

CIGNEX Datamatics Inc. and Subsidiaries

Consolidated Financial Statements

March 31, 2019 and March 31, 2018

KNAV P.A.

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America Counts on CPAs

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Independent Auditor's Report

Board of Directors
CIGNEX Datamatics Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of CIGNEX Datamatics, Inc. and its subsidiaries ("the Company"), which comprise the consolidated balance sheets as of March 31, 2019 and March 31, 2018, and the related consolidated statement of comprehensive income, consolidated statement of changes in stockholder's equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We did not audit the financial statements of foreign subsidiaries based in Singapore, India, United Kingdom and Germany, financial statements of which reflect total assets constituting approximately 63 and 50 percent of total consolidated assets as of March 31, 2019 and March 31, 2018, respectively, and total revenues constituting approximately 47 and 50 percent of the total consolidated revenues for the years ended March 31, 2019 and March 31, 2018, respectively. The financial statements of CIGNEX Datamatics Technologies Limited (India) were audited by other auditors in accordance with Standards of Auditing issued by the Institute of Chartered Accountants of India, whose report has been furnished to us. The financial statements of CIGNEX Datamatics UK Limited were audited by other auditors in accordance with International Standards on Auditing (UK), whose report has been furnished to us. The financial statements of CIGNEX Datamatics Pte. Ltd. were audited by other auditors in accordance with Singapore Standards on Auditing, whose report has been furnished to us. The financial statements of the subsidiary in Germany were compiled by other accountants and constitute approximately 0.35 and 1 percent as of March 31, 2019 and March 31, 2018, respectively, of the consolidated assets and approximately 0.27 and 1 percent for the years ended March 31, 2019 and March 31, 2018, respectively, of consolidated revenues of the Company. Our opinion, insofar as it relates to the amounts included for the subsidiaries, is based solely on the report of, and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America performed by, the other accountants. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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. 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 consolidated financial statements.



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

We did not audit the financial statements of the foreign subsidiaries, which statements reflect approximately 63 and 50 percent of total consolidated assets as of March 31, 2019 and March 31, 2018, respectively, and approximately 47 and 50 percent of the total consolidated revenues for the years ended March 31, 2019 and March 31, 2018, respectively. These statements were audited and compiled by other auditors and accountants, respectively, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for foreign subsidiaries, is based on the report of the other auditors and accountants and our evaluation of the appropriateness of the adjustments to convert the component's financial statements to the financial reporting framework used by the Company.

Basis for qualified opinion

We were unable to obtain audited financial statements for Duo Consulting, Inc., formerly known as DuoDesign, L.L.C., a Delaware Corporation (“Delaware subsidiary”), in which the Company has 66 percent ownership of voting common stock. The financial statements of the Delaware subsidiary reflect total assets constituting approximately 3 percent of total consolidated assets as of March 31, 2019 and March 31, 2018, and total revenues constituting approximately 9 percent of the total consolidated revenues for the years then ended.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the “Basis for qualified opinion” paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CIGNEX Datamatics, Inc. and its subsidiaries as of March 31, 2019 and March 31, 2018, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on segment information – supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The segment information – supplementary information pertaining to consolidating balance sheet as at March 31, 2019, consolidating statement of income and comprehensive income and consolidating schedules of revenues, cost of revenues and selling and administrative expenses for the year ended March 31, 2019, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KNAV P.A.

Atlanta, Georgia
May 09, 2019

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Consolidated balance sheets

(All amounts in United States Dollars, unless otherwise stated)

ASSETS**Current assets**

Cash and cash equivalents	3,283,577	2,852,150
Accounts receivable, net	5,701,314	4,774,517
Investments in marketable securities	2,475,338	1,159,337
Prepaid expenses and other current assets	1,351,260	1,622,885
Due from related party	902,801	-
Total current assets	13,714,290	10,408,889

Property, equipment and software, net

Property, equipment and software, net	244,415	315,687
Goodwill and other intangibles, net	2,632,898	2,647,423
Investments	-	2,320
Restricted cash	829	1,512
Deferred tax assets, net	122,869	204,255
Other assets	532,767	406,824
Total assets	17,248,068	13,986,910

LIABILITIES AND STOCKHOLDER'S EQUITY**Current liabilities**

Borrowings under short term line of credit	337,342	310,000
Accounts payable	893,598	986,805
Deferred revenue	1,451,527	1,050,162
Other current liabilities	2,742,893	1,823,309
Total current liabilities	5,425,360	4,170,276

Due to related party

Due to related party	275,478	381,358
Deferred tax liabilities, net	1,020,273	670,126
Other liabilities	342,205	471,787
Total liabilities	7,063,316	5,693,547

Stockholder's equity

Common stock	1,010	1,010
Additional paid-in-capital	1,845,906	1,845,906
Accumulated surplus	8,314,788	6,188,866
Accumulated other comprehensive loss	(897,288)	(623,562)
Total stockholder's equity	9,264,416	7,412,220
Non-controlling interest in subsidiaries	920,336	881,143
Total equity	10,184,752	8,293,363
Total liabilities and equity	17,248,068	13,986,910

(The accompanying notes are an integral part of these consolidated financial statements)

CIGNEX Datamatics, Inc. and Subsidiaries

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Consolidated statements of comprehensive income

(All amounts in United States Dollars, unless otherwise stated)

	Year ended March 31, 2019	Year ended March 31, 2018
Revenues, net of allowances & rebates		
Consulting income	26,083,685	21,880,809
Software license resale	1,351,001	968,674
Reimbursable expenses	45,725	49,711
Service, maintenance and support	585,247	85,203
Total revenues	28,065,658	22,984,397
Costs and expenses		
Cost of revenues	16,715,214	13,856,702
Personnel cost	4,308,205	3,976,498
Selling, general and administrative expenses	3,541,684	3,458,459
Depreciation	117,385	175,194
Interest expense	42,275	27,298
Total costs and expenses	24,724,763	21,494,151
Operating income	3,340,895	1,490,246
Other income (expenses)		
Interest income	14,591	8,570
Unrealized exchange loss	(22,218)	(20,389)
Other income	143,780	138,721
Total other income	136,153	126,902
Income before taxes	3,477,048	1,617,148
Income tax (expense) benefit		
Current taxes – US	(529,663)	108,503
Current taxes – foreign	(417,444)	(315,349)
Deferred taxes	(363,929)	1,049,098
Total income taxes	(1,311,036)	842,252
Net income	2,166,012	2,459,400
Net (income) loss attributable to non-controlling interest	(40,090)	905
Net income after non-controlling interest	2,125,922	2,460,305
Other comprehensive (loss) income		
Foreign currency translation adjustment	(264,436)	190,083
Gain (loss) on cash flow hedging derivatives	45,989	(48,538)
Other comprehensive (loss) income before income tax effect	(218,447)	141,545
Income tax related to items of other comprehensive income	(55,278)	-
Total other comprehensive (loss) income	(273,725)	141,545
Comprehensive income	1,892,287	2,600,945
Comprehensive (income) loss attributable to non-controlling interest	(40,987)	2,700
Comprehensive income attributable to stockholder	1,851,300	2,603,645

