 12,354,232 |
| Retained Earnings | (22,520,652) | (23,676,206) |
| Total Stockholders' Equity | 5,721,152 | 4,565,597 |
| TOTAL LIABILITY & STOCKHOLDERS' EQUITY | \$ 9,193,116 | 8,296,770 |

See Independent Auditors' Report and the accompanying notes which are an integral part of these financial statements

MAHESH J. AGASHIWALA, C.P.A., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**DATAMATICS GLOBAL SERVICES INC.
INCOME STATEMENT**

| | March 31, <u>2017</u> | March 31, <u>2016</u> |
|--|-----------------------------------|----------------------------------|
| NET SALES | \$ 27,836,654 | 26,738,083 |
| COST OF SALES (Schedule A) | <u>21,229,252</u> | <u>22,248,203</u> |
| GROSS PROFIT | 6,607,402 | 4,489,880 |
| OPERATING EXPENSES | | |
| Selling, General and Administrative Expenses (Schedule B) | <u>5,429,636</u> | <u>4,975,979</u> |
| INCOME / (LOSS) FROM OPERATIONS | <u>1,177,767</u> | <u>(486,099)</u> |
| OTHER INCOME AND (EXPENSES) | | |
| Interest Income / (Expenses) | (2,879) | (5,274) |
| Other Income / (Expenses) | <u>7,067</u> | <u>2,317</u> |
| TOTAL OTHER INCOME AND (EXPENSES) | <u>4,188</u> | <u>(2,957)</u> |
| NET INCOME / (LOSS) BEFORE TAX | 1,181,955 | (489,056) |
| Corporate Taxes (Note 2) | 26,400 | 0 |
| NET INCOME / (LOSS) | <u><u>\$ 1,155,555</u></u> | <u><u>(489,056)</u></u> |

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MAHESH J. AGASHIWALA, C.P.A, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**DATAMATICS GLOBAL SERVICES INC.
STATEMENT OF CASH FLOW**

| | March 31, <u>2017</u> | March 31, <u>2016</u> |
|---|----------------------------------|----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net Profit / (Loss) | \$ 1,155,555 | \$ (489,056) |
| Adjustments to reconcile net profit to net cash provided (used in) by Operating activities: | | |
| Depreciation & Amortization | 819,693 | 1,178,137 |
| (Increase)/Decrease in Accounts Receivable | 726,843 | (415,456) |
| (Increase)/Decrease in Other Current Assets | (105,254) | (109,843) |
| (Increase)/Decrease in Other Assets | (360,268) | (1,791) |
| Increase/(Decrease) in Current Liabilities | <u>1,040,791</u> | <u>(69,161)</u> |
| Net cash provided by operating activities | <u>3,277,360</u> | <u>92,830</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| (Addition)/Deletion to Property & Equipment | (554,720) | (230,110) |
| Loans & Advances | <u>(547,678)</u> | <u>(82,944)</u> |
| Net cash provided by Investing activities | <u>(1,102,398)</u> | <u>(313,054)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Working Capital Facility - CitiBank | <u>(1,300,000)</u> | <u>300,000</u> |
| Net cash provided by financing activities | <u>(1,300,000)</u> | <u>300,000</u> |
| | | |
| Net Increase / (Decrease) in cash flow | 874,962 | 79,776 |
| | | |
| Cash at beginning of year | <u>638,823</u> | <u>559,047</u> |
| | | |
| Cash at end of year | <u><u>\$ 1,513,785</u></u> | <u><u>\$ 638,823</u></u> |

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MAHESH J. AGASHIWALA, C.P.A., P.C.
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**DATAMATICS GLOBAL SERVICES INC.
STATEMENT OF RETAINED EARNINGS**

| <u>RETAINED EARNINGS</u> | March 31, <u>2017</u> | March 31, <u>2016</u> |
|------------------------------------|----------------------------------|----------------------------------|
| Beginning Balance | \$ (23,676,206) | \$ (23,187,150) |
| Net Profit / (Loss) for the Period | 1,155,555 | (489,056) |
| Ending Balance | \$ <u>(22,520,652)</u> | \$ <u>(23,676,206)</u> |

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these financial statements

MAHESH J. AGASHIWALA, C.P.A., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**DATAMATICS GLOBAL SERVICES INC.
SCHEDULE OF COST OF SALES**

