# AurionPro Solutions, Inc. and Subsidiaries

Consolidated Financial Statements

For the Years Ended
March 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
AurionPro Solutions, Inc.
San Ramon, California

We have audited the accompanying consolidated financial statements of AurionPro Solutions, Inc. and Subsidiaries (a Delaware corporation), which comprise the consolidated balance sheets as of March 31, 2017 and 2016, and the related consolidated statements of comprehensive loss, equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the 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 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 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 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.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AurionPro Solutions, Inc. and Subsidiaries as of March 31, 2017 and 2016, and the 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.

Armanino LLP

Armanino LLP
San Ramon, California

May 25, 2017

AURIONPRO SOLUTIONS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
March 31, 2017 and 2016

## ASSETS

| | 2017 | 2016 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | $ 1,394,963 | $ 2,355,927 |
| Accounts receivable, net | 5,725,714 | 12,812,288 |
| Other receivables | 82,901 | 123,559 |
| Due from related parties | 298,662 | 1,087,960 |
| Inventory | 222,964 | - |
| Prepaid income tax | 59,602 | 133,701 |
| Notes receivable from affiliates, current | 2,311,957 | 4,409,291 |
| Prepaid expenses and other current assets | 1,328,891 | 1,348,494 |
| Deferred income tax asset | 1,541,282 | 336,600 |
| Total current assets | 12,966,936 | 22,607,820 |
| Deferred income tax asset, long-term | 1,191,469 | 1,718,972 |
| Deposits | 99,898 | 84,217 |
| Investment in parent company stock | - | 354,638 |
| Property and equipment, net | 321,345 | 517,943 |
| Intangible assets, net | 14,145,713 | 3,282,505 |
| Software development costs, net | - | 2,775,332 |
| Total assets | $ 28,725,361 | $ 31,341,427 |

## LIABILITIES AND STOCKHOLDER'S EQUITY

| | 2017 | 2016 |
|---|---|---|
| Current liabilities | | |
| Accounts payable | $ 3,804,106 | $ 5,130,859 |
| Accrued expenses | 3,802,519 | 3,461,289 |
| Due to related parties | 2,773,861 | 4,601,956 |
| Line of credit | 3,804,159 | 6,000,000 |
| Term loan, current portion | 1,636,364 | 1,999,992 |
| Equipment loan, current portion | - | 2,350,409 |
| Deferred revenue | 1,673,061 | 1,779,422 |
| Total current liabilities | 17,494,070 | 25,323,927 |
| Convertible note | - | 2,500,000 |
| Term loan, long-term | 2,336,750 | - |
| Equipment loan, long-term | - | 302,373 |
| Total liabilities | 19,830,820 | 28,126,300 |
| Stockholder's Equity | | |
| Preferred stock - Series A, $0.001 par value, 8,000,000 shares authorized and 5,175,000 shares issued and outstanding at March 31, 2017 | 518 | - |
| Common stock, $0.001 par value, 110,000,000 shares authorized, 86,259,800 and 7,594,522 shares issued and outstanding as of March 31, 2017 and 2016 | 8,626 | 10,839 |
| Additional paid-in capital | 16,266,617 | 8,215,445 |
| Accumulated deficit | (6,491,438) | (2,997,730) |
| Accumulated other comprehensive loss | (889,782) | (2,013,427) |
| Total equity | 8,894,541 | 3,215,127 |
| Total liabilities and stockholder's equity | $ 28,725,361 | $ 31,341,427 |