(The accompanying notes are an integral part of these consolidated financial statements)

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Statements of changes in stockholder's equity*(All amounts in United States Dollars, except number of shares)*

	Stockholder's equity						Total
	Common stock		Additional paid in capital	Accumulated other comprehensive loss	Accumulated surplus	Non- controlling interest	
	Share	Value					
Balance as at April 01, 2017	5,318,733	1,610	1,845,906	(767,807)	3,728,561	(27,240)	4,781,030
Non-controlling interest in subsidiaries	-	-	-	-	-	911,083	911,083
Share capital written off	-	(600)	-	-	-	-	(600)
Currency translation adjustment	-	-	-	192,783	-	(1,795)	190,988
Loss on cash flow hedging derivatives	-	-	-	(48,538)	-	-	(48,538)
Net income (loss)	-	-	-	-	2,460,305	(905)	2,459,400
Balance as at March 31, 2018	5,318,733	1,010	1,845,906	(623,562)	6,188,866	881,143	8,293,363
Currency translation adjustment	-	-	-	(264,436)	-	(897)	(265,334)
Loss on cash flow hedging derivatives, net of taxes	-	-	-	(9,290)	-	-	(9,289)
Net income	-	-	-	-	2,125,922	40,090	2,166,012
Balance as at March 31, 2019	5,318,733	1,010	1,845,906	(897,288)	8,314,788	920,336	10,184,752

(The accompanying notes are an integral part of these consolidated financial statements)

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Consolidated statements of cash flows*(All amounts in United States Dollars, unless otherwise stated)*

	Year ended March 31, 2019	Year ended March 31, 2018
Cash flows from operating activities		
Net income	2,166,012	2,459,400
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	117,385	175,194
Gain on sale of property, equipment and software	-	(5,974)
Gain on sale of investments	(97,378)	-
Loss on sale of investments	-	140,672
Deferred tax expense (benefit)	363,929	(1,049,098)
Allowance for doubtful accounts	-	88,000
Share capital adjustment	-	600
Non-monetary proceeds from sale of investment	-	100,000
Changes in assets and liabilities		
Accounts receivable, net	(2,056,390)	83,926
Due to related party	359,121	-
Prepaid expenses and other current assets	228,607	(620,930)
Other assets	(92,817)	(13,369)
Accounts payable	409,763	(20,886)
Deferred revenue and other current liabilities	1,355,244	(1,147,055)
Other liabilities	(92,816)	-
Net cash provided by operating activities	2,660,660	190,480
Cash flow from investing activities		
Purchase of property, equipment and software	(61,942)	(145,274)
Proceeds from sale of property, equipment and software	-	9,399
Proceeds from sale of short-term investment	175,325	410,382
Purchase of short-term investment	(1,448,678)	(907,808)
Net cash used in investing activities	(1,335,295)	(633,301)
Cash flow from financing activities		
Inter-corporate loan to Parent Company	(902,801)	-
Proceeds from short term borrowings	27,342	-
Net cash used in financing activities	(875,459)	-
Net increase (decrease) in cash, cash equivalents and restricted cash	449,906	(442,821)
Foreign currency translation adjustment	(19,162)	25,376
Cash, cash equivalents and restricted cash at the beginning of the year	2,853,662	3,271,107
Cash, cash equivalents and restricted cash at the end of the year	3,284,406	2,853,662
Supplemental disclosure of cash flow information		
Cash paid for income taxes		
- US	36,595	10,698
- Foreign	12,575	10,475
Interest paid		
- US	17,348	16,068
- Foreign	31,957	13,575
Non-monetary adjustment of share capital	-	600
Non-monetary proceeds from sale of investment	-	100,000

(The accompanying notes are an integral part of these consolidated financial statements)

Notes to Consolidated Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements are as follows:

1. *Business description*

CIGNEX Datamatics, Inc. (“the Company” or “CIGNEX”), is a wholly owned subsidiary of CIGNEX Global Holding Corporation, a company registered in British Virgin Islands. The Company specializes in IT consulting services that enable enterprises to migrate to Open Source technologies across Enterprise Content Management, Portals & Social Collaboration, e-commerce, Business Intelligence and Enterprise Resource Planning. The Company was incorporated in year 2000 in the state of California.

On April 1, 2016, the Company effectuated a tax-free merger under Section 368 of the Internal Revenue Code. Section 368(a)(1)(F) allows for a tax-free reorganization where there is a mere change in identity, form or place of organization of one corporation, however effected. The tax-free reorganization enabled the corporation organized in California to operate in Michigan and transfer the corporate charter while retaining its corporate tax attributes, history and licenses.

The Company is the beneficiary of software development and maintenance services provided by its Indian subsidiary, CIGNEX Datamatics Technologies Limited. The Company uses its Singapore based subsidiary, CIGNEX Datamatics Pte. Ltd., for sales and marketing services in the region. Two wholly-owned subsidiaries, CIGNEX Datamatics GmbH (Germany) and CIGNEX Datamatics UK Limited, were incorporated in April 2014 and July 2015, respectively, for expansion of services in the European market. In February 2016, CIGNEX Datamatics, Inc. completed acquisition of 66% of the outstanding membership interest in Duo Consulting, Inc. formerly known as DuoDesign, L.L.C. In March 2016, CIGNEX Datamatics, Inc. entered into a stock purchase agreement to acquire 51% of outstanding shares of Elevondata (a Delaware corporation) (“Elevondata”). Effective March 15, 2018, the Company surrendered all of its interest in Elevondata for a consideration of \$450,000.

2. *Basis of preparation*

The accompanying consolidated financial statements include the accounts of CIGNEX Datamatics, Inc. and its subsidiaries. These consolidated financial statements are prepared under the historical cost convention on the accrual basis of accounting in accordance with the accounting and reporting requirements of generally accepted accounting principles in the United States (“US GAAP”) to reflect the consolidated financial position, results of operations and cash flows of the Company.

All amounts are stated in United States dollars, except as otherwise specified. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous period.

