

SUBEX INC.

FINANCIAL STATEMENTS

March 31, 2020

RAM ASSOCIATES, CPAS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
Subex Inc.

We have audited the accompanying financial statements of Subex Inc. (a Delaware Corporation), which comprise the balance sheet as of March 31, 2020, and the related statement of income and comprehensive income, retained earnings, and cash flows for the year then ended, and the related notes to financial statements.

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 audit. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design the 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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 Subex Inc. as of March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Ram Associates

Ram Associates

Hamilton, NJ

May 05, 2020.

SUBEX INC
Balance Sheet
March 31, 2020

ASSETS

Current assets

| | | |
|---------------------------|----|-----------|
| Cash and cash equivalents | \$ | 161,844 |
| Accounts receivable | | 1,053,995 |
| Unbilled receivables | | 353,898 |
| Other current assets | | 87,581 |
| Total current assets | | 1,657,318 |

Fixed assets, net

39,349

Security deposit

40,000

Due from affiliates

2,146,479

TOTAL ASSETS

\$ 3,883,146

LIABILITIES AND STOCKHOLDER'S DEFICIT

Current liabilities

| | | |
|---------------------------------------|----|-----------|
| Accounts payable and accrued expenses | \$ | 134,709 |
| Payroll and payroll taxes | | 11,462 |
| Other current liabilities | | 855,603 |
| Total current liabilities | | 1,001,774 |

Long-term liabilities

| | | |
|---|--|-----------|
| Due to affiliates | | 2,782,484 |
| Loans from affiliates | | 1,999,998 |
| Deferred revenue | | 1,025,976 |
| Other liabilities | | 38,415 |
| Total current and long-term liabilities | | 6,848,647 |

Stockholder's deficit

| | | |
|---|--|-------------|
| Common stock, \$.01 par value; 1,000 shares authorized, issued and outstanding | | 10 |
| Accumulated deficit | | (3,013,287) |
| Accumulated other comprehensive income | | 47,776 |
| Total stockholder's deficit | | (2,965,501) |

TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIT

\$ 3,883,146

-See accompanying notes to the financial statements-

SUBEX INC
Statement of Income
For The Year Ended March 31, 2020

| | | |
|---|----|-------------------------|
| Net revenue | \$ | 13,568,691 |
| Cost of revenue | | <u>7,450,088</u> |
| Gross income | | 6,118,603 |
| Operating expenses | | |
| General and administrative expenses | | <u>5,522,345</u> |
| Operating income before other income and (expense) | | 596,258 |
| Depreciation | | (53,285) |
| Interest expense | | (8,750) |
| Loss on sale of asset | | (411) |
| Other income | | 993,904 |
| Interest income | | <u>8</u> |
| Net income before income tax | | 1,527,724 |
| Income tax | | <u>(20,294)</u> |
| Net income | | 1,507,430 |
| Other comprehensive income: | | |
| Unrealized foreign currency exchange income | | <u>1,463</u> |
| Comprehensive income | \$ | <u><u>1,508,893</u></u> |

-See accompanying notes to the financial statements-

SUBEX INC

Statements of Changes in Stockholder's Deficit

For The Year Ended March 31, 2020

| | Common stock | | Accumulated deficit | Accumulated other comprehensive income | Total stockholder's deficit |
|------------------------------|--------------|--------|---------------------|--|-----------------------------|
| | Shares | Amount | | | |
| Balance as on March 31, 2019 | 1,000 | \$ 10 | \$ (4,520,717) | \$ 46,313 | \$ (4,474,394) |
| Comprehensive income | | - | - | 1,463 | 1,463 |
| Net income | | | 1,507,430 | - | 1,507,430 |
| Balance as on March 31, 2020 | 1,000 | \$ 10 | \$ (3,013,287) | \$ 47,776 | \$ (2,965,501) |