Schedule A

| | March 31, <u>2017</u> | March 31, <u>2016</u> |
|-----------------------------|----------------------------------|----------------------------------|
| Salaries | \$ 9,657,216 | \$ 9,773,791 |
| Contract Labor | 7,548,472 | 7,902,339 |
| Employee Benefit Expenses | 682,760 | 648,728 |
| Rent | 614,850 | 224,261 |
| Bank Charges | 8,373 | 58 |
| Utilities | 88,736 | 7,865 |
| Real & Property Taxes | 44,773 | 43,866 |
| Depreciation & Amortization | 437,520 | 775,933 |
| Recruitment Expenses | 58,269 | 47,430 |
| Repairs & Maintenance | 100,651 | 158,633 |
| Supplies | 165,576 | 264,046 |
| Software | 50,325 | 104,722 |
| Telephone | 25,763 | 90,155 |
| Postage | 1,353,038 | 1,512,333 |
| Travel Expenses | 149,438 | 370,465 |
| Meals & Entertainment | 31,092 | 101,739 |
| Professional Fees | (48) | 12,066 |
| Commission on Sales | 121,200 | 121,200 |
| Other Expenses | 734 | 472 |
| Insurance | 90,514 | 88,101 |
| | | |
| COST OF SALES | \$ <u>21,229,252</u> | \$ <u>22,248,203</u> |

See Independent Auditors' Report and the accompanying notes which are an integral part of these financial statements

MAHESH J. AGASHIWALA, C.P.A., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**DATAMATICS GLOBAL SERVICES INC.
SCHEDULE OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Schedule B

| | March 31, <u>2017</u> | March 31, <u>2016</u> |
|--|----------------------------|----------------------------|
| Advertisement & Sales Promotion | \$ 91,305 | \$ 49,153 |
| Bank Charges and Interest | 17,643 | 25,338 |
| Bad & Doubtful Debts | 143,843 | 6,500 |
| Depreciation & Amortization | 382,173 | 402,204 |
| Employee Benefit Expenses | 220,987 | 231,461 |
| Entertainment & Membership Expenses | 75,288 | 49,989 |
| Recruitment Expenses | 1,020 | 793 |
| Insurance | 173,043 | 129,137 |
| Legal Fees & Professional Fees | 232,913 | 357,672 |
| Miscellaneous Expenses | 19,159 | 2,461 |
| Software Expenses | 104,350 | 162,650 |
| Postage & Delivery | 24,563 | 66,457 |
| Printing, Stationery & Office Supplies | 92,059 | 71,157 |
| Rent | 94,878 | 187,991 |
| Repairs & Maintenance | 115,996 | 106,447 |
| Real & Property Taxes | 8,434 | 7,255 |
| Salaries | 2,988,439 | 2,554,030 |
| State Corp Tax | 38,588 | 4,429 |
| Telephone & Link Expenses | 287,584 | 229,445 |
| Travel Expenses | 295,783 | 233,185 |
| Utilities | 21,588 | 98,225 |
| TOTAL | \$ <u>5,429,636</u> | \$ <u>4,975,979</u> |

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**DATAMATICS GLOBAL SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

1. ORGANIZATION

Datamatics Global Services Inc. (the Company) formerly Datamatics Technologies Inc. has been incorporated in the state of Delaware in 1999 and is a wholly owned subsidiary of Datamatics Global Services Limited (DGSL), formerly Datamatics Technologies Limited (DTL), which is incorporated in India.

At the end of March 31, 2009, Datamatics (America) Inc and Datamatics Infotech Inc merged with Datamatics Technologies Inc and the new merged entity changed its name to Datamatics Global Services Inc (the Company).

The principal business of the Company is to provide ITES - BPO services, more particularly, the Company offers end to end services in back office processing, covering: Accounts Payable Management, Tax Returns Processing, Market Research Forms Processing and Health Care Claims Processing; Content Management including Publishing Services, Financial Document Processing and Litigation Support Services. It also offers Consulting Services including Data Warehousing and Business Intelligence, Data Integration and Document Management and Workflow.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Company maintains its books of accounts on accrual basis.

INVENTORY

The Company is not engaged in sale of any products and therefore there is no inventory of merchandise.

CONTRACT LABOR

Contract Labor consists of expenses related to hiring of human resources.

CASH

Cash includes cash on hand and in bank deposit. The Company maintains its cash in bank deposit accounts that, at times, may be in excess of amounts insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts.

See Independent Auditors' Audit Report

**DATAMATICS GLOBAL SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short maturity of those instruments. The Company believes that the carrying value of notes payable and capital leases payable approximates fair value as the interest rates on those instruments are similar to rates currently available to the Company.

PROPERTY, EQUIPMENT AND DEPRECIATION

Property and Equipment are valued at cost. Depreciation is provided on Straight Line Method over the estimated useful life of the assets. When the assets are disposed off, the cost and the accumulated depreciation are eliminated from the books of accounts and the gain or loss is recognized.