Certain reclassifications, regroupings and reworking have been made in the consolidated financial statements of prior year to conform to the classifications used in the current year. These changes had no material impact on previously reported consolidated statement of comprehensive income or stockholder’s equity.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, CIGNEX Datamatics Technologies Limited., CIGNEX Datamatics Pte. Ltd., CIGNEX Datamatics GmbH and CIGNEX Datamatics UK Limited. The consolidated financial statements also include the accounts of Attune Infocom Private Limited (acquired during the year ended March 31, 2017 by the India subsidiary) and Duo Consulting, Inc. (“Duo”) formerly known as DuoDesign, L.L.C., from the date of acquisition. The non-controlling interest for the allocable portion of income or loss and comprehensive income or loss to which the noncontrolling interest holders are entitled, based upon their ownership share of the affiliate, is reported as a separate component of equity. Distributions made to the holders of non-controlling interests are charged to the respective non-controlling interest balance.

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All significant intercompany accounts and transactions have been eliminated. The Company and its subsidiaries are collectively referred to as the Company and these consolidated financial statements are referred to as the consolidated financial statements of the Company.

3. Estimates and assumptions

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the results of operations during the reporting periods. The Company's most significant estimates relate to the management's forecasts of anticipated revenues from providing information technology related services, determination of allowances for doubtful accounts receivable, determination of useful lives for property, equipment, software & intangible assets, impairment of other tangible, goodwill & intangible assets, provisions for employee benefit obligations, valuation of derivative financial instruments, realization of deferred tax assets, income tax uncertainties and other contingencies. The estimates are made using historical information and other relevant factors available to management. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

4. Foreign currency translation

The consolidated financial statements are reported in US dollars. The functional currency of the Company's foreign subsidiaries is the local currency in the respective country. The assets and liabilities of foreign operations, whose functional currency is other than the US dollars are translated to US dollars using the exchange rates in effect as of the balance sheet date and revenues and expenses are translated using a yearly average exchange rate prevailing during the respective periods. Gains and losses from such currency translation are reported under accumulated other comprehensive income as a separate component of stockholder's equity. Transaction gains and losses that arise from exchange rate fluctuation on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

5. Cash and cash equivalents

The Company considers all highly liquid investments and deposits with a remaining maturity of three months or less on the date of purchase to be cash and cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

6. Revenue recognition

The Company generates revenue from consulting services, resale of software licenses, subscriptions, support and maintenance. Consulting service arrangements are billed on time-and-material basis and associated revenue is recognized when (i) written evidence that an arrangement exists; (ii) the service has been performed and the Company has no significant remaining obligation; (iii) the price to the buyer is fixed or determinable; and (iv) collectability is reasonably assured.

Revenue from third-party software license resale is recognized when delivered to customer, as it meets the criteria for fixed or determinable fees and the payment from customers is not contingent upon purchase or delivery of future maintenance and support. Revenue from support and maintenance, is recognized ratably over the contractual service period, which is typically three to twelve months.

Unbilled revenue represents value of services performed in accordance with the contract terms but not billed. Deferred revenue on the accompanying balance sheets represents amounts collected or billed prior to satisfying the above revenue recognition criteria.

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7. Advertising costs

Non-response advertising costs are presented as part of selling, general, and administrative expenses in the consolidated statement of comprehensive income. Advertising costs are expensed as incurred.

8. Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management analyses accounts receivable and the composition of the accounts receivable aging, historical bad debts, current economic trends and customer credit worthiness when evaluating the adequacy of the allowance for doubtful accounts. Bad debt expense is included in selling, general and administrative expenses in the consolidated statements of comprehensive income.

9. Property, equipment and software

Property, equipment and software, consisting of software, computer and office equipment, furniture and leasehold improvements, is stated at cost less accumulated depreciation and amortization. Amortization and depreciation are calculated on the straight-line method over the estimated useful lives of the assets. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Repairs and maintenance are charged to expense as incurred. The estimated useful lives used to determine depreciation are as follows:

Nature of assets	Estimated useful life of assets
Software	3-5 years
Computer and equipment	3-6 years
Motor vehicle	10 years
Furniture	5-10 years

10. Business combinations, goodwill and intangible assets

The Company accounts for goodwill and intangible assets in accordance with ASC 350, Intangibles – Goodwill and Other (“ASC 350”). ASC 350 requires that goodwill and other intangibles with indefinite lives should be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value.

Goodwill is tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

The Company has adopted the provisions of ASU 2017-04, “Intangibles -Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment” (“ASU 2017-04”). ASU 2017-04 eliminates the second step of the goodwill impairment test. For goodwill impairment tests, if the carrying value of a reporting unit exceeds its fair value, the Company will measure any goodwill impairment losses as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

The Company amortizes intangible assets over their estimated useful lives unless such lives are determined to be indefinite. Amortizable intangible assets are amortized over their estimated useful lives in proportion to the economic benefits consumed in each period. Intangible assets with indefinite lives are tested at least annually for impairment and written down to the fair value as required.

11. Impairment of long-lived assets

Long-lived assets and finite lived intangibles are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying amounts of assets may not be recoverable. Each impairment test is based on a comparison of the undiscounted cash flows expected to be generated from the use of the asset to its recorded value. If impairment is indicated, the asset is written down to its fair value. Long-lived assets, to be disposed are reported at the lower of the carrying value or fair value less cost to sell.

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12. Operating leases

Lease agreements are classified as either capital or operating leases.

Rent expense on operating leases is recognized on a straight-line basis over the term of the lease including renewal terms if, at inception of the lease, renewal is reasonably assured.

13. Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

14. Retirement and employee benefits

Defined contribution plan

The Company's contributions to provident fund and employee state insurance scheme are considered as defined contribution plans and are charged as an expense based on the amount of contribution as required to be made and when services are rendered by the employees.

Defined benefit plans

The Company provides for a gratuity obligation, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employees. The plan provides for lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount equivalent to 15 days (15/26) salary payable to the respective employee's salary for each completed year of service, with a maximum of \$28,927 (₹2,000,000).

Actuarial gains and losses, which occur when actual experience differs from actuarial assumptions, are reflected in shareholder's equity (net of taxes). The funded status of the pension and postretirement plans is reflected on the balance sheets.

Compensated absences

The liability for compensated absences is determined by actuarial valuation carried out by an independent actuary as at each balance sheet date and provided for in the statement of comprehensive income as incurred in the year in which services are rendered by the employees. The actuarial valuation method used for measuring the liability is the Projected Unit Credit Method.

The actuarial gains and losses are recognized immediately in the statement of comprehensive income.

Post-employment benefits

Post-employment and other long-term employee benefits are recognized as an expense in the statement of comprehensive income for the year in which the employee has rendered services.

15. Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded for deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. ASC 740 also provides guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. All deferred tax assets and liabilities, along with any related valuation allowance, is classified as non-current on the consolidated balance sheets.

The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation

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processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company recognizes interest and penalties related to uncertain tax positions within the provision for income taxes.

16. Derivative instruments and hedge accounting

The Indian subsidiary uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Such forward contracts are utilized against the inflow of funds under firm commitments. The Company does not use the forward contract for speculative purposes. The Company designates these hedging instruments as cash flow hedge. The use of hedging instruments is governed by the Company's policies, which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy. Hedging instruments are initially measured at fair value and are re-measured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognized directly in the statement of stockholder's equity and the ineffective portion is recognized in the consolidated statement of comprehensive income.

For the year ended March 31, 2019 and 2018, respectively, the other comprehensive income includes gain of ₹13,856,695 (approximately \$200,415) and ₹10,063,940 (approximately \$154,426) related to cash flow hedges.

17. Investment in marketable securities

Investment in marketable securities are classified as available for sale and are reported at fair value. The investments are reviewed for other-than-temporary impairment whenever events or changes in business circumstances indicate that the carrying value of the investment may not be fully recoverable. Realized gains and losses from sale of securities are determined using specific identification method and are reported in the consolidated statement of comprehensive income. Unrealized gains and losses on securities are reported as other income in the consolidated statement of comprehensive income.

18. Fair value measurements and financial instruments

The Company applies fair value measurements to certain assets, liabilities and transactions that are periodically measured at fair value.

Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1- Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2- Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3- Unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, loan and advances, investments in marketable securities, foreign currency forward contracts and accrued liabilities. The estimated fair value of cash, accounts receivable, accounts payable, loan and advances, investments in marketable securities, foreign currency forward contracts and accrued liabilities approximate their carrying amounts due to the short-term nature of these instruments.

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19. Recent accounting pronouncements

Effective December 15, 2017, FASB issued ASU 2014-09 Revenue from Contracts with Customers and related updates. This guidance replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The guidance allows for both retrospective and modified retrospective methods of adoption.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This ASU is the result of a joint project of the FASB and the International Accounting Standards Board (“IASB”) to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS. The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards.

The ASU provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should apply the following five-step process to recognize revenue:

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For non-public entities, the amendments of ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early application is permitted only as of (a) an annual reporting period beginning after December 15, 2016, including interim periods within that reporting period; (b) an annual reporting period beginning after December 15, 2016, and interim periods within annual periods beginning after December 15, 2017; or (c) an annual reporting period beginning after December 15, 2017, including interim periods within that reporting period. The Company will adopt the new guidance using the modified retrospective transition approach, reflecting the cumulative effect of initially applying the new standard to revenue recognition in the year ending March 31, 2020.

In February 2016, the FASB issued ASU 2016-02, Leases, which requires lessees to recognize right-of-use assets, representing their right to use the underlying asset for the lease term, and lease liabilities on the balance sheet for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing and uncertainty of cash flows arising from leases. The standard requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. The guidance is effective for annual periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early adoption is permitted.

NOTE B - BUSINESS ACQUISITIONS

On February 18, 2016 CIGNEX Datamatics, Inc. completed the acquisition of 66% of membership interest in Duo Consulting, Inc.

In September 2016, CIGNEX Datamatics Technologies Limited completed acquisition of 51% of membership interest in Attune Infocom Private Limited.

The Company recognized following in goodwill resulting from acquisitions:

Acquisition of Duo Consulting, Inc.	2,228,985
Acquisition of Attune Infocom Private Limited by CIGNEX Datamatics Technologies Limited	403,527
Total	<u>2,632,512</u>

In April 2016 CIGNEX Datamatics, Inc. completed acquisition of 51% of outstanding shares of common stock of Elevon Data, Inc. (a Delaware corporation).

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Effective March 15, 2018, the Company surrendered all of its interest in Elevondata for a consideration of \$450,000, of which \$350,000 were paid to CIGNEX within 45 days from March 15, 2018, and the remaining \$100,000 shall be adjusted through sub-contracting of certain services by CIGNEX to Elevondata or its affiliates, subsidiaries or assigns. Cignex Datamatics, Inc. has created an allowance amounting to \$100,000 during the year ended March 31, 2019 as the management is of the view that they may not receive the sub-contracting services.

NOTE C - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

	As at March 31, 2019	As at March 31, 2018
Bank balances	3,282,207	2,850,558
Cash in hand	1,370	1,592
Total	3,283,577	2,852,150

Restricted cash, consisting of foreign time deposits, amounting to \$829 and \$1,512 as at March 31, 2019 and March 31, 2018, respectively, are included in cash, cash equivalents and restricted cash on the consolidated statement of cash flows.

Cash balances on deposit with US banks are insured by the Federal Deposit Insurance Corporation up to \$250,000.

NOTE D - ACCOUNTS RECEIVABLE, NET

Accounts receivable, are not secured, and represent amounts primarily resulting from consulting fees, license resale and service, maintenance and training services. Accounts receivable, net, at March 31, 2019 and March 31, 2018 were as follows:

	As at March 31, 2019	As at March 31, 2018
Due from customers	4,991,340	4,665,327
Due from related parties	44,724	5,981
Unbilled receivables	665,250	969,650
Total receivables	5,701,314	5,640,958
Allowance for doubtful accounts	-	(866,441)
Accounts receivable, net	5,701,314	4,774,517

Changes in the allowance for doubtful accounts during the year were as follows:

	Year ended March 31, 2019	Year ended March 31, 2018
Beginning balance	866,441	780,659
Add: provisions during the year	-	88,000
Less: write offs during the year	(866,441)	-
Effects of foreign exchange	-	(2,218)
Closing balance	-	866,441

NOTE E - ACCOUNTS PAYABLE

Accounts payable consisted of the following:

	As at March 31, 2019	As at March 31, 2018
Due to vendors	633,481	805,849
Due to related parties	260,117	180,956
Total	893,598	986,805

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NOTE F - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	As at March 31, 2019	As at March 31, 2018
Prepaid expenses	612,456	497,206
Security deposits	1,402	1,447
Loans and advances	185,438	256,878
Other	551,964	867,354
Total	1,351,260	1,622,885

NOTE G - PROPERTY, EQUIPMENT AND SOFTWARE, NET

Property, equipment and software consisted of the following:

	As at March 31, 2019	As at March 31, 2018
Computer and equipment	1,332,611	1,416,847
Furniture	313,871	313,181
Software	185,023	192,993
Motor vehicle	7,747	8,218
	1,839,252	1,931,239
Less: accumulated depreciation	(1,594,837)	(1,615,552)
Property, equipment and software, net	244,415	315,687

Depreciation expense for the year ended March 31, 2019 and 2018 was \$117,385 and \$175,194, respectively.