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

AURIONPRO SOLUTIONS, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Loss
For the Years Ended March 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| Consulting, service and other revenue | $ 36,048,140 | $ 65,923,070 |
| Direct cost of service revenue | 24,882,710 | 47,142,988 |
| Gross profit | 11,165,430 | 18,780,082 |
| Selling, general and administrative expenses | 16,521,872 | 18,724,303 |
| Income (loss) from operations | (5,356,442) | 55,779 |
| Other income (expense) | | |
| Interest and other income, net | 7,938 | 94,879 |
| Interest expense | (1,492,610) | (1,649,649) |
| Gain on sale of customer list | 4,113,663 | - |
| Severance to former officer | (2,353,099) | - |
| Stock-based compensation related to business combination | (233,360) | - |
| Total other income (expense), net | 42,532 | (1,554,770) |
| Loss before income taxes | (5,313,910) | (1,498,991) |
| Income tax (benefit) | (1,820,202) | (46,073) |
| Net loss | (3,493,708) | (1,452,918) |
| Other comprehensive income (loss) | | |
| Foreign currency translation adjustments | 27,945 | 15,094 |
| Unrealized loss on investment in Parent company stock | - | (203,777) |
| | 27,945 | (188,683) |
| Comprehensive loss | $ (3,465,763) | (1,641,601) |

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

AURIONPRO SOLUTIONS, INC. AND SUBSIDIARIES
Consolidated Statements of Equity
For the Years Ended March 31, 2017 and 2016

| | Preferred Stock | | Controlling Interest | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Common Stock | | Additional | Retained Earnings | Accumulated Other | | |
| | Number of Shares | Amount | Number of Shares | Amount | Paid-in Capital | (Accumulated Deficit) | Comprehensive Loss | Noncontrolling Interest | Total |
| Balance, March 31, 2015 | - | $ - | 7,594,522 | $ 10,849 | $ 8,085,445 | $ (1,544,812) | $ (1,824,744) | $ 33,088 | $ 4,759,826 |
| Write-off of investment in controlling stock | - | - | - | (10) | - | - | - | (33,088) | (33,098) |
| Stock-based compensation expense | - | - | - | - | 130,000 | - | - | - | 130,000 |
| Net loss | - | - | - | - | - | (1,452,918) | - | - | (1,452,918) |
| Foreign currency translation adjustments | - | - | - | - | - | - | 15,094 | - | 15,094 |
| Unrealized loss on investment in Parent company stock | - | - | - | - | - | - | (203,777) | - | (203,777) |
| Balance, March 31, 2016 | - | - | 7,594,522 | 10,839 | 8,215,445 | (2,997,730) | (2,013,427) | - | 3,215,127 |
| Common stock issued in reorganization | - | - | 64,405,478 | (3,639) | 3,649 | - | - | - | 10 |
| Conversion of common stock to preferred stock | 2,500,000 | 250 | (2,500,000) | (250) | - | - | - | - | - |
| Common shares issued related to business combination | - | - | 16,759,800 | 1,676 | 13,573,762 | - | - | - | 13,575,438 |
| Stock options issued related to business combination | - | - | - | - | 208,871 | - | - | - | 208,871 |
| Stock options issued for postcombination service | - | - | - | - | 233,360 | - | - | - | 233,360 |
| Preferred stock issued | 2,675,000 | 268 | - | - | 2,674,732 | - | - | - | 2,675,000 |
| Spin-off of net assets and resulting dividend (Fintech) | - | - | - | - | (12,233,246) | - | 213,069 | - | (12,020,177) |
| Spin-off of net assets (Integro and AP Holdings) | - | - | - | - | 2,531,144 | - | 882,631 | - | 3,413,775 |
| Stock-based compensation | - | - | - | - | 1,058,900 | - | - | - | 1,058,900 |
| Net loss | - | - | - | - | - | (3,493,708) | - | - | (3,493,708) |
| Foreign currency translation adjustments | - | - | - | - | - | - | 27,945 | - | 27,945 |
| Balance, March 31, 2017 | 5,175,000 | $ 518 | 86,259,800 | $ 8,626 | $ 16,266,617 | $ (6,491,438) | $ (889,782) | $ - | $ 8,894,541 |

