

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

CERTIFIED PUBLIC ACCOUNTANTS

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**AUDIT REPORT**  
**DATAMATICS GLOBAL SERVICES INC**  
**APRIL 2019 - MARCH 2020**

**REPORT DATE: MAY 11, 2019**

**DATAMATICS GLOBAL SERVICES INC.**

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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, 2020 and 2019 and the related statements of Income and Expenditure, Retained Earnings and Cash Flows for the period then ended.

Since our engagement is limited to expressing an audit opinion on Datamatics Global Services Inc.'s financial position on a stand-alone basis for the years ending March 31, 2020 and 2019, the effects of the results of operations, cash-flow and Balance Sheet of the non-consolidating subsidiary companies are not considered in this audit report

**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, 2020 and 2019 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.

Handwritten signature of Mahesh J. Agashiwala in cursive, followed by the letters 'CPA' in a stylized font.

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

**New York, NY  
05/11/2020**

**DATAMATICS GLOBAL SERVICES INC.  
BALANCE SHEET**

	<u>March 31,</u> <u>2020</u>	<u>March 31,</u> <u>2019</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash & Bank Balance	\$ 2,532,613	\$ 1,183,709
Accounts Receivable, Net - Trade (Note 2, 3 & 6)	7,374,151	7,244,323
Prepaid Taxes & Expenses	1,101,478	560,414
Loans & Advances - Others	2,592,168	3,292,691
Total Current Assets	13,600,410	12,281,137
<b>PROPERTY, EQUIPMENT &amp; IMPROVEMENTS (Note 7)</b>		
Net of accumulated depreciation of \$3,968,532 and \$3,628,847 respectively	444,243	707,622
<b>OTHER ASSETS</b>		
Security Deposits	184,515	176,892
Investment	1,200,376	406,061
Total Other Assets	1,384,891	582,953
<b>INTANGIBLE ASSETS (Note 8)</b>		
Intangible Assets - Net of Accumulated Amortization of \$863,340 and \$836,638 respectively	455,203	267,153
<b>TOTAL ASSETS</b>	\$ 15,884,747	\$ 13,838,865
<b><u>LIABILITIES &amp; STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable - Trade (Note 6)	\$ 3,546,136	\$ 2,479,155
HSBC Bank - Line of Credit (Note 4)	2,903,838	800,000
Customer Deposits	175,723	232,319
Accrued Expenses & Other Current Liabilities (Note 6)	2,129,491	2,532,748
Total Current Liabilities	8,755,188	6,044,222
<b>EQUITY</b>		
Equity Capital - Common (Note 10)	15,887,571	15,887,571
Additional Paid in Capital	12,354,232	12,354,232
Retained Earnings	(21,112,245)	(20,447,161)
Total Stockholders' Equity	7,129,559	7,794,643
<b>TOTAL LIABILITY &amp; STOCKHOLDERS' EQUITY</b>	\$ 15,884,747	\$ 13,838,865

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

**DATAMATICS GLOBAL SERVICES INC.  
INCOME STATEMENT**

	<b>March 31, <u>2020</u></b>	<b>March 31, <u>2019</u></b>
<b>NET SALES</b>	<b>\$ 22,841,026</b>	<b>\$ 27,899,111</b>
<b>COST OF SALES (Schedule A)</b>	<b><u>18,050,555</u></b>	<b><u>20,989,741</u></b>
<b>GROSS PROFIT</b>	<b>4,790,471</b>	<b>6,909,370</b>
<b>OPERATING EXPENSES</b>		
Selling, General and Administrative Expenses (Schedule B)	<b><u>4,964,250</u></b>	<b><u>5,198,013</u></b>
<b>INCOME / (LOSS) FROM OPERATIONS</b>	<b><u>(173,779)</u></b>	<b><u>1,711,357</u></b>
<b>OTHER INCOME AND (EXPENSES)</b>		
Interest Income / (Expenses)	<b>(95,801)</b>	<b>(9,491)</b>
Other Income / (Expenses)	<b><u>180,307</u></b>	<b><u>107,534</u></b>
<b>TOTAL OTHER INCOME AND (EXPENSES)</b>	<b><u>84,506</u></b>	<b><u>98,043</u></b>
<b>NET INCOME / (LOSS) BEFORE TAX</b>	<b>(89,273)</b>	<b>1,809,400</b>
Corporate Taxes (Note 2)	<b>36,000</b>	<b>57,765</b>
<b>NET INCOME / (LOSS)</b>	<b>\$ <u><u>(125,273)</u></u></b>	<b>\$ <u><u>1,751,635</u></u></b>