NOTE H - MARKETABLE SECURITIES

Company's Indian subsidiary makes investments in traded open-ended funds in India. The primary investment objective of the funds is to generate returns through investments in money market instruments. At March 31, 2019 and 2018, the fair value of the marketable securities was ₹171,144,848 (approximately \$2,475,338) and ₹75,553,987 (approximately \$1,159,337), respectively. For the years ended March 31, 2019 and 2018, the Company's Indian subsidiary reported realized gains of \$97,378 and \$60,982, respectively, and unrealized gains of \$25,785 and \$74,618, respectively.

For the years ended March 31, 2019 and March 31, 2018 the Company did not report any impairment charges related to these investments.

NOTE I - OTHER ASSETS

Other assets consisted of the following:

	As at March 31, 2019	As at March 31, 2018
Deposits	120,842	128,421
Advances	18,343	25,598
Others	393,582	252,805
Total	532,767	406,824

NOTE J - OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following:

	As at March 31, 2019	As at March 31, 2018
Provisions and accruals	1,745,367	616,634
Payroll liabilities	561,923	558,845
Taxes payable	311,803	562,206
Other payables	124,147	85,624

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	As at March 31, 2019	As at March 31, 2018
Total	2,743,240	1,823,309

NOTE K - INCOME TAXES

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due and deferred tax liability for undistributed earnings of 100% owned foreign subsidiaries and, deferred tax asset for overpaid foreign taxes that are available to offset future taxable income of foreign subsidiary.

Since the financial results of the Company and its 100%-owned Indian subsidiary are consolidated for financial reporting but earnings from the investment in the subsidiary are included in taxable income only when they are remitted and received, the outside basis of the investment by US parent differs for financial and income tax reporting, primarily attributed to undistributed earnings of the Indian subsidiary. As of the date of this report it is not certain as to what portion of undistributed earnings is indefinitely invested. Per ASC 740-10-25 deferred tax liability is recognized on 100% of the undistributed earnings of the Indian subsidiary.

The Company files Federal and State tax returns as per the regulations applicable to Chapter C corporations in USA.

Details of the Company's income tax (expense) benefit are set forth below:

	Year ended March 31, 2019	Year ended March 31, 2018
Current tax (expense) benefit		
Federal	(383,826)	107,727
State	(145,837)	776
Foreign	(417,444)	(315,349)
Total current tax expense	(947,107)	(206,846)
Deferred (expense) benefit		
Federal	(322,823)	637,434
State	(27,323)	428,665
Foreign	(13,783)	(17,001)
Total deferred tax (expense) benefit	(363,929)	1,049,098

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred income taxes as at March 31, 2019 and 2018 are as follows:

	As at March 31, 2019	As at March 31, 2018
Deferred tax assets		
Accrued vacation	39,562	35,600
Accrued commission	50,070	47,811
Provision for expected losses	26,682	-
Provision for bad debts	-	22,288
Capital loss carryover	42,347	-
Net operating loss	60,226	154,210
AMT credit	-	12,289
Rent equalization reserve	40	-
Foreign deferred tax assets	122,869	204,255
Total deferred tax assets	341,796	476,453
Deferred tax liabilities		
Depreciable assets	5,382	9,710
Undistributed earnings of foreign subsidiary	1,233,818	932,614
Total deferred tax liabilities	1,239,200	942,324

Components of net deferred taxes

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	As at March 31, 2019	As at March 31, 2018
Net portion, domestic	(1,020,273)	(670,126)
Net portion, foreign	122,869	204,255

In assessing the realization of deferred tax assets, the likelihood of whether it is more likely than not that some portion or all of the deferred tax assets will not be realized must be considered. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which temporary difference become deductible. Management considers the projected future taxable income and tax planning strategies in making this assessment. Based on the history of taxable income and future projections, the management believes there exists reasonable certainty regarding reversibility of deferred tax assets.

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Utilization of the Company's net operating losses ("NOL") may also be subject to substantial annual limitation due to ownership change limitations, provided by Internal Revenue Code and similar state provisions, which could result in expiration of NOL's before utilization. At March 31, 2019 and March 31, 2018, the Indian subsidiary has realizable deferred tax assets of ₹8,495,193 (approximately \$122,869) and ₹13,311,307 (approximately \$204,255), respectively.

The Tax Cuts and Jobs Act ("the Act") reduces the federal corporate tax rate to 21%, effective January 1, 2018. The reduction in the tax rate resulted in an increase in the deferred tax liability by \$83,361 for the year ended March 31, 2018.

Accounting for uncertain tax positions

The Company recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this standard had no material effect on the Company's financial position, results of operation or cash flows.

The tax years of 2015 through 2017 remain subject to examination by the taxing authorities.

NOTE L - FAIR VALUE MEASUREMENT

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including financial instruments. The fair value measurements of these financial instruments were determined using the following inputs as on March 31, 2019 and March 31, 2018, respectively:

Assets	Amount	As at March 31, 2019		
		Quoted price in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
<i>Cash, cash equivalent and restricted cash</i>				
Balance in INR	₹11,096,260	\$160,490	-	-
Balance in GBP	£6,626	\$8,630	-	-
Balance in Euro	€45,107	\$50,593	-	-
Balance in SGD	S\$360,319	\$265,836	-	-
Mutual funds in INR	₹171,144,848	\$2,475,338	-	-
Foreign exchange forward contracts in INR	₹13,856,695	-	\$200,415	-
Total		\$2,960,887	\$200,415	-

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Assets	As at March 31, 2018			
	INR Amount	Quoted price in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
<i>Cash, cash equivalent and restricted cash</i>				
Balance in INR	₹8,333,040	\$127,866	-	-
Balance in GBP	£13,880	\$19,449	-	-
Balance in Euro	€52,051	\$64,538	-	-
Balance in SGD	S\$210,944	\$160,687	-	-
Mutual funds in INR	₹75,553,987	\$1,159,337	-	-
Foreign exchange forward contracts in INR	₹10,063,941	-	\$154,426	-
Total		\$1,531,877	\$154,426	-

NOTE M - COMMITMENT AND CONTINGENCIES**Operating leases**

The Company leases facilities in Michigan under non-cancellable operating lease which expires on December 31, 2022. The Company also leased an office in the city of Santa Clara, CA under lease agreement expiring December 19, 2019. The leases require the Company to pay operating costs, including property taxes, normal maintenance, and insurance. Duo Consulting, Inc., leases facilities in Chicago under non-cancellable operating lease which expires on March 31, 2021.

