

CIGNITI TECHNOLOGIES, INC

AUDITED FINANCIAL STATEMENTS

TWELVE MONTHS ENDED MARCH 31, 2018 AND 2017

VBC & COMPANY,
Certified Public Accountants
A Professional Corporation
97, Cedar Grove Lane, Suite 202,
Somerset, NJ 08873.
email: balav@vbccpa.com

CIGNITI TECHNOLOGIES, INC

TABLE OF CONTENTS

Independent Auditor's Report	3 - 4
Financial Statements	
Balance Sheets	5
Statements of Income and Retained Earnings	6
Statements of Cash Flows	7
Statements of Changes in Stockholders' Equity	8
Notes to Financial Statements	9 -16
Independent Auditor's Report on Supplemental Information	17
Supplementary Schedules	18

VBC & COMPANY
Certified Public Accountants
A Professional Corporation
97 Cedar Grove Lane, Suite 202
Somerset, NJ 08873

INDEPENDENT AUDITOR'S REPORT

To the Stockholders and Board of Directors of,
Cigniti Technologies Inc.,
Irving, TX

Report on the Financial Statements

We have audited the accompanying financial statements of Cigniti Technologies Inc, which comprise the balance sheets as of March 31, 2018 and 2017, and the related statements of income, changes in stockholders' equity, and cash flows for the twelve months ended March 31, 2018, 2017 and 2016, and the related notes to the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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.

VBC & COMPANY
Certified Public Accountants
A Professional Corporation
97 Cedar Grove Lane, Suite 202
Somerset, NJ 08873

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cigniti Technologies Inc. as of March 31, 2018 and 2017, and the results of their operations and their cash flows for the twelve months ended March 31, 2018, 2017 and 2016 in accordance with accounting principles generally accepted in the United States of America.

The Company wrote off some of the assets and the development costs during the twelve months ended March 31, 2017, which resulted in the negative networth as of that date. The financial statements have been prepared on going concern basis, based on the existing credit arrangements with financial institutions and representation of financial and operational support from the Parent company, Cigniti Technologies Limited, and consequently no adjustments have been made to the carrying values or classification of balance sheets accounts.



VBC & Company
Certified Public Accountants
Somerset, New Jersey
May 10, 2018

CIGNITI TECHNOLOGIES INC
BALANCE SHEETS
AS OF MARCH 31, 2018 AND 2017

	2018	2017
Current Assets		
Cash and cash equivalents	\$ 2,170,130	\$ 2,065,319
Accounts receivable, net	14,503,546	13,479,358
Employee advances	94,402	168,449
Other current assets	78,777	133,154
Due from affiliates	4,124,488	1,553,559
Total current assets	<u>20,971,343</u>	<u>17,399,839</u>
Property and equipment, net	101,273	149,937
Other assets		
Security deposits	39,983	54,206
Deferred tax asset	-	327,682
Total other assets	<u>39,983</u>	<u>381,888</u>
Total assets	<u>\$ 21,112,599</u>	<u>\$ 17,931,664</u>
Current liabilities		
Accounts payable and accrued liabilities	4,118,169	3,740,706
Accrued payroll and payroll taxes	3,482,686	3,593,496
Accrued income taxes	1,997,718	3,743,900
Due to affiliates	21,383,064	16,398,243
Advances from factor	9,573,696	10,122,299
Other current liabilities	132,379	128,813
Total current liabilities	<u>40,687,712</u>	<u>37,727,457</u>
Long term liabilities		
Notes payable	539,500	1,266,634
Total long term liabilities	<u>539,500</u>	<u>1,266,634</u>
Stockholder's equity		
Common stock, \$1 par value, 1500 shares authorized, 1000 shares issued and outstanding		
Capital Stock	1,000	1,000
Additional paid in capital	402,045	402,045
Retained earnings/(deficit)	(20,517,658)	(21,465,472)
Total stockholder's equity	<u>(20,114,613)</u>	<u>(21,062,427)</u>
Total liabilities and stockholder's equity	<u>\$ 21,112,599</u>	<u>\$ 17,931,664</u>