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

	<b>March 31, <u>2020</u></b>	<b>March 31, <u>2019</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Profit / (Loss)	\$ (125,273)	\$ 1,751,635
Adjustments to reconcile net profit to net cash provided (used in) by Operating activities:		
Lease accounting adjustment impact	(539,811)	0
Depreciation & Amortization	477,031	396,022
(Increase)/Decrease in Accounts Receivable	(129,862)	(675,020)
(Increase)/Decrease in Other Current Assets	(541,064)	16,474
(Increase)/Decrease in Other Assets	(5,352)	3,695
Increase/(Decrease) in Current Liabilities	607,091	(287,386)
Net cash provided by operating activities	<u>(257,240)</u>	<u>1,205,420</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Addition)/Deletion to Property & Equipment	(213,651)	(43,376)
(Addition)/Deletion to Intangible Assets	(190,251)	0
Investment in subsidiaries	(794,315)	(186,965)
Loans & Advances	700,523	(2,443,061)
Net cash provided by Investing activities	<u>(497,694)</u>	<u>(2,673,402)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Working Capital Facility - HSBC Bank	<u>2,103,838</u>	<u>(800,000)</u>
Net cash provided by financing activities	<u>2,103,838</u>	<u>(800,000)</u>
Net Increase / (Decrease) in cash flow	1,348,904	(2,267,982)
Cash at beginning of year	<u>1,183,709</u>	<u>3,451,691</u>
Cash at end of year	<u>\$ 2,532,613</u>	<u>\$ 1,183,709</u>

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**DATAMATICS GLOBAL SERVICES INC.  
STATEMENT OF RETAINED EARNINGS**

<b><u>RETAINED EARNINGS</u></b>	<b>March 31, <u>2020</u></b>	<b>March 31, <u>2019</u></b>
Beginning Balance	\$ (20,447,161)	\$ (22,198,796)
IND AS 116 Lease adjustment	(539,811)	0
Net Profit / (Loss) for the Period	(125,273)	1,751,635
Ending Balance	\$ <u><u>(21,112,245)</u></u>	\$ <u><u>(20,447,161)</u></u>

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of these financial statements**

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

**Schedule A**

	<b>March 31, <u>2020</u></b>	<b>March 31, <u>2019</u></b>
Salaries	\$ 8,967,272	\$ 10,584,305
Contract Labor	3,678,099	6,541,912
Employee Benefit Expenses	607,612	545,484
Rent	633,473	704,861
Bank Charges	846	512
Utilities	53,722	63,409
Real & Property Taxes	24,022	34,661
Depreciation & Amortization	290,441	196,789
Recruitment Expenses	54,142	73,695
Repairs & Maintenance	226,497	208,362
Supplies	29,864	31,343
Software	120,509	45,908
Telephone	13,859	73,296
Postage	948,813	1,217,363
Travel Expenses	303,355	403,169
Meals & Entertainment	52,959	2,667
Professional Fees	1,846,373	26,171
Commission on Sales	94,960	147,505
Other Expenses	80,860	8,818
Insurance	22,877	79,511
 <b>COST OF SALES</b>	 <b>\$ <u><u>18,050,555</u></u></b>	 <b>\$ <u><u>20,989,741</u></u></b>

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

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

**Schedule B**

	March 31, <u>2020</u>	March 31, <u>2019</u>
Advertisement & Sales Promotion	\$ 183,482	\$ 106,150
Bank Charges and Interest	20,417	12,977
Bad & Doubtful Debts	28,505	0
Depreciation & Amortization	186,590	199,233
Employee Benefit Expenses	212,365	154,459
Entertainment & Membership Expenses	40,103	18,152
Recruitment Expenses	72,146	17,754
Insurance	121,797	141,102
Legal Fees & Professional Fees	177,520	171,328
Miscellaneous Expenses	572	1,961
Software Expenses	128,338	144,095
Postage & Delivery	11,995	15,694
Printing, Stationery & Office Supplies	0	5,259
Rent	121,733	122,317
Repairs & Maintenance	204,630	275,352
Real & Property Taxes	26,439	13,615
Salaries	2,662,581	3,103,232
Telephone & Link Expenses	382,896	455,791
Travel Expenses	354,700	217,558
Utilities	27,441	21,984
<b>TOTAL</b>	<b>\$ <u>4,964,250</u></b>	<b>\$ <u>5,198,013</u></b>