The Company has similar leases in India for three office locations that expire at different dates in years 2020, 2021 and 2023. The aggregate monthly rental towards these leases is ₹1,775,623 per month which is approximately \$25,682 per month.

Future minimum lease payments under non-cancellable operating leases having remaining terms in excess of one year as of March 31, 2019, are as follows:

Year ending March 31,	Amounts
2020	369,167
2021	222,262
2022	129,516
2023	118,991
2024 and onwards	181,232

Rent expense for the years ended March 31, 2019 and 2018 was \$508,535 and \$486,414, respectively.

Contingencies

On March 24, 2017, the Company filed a lawsuit against a customer alleging breach of contract demanding full compensation in an amount no less than \$434,097 for unpaid invoices for web design and coding services provided by the Company to the customer in a certain project. The customer filed a counterclaim alleging breach of contract and damages of no less than \$768,908 for payments made to the Company in the project.

In a Memorandum Opinion issued by the District Court on or about February 26, 2019, the District Court denied in part a motion for summary judgment filed by the customer seeking judgment on the Company's claims. The District Court did determine that there was no evidence submitted by the Company that the Company was owed money for a third-party software license that the Company alleged it purchased for the Customer; therefore, the Company's claim for damages has been reduced by \$58,800, bringing the damages sought by the Company to \$375,297.

The Delaware Action was scheduled for a bench trial before the District Court on April 29, 2019, but this trial has now been scheduled on June 24, 2019. As this is at an initial stage of litigation at the District Court in Delaware, the legal counsel and management are unable to reasonably ascertain the claim amount.

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NOTE N - DEFINED BENEFIT PLAN**Gratuity (unfunded plan)**

The following table sets out the status of unfunded Gratuity Plan at March 31, 2019 and 2018. The reconciliation of opening and closing balances of the present value of the defined benefit obligation and plan assets is as follows:

	As at March 31, 2019	As at March 31, 2018
Present value of benefit obligation (PBO)		
<i>Change in benefit obligation</i>		
Present value of benefit obligation at beginning of year	287,538	200,536
Service cost	75,177	68,554
Interest cost	20,612	14,520
Actuarial loss	28,550	14,485
Past service cost	-	9,176
Benefits paid	(52,365)	(17,665)
Effect of currency rates	(17,307)	(3,572)
Present value of benefit obligation at the end of the year	342,205	286,034

Weighted average assumptions used to determine benefit obligations:

	As at March 31, 2019	As at March 31, 2018
Discount rate	7.40% - 7.85%	7.60% - 7.70%
Rate of compensation increase	4.50% - 8.00%	4.50% - 10.0%

Weighted average assumptions used to determine net periodic benefit cost:

	Year ended March 31, 2019	Year ended March 31, 2018
Discount rate	7.40% - 7.85%	7.60% - 7.70%
Rate of compensation increase	4.50% - 8.00%	4.50% - 10.0%

The table below shows the expected cash flow profile of the benefits to be paid to the current membership of the plan based on employee's past service up to the valuation date plus employee's future service up to the date of payment.

	Amounts
Expected benefit payments during the year ending March 31,	
2020	15,253
2021 till 2024	72,757
2025 till 2029	98,797
2030 and thereafter	1,077,994

NOTE O - COMPENSATED ABSENCES

As of March 31, 2019, and 2018, compensated absences totalled \$176,208 and \$169,901, respectively.

Financial assumptions used for actuarial valuation:

	Year ended March 31, 2019	Year ended March 31, 2018
Discount rate	7.85%	7.70%
Rate of compensation increase	4.50%	4.50%

NOTE P - EMPLOYEE BENEFIT PLANS

In 2000, Duo Consulting, Inc., established a 401(k)-retirement plan (the "Duo Plan") for the benefit of its employees. As allowed under Section 401(k) of the Internal Revenue Code, Duo Plan provides for salary roth contributions for eligible employees. Duo Plan allows employees to contribute a percentage of their annual compensation to the Duo Plan on a pre-tax and after-tax basis. Employee contributions are limited to a maximum annual amount as set periodically by the Internal Revenue Code. At its discretion, Duo may match pre-tax and after-tax employee

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contributions up to 50% of the first 300 contributed by employees up to a maximum of \$1,500. The employee contributions and the Company's matching contributions vest 100%, immediately. During the year ended March 31, 2019 and March 31, 2018, the Company contributed \$14,386 and \$16,256 towards the Plan, respectively.

In 2003, CIGNEX Datamatics Inc. (Cignex US) established a 401(k)-retirement plan (the "Cignex Plan") for the benefit of its employees. As allowed under Section 401(k) of the Internal Revenue Code, Cignex Plan provides for tax-deferred salary contributions for eligible employees. Cignex Plan allows employees to contribute a percentage of their annual compensation to the Cignex Plan on a pre-tax basis. Employee contributions are limited to a maximum annual amount as set periodically by the Internal Revenue Code. Cignex US has an option to make employer match and profit-sharing contributions towards the Cignex Plan and the contributions, if any, is determined by Cignex US's board of directors and is subject to limitations under the Internal Revenue Code. The employee contributions vest 100% immediately, however employer match and profit-sharing contributions vest 100% after a service of 3 years or more and none are vested between 0 to 3 years of service. During the years ended March 31, 2019 and March 31, 2018, Cignex US did not contribute towards the Cignex Plan.

NOTE Q - RELATED PARTY TRANSACTIONS

A. List of related parties with whom transactions have taken place during the period:

CIGNEX Global Holding Corp – Parent Company
Datamatics Global Services Inc.- Affiliate Company
Datamatics Global Services Limited, India- Affiliate Company
Datamatics Robotics Software, Inc.- Affiliate Company
Datamatics Robotics Software Limited. - Affiliate Company
Datamatics Infotech Limited. – Affiliate Company
Lumina Datamatics, Inc.- Affiliate Company
Lumina Datamatics Assessment & Analytics. - Affiliate Company
Lumina Datamatics Limited. - Affiliate Company
LDR eRetail Limited. – Affiliate Company

