

SUBEX INC.

FINANCIAL STATEMENTS

March 31, 2016

RAM ASSOCIATES, CPAS

3240 East State Street Ext.

Hamilton, NJ 08619

Ph.: 609 631 9552 Fax: 888 319 8898

pkram@ramassociates.us

SUBEX INC.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet as of March 31, 2016	2
Statements of Operations and Comprehensive Loss For The Year Ended March 31, 2016	3
Statement of Changes in Stockholder's Deficit For The Year Ended March 31, 2016	4
Statements of Cash Flows For The Year Ended March 31, 2016	5
Notes to Financial Statements	6-13



CERTIFIED PUBLIC ACCOUNTANTS

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, 2016, and the related statement of operations and comprehensive loss, 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, 2016, 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 17, 2016.

SUBEX INC
Balance Sheet
March 31, 2016

ASSETS

Current assets

Cash and cash equivalents	\$ 1,056,486
Accounts receivable, (net of allowances \$ 294)	2,043,924
Unbilled receivables	192,552
Other current assets	55,664
Total current assets	<hr/> 3,348,626

Fixed assets, net 362,741

Other non-current assets 164,843

Security deposits 50,000

Due from affiliates 24,803,590

TOTAL ASSETS

\$ 28,729,800

LIABILITIES AND STOCKHOLDER'S DEFICIT

Current liabilities

Accounts payable and accrued expenses	\$ 682,444
Payroll and payroll taxes	11,905
Other current liabilities	466,811
Total current liabilities	<hr/> 1,161,160

Long-term liabilities

Due to affiliates	31,771,700
Deferred revenue	682,957
Total current and long-term liabilities	<hr/> 33,615,817

Stockholder's deficit

Common stock, \$.01 par value; 1,000 shares authorized, issued and outstanding	10
Accumulated deficit	(4,985,819)
Accumulated other comprehensive income	99,792
Total stockholder's deficit	<hr/> (4,886,017)

TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIT

\$ 28,729,800

-See accompanying notes to the financial statements-

SUBEX INC
Statement of Operations and Comprehensive loss
For The Year Ended March 31, 2016

Net revenue	\$	16,204,207
Cost of revenue		<u>8,654,942</u>
Gross income		7,549,265
Operating expenses		
General and administrative expenses		<u>6,533,918</u>
Operating income before other income and (expense)		1,015,347
Depreciation		(213,940)
Interest expense		(464,591)
Other income		406
Interest income		<u>140</u>
Net income before income tax		337,362
Income tax		<u>(498,472)</u>
Net loss		(161,110)
Other comprehensive income:		
Unrealized foreign currency exchange income		<u>2,571</u>
Comprehensive loss	\$	<u><u>(158,539)</u></u>

-See accompanying notes to the financial statements-

SUBEX INC

Statements of Changes in Stockholder's Deficit

For The Year Ended March 31, 2016

	Common stock	Amount	Accumulated deficit	Accumulated other comprehensive income	Total stockholder's deficit
Balance as on March 31, 2015	1,000	\$ 10	\$ (4,824,709)	\$ 97,221	\$ (4,727,478)
Comprehensive income				2,571	2,571
Net loss			(161,110)		(161,110)
Balance as on March 31, 2016	1,000	\$ 10	\$ (4,985,819)	\$ 99,792	\$ (4,886,017)

-See accompanying notes to the financial statements-

SUBEX INC
Statements of Cash Flows
For The Year Ended March 31, 2016

Cash flows from operating activities	
Net loss	\$ (158,539)
Adjustment to reconcile net loss to net cash provided by operating activities	
Depreciation	213,940
Changes in assets and liabilities:	
(Increase)/ decrease in:	
Accounts receivable	(142,372)
Unbilled receivables	369,042
Other current assets	(9,601)
Increase (decrease) in:	
Accounts payable and accrued expenses	(182,985)
Payroll and payroll taxes	10,440
Other current liabilities	30,072
Deferred revenues	682,957
Net cash provided by operating activities	<u>812,954</u>
Cash flows from investing activities:	
Purchase of fixed assets	(226,482)
Decrease in other non-current assets	805,435
Decrease in due from affiliates	5,656,593
Net cash provided by investing activities	<u>6,235,546</u>
Cash flows from financing activities:	
Decrease in due to affiliates	(6,264,359)
Net cash used in financing activities	<u>(6,264,359)</u>
Net increase in cash and cash equivalents	784,141
Cash at the beginning of the year	272,345
Cash at the end of the year	<u>\$ 1,056,486</u>

Supplementary disclosure of cash flows information

Cash paid during the year for:

Interest	\$ -
Income taxes	4,134

-See accompanying notes to the financial statements-

SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

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.

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

SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

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.

Uncollectible accounts are provided on the allowance method based on historic experience and management's evaluation of outstanding accounts receivable at the end of each fiscal year. For the period ended March 31, 2016, the allowance for doubtful accounts amounted to \$ 294.

e) Revenue Recognition

The Company recognizes revenue in accordance with the Accounting Standard Codification 605 "Revenue Recognition." Revenue is recognized when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the seller's price to buyer is fixed and determinable, and (4) collectability is reasonably assured.