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

**DATAMATICS GLOBAL SERVICES INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020**

**1. ORGANIZATION**

Datamatics Global Services Inc. is incorporated in the State of Delaware in 1999 and is a wholly owned subsidiary Datamatics Global Services Limited (DGSL) which is incorporated in India.

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, 2020**

**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. During the year, the Company reversed \$105,547 excess provision for doubtful debt created in the previous year and reported the same as Other Income in the Income Statement. For the year ending March 2020, the reserve for bad debt balance is \$168,205.

See Independent Auditors' Audit Report

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**DATAMATICS GLOBAL SERVICES INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020**

**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.

**3. ACCOUNTS RECEIVABLE**

Accounts Receivable includes \$ 359,960 which is past Due for over 180 days, representing 6 % of the total Accounts Receivable. The management represents that it expects to realize the amount in full over a period of time.

The Company adopted Expected Credit Loss Methodology during the fiscal year ended March 31, 2018, to comply with the International Financial Reporting Standard 9, a deviation from Generally Accepted Accounting Principles, to evaluate the impairment of its accounts receivables for all prior years by creating \$249,437 of a reserve that reduced the accounts receivable reported in the previous fiscal year. This prior period adjustment is reflected as a separate line entry in the previous fiscal year Retained Earnings.

See Independent Auditors' Audit Report

**DATAMATICS GLOBAL SERVICES INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020**

**4. LINE OF CREDIT - BUSINESS LOAN AGREEMENT**

On January 10, 2018, the Company signed a discretionary demand line of credit secured by the assets of the Company from HSBC Bank. The available credit of \$3 Million bears interest at Libor plus 2.15% per annum and are to be used for working capital and general corporate purposes. The Line of Credit shall be payable on demand.

The Company borrowed 1.6 Million against the Line of Credit on March 29, 2018 and on April 3, 2018 advanced \$1.6 Million to Datamatics Global Services Corp, a wholly owned Philippines subsidiary of the Company, to fund the purchase of RJ Globus Solutions, a Philippines company. During the current fiscal year, the company has borrowed and repaid several amounts including a \$500,000 advance obtained to fund the early lease termination penalty in December and then several more advances obtained at the end of the Fiscal Year to assure the availability of cash in response to the COVID-19 virus outbreak. The end result of this activity resulted in a \$2.9 Million balance payable at the end of the current fiscal year, March 31, 2020.

**5. 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 of March 31, 2014 and was liable to pay the balance \$256,000 as of March 31, 2015 which remained unpaid as of March 31, 2020. This is neither paid nor recorded as a current liability as of March 31, 2020.

**6. RELATED PARTY TRANSACTIONS**

Accounts Payable includes \$ 1,357,914 due to DGSL, the parent company against services received worth \$ 3,301,274 and \$ 759,765 against recovery of expenses as of March 31, 2020. Accounts Receivable includes \$ 1,796,807 due from DGSL, the parent company, against services rendered worth \$ 836,604.

Accounts Payable also includes \$ 572,944 due to Datamatics Robotics Software Limited, a step-down subsidiary, against services received worth \$ 572,944.

See Independent Auditors' Audit Report

**DATAMATICS GLOBAL SERVICES INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020**

**6. RELATED PARTY TRANSACTIONS (Continued)**

Accounts Receivable includes \$20,177 and Accounts payable includes \$ 8,341 due to Lumina Datamatics Inc., a related company under the common of DGSL against services received worth of \$ 180,568 as of March 31, 2020. The Company was reimbursed \$ 88,805 for expenses of Lumina Datamatics Inc. as of March 31, 2020.

As of March 31, 2020, Accounts Receivable includes \$ 158,394 due from Cignex Datamatics, Inc. (Cignex) a related company under the common control of DGSL. The Company has rendered services worth of \$ 662,002 to Cignex during the year. The Company was reimbursed \$ 91,291 for expenses of Cignex as of March 31, 2020.