INTANGIBLE ASSETS

Intangible assets consist of business acquisition costs, software and capitalized leases. Management believes that the intangible assets have significant value and will provide future benefits to the Company and are stated at their fair values.

In accordance with GAAP, long lived assets to be held and used are analyzed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. The Company evaluates at each balance sheet date whether events and circumstances have occurred that indicates possible impairment. If there are indications of impairment, the Company uses future undiscounted cash flows of the related asset or asset grouping over the remaining life in measuring whether the assets are recoverable. In the event such cash flows are not expected to be sufficient to recover the recorded asset values, the assets are written down to their estimated fair value.

PROVISION FOR DOUBTFUL DEBTS

The Company creates a reserve for bad debts for its Receivables, which it considers as doubtful. The Company has created a reserve for bad debts of \$77,865 in prior years and increased the reserve to \$221,708 in the current year.

See Independent Auditors' Audit Report

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**DATAMATICS GLOBAL SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

USE OF ESTIMATES

The preparation of financial statements as per Generally Accepted Accounting Principles requires management to make estimates and assumptions which affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amount of revenue and expenses during the reported period. Actual results could differ from such estimates.

INTERNAL CONTROLS

Management believes that adequate internal controls are in place.

INCOME TAXES

The Company has reported Net Income for the current fiscal year. However, no provision for income taxes are made in the books since the Company intends to utilize its accumulated Net Operating Losses in Prior Years to offset the current year's Net Taxable Income and will continue to do so in future years until the Net Operating Losses are either fully utilized or lapsed. The management has decided not to set up a Deferred Tax Asset Account. The mandatory State Income Taxes have been provided for since they are based on alternative tax computation.

SUBSEQUENT EVENTS

There are no major subsequent events to be reported after the Balance Sheet date.

3. ACCOUNTS RECEIVABLE

Accounts Receivable includes \$118,270 which is past due for over 180 days, representing 2% of the total Accounts Receivable. The management represents that it expects to realize the amount in full over a period of time.

4. LINE OF CREDIT - BUSINESS LOAN AGREEMENT

The Citibank credit line of \$1.3 million expired in July 2016 and is not renewed since then. Up until June 2016, the Company had a credit line of \$1.5 million from Citi Bank N.A. at a LIBOR +1% interest rate. This credit facility was guaranteed by the Parent Company DGSL by maintaining equal amount of deposit as collateral with Citi Bank N.A. India.

**DATAMATICS GLOBAL SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

5. CUSTOMER CONTRACT PURCHASE AGREEMENT

The contract between the Company and Tricom Parties dated September 16, 2013 under which the Company agreed to purchase certain customer contracts for healthcare claim processing business in USA for a total consideration of \$2,494,000. However some of the customer contracts were not turned over to the Company and hence the total consideration was reduced to \$2,126,761. The Company recorded an intangible asset of \$2,126,761 and is amortizing over a period of 36 months from date of purchase. The Company recorded revenue of \$4,980,032 in the current year from this contract.

6. BUSINESS DEVELOPMENT AGREEMENT

The five year conditional contract between the Company and Ameriinfo LLC (Consultant) dated March 5, 2014 under which the Accounts Payable Service Centre project introduced by the Consultant will generate minimum revenue of \$4,795,000 and the Company has agreed to pay \$606,000 towards total gross commission in advance. As per the terms of the contract, the Company paid \$350,000 commission in advance as of March 31, 2014 and was liable to pay the balance \$256,000 as of March 31, 2015 which is unpaid as of March 31, 2017. This is neither paid nor recorded as a current liability as of March 31, 2017. Out of \$350,000 paid to the Consultant, the Company expensed \$40,400 towards commission during 2013-14, \$121,200 during 2014-15, \$121,200 during 2015-16 and \$67,200 during 2016-17.

7. RELATED PARTY TRANSACTIONS

Accounts Payable includes \$1,622,869 due to DGSL, the parent company against services received worth of \$6,065,871 as of March 31, 2017.

As of March 31, 2017, DGSL, the parent company, has charged a fee of \$30,000 for providing a guarantee to secure the Line of Credit from Citibank N.A.

Accounts Payable includes \$123,804 due to Lumina Datamatics Inc., a related company under the common control of DGSL against services received worth of \$324,886 as of March 31, 2017. The Company reimbursed \$105,915 for expenses to Lumina Datamatics Inc., as of March 31, 2017.