-See accompanying notes to the financial statements-

SUBEX INC
Statements of Cash Flows
For The Year Ended March 31, 2020

| | |
|---|--------------------------|
| Cash flows from operating activities | |
| Net comprehensive income | \$ 1,508,893 |
| Adjustment to reconcile net income to net cash provided by operating activities | |
| Depreciation | 53,285 |
| Loss on sale of asset | 411 |
| Changes in assets and liabilities: | |
| (Increase)/ decrease in: | |
| Accounts receivable | 95,148 |
| Unbilled receivables | 109,983 |
| Other current assets | 15,117 |
| Increase/ (decrease) in: | |
| Accounts payable and accrued expenses | 4,367 |
| Payroll and payroll taxes | 11,263 |
| Other current liabilities | (317,396) |
| Deferred revenues | 219,975 |
| Net cash provided by operating activities | <u>1,701,046</u> |
| Cash flows from investing activities: | |
| Purchase of fixed assets | (6,993) |
| Decrease in other non-current assets | 219,470 |
| Decrease in due from affiliates | 332,105 |
| Net cash provided by investing activities | <u>544,582</u> |
| Cash flows from financing activities: | |
| Decrease in other liabilities | (21,585) |
| Decrease in loan from affiliates | (2,000,000) |
| Decrease in due to affiliates | (584,592) |
| Net cash used in financing activities | <u>(2,606,177)</u> |
| Net decrease in cash and cash equivalents | (360,549) |
| Cash at the beginning of the year | <u>522,393</u> |
| Cash at the end of the year | <u><u>\$ 161,844</u></u> |

Supplementary disclosure of cash flows information

Cash paid during the year for:

| | |
|--------------|-------|
| Interest | \$ - |
| Income taxes | 2,396 |

-See accompanying notes to the financial statements-

SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

1. Organization and Description of Business

Azure Solutions, Inc., a Delaware corporation was incorporated in November 2004. Azure Solutions, Inc. is a 100% subsidiary of Azure Solutions, Ltd., UK. On June 22, 2006, Subex Systems, Ltd., India acquired 100% of Azure Solutions, Ltd., UK. On November 1, 2017, Subex System Ltd transferred its investments in Subex Inc to Subex Assurance LLP.

After the acquisition, Azure Solutions, Inc., Azure Solutions, Ltd., UK and Subex Systems, Ltd., India was renamed as Subex Azure, Inc., Subex Azure UK, Ltd. and Subex Azure, Ltd., respectively. Effective from December 5, 2007 Subex Azure, Inc was renamed as Subex, Inc.

Subex, Inc. ('the Company') is in a niche market providing revenue maximization solutions to communications service providers worldwide. These solutions improve the revenue and profits of the communication service providers through identification and elimination of leakages in their revenue chain. The Company conceptualizes and develops software products and is focused on the telecom business segment. The Company's vision is to be a global leader in its chosen area of operation - revenue maximization for communications service providers.

2. Summary of Significant Accounting Policies

a) Accounting Policies

These financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"); consequently, revenue is recognized when services are rendered and expenses reflected when costs are incurred.

b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are often based on judgments, probabilities and assumptions that management believes are reasonable but that are

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NOTES TO FINANCIAL STATEMENTS

March 31, 2020

inherently uncertain and unpredictable. As a result, actual results could differ from those estimates.

Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustment, if any, to the estimates used are made prospectively based on such periodic evaluations.

c) Cash and Cash Equivalents

The Company considers all checking accounts, sweep accounts and money market accounts to be cash and cash equivalents.

The Company's statements of financial position and results of operations are measured using the United States dollar as the functional currency.

d) Accounts Receivables

Accounts receivable are recorded at net realizable value consisting of the carrying amount less the allowance for doubtful accounts.

The Company maintains an allowance for doubtful accounts to provide for the estimated amount of receivables that may not be collected. The allowance is based upon an assessment of customer creditworthiness, historical payment experience, the age of outstanding receivables and other applicable factors. The Company evaluates the collectability of our trade accounts receivable on an on-going basis and write off accounts when they are deemed to be uncollectable.

For the period ended March 31, 2020, the allowance for doubtful accounts amounted to \$ Nil.

e) Revenue Recognition

The Company recognize revenue in accordance with the Accounting Standard Codification 606 "Revenue Recognition." The Company recognizes revenues as they transfer control of deliverables (products, solutions and services) to its customers in an amount reflecting the consideration to which it expects to be entitled. To recognize revenues, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the

SUBEX, INC.

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March 31, 2020

transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied.

The Company accounts for a contract when it has approval and commitment from all parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Company applies judgment in determining the customer's ability and intention to pay based on a variety of factors including the customer's historical payment experience.

For performance obligations where control is transferred over time, revenues are recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the deliverables to be provided.