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

AURIONPRO SOLUTIONS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| Cash flows from operating activities | | |
| Net loss | $ (3,493,708) | $ (1,452,918) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 1,541,432 | 1,573,223 |
| Write-off of investment in controlling stock | - | (33,098) |
| Deferred taxes | (1,485,077) | (281,186) |
| Gain on sale of customer list | (4,113,663) | - |
| Stock-based compensation expense | 1,501,131 | 130,000 |
| Changes in operating assets and liabilities | | |
| Accounts receivable, net | 1,246,127 | 616,212 |
| Other receivables | (249,342) | (99,765) |
| Due from related parties | (10,617,487) | (28,710) |
| Inventory | (222,964) | 45,485 |
| Prepaid income taxes | 74,099 | 619,243 |
| Prepaid expenses and other assets | (673,741) | (211,964) |
| Accounts payable | 1,377,250 | 1,513,189 |
| Accrued expenses | 2,055,403 | 46,540 |
| Due to related parties | 9,370,631 | 2,888,375 |
| Deferred revenue | 791,479 | 242,945 |
| Net cash provided by (used in) operating activities | (2,898,430) | 5,567,571 |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (257,288) | (362,121) |
| Proceeds from sale of customer list, net of transaction expenses | 2,241,000 | - |
| Payments made on business acquisition | - | (113,735) |
| Repayments of notes receivable from affiliates | 2,097,334 | 118,240 |
| Net cash provided by (used in) investing activities | 4,081,046 | (357,616) |
| Cash flows from financing activities | | |
| Borrowings on line of credit | 804,159 | 2,250,000 |
| Repayments on line of credit | (3,000,000) | (2,250,000) |
| Borrowings on revised term loan | 4,500,000 | - |
| Repayments of original term loan | (2,526,878) | (2,000,004) |
| Repayments of equipment loan | (2,652,782) | (2,292,198) |
| Issuance of preferred stock | 1,675,000 | - |
| Debt repayment in connection with business combination | (933,764) | - |
| Net cash used in financing activities | (2,134,265) | (4,292,202) |
| Effect of exchange rates on cash and cash equivalents | (9,315) | (75,695) |
| Net increase (decrease) in cash and cash equivalents | (960,964) | 842,058 |
| Cash and cash equivalents, beginning of period | 2,355,927 | 1,513,869 |
| Cash and cash equivalents, end of period | $ 1,394,963 | $ 2,355,927 |

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

AURIONPRO SOLUTIONS, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2017 and 2016

| | 2017 | 2016 |
|---|---|---|
| Supplemental disclosure of cash flow information | | |
| Cash paid for interest | $ 847,209 | $ 1,203,425 |
| Cash paid for income taxes | $ 16,660 | $ 50,647 |
| | | |
| Noncash financing and investing activities | | |
| Spin-off of assets and liabilities to Fintech | | |
| Accounts receivable, net | $ 2,568,507 | $ - |
| Other receivables | 290,000 | - |
| Due from related parties | 12,634,841 | - |
| Deferred tax asset | 807,898 | - |
| Receivables on sale of client list | 2,400,000 | - |
| Deposits | 25,432 | - |
| Other assets | 360,346 | - |
| Property and equipment, net | 56,197 | - |
| Accounts payable | (1,310,711) | - |
| Accrued expenses | (64,624) | - |
| Convertible note | (2,500,000) | |
| Due to related parties | (3,247,709) | - |
| Accumulated other comprehensive loss | 213,069 | - |
| | $ 12,233,246 | $ - |
| | | |
| Conversion of common stock to preferred stock | $ 250 | $ - |
| Fair value of common shares issued in connection with business combination (see Note 2) | $ 13,575,438 | $ - |
| Fair value of stock options issued in connection with business combination (see Note 2) | $ 208,871 | $ - |
| Unrealized loss on investment in Parent company stock | $ - | $ 203,777 |
| Spin-off of assets and liabilities - Integro Technologies Pte Ltd and Aurionpro Holdings Pte Ltd | $ (2,531,144) | $ - |

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

## 1. Organization and Summary of Significant Accounting Policies

### Organization

Aurionpro Solutions, Inc. (the "Company") is a majority-owned U.S. subsidiary of Aurionpro Solutions Limited, a public corporation headquartered in Mumbai, India ("Parent"). The Company is organized as a C-Corporation and was incorporated in the State of Connecticut. On August 3, 2016, the Company re-domesticated to the State of Delaware. The Company maintains its headquarters in San Ramon, California.