(See Auditor's report and accompanying notes to financial statements)

CIGNITI TECHNOLOGIES INC
STATEMENTS OF INCOME
FOR THE TWELVE MONTHS ENDED MARCH 31, 2018 AND 2017

	APR - MAR 2018	APR - MAR 2017	APR - MAR 2016
Revenue			
Consulting income	85,980,164	58,194,711	21,866,675
Other income	23,475	-	55
Total Revenue	<u>86,003,639</u>	<u>58,194,711</u>	<u>21,866,730</u>
Cost of sales	61,436,739	44,334,991	11,297,622
Gross profit	<u>24,566,900</u>	<u>13,859,720</u>	<u>10,569,108</u>
General and administrative expenses	23,572,237	19,170,629	3,895,422
Income / (loss) before depreciation and tax	<u>994,663</u>	<u>(5,310,909)</u>	<u>6,673,686</u>
Assets written off	-	24,275,193	-
Interest expense	301,590	-	-
Depreciation	74,267	1,419,881	141,671
Deferred income tax/(credit)	327,682	(681,877)	-
Income/(loss) before income taxes	<u>291,124</u>	<u>(30,324,106)</u>	<u>6,532,015</u>
Provision for income taxes	(25)	809,576	2,396,700
Prior period taxes/(credit)	(656,665)	188,885	-
Net income /(loss)	<u>947,814</u>	<u>(31,322,567)</u>	<u>4,135,315</u>
Beginning retained earnings /(deficit)	(21,465,472)	7,624,807	3,489,491
Add: retained earnings from merged entites	-	2,232,288	-
Ending retained earnings/ (deficit)	<u>\$ (20,517,658)</u>	<u>\$ (21,465,472)</u>	<u>\$ 7,624,806</u>

(See Auditor's report and accompanying notes to financial statements)

CIGNITI TECHNOLOGIES INC
STATEMENTS OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2018, 2017 AND 2016

	APR - MAR 2018	APR - MAR 2017	APR - MAR 2016
Cash flow from operating activities			
Net income/(loss) after taxes	\$ 947,814	\$ (31,322,567)	\$ 4,135,315
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	74,267	1,419,881	141,671
Assets written off	-	24,275,193	-
Changes in operating assets and liabilities:			
Trade and other receivables	(1,024,188)	(5,153,305)	(3,905,395)
Employee advances	74,047	157,874	(326,323)
Accounts payable, accrued expenses	377,463	2,757,941	496,565
Other current assets	68,600	7,835,937	(3,855,666)
Due from affiliates	(2,570,929)	2,497,522	(2,601,172)
Accrued payroll and related costs	(110,810)	2,567,283	1,026,213
Accrued income taxes	(1,746,182)	1,880,766	1,859,631
Deferred income taxes	327,682	(636,579)	533,566
Due to affiliates	4,984,821	745,665	9,177,171
Notes payable	(727,134)	1,266,634	-
Other liabilities	3,566	128,813	-
Net cash provided by / (used in) operating activities	<u>679,017</u>	<u>8,421,058</u>	<u>6,681,576</u>
Cash flow from investing activities			
Purchase of assets	(25,603)	(14,446,130)	(9,308,264)
Net cash provided by / (used in) investing activities	<u>(25,603)</u>	<u>(14,446,130)</u>	<u>(9,308,264)</u>
Cash flow from financing activities			
Proceeds from additional paid in capital	-	402,045	-
Proceeds/ (repayments) from/to factor	(548,603)	7,443,330	2,678,970
Net cash provided by / (used in) financing activities	<u>(548,603)</u>	<u>7,845,375</u>	<u>2,678,970</u>
Increase (decrease) in cash and cash equivalents	<u>104,811</u>	<u>1,820,303</u>	<u>52,282</u>
Cash and cash equivalents, beginning of period	2,065,319	245,016	192,734
Cash and cash equivalents, end of period	<u>\$ 2,170,130</u>	<u>\$ 2,065,319</u>	<u>\$ 245,016</u>
Interest paid	\$ 104,000	\$ -	\$ -
Taxes paid	\$ 1,218,963	\$ 400,000	\$ -