Revenues related to fixed-price contracts for application development and systems integration services, consulting or other technology services are recognized as the service is performed using the cost to cost method, under which the total value of revenues is recognized on the basis of the percentage that each contract's total labor cost to date bears to the total expected labor costs. Revenues related to fixed-price application maintenance, testing and business process services are recognized based on our right to invoice for services performed for contracts in which the invoicing is representative of the value being delivered. If the Company's invoicing is not consistent with value delivered, revenues are recognized as the service is performed based on the cost to cost method described above. The cost to cost method requires estimation of future costs, which is updated as the project progresses to reflect the latest available information; such estimates and changes in estimates involve the use of judgment. The cumulative impact of any revision in estimates is reflected in the financial reporting period in which the change in estimate becomes known and any anticipated losses on contracts are recognized immediately.

Revenues related to time-and-materials, transaction-based or volume-based contracts are recognized over the period the services are provided either using an output method such as labor hours, or a method that is otherwise consistent with the way in which value is delivered to the customer.

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NOTES TO FINANCIAL STATEMENTS

March 31, 2020

Accounts Receivables, Contract Assets and Contract Liabilities

The Company classifies its right to consideration in exchange for deliverables as either a receivable or a contract asset. A receivable is a right to consideration that is unconditional. The Company presents such receivables in "Accounts Receivable" at their net estimated realizable value.

A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets primarily relate to unbilled amounts on fixed-price contracts utilizing the cost to cost method of revenue recognition. The Company had Unbilled Accounts Receivable of \$353,898 as of March 31, 2020.

The Company's contract liabilities or unearned revenue, consist of advance payments and billings in excess of revenues recognized. The Company had Unearned Revenue of \$1,025,976 as of March 31, 2020.

f) Credit and Business Concentration

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and trade receivables. Credit risks associated with trade receivables is minimal due to the Company's customer base which consist of large telecom companies and ongoing procedures, which monitor the credit worthiness of its customers. For the year ended March 31, 2020 sales to three major customers accounted for approximately 64% of revenue net of inter-company. As of March 31, 2020, accounts receivable due from same three major customers were approximately 55% of net accounts receivables.

g) Property and Equipment

Property and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives by the straight-line method. Depreciation of an asset commences when the asset is put into use. The estimated useful lives of the related assets range from 4 to 5 years. The Company charges repairs and maintenance costs that do not extend the lives of the assets, to expenses as incurred.

Property and equipment as on March 31, 2020 consists of the following:

| | | |
|-------------------|----|---------|
| Computer hardware | \$ | 909,089 |
|-------------------|----|---------|

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March 31, 2020

| | |
|--------------------------------|------------------|
| Computer software | 225,665 |
| Office equipment | 25,157 |
| Furniture and fixtures | 11,760 |
| Total assets | 1,171,671 |
| Less: Accumulated depreciation | (1,132,323) |
| Net assets | \$ 39,348 |

Depreciation expenses during the year ended March 31, 2020 was \$53,285. During the year ended March 31, 2020, the Company has written off its old assets at a loss of \$411.

h) Fair value of financial instruments

FASB ASC 820, *Fair Value Measurements and Disclosures* defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. FASB ASC 820 defines fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Certain financial instruments are carried at cost on the balance sheet, which approximates fair value due to their short-term, highly liquid nature. These instruments include cash, accounts receivable, accounts payable and accrued expenses and other liabilities.

3. New Accounting Pronouncements

- a. In August 2018, the FASB issued ASU 2018-13 which modifies the disclosure requirements for recurring and nonrecurring fair value measurements, primarily those surrounding Level 3 fair value measurements and transfers between Level 1 and Level 2. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within that

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reporting period. The Company is currently evaluating the new guidance and does not expect it to have an impact on its consolidated financial statements.

- b. In August 2018, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2018-13, "Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement". This ASU removed the following disclosure requirements: (1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy; (2) the policy for timing of transfers between levels; and (3) the valuation processes for Level 3 fair value measurements. Additionally, this update added the following disclosure requirements: (1) the changes in unrealized gains and losses for the period included in other comprehensive income and loss for recurring Level 3 fair value measurements held at the end of the reporting period; (2) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information (such as the median or arithmetic average) in lieu of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements. ASU No. 2018-13 will be effective for fiscal years beginning after December 15, 2019 with early adoption permitted.
- c. In January 2017, the FASB issued ASU No. 2017-04, simplifying the Test for Goodwill Impairment. Under the new standard, goodwill impairment would be measured as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying value of goodwill. This ASU eliminates existing guidance that requires an entity to determine goodwill impairment by calculating the implied fair value of goodwill by hypothetically assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. This update is effective for annual periods beginning after December 15, 2019, and interim periods within those periods. Early adoption is permitted for interim or annual goodwill impairment test performed on testing dates after January 1, 2017.