As of March 31, 2017, Accounts Receivable includes \$212,631 due from Cignex Datamatics Inc., (Cignex) a related company under the common control of DGSL. The Company has rendered services worth of \$883,556 to Cignex during the year. The Company reimbursed \$111,453 for expenses to Cignex as of March 31, 2017.

**DATAMATICS GLOBAL SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

7. RELATED PARTY TRANSACTIONS (Continued)

On March 30, 2017, the Company incorporated Datamatics Robotics Software, Inc. (DRSI), a wholly owned subsidiary of the Company. Stock subscription payable of \$1,000 is recorded under Other Current Liabilities. There was no activity recorded as of March 31, 2017 for DRSI. The objective is to sell DGSL Proprietary Robotics Software to US customers in the USA through a license purchased from a DGSL related entity.

On March 30, 2017, the Company recorded a \$205,700 obligation to Datamatics Global Technologies AG, a related company under the common control of DGSL, for the US Intellectual Property rights to Apper IQ. This amount is recorded as intangible asset and Accounts Payable in March 31, 2017 Balance Sheet. The amortization of the intangible asset will start from April 01, 2017.

8. PROPERTY, EQUIPMENT & IMPROVEMENTS

As of March 31, 2017 property, equipment and improvements consisted of the following:

| | Automobiles | Machinery And Equipment | Furniture And Fixtures | Leasehold Improvements | Total |
|---------------------|------------------|-------------------------------|------------------------------|---------------------------|---------------------|
| <u>Cost:</u> | | | | | |
| Beginning Balance | | | | | |
| March 31, 2016 | \$ 22,296 | \$ 2,531,335 | \$ 264,744 | \$ 89,811 | \$ 2,908,186 |
| Additions | 6,700 | 443,891 | 66,420 | 37,729 | 554,740 |
| Dispositions | - | - | - | - | - |
| Ending Balance | | | | | |
| March 31, 2017 | <u>\$ 28,996</u> | <u>\$ 2,975,226</u> | <u>\$ 331,164</u> | <u>\$ 127,540</u> | <u>\$ 3,462,926</u> |

Accumulated

Depreciation:

| | | | | | |
|-------------------|------------------|---------------------|-------------------|------------------|---------------------|
| Beginning Balance | | | | | |
| March 31, 2016 | \$ 21,010 | \$ 2,243,934 | \$ 192,441 | \$ 72,812 | \$ 2,530,197 |
| Additions | 2,347 | 445,079 | 32,186 | 5,214 | 484,826 |
| Dispositions | - | - | - | - | - |
| Ending Balance | | | | | |
| March 31, 2017 | <u>\$ 23,357</u> | <u>\$ 2,689,013</u> | <u>\$ 224,627</u> | <u>\$ 78,026</u> | <u>\$ 3,015,023</u> |

**DATAMATICS GLOBAL SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

9. INTAGIBLE ASSETS

Intangible assets, at cost, consist of business acquisition costs, software and capital leases.

Business acquisition costs – Tricom Parties consist of the costs including legal costs incurred to purchase customer contracts:

| | |
|---------------------------------------|------------------|
| Business acquisition – Tricom Parties | \$ 2,126,761 |
| Less: Accumulated amortization | <u>2,216,761</u> |
| Business acquisition – Net | <u>\$ -</u> |

Business acquisition is being amortized over a period of 36 months (refer to note 5).

Other Intangible costs consist of:

| | |
|--------------------------------|------------------|
| Capitalized Software | \$ 689,413 |
| Capitalized Leases | 125,158 |
| Less: Accumulated amortization | <u>783,985</u> |
| Other Intangible Assets – Net | <u>\$ 30,586</u> |

10. LEASE COMMITMENTS

The Company has entered into lease agreements for office space and various items of equipment. The rental agreement for office space includes escalation clauses that allow increase in future operating costs.

Future minimum lease payments for the current facilities and equipment are listed by year and in the aggregate, under non-cancelable operating leases with remaining terms of one year or more are as follows:

| Fiscal Year | Lease Obligations |
|-------------|-------------------|
| 2017-18 | \$788,097 |
| 2018-19 | \$557,899 |
| 2019-20 | \$427,910 |
| 2020-21 | \$518,866 |
| 2021-22 | \$532,538 |

The lease obligations are neither recorded as an intangible asset nor as the liability. These amounts will change as the Company renegotiates or finds new facilities when any of the existing leases expires.

See Independent Auditors' Audit Report

**DATAMATICS GLOBAL SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

11. EQUITY

The Company has Authorized Common Stock of 1150 Shares @ No Par Value.
As of March 31, 2017 Common Stock Issued and Outstanding was 1000 shares @ No Par Value.

See Independent Auditors' Audit Report