(See Auditor's report and accompanying notes to financial statements)

CIGNITI TECHNOLOGIES INC
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE TWELVE MONTHS ENDED MARCH 31, 2018 AND 2017

	APR - MAR 2018	APR - MAR 2017
Common stock and paid-in capital		
Balance, beginning of period	\$ 1,000	\$ 1,000
Additional paid in capital	402,045	402,045
Balance, end of period	<u>\$ 403,045</u>	<u>\$ 403,045</u>
Accumulated retained earnings/(deficit)		
Balance, beginning of period	(21,465,472)	7,624,807
Add: Retained earnings transferred from merged entites	-	2,232,288
Net Income/(loss) during the year	947,814	(31,322,567)
Balance, end of period	<u>\$ (20,517,658)</u>	<u>\$ (21,465,472)</u>
Total stockholder's equity	<u>\$ (20,114,613)</u>	<u>\$ (21,062,427)</u>

(See Auditor's report and accompanying notes to financial statements)

CIGNITI TECHNOLOGIES INC
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2018, 2017 AND 2016

Note A - Summary of Significant Accounting Policies

Nature of Operations

Cigniti Technologies Inc (the "Company") was formed effective June 11, 2014, as a Delaware Corporation. The Company provides software engineering and consulting services on both project and hourly basis. The market for the Company's services is characterized by rapidly changing technology, evolving industry standards, and new product introductions. The Company's market is intensely competitive. The Company's success will depend on its ability to enhance and market existing services and introduce new services to meet changing customer requirements and evolving standards.

Concentration of Credit Risk

The Company maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents. With respect to trade receivables, the Company generally does not require collateral because the majority of the Company's customers are well established companies operating in a variety of industries and geographic regions.

Use of Estimates

The Company's management makes estimates and assumptions in preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America. These estimates and assumptions may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and reported amounts of revenues and expenses during the respective reporting periods. Actual results could differ from those implicit in the estimates and assumptions.

Cash and Cash Equivalents

The Company considers cash and highly liquid debt instruments with original maturities of three months or less to be cash equivalents. The Company places its temporary cash and cash equivalents with high credit quality financial institutions.

Financial Instruments

The Company's financial instruments including cash and cash equivalents, accrued expenses, accounts receivable, accounts payable and lines of credit debt, all of which approximate fair value at the balance sheet dates.

Accounts Receivable

The Company routinely assesses the financial strength of its customers and does not require collateral or other security to support customer receivables. Credit losses are provided for in the financial statements based upon the age of the receivable and specific circumstances surrounding the collection of an invoice. Actual collection on accounts may differ from the Company's estimate of the amount collectible.

Allowance for Doubtful Accounts

The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the accounts receivable balance. The Company determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. The allowance for doubtful accounts as of March 31, 2018 and 2017 was \$ 210,724 and \$ 380,466 respectively.

Property and Equipment

Property and equipment, consisting of computers, furniture and equipment, are stated at cost. Improvements which substantially increase the useful lives of assets are capitalized. Maintenance and repairs are expensed as incurred. Upon retirement or disposal, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss is recorded.

CIGNITI TECHNOLOGIES INC
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2018, 2017 AND 2016

Depreciation/Amortization

Depreciation on all property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from five to seven years. Depreciation expense for the twelve months ended March 31, 2018, 2017 and 2016 was \$ 74,267 \$ 1,149,881 and \$ 141,671 respectively.

Revenue Recognition

The Company derives its revenues principally from providing temporary staffing of computer specialists and system enhancement services. A proportion of such temporary staff are sub-contractors and not employees of the Company. Revenue related to temporary staffing is billed and recognized monthly, in accordance with contractual arrangements. Revenue from time and material service contracts is recognized as and when the related services are rendered in accordance with the terms of contract entered by the Company with its customers. Revenue on fixed-price contracts is recognized on the percentage of completion method. Provision for estimated losses, if any, on such uncompleted contracts are recorded in the year in which such losses become probable based on the current liabilities. Changes in estimates are reflected in the period in which the changes become known.