The Company has advanced loan of \$ 1,600,000 to Datamatics Global Services Corp. (DGSC). Out of this loan \$ 190,000 converted into preferred stock investment. During the year DGSC repaid \$ 390,000. Total Interest accrued on this loan is \$ 131,727 (current year accrual is \$ 57491). The balance outstanding as on March 31, 2020 along with accrued interest is \$ 1,151,727.

**7. PROPERTY, EQUIPMENT & IMPROVEMENTS**

As of March 31, 2020 property, equipment and improvements consisted of the following:

	Automobiles	Machinery And Equipment	Furniture And Fixtures	Leasehold Improvements	Total
<b><u>Cost:</u></b>					
Beginning Balance					
March 31, 2019	\$ 11,201	\$ 3,812,317	\$ 364,549	\$ 148,434	\$ 4,336,500
Additions	-	43,849	-	32,425	76,274
Dispositions	-	-	-	-	-
Ending Balance					
March 31, 2020	\$ <u>11,201</u>	\$ <u>3,856,166</u>	\$ <u>364,549</u>	\$ <u>180,858</u>	\$ <u>4,412,775</u>
<b><u>Accumulated Depreciation:</u></b>					
Beginning Balance					
March 31, 2019	\$ 9,164	\$ 3,239,580	\$ 280,289	\$ 99,814	\$ 3,628,878
Additions	815	300,027	24,925	13,918	339,685
Dispositions	-	-	-	-	-
Ending Balance					
March 31, 2020	\$ <u>9,979</u>	\$ <u>3,539,608</u>	\$ <u>305,214</u>	\$ <u>113,732</u>	\$ <u>3,968,532</u>

**DATAMATICS GLOBAL SERVICES INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020**

**8. 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>\$ 0</u></u>

Business acquisition costs are fully written for the both the fiscal years presented.

Other Intangible costs consist of:

Capitalized Software	\$ 978,633
Capitalized Leases	122,886
Right to use Asset	217,024
Less: Accumulated amortization	<u>863,340</u>
Other Intangible Assets – Net	<u><u>\$ 455,203</u></u>

**9. 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.

The Company has adopted Ind AS 116, effective annual reporting period beginning April 01, 2019. The Company has applied the standard to its leases, retrospectively, with the cumulative effect of initially applying the standard, recognised on the date of initial application. Accordingly, the Company has not restated comparative information, instead, the cumulative effect of initially applying this standard has been recognised as an adjustment to the opening balance of retained earnings as on April 1, 2019. Effective April 01, 2019 the Company has recognised a lease liability measured at the present value of the remaining lease payments at \$ 865,274. The right-of-use asset is recognized at its carrying amount at \$ 325,375 discounted using incremental borrowing rate as at April 1, 2019. The adoption of standard has resulted in a) amortisation charge for right-to-use asset of \$ 108,351, and b) interest accrued on lease liability \$ 33,780.

See Independent Auditors' Audit Report



**DATAMATICS GLOBAL SERVICES INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2020**

**10. EQUITY**

The Company has Authorized Common Stock of 1150 Shares @ No Par Value.  
As of March 31, 2020, Common Stock Issued and Outstanding was 1000 shares @ No Par Value.

**11. SIGNIFICANT EVENTS**

**Computer Malware/Ransomware Virus Event**

During the current fiscal yearend, the Company experienced a Cyber event that impacted operations and the resulting Revenue. It was mitigated and the company has delivered the backlog caused by the incident. The Company believes it has sufficient measures in place to avoid a similar event in the future.

**COVID 19**

The Company is deemed to be an Essential Critical Infrastructure Workforce employer for its Business Process Outsourcing operations that provide essential Financial Services by processing Accounts Payable, Accounts Receivable, Payroll and Pension check printing services. It is also deemed to be an essential vendor for its customers who are deemed to be Essential Critical Infrastructure Workforce employers for our customers who are in the Banking, Insurance, Newspaper and Transport industries. As such, the Company has continued operations with only a nominal loss of Revenue from its customers which we deem to be a result of the slightly decreased volumes as the US economy has slowed down in general.

See Independent Auditors' Audit Report