B. Summary of the transactions and balances with related parties is as follows:

Nature of transactions	For the year ended	
	March 31, 2019	March 31, 2018
Datamatics Global Services Inc ("DGSI")		
Expenses incurred for software development services availed	635,645	255,972
Reimbursement of expenses paid by DGSI on behalf of Company	74,330	68,503
Consulting income	13,020	-
CIGNEX Datamatics Holding Corp		
Disbursement of interest-free short-term inter-company loan*	902,801	-
Datamatics Global Services Limited ("DGSL")		
Expenses incurred for software development services availed	264,918	389,532
Software development services provided to DGSL	104,956	47,270
Purchase of software licenses	14,237	27,757
Reimbursement of expenses paid by DGSL on behalf of Company	105,422	20,859
Expenses incurred for management support services availed	52,380	56,667
Datamatics Robotics Software Limited		
Expenses incurred for software development services availed	31,843	-
Lumina Datamatics Assessment & Analytics ("LDA & A")		
Software development services provided to LDA & A	5,037	29,806
Reimbursement of expenses made for LDA & A	-	2,271
Lumina Datamatics, Inc.		
Software development services provided	-	205,683
Reimbursement of expenses made for LDI	177	1,091
Training expense incurred	-	2,600

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Nature of transactions	For the year ended	
	March 31, 2019	March 31, 2018
Finance support services	36,000	48,000
Lumina Datamatics Limited (“LDL”)		
Reimbursement of expenses made for LDL	89,686	52,898
Datamatics Infotech Limited		
Expenses incurred for software development services availed	-	35,291
LDR eRetail Limited		
Reimbursement of expenses made for LDR eRetail	-	669

Balances	As at	
	March 31, 2019	March 31, 2018
CIGNEX Global Holding Corp		
Payable	275,478	275,478
Receivable	902,801	-
Datamatics Global Services Inc		
Accounts payable	145,465	25,839
Datamatics Global Services Limited		
Accounts payable	68,838	155,117
Accounts receivable	20,475	9,420
Datamatics Robotics Software Inc		
Unbilled receivable	6,944	-
Datamatics Robotics Software Limited		
Accounts payable	42,814	-
Lumina Datamatics Assessment & Analytics		
Advances received	16,975	19,096
Lumina Datamatics Inc.		
Accounts payable	3,000	-
Lumina Datamatics Limited		
Accounts receivable	34,280	15,657

* The interest free loan is repayable on the notice of demand/call of the Company. If not paid earlier, the outstanding principal shall be due and payable by the Parent Company before May 1, 2021.

NOTE R - BORROWING UNDER SHORT TERM LINE OF CREDIT

Duo Consulting, Inc., (“Duo”) has borrowings under short term line of credit with HSBC Bank USA, N.A. (“HSBC”), with a maximum permissible limit of \$550,000. As at March 31, 2019 Duo has outstanding line of credit to the tune of \$337,342. The line of credit is guaranteed by CIGNEX Datamatics Inc. (Cignex US) and is valid up to August 31, 2020, however it is subject to annual renewal on August 31st of each year on HSBC’s sole and absolute discretion. Interest on the line of credit is payable at LIBOR plus 90 basis points per annum, payable monthly. As of March 31, 2019, the applicable rate of interest on the outstanding line of credit is 2.75%. Total interest expense on the line of credit for the years ended March 31, 2019 and March 31, 2018, is \$23,148 and 16,068, respectively.

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NOTE S - CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and accounts receivable. Customer contracts are entered into based upon an evaluation of customers' financial condition. The Company generally does not require collateral from its customers.

At March 31, 2019 and March 31, 2018, the Company had \$5,701,314 and \$4,774,517, respectively, of account receivable (net) due from several customers.

Two customers accounted for 31% and 13% of the Company's revenues for the year ended March 31, 2019 and the same two customers accounted for 23% and 17% respectively of the Company's sales for the year ended March 31, 2018. Two customers accounted for 24% and 12% of accounts receivable as at March 31, 2019 and Two customers accounted for 17% and 11% of accounts receivable as at March 31, 2018

NOTE T - SUBSEQUENT EVENTS

The Company evaluated all events and transactions that occurred after March 31, 2019 up through May 09, 2019, the date the consolidated financial statements are issued. Based on the evaluation, there are no material effects of the same on the consolidated financial statements as on May 09, 2019, that would require recognition or disclosure.

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Segment Information

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ASSETS

Current assets

	CIGNEX Datamatics, Inc. (US)	CIGNEX Datamatics Technologies Limited (IN)	CIGNEX Datamatics Pte Ltd (SING)	CIGNEX Datamatics GmbH (GERM)	CIGNEX Datamatics (UK)	Inter-Co. Eliminations	Consolidated Totals
Cash and cash equivalents	2,798,857	159,661	265,836	50,593	8,630	-	3,283,577
Accounts receivables, net	3,828,029	2,609,368	221,166	6,265	-	(963,514)	5,701,314
Accounts receivable, due from related party	314,833	2,994,512	-	-	-	(3,309,345)	-
Investments in marketable securities	-	2,475,338	-	-	-	-	2,475,338
Prepaid and other current assets	546,746	781,323	19,222	3,383	586	-	1,351,260
Due from related party	902,801	-	-	-	-	-	902,801
Total current assets	8,391,266	9,020,202	506,224	60,241	9,216	-	13,715,267

Property, equipment and software, net	46,635	197,780	-	-	-	-	244,415
Goodwill and other intangibles, net	2,229,371	403,527	-	-	-	-	2,632,898
Investments	36,821	-	-	-	-	(36,821)	-
Restricted cash	-	829	-	-	-	-	829
Deferred tax assets, net	-	122,869	-	-	-	-	122,869
Other assets	6,343	526,424	-	-	-	-	532,767
Total assets	10,710,436	10,271,631	506,224	60,241	9,216	-	17,248,068

LIABILITIES AND

STOCKHOLDERS' EQUITY

Current liabilities

Borrowings under short term line of credit	337,342	-	-	-	-	-	337,342
Accounts payable	917,327	380,703	18,991	-	-	(423,423)	893,598
Due to related parties	553,329	2,994,512	256,501	23,343	19,538	(3,847,223)	-
Deferred revenue	1,449,647	1,880	-	-	-	-	1,451,527
Other current liabilities	1,509,377	1,160,267	56,037	7,734	9,478	-	2,742,293
Total current liabilities	4,767,022	4,537,362	331,529	31,077	29,016	-	5,425,360