Unbilled Revenues

If any are classified as accounts receivables on the balance sheet, represents services rendered prior to being invoiced due to certain contractual restrictions.

Cost of Revenues

The costs of revenues are classified as cost of sales on the income statement, and consist primarily of employee costs and sub-contractors' costs, and other costs incurred in connection with the execution of assignments.

Customer and Business Concentration

Financial instruments that potentially subject the company to concentration of credit risk consist principally of cash and trade receivables. Credit risks associated with trade receivables is minimal due to the Company's large customer base and ongoing procedures, which monitor the credit worthiness of its customers. For the twelve months and ended March 31, 2018, 2017 and 2016, sales to the top five customers was \$ 20,515,926 (24% of net revenues), \$ 20,888,988 (36% of net revenues) and \$ 8,730,962 (40% of net revenues) respectively. For the twelve months ended March 31, 2018 and 2017, accounts receivable due from these customers was \$ 3,005,716 (21% of net receivables) \$ 2,078,034 (15% of net receivables) respectively.

Income Taxes

The Company is taxed under the Internal Revenue Code as a "C" Corporation and is subject to corporate income taxes. The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are determined based on temporary differences between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect during the years in which the differences are expected to reverse, and on available tax credits and carry-forwards.

Impairment of Intangibles

The Company assesses at each balance sheet date whether there is any indication that any intangible assets including goodwill may be impaired. If any such indication exists, the carrying value of such assets is reduced to its recoverable amount and the amount of such impairment loss is charged to the Income statement. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

For the twelve months ended March 31, 2017, the Company decided to impair certain intangible assets and development costs to the extent of \$ 24,275,192. Refer note D – Property and Equipment.

Provisions and Contingent Liabilities

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires outflow of resources, which can be reliably estimated. Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources. Contingent assets are neither recognized nor disclosed in the financial statements.

CIGNITI TECHNOLOGIES INC
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2018, 2017 AND 2016

Impact of New Accounting Standards

In May 2014, the FASB issued an update to ASC 606, Revenue from Contracts with Customers, further amended in July 2015. This update to ASC 606 provides a five-step process to determine when and how revenue is recognized. The core principle of the guidance is that a Company should recognize revenue upon transfer of promised goods or services to customers in an amount that reflects the expected consideration to be received in exchange for those goods or services. This update to ASC 606 will also result in enhanced disclosures about revenue, providing guidance for transactions that were not previously addressed comprehensively, and improving guidance for multiple-element arrangements. This update to ASC 606 is effective for the Company beginning in fiscal 2019. The Company is currently evaluating the impact of this update on its financial statements.

In February, 2016, the FASB issued an update to ASC 842, Leases. This update results in more faithful representation of the rights and obligations arising from leases by requiring lessees to recognize the lease assets and lease liabilities, improves understanding and comparability of lessees' financial commitments, provides users of financial statements with additional information about lessors' leasing activities and lessors' exposure to credit and asset risk as a result of leasing, This update to ASC 606 is effective for the Company beginning in fiscal 2019. The Company is currently evaluating the impact of this update on its financial statements.

Note B – Merger

On November 30th, 2016, the Company (Cigniti Technologies Inc), along with Cigniti Inc, an Iowa domestic profit corporation and Gallop Solutions, Inc., a Texas domestic profit corporation entered in to a definitive Agreement and Plan of Merger, with an intent to affect a tax-free reorganization under all applicable laws.

Cigniti Inc, Gallop Solutions, Inc. and Cigniti Technologies, Inc. and their respective Board of Directors and shareholders declared it advisable and to the advantage, welfare and best interests of all Corporations and their respective stockholders to merge Cigniti Inc and Gallop Solutions, Inc. with and into Cigniti Technologies, Inc., the surviving corporation. The Board of Directors and the Shareholders of Cigniti Technologies Inc, the surviving corporation completed the merger on December 30th, 2016.