Revenues are primarily derived from professional services under time and materials contracts, which are recognized in the period in which services are provided.

Revenue related to services performed without a signed agreement or work order are not recognized until there is evidence of an arrangement, such as when agreements or work orders are signed or payment is received; however, the cost related to the performance of such work is recognized in the period the services are rendered.

SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

For all services, revenue is recognized when, and if, evidence of an arrangement is obtained and the other criteria to support revenue recognition are met, including the price is fixed or determinable, services have been rendered and collectability is assured.

Revenues related to fixed price contracts for professional services are recognized using a model that is similar to the proportional performance method. Anticipated losses are recognized when they become known. Revisions in estimated profits are made in the month in which the circumstances requiring the revision become known.

Unbilled accounts receivable represents amounts recognized as revenue based on services performed in advance of customer billings. The Company had unbilled accounts receivable of \$192,552 as of March 31, 2016.

Revenue on long-term software contracts is recognized based on percentage progress achieved in providing the solution. Maintenance and service income is recognized on accrual basis.

Estimates of total project costs are continuously monitored during the term of an engagement. There are situations where the number of hours to complete projects may exceed our original estimate, as a result of an increase in project scope, unforeseen events that arise, or the inability of the client or the delivery team to fulfill their responsibilities. Accordingly, recorded revenues and costs are subject to revision throughout the life of a project based on current information and historical trends.

If our initial estimates of the resources required or the scope of work to be performed on a contract are inaccurate, or we do not manage the project properly within the planned time period, a provision for estimated losses on incomplete projects may be made. Any known or probable losses on projects are charged to operations in the period in which such losses are determined. A formal project review takes place quarterly, although projects are continuously evaluated throughout the period. Management reviews the estimated total direct costs on each contract to determine if the estimated amounts are accurate, and estimates are adjusted as needed in the period identified.

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

SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

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, 2016 sales to four major customers accounted for approximately 63% of revenue net of inter-company. As of March 31, 2016, accounts receivable due from same four major customers were approximately 50% 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, 2016 consists of the following:

Computer hardware	\$	865,071
Computer software		253,070
Office equipment		16,508
Furniture and fixtures		11,760
Total assets		1,146,409
Less: Accumulated depreciation		(783,668)
Net assets	\$	362,741

Depreciation expenses during the year ended March 31, 2016 was \$ 213,940.

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

SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

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

i) In August 2014, the Financial Accounting Standards Board ("FASB") issued amended guidance related to disclosure of uncertainties about an entity's ability to continue as a going concern. The new guidance requires management to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern and, as necessary, to provide related footnote disclosures. The guidance has an effective date of December 31, 2016. The Company believes that the adoption of this new standard will not have a material impact on its consolidated financial statements.

ii) In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standard Update, or ASU, 2014-09-*Revenue from Contracts with Customers*, which provides a single, comprehensive revenue recognition model for all contracts with customers. The core principal of this ASU is that an entity should recognize revenue when it transfers 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. This ASU also 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 and assets recognized from costs incurred to obtain or fulfill a contract. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. Early adoption is not permitted. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements.

iii) In January 2015, the Financial Accounting Standards Board, or FASB, issued Accounting Standard Update, or ASU, 2015-01-*Income Statement-Extraordinary and Unusual Items*, which seeks to simplify income statement presentation by

SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

eliminating the concept of Extraordinary Items. This Update eliminates from GAAP the concept of extraordinary items. Subtopic 225-20, Income Statement—Extraordinary and Unusual Items, required that an entity separately classify, present, and disclose extraordinary events and transactions. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption.

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, 2016 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, 2016, the Company had approximately \$ 4,985,819 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 2013.

SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

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 \$ 76,546 for the year ended March 31, 2016.

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 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, 2016, the Company owed to its parent company and related companies a total of \$ 31,771,700 which consisted of the following:

Services Received	\$ 26,970,407
Loans Payable	4,801,293
Total	<u>\$ 31,771,700</u>

Due from affiliates

During the year ended March 31, 2016, the Company had receivable balance of \$24,803,590 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, 2016, the Company provided services of \$8,614,166 to its parent company and related companies.

SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

During the same period the Company purchased services of \$7,362,338 from its parent company and related companies.

8. Commitments and Contingencies

Lease Commitments

The Company has entered into a lease agreement for office facility expiring through May 06, 2020. During the year, the Company terminated the existing lease for relocating the office facility. The future minimum rental payments under the lease agreement are as follows:

For year ending March 31,	
2017	\$ 95,420
2018	98,298
2019	101,174
2020	104,052
2021	8,871
TOTAL	\$ 407,815

For the year ended March 31, 2016 rent expense was \$ 93,745.

9. Subsequent Events

For the year ended March 31, 2016, the Company has evaluated subsequent events for potential recognition and disclosure through May 17, 2016, the date the financial statements were available for issuance. No reportable subsequent events have occurred through May 17, 2016 which would have a significant effect on the financial statements as of March 31, 2016, except as otherwise disclosed.