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	CIGNEX Datamatics Inc. (US)	CIGNEX Datamatics Technologies Limited (IN)	CIGNEX Datamatics Pte Ltd (SING)	CIGNEX Datamatics GmbH (GERM)	CIGNEX Datamatics (UK)	Inter-Co. Eliminations	Consolidated Totals
Due to related party	275,478	-	-	-	-	-	275,478
Deferred tax liabilities, net	1,020,273	-	-	-	-	-	1,020,273
Other current liabilities	-	342,205	-	-	-	-	342,205
Total liabilities	6,062,773	4,879,567	331,529	31,077	29,016	-	7,063,316
Stockholder's equity							
Common stock	1,010	2,500	1	34,250	155	(36,906)	1,010
Additional paid-in-capital	1,845,906	7,094	-	-	-	(7,094)	1,845,906
Accumulated surplus (deficit)	2,168,465	5,945,463	189,680	(4,576)	(21,109)	37,495	8,314,788
Accumulated other comprehensive (loss) income	-	(813,090)	(14,356)	(510)	1,154	(70,486)	(897,288)
Total stockholder's equity (deficit)	4,015,381	5,141,967	174,695	29,164	(19,800)	-	9,264,416
Non-controlling interest in subsidiaries	632,282	250,097	-	-	-	37,957	920,336
Total equity (deficit)	4,647,663	5,392,064	174,695	29,164	(19,800)	-	10,184,752
Total liabilities and stockholder's equity	10,710,436	10,271,631	506,224	60,241	9,216	-	17,248,068

CIGNEX Datamatics, Inc. and Subsidiaries

Supplementary Information

Segment Information

March 31, 2019

**Statements of
comprehensive income**

	CIGNEX Datamatics, Inc. (US)	CIGNEX Datamatics Technologies Limited (IN)	CIGNEX Datamatics Pte Ltd (SING)	CIGNEX Datamatics GmbH (GERM)	CIGNEX Datamatics (UK)	Inter-Co. Eliminations	Consolidated Totals
Revenues, net of allowances & rebates:							
Revenues	21,910,174	12,750,113	443,872	76,478	-	(7,114,979)	28,065,658
Total revenues	21,910,174	12,750,113	443,872	76,478	-	-	28,065,658
Costs and expenses							
Cost of revenues	14,531,390	8,844,218	400,152	54,433	-	(7,114,979)	16,715,214
Personnel Cost	2,448,359	1,859,846	-	-	-	-	4,308,205
Selling, general and administrative expenses	2,628,832	1,050,250	7,285	15,482	9,366	(22,011)	3,689,204
Depreciation and amortization	22,983	94,402	-	-	-	-	117,385
Exchange (gain)/ loss	5,283	(148,834)	(3,969)	-	-	-	(147,520)
Interest expense	39,904	13,766	-	-	-	(11,395)	42,275
Total costs and expenses	19,676,751	11,713,648	403,468	69,915	9,366	-	24,724,763
Operating income (loss)	2,233,423	1,036,465	40,404	6,563	(9,366)	-	3,340,895
Other income (expenses)							
Interest income	12,565	13,421	-	-	-	(11,395)	14,591
Unrealized exchange gain (loss)	-	-	-	-	-	(22,218)	(22,218)
Other income (expense)	37,835	105,945	-	-	-	-	143,780
Total other income (expense)	50,400	119,366	-	-	-	-	136,153
Income (loss) before taxes	2,298,740	1,155,832	40,449	6,563	(9,366)	-	3,477,093
Income taxes benefit (expense)							
Current taxes	(529,663)	(422,668)	(585)	(261)	6,070	-	(947,107)
Deferred taxes	(350,146)	(13,783)	-	-	-	-	(363,929)
Total income taxes	(879,809)	(436,451)	(585)	(261)	6,070	-	(1,311,036)

CIGNEX Datamatics, Inc. and Subsidiaries

Supplementary Information

Segment Information

March 31, 2019

**Statements of
comprehensive income**

	CIGNEX Datamatics, Inc. (US)	CIGNEX Datamatics Technologies Limited (IN)	CIGNEX Datamatics Pte Ltd (SING)	CIGNEX Datamatics GmbH (GERM)	CIGNEX Datamatics (UK)	Inter-Co. Eliminations	Consolidated Totals
Net income (loss)	1,404,014	719,380	39,819	6,302	(3,296)	-	2,166,012
Net loss (income) attributable to non-controlling interest	-	-	-	-	-	(40,090)	(40,090)
Net income (loss) after non-controlling interest	1,404,014	719,380	39,819	6,302	(3,296)	-	2,125,922
Other comprehensive income (loss)							
Foreign currency translation adjustment	-	(251,975)	(4,349)	(2,634)	1,281	(6,759)	(264,436)
Gain (loss) on cash flow hedging derivatives	-	45,989	-	-	-	-	45,989
Other comprehensive income (loss) before income tax effect	-	(205,986)	(4,349)	(2,634)	1,281	(6,759)	(218,447)
Income tax related to items of other comprehensive income	-	(55,278)	-	-	-	-	(55,278)
Total other comprehensive income (loss)	-	(261,264)	(4,349)	(2,634)	1,281	-	(273,725)
Comprehensive income (loss)	1,404,014	458,116	35,470	3,668	(2,015)	-	1,892,287
Comprehensive income attributable to non-controlling interest	-	-	-	-	-	(40,987)	(40,987)
Comprehensive income (loss)	1,404,014	458,116	35,470	3,668	(2,015)	-	1,851,300

CIGNEX Datamatics, Inc. and Subsidiaries

Supplementary Information

Segment Information

March 31, 2019

**Schedule of selling, general
and administrative expenses**

	CIGNEX Datamatics Inc. (US)	CIGNEX Datamatics Technologies Limited (IN)	CIGNEX Datamatics Pte Ltd (SING)	CIGNEX Datamatics GmbH (GERM)	CIGNEX Datamatics (UK)	Inter-Co. Eliminations	Consolidated Totals
Advertising and marketing expenses	161,957	3,034	-	81	-	-	165,072
Bad debts and customer credits	20,175	24,938	-	-	-	-	45,113
Bank, finance and interest charges	8,519	5,706	852	247	425	-	15,749
Conferences and seminars	3,479	9,486	-	-	-	-	12,965
Dues and subscriptions	14,014	11,443	-	-	-	-	25,457
General and administrative expenses	977,323	171,179	-	-	-	(22,011)	1,126,491
Insurance expenses	32,645	52,773	241	5,028	-	-	90,687
Legal and professional expenses	1,018,688	29,040	6,192	9,851	8,941	-	1,072,712
Office expenses	-	207,171	-	-	-	-	207,171
Office supplies	743	14,163	-	-	-	-	14,906
Postage & delivery	3,258	5,929	-	54	-	-	9,241
Printing and reproduction	2,596	10,529	-	-	-	-	13,125
Rents and utilities	110,485	309,169	-	-	-	-	419,654
Taxes, licenses and permits	1,167	84	-	221	-	-	1,472
Telephone and internet	94,983	114,475	-	-	-	-	209,458
Travel and entertainment	178,800	81,131	-	-	-	-	259,931
Total	2,628,832	1,050,250	7,285	15,482	9,366	-	3,689,204