Pursuant to the merger, the entire business and all the assets and liabilities, duties and obligations of Cigniti Inc and Gallop Solutions Inc have been transferred to and vested in the Company with effect from December 30, 2016. These mergers with the Company are non-cash transactions and recorded at book value.

Accounting treatment of the merger:

The Company accounted for the merger as under:

- a. All assets and liabilities (including contingent liabilities), reserves, benefits under income tax, duties and obligations of Cigniti Inc and Gallop Solutions Inc, have been recorded in the books of account of the Company at their existing carrying amounts and in the same form.
- b. Each issued share of the Cigniti Inc. & Gallop Solutions Inc. shall at the Effective Time be cancelled and retired. Each issued and outstanding share of Cigniti Technologies Inc., shall, at the Effective Time, continue to be issued and outstanding in the same manner as prior to the Effective Time. No shares of Cigniti Technologies Inc., and no shares, securities, or obligations convertible into such shares are to be issued or delivered under this merger.
- c. Accordingly, the merger has resulted in transfer of assets and liabilities in accordance with the terms of the merger scheme at the following summarized values

Particulars	Total
Current Assets	
Cash and cash equivalents	\$ 229,024
Accounts receivable, net	6,206,257
Employee advances	15,648
Other current assets	51,363

CIGNITI TECHNOLOGIES INC
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2018, 2017 AND 2016

Prepaid expenses	5,636,109
Property and equipment, net	1,552,266
Other Assets – Security Deposits	53,706
Current Liabilities	
Accounts payable and accrued liabilities	\$ (2,154,532)
Accrued payroll and payroll taxes	(720,736)
Accrued income taxes	(1,280,899)
Due to affiliates	(1,545,606)
Advances from factor	(3,984,361)
Other current liabilities	(50,000)
Other Liabilities	
Deferred tax liability	(45,298)
Notes payable	(1,328,606)
Additional paid in capital	(402,045)
Net Assets	\$ 2,232,289

- d. Further, the Company has initiated the name change formalities to transfer the title in respect of the properties, contracts, deeds etc.

Note C - Advertising Costs

Costs for producing and communicating advertising for the Company's brand and products are charged to general and administrative (G&A) expenses as they are incurred. Advertising expense for the twelve months ended March 31, 2018, 2017 and 2016 was \$ 18,389, \$ 14,487, and \$ 29,827 respectively.

Note D - Property and Equipment

	As of March 31, 2018	As of March 31, 2017
Computer equipment and software	\$ 317,028	\$ 298,189
IT Hardware	9,387	9,387
Furniture & Fixtures	292,195	285,431
Leasehold Improvements	25,600	25,600
Vehicle	50,253	49,661
Total assets	668,268	668,268
Less: Accumulated depreciation	(593,190)	(518,331)
Property and Equipment, net	\$ 101,273	\$ 149,937

The Company has incurred substantial costs on development of software testing products and tools over the past few years. The Company has been keeping a keen watch on market developments and continuously assesses any potential impairment of such tools / products. In light of the current technological changes and the overall market outlook for our software products in the testing space, the Company has carried out an impairment analysis of such products. Based on such analysis and in the absence of estimates of future cash flows arising from the sale of product licenses for these tools the Company has decided to fully impair such developments costs on a conservative and prudent basis in line with the requirements of the accounting standards. For the twelve months ended March 31, 2017, the company has written off \$ 24,275,192 towards development costs and other related costs towards such software tools.

Note E - Commitments and contingent liabilities

Operating Leases

The Company has several non-cancellable leases for its office space and vehicles. Rent expense for the office space and vehicles is recognized equally over the lease term. Future minimum rental commitments under the non-cancellable lease are as follows:

CIGNITI TECHNOLOGIES INC
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2018, 2017 AND 2016

	As of March 31, 2018	As of March 31, 2017
Within one year	\$ 178,239	\$ 194,972
More than one year and not later than 5 years	937	150,624
Total	\$ 179,176	\$ 345,596

The rent expense for the twelve months ending March 31, 2018, 2017 and 2016 was \$ 532,303, \$ 351,494 and \$ 117,726 respectively.

The Company does not have any material outstanding capital commitments and contingent Liabilities as on the date of the Balance Sheet.