The Company is a provider of enterprise scale-security solutions with the emphasis on Identity and Access Management implementation and consulting. The Company's customers include Fortune 500 companies in the finance, banking, biotech, and media industries.

At March 31, 2017, Company has wholly-owned subsidiaries in the United States, Australia, the United Kingdom, and India. The balance sheets and operating results of the subsidiaries have been included in the accompanying consolidated financial statements.

### Liquidity Management

As of March 31, 2017, the Company has cash and cash equivalents of $1,394,963. During the year ended March 31, 2017, the Company incurred a net loss of $3,493,708 and had negative cash flows from operating activities of $2,898,430. In addition, the Company has an accumulated deficit of $6,491,438 at March 31, 2017. To date, the Company has been funded primarily by equity and debt financings. The Company's ultimate success is dependent upon its ability to raise additional capital and to successfully develop and market its products from its existing and acquired operations. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

### Spin-off of Aurionpro Fintech, Inc.

The Company consisted of two major product lines and associated businesses: 1) enterprise-scale security solutions for global corporations ("securities operations"), and 2) technology driven services and solutions for the IT financial institution services industries ("banking operations").

On August 14, 2016, the Company initiated a spin-off of the banking operations to a newly created company named Aurionpro Fintech, Inc., (a Delaware corporation) ("Fintech"). All of the assets and liabilities of the banking operations were transferred to Fintech in exchange for all of the outstanding common shares of Fintech. The Company recorded the spin-off at its net book value of $12,233,246 as of the date of transfer.

## 1. Organization and Summary of Significant Accounting Policies (continued)

### Spin-off of Aurionpro Fintech, Inc. (continued)

The Company declared a dividend to the Parent, and pursuant thereto distributed 100% of the issued and outstanding common shares of Fintech to the Parent, its sole stockholder, provided, that the Parent declared that the Company transfer all of its interest in the stock of the Company directly to Aurionpro Solutions Pte. Ltd. Thus, thereafter, the Company remained a subsidiary of the Parent, and Fintech became a wholly-owned subsidiary of Aurionpro Solutions Pte. Ltd.

As part of the spin-off, certain former Company employees were also now employed by Fintech.

Fintech received the following assets and liabilities from the Company relating to the banking operations:

| | |
|---|---|
| Assets | |
| Accounts receivable, net | $ 2,568,507 |
| Other receivables | 290,000 |
| Due from related parties | 12,634,841 |
| Deferred tax asset | 807,898 |
| Receivables on sale of client lists | 2,400,000 |
| Deposits | 25,432 |
| Other assets | 360,346 |
| Property and equipment, net | 56,197 |
| Total assets | $19,143,221 |
| Liabilities and other | |
| Accounts payable | $ 1,310,711 |
| Accrued expenses | 64,624 |
| Convertible note | 2,500,000 |
| Due to related parties | 3,247,709 |
| Accumulated other comprehensive loss | (213,069) |
| Total liabilities and other | 6,909,975 |
| Net spin-off of net assets to Fintech | $12,233,246 |

The financial position and operating results of the Company do not include the operating results of the banking operations subsequent to August 14, 2016. In segregating the operating results of Fintech from the Company, the following methodologies were used:

1) Revenue and all direct costs to clients - allocated by client to identified business unit
2) Payroll and related costs - allocated to unit in which employee works
3) General and administrative expenses - allocated as required by the spin-off agreement, or by square footage, headcount or management estimate.

## 1. Organization and Summary of Significant Accounting Policies (continued)

### Basis of presentation

In addition to the spin-off with Fintech, the net assets and ownership of two former Company subsidiaries totaling $2,531,144 of Integro Technologies Pte Ltd ("Integro") and AurionPro Holdings Pte Ltd, were transferred to Fintech. The financial position and operating results of the Company do not include the operating results of the subsidiaries subsequent to August 14, 2016.

The Company's consolidated financial statements include the accounts of Aurionpro Solutions, Inc., its wholly-owned subsidiaries: SENA Systems