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NOTES TO FINANCIAL STATEMENTS

March 31, 2020

4. Income Taxes

The Company accounts for income taxes under the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized based upon differences arising from the carrying amounts of the Company's assets and liabilities for tax and financial reporting purposes using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change in tax is enacted. Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty, as applicable, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For the year ended March 31, 2020 the Company has not recorded any deferred tax assets or liability due to carried forward loss. Based on available objective evidence, management believes it is more likely than not that the deferred tax assets, if recorded, will not be fully realizable. At March 31, 2020, the Company had approximately \$ 3,013,287 in accumulated deficit.

The Company derives income for services rendered in foreign jurisdiction. The collections are derived net of the taxes withheld in the foreign jurisdiction governed by the taxation laws of the respective country in which services are rendered. The taxes withheld are treated as an asset to be offset against the future tax liability. The Company has carried forward losses and do not expect to realize sufficient profits to offset the same. Hence the Company has created a provision to offset the taxes withheld.

The Company files income tax returns in the U.S. federal jurisdiction, and various State jurisdictions. The Company is generally no longer subject to U.S. Federal, State and local examinations by tax authorities for the years before 2017.

5. Employee Benefit Plan

Effective October 1, 2004, the Company sponsored an employee savings plan under Section 401(k) of the Internal Revenue Code. This plan is offered to all employees who have completed 21 years. Employees are vested 100% in the Company's matching from the first year of service. The Company's matching contribution was \$ 86,506 for the year ended March 31, 2020.

6. Legal Matters

The Company is or has been involved in legal proceedings that arise from the normal course of business. The Company cannot predict the timing or outcome

SUBEX, INC.

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March 31, 2020

of these claims and other proceedings. The management, in all instances, intends to vigorously defend all false claims and false allegations brought against it in the normal course of business. Currently, the Company is not involved in any action, arbitration and / or other legal proceedings that it expects to have a material adverse effect on the business, financial condition, results of operations or liquidity of the Company. All legal cost is expensed as incurred.

7. Related Party Transactions

Due to affiliates

During the year ended March 31, 2020, the Company owed to its parent company and related companies a total of \$ 4,782,482 which consisted of the following:

| | |
|-------------------|---------------------|
| Services received | \$ 2,782,484 |
| Loans payable | 1,999,998 |
| Total | <u>\$ 4,782,482</u> |

Due from affiliates

During the year ended March 31, 2020, the Company had receivable balance of \$2,146,479 due from its parent and related companies on account of marketing and allied services provided.

Services procured from and expenses reimbursed to related companies

During the year ended March 31, 2020, the Company provided services of \$7,164,124 to its parent company and related companies.

During the same period the Company purchased services of \$6,245,391 from its parent company and related companies.

During the year ended March 31, 2020, Subex (UK) Limited, has granted the Company a waiver of interest on loan of \$ 1,245,510, which was accrued from April 1, 2015 through December 31, 2019. This includes interest charged for the nine months from April 01, 2019 through December 31, 2019 of \$251,667. Subex (UK) Limited, by a resolution dated February 20, 2020, has revised its interest rate on loan given to the Company to 1.5% effective January 1, 2020. The income resulting due to waiver of interest is shown under Other Income in the financials.

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NOTES TO FINANCIAL STATEMENTS

March 31, 2020

8. Commitments and Contingencies

Lease Commitments

The Company has entered into a lease agreement for office facility expiring through May 06, 2025. The future minimum rental payments under the lease agreement are as follows:

| | |
|---------------------------|-------------------|
| For year ending March 31, | |
| 2021 | 70,601 |
| 2022 | 72,502 |
| 2023 | 74,402 |
| 2024 | 76,304 |
| 2025 and thereafter | 86,143 |
| TOTAL | \$ 379,952 |

For the year ended March 31, 2020 rent expense was \$ 78,908

9. Subsequent Events

For the year ended March 31, 2020, the Company has evaluated subsequent events for potential recognition and disclosure through May 5, 2020, the date the financial statements were available for issuance.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what will be the financial impact to the Company. To date, the Company has not experienced any major consequences or loss of business which will materially impact the financial conditions of the Company.

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March 31, 2020

No reportable subsequent events have occurred through May 5, 2020 which would have a significant effect on the financial statements as of March 31, 2020, except as otherwise disclosed.