Contingent liabilities: The Company is named in various claims and legal actions in the ordinary course of business. Based on the counsel and management's opinion, there are no pending significant legal proceedings to which the Company is a party, the ultimate outcome would have a material adverse effect on the Company's financial position.

Note F – Advances from factor

On August February 15, 2017 Cigniti Technologies Inc entered into an accounts receivable purchasing agreement with Green Bank, N.A and this agreement overrides all the previous such arrangements with Green Bank N.A. entered by Cigniti Technologies Inc and its erstwhile subsidiaries. As per the agreement, Green Bank will advance against the eligible accounts receivable and with effect from February 15, 2017, the total facility is capped at \$ 14,000,000 at any given time. The eligible accounts receivable will be discounted at 1% of the face value of the purchased accounts for the first thirty days that it remains outstanding and then at 0.03% for each additional day that the invoice remains outstanding. Any invoice outstanding beyond ninety days will be charged back to Cigniti Technologies Inc. In the event of default, under the agreement, Cigniti Technologies Inc shall be liable to pay any sums necessary to discharge any lien or encumbrances which is senior to Green Bank's security interest including a delay discount of 0.065 per day will be charged on all past due amounts due from Cigniti Technologies Inc to Green Bank and on the amount of any reserve shortfall.

As of March 31, 2018 and 2017, the amount of advance outstanding was \$ 9,573,696 and \$ 10,131,666 respectively.

Post-merger with Cigniti Inc, the Company has inherited the accounts receivable finance agreement with Transfac Capital Inc (the factor), which was entered on May 2016. As per the agreement, the factor will advance 85% of the eligible accounts receivable. The total facility is capped at \$ 3,000,000 at any given time. The servicing fee charged will be the greater of 1% of the face amount of each invoice evidencing a purchased account for the first thirty days or a portion thereof from the date of purchase of each account, and an additional fee of 0.033% of the face amount of each invoice per diem thereafter. This agreement was terminated on January 26, 2017.

The factoring charges, including interest incurred during the twelve months ended March 31, 2018, 2017 and 2016 was \$ 1,228,147, \$ 1,284,205 and \$ 207,641 respectively.

Note G – Employee Stock Options

During 2014 and 2015, the parent company granted stock-based compensation to directors and employees of Cigniti Technologies Inc. The amount granted was charged to Cigniti Technologies Inc towards the employee stock option expenses. The tax benefits related to stock based compensation has been reflected under deferred tax asset as the amount will be tax deductible in the year the options are exercised. Stock-based compensation expense has been reflected under staff wages and benefits – support expenses. For the twelve months ended March 31, 2018 and 2017 the amount of stock based expense was \$ 108,918 and \$ 584 and there was no related income tax benefit against the same. There was no expenses incurred for the twelve months ended March 31, 2016.

Note H - Income Taxes

No provision for income taxes was made for the twelve months ending March 31, 2018, as there are operating losses in the current tax period till YTD December 31, 2017. The total estimated taxable loss for the twelve months ended December 31, 2017 was \$ 23,030,591. Of this \$ 7,551,869 was carried back to the previous two tax years and offset against the taxable income for the two years and the

CIGNITI TECHNOLOGIES INC
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2018, 2017 AND 2016

balance \$ 15,478,722 is carried forward as Net Operating Loss to be offset against future taxable income.

The components of the provision for income taxes for the twelve months ended March 31, 2017 and 2016 were as follows:

	As of March 31, 2017	As of March 31, 2016
Current taxes		
Federal	\$ 627,148	\$ 1,443,300
State	182,428	419,834
Prior year	188,885	-
Total – current	988,461	1,863,134
Deferred tax credit	(681,877)	-
Deferred tax expense	-	533,566
Provision for income taxes	\$ 316,584	\$ 2,396,700

The components of the deferred income tax assets and liabilities were as follows:

	As of March 31, 2018	As of March 31, 2017	As of March 31, 2016
<u>Deferred income tax assets:</u>			
Employee Stock Option – CTL	\$ 108,918	\$ 327,682	\$ 327,682
Provision for doubtful debts	434,509	-	-
Interest on intercompany loans	301,590	-	-
Net operating loss carried forward – current year	(3,250,532)	(3,261,672)	-
Depreciation	(477,643)	(930,229)	-
Less: Valuation allowance	2,883,159	4,191,901	-
Net deferred income tax assets	-	327,682	327,682
<u>Deferred income tax liabilities:</u>			
Net deferred income tax liabilities - Depreciation timing difference	-	-	636,579
Reported as:			
Deferred income tax assets – Long Term	-	\$ 327,682	\$ 327,682
Deferred income tax liabilities– Long Term	-	-	\$ 327,682

The Company has entered in to a monthly payment plan for payment of taxes owed to the extent of \$ 1,854,508.89 with IRS pertaining to tax periods 2015 and 2016. As per the agreed upon payment plan, the Company will pay \$ 100,000 every month starting from February 28, 2018 until the full payments are made against the taxes owed. However, owing to the carry back of the loss as specified above the amount of taxes owed has reduced by \$ 1,349,006 (2016 Tax Year) & \$ 1,081,319.36(2015 Tax Year).

Uncertain tax positions: As of the report date, the Company does not have any uncertain tax liabilities or benefits that could materially affect the effective tax rate. The tax years 2017, 2016 and 2015 were open as of date of report. Management regularly assesses the tax risk of the company's return filing positions for all open years.

Note I – Related party transactions

In the ordinary course of business, the company enters into transactions with its Parent Company – Cigniti Technologies Limited and its affiliates. During the twelve months ended March 31, 2018, 2017 and 2016 the offshore delivery expenses incurred was \$ 27,378,180, \$ 25,259,336 and \$ 3,011,629 respectively.

CIGNITI TECHNOLOGIES INC
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2018, 2017 AND 2016

Remuneration paid to Directors, during the twelve months ended March 31, 2018, 2017 and 2016 the was

	Twelve months ended March 31, 2018	Twelve months ended March 31, 2017	Twelve months ended March 31, 2016
Mr. Srikanth C	\$ 251,153	\$ -	-
Primitor Inc – Mr. Paneesh Murthy	300,000	50,000	-

Balances outstanding to / from the parent company, affiliates, and Cigniti Technologies Inc as of March 31, 2018 and 2017 were:

	As of March 31, 2018	
	Due from Affiliates	Due to Affiliates
Cigniti Technologies Ltd – Parent Entity	-	\$ 17,631,234
Cigniti Technologies Ltd – Parent Entity – Loan	-	1,281,590
Cigniti Technologies (SA) Ltd	\$ 3,146,461	-
Cigniti Technologies Canada Inc	200,479	-
Cigniti UK Ltd	-	1,457,180
Kairos Technologies Inc	-	275,000
Sudhakar Pennam	-	615,000
Sapna Pennam	-	123,060
Cigniti Tech Australia Pty Ltd.	777,548	-
Total	\$ 4,124,488	\$ 21,383,064

	As of March 31, 2017	
	Due from Affiliates	Due to Affiliates
Cigniti Technologies Ltd – Parent Entity	-	\$ 13,334,405
Cigniti Technologies Ltd – Parent Entity – Loan	-	1,100,000
Cigniti Technologies (SA) Ltd	\$ 776,011	-
Cigniti Technologies Canada Inc	-	8,483
Cigniti UK Ltd	-	942,295
Kairos Technologies Inc	-	275,000
Sudhakar Pennam	-	615,000
Sapna Pennam	-	123,060
Cigniti Tech Australia Pty Ltd.	777,548	-
Total	\$ 1,553,559	\$ 16,398,243

Note J – Subsequent Events

The Company has evaluated subsequent events through May 10, 2018 the date on which the financial statements were available to be issued. The company does not have any reportable events occurring after March 31, 2018.

Note K – Common Stock

The Company is authorized to issue 1500 shares at \$ 1 par value. As of March 31, 2018, the company had 1000 shares of common stock, issued and outstanding. The entire issued and outstanding common stock is currently held by Cigniti Technologies Ltd.

Note L – Segment Revenues

The Company's operations comprise only of software engineering and consulting services on both project and hourly basis and the financial statements reflect the performance for the segment as such.

CIGNITI TECHNOLOGIES INC
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2018, 2017 AND 2016

Note M – Risks and Uncertainties of Doing Business

A few of the Company's engagements involve projects that are critical to the operations of its customers' businesses. Any failure in a customer's system could impact the operations of the customer and result in a claim for substantial damages against the Company. However, the Company limits contractually its liability for damages arising from errors, mistakes or omissions in rendering its information technology services, which is enforceable in most instances or would otherwise protect the Company from liability for damages. Further, Company is of the opinion that these risks are adequately covered by insurance and this will not have a material effect on the Company's business, financial condition and results of operations.

Note N – Comparative statements

Certain comparative figures have been reclassified as needed to confirm to current year's presentation.

VBC & COMPANY
Certified Public Accountants
A Professional Corporation
97 Cedar Grove Lane, Suite 202
Somerset, NJ 08873

**INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTAL INFORMATION**

To the Stockholders and Board of Directors of,
Cigniti Technologies Inc.,
Irving, TX.

Our report on our audit of the basic financial statements of Cigniti Technologies Inc. for the twelve months ending March 31, 2018, 2017 and 2016 appears on pages 3 & 4. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedule of cost of sales and general and administrative expenses is presented for purposes of additional analysis and is not a required part of the basic 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 financial statements. The supplementary information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We are not aware of any material modifications that should be made to the supplementary information.



VBC & Company
Certified Public Accountant
Somerset, New Jersey
May 10, 2018

CIGNITI TECHNOLOGIES INC
SUPPLEMENTARY SCHEDULES
FOR THE TWELVE MONTHS ENDED MARCH 31, 2018 AND 2017

	APR - MAR 2018	APR - MAR 2017	APR - MAR 2016
Cost of sales			
Immigration expense	\$ 956,811	\$ 595,680	\$ 211,507
Staff wages and benefits	34,794,410	10,651,570	7,140,154
Travel expenses	224,241	307,807	-
Offshore delivery expenses	17,544,253	14,424,863	855,000
Outside services	7,917,024	18,355,071	3,090,961
Total cost of sales	<u>\$ 61,436,739</u>	<u>\$ 44,334,991</u>	<u>\$ 11,297,622</u>
General & administrative expenses			
Advertising	18,389	14,487	29,827
Bad debts	206,419	65,782	-
Bank service charges	19,042	10,408	7,536
Business promotion expenses	416,050	99,354	-
Computer and Internet	12,947	80,750	11,778
Discounts	389,487	11,007	8,320
Dues and subscriptions	89,939	70,257	15,180
Factoring charges	1,228,147	1,284,205	207,641
Forex movement	190,389	7,645	-
Insurance	105,465	19,802	98,385
Legal and professional fees	1,097,040	401,234	18,286
Meals and entertainment	52,514	36,673	10,225
Office expenses	60,270	93,932	72,066
Outside services - G&A	9,833,927	10,834,473	2,156,629
Payroll processing fees	66,486	51,767	29,110
Penalty	115,945	12,887	1,617
Postage and delivery	26,019	6,905	455
Printing & Stationary	10,286	3,199	680
Provision for bad and doubtful debts	434,509	380,466	-
Recruitment Expenses	200,223	65,360	306
Rent	532,303	351,494	117,726
Sales and marketing	2,063,538	897,280	70,318
Software Licencing Cost	244,002	114,992	58,327
Staff wages and benefits - support	4,752,684	3,098,854	16,172
State taxes	87,590	759,930	19,677
Tax & License	14,786	10,050	709
Telephone	176,951	43,743	64,408
Travel	1,081,530	281,909	878,604
Utilities	45,360	61,784	1,440
Total general & administrative expenses	<u>\$ 23,572,237</u>	<u>\$ 19,170,629</u>	<u>\$ 3,895,422</u>

(See Auditor's report, report on supplemental information and accompanying notes to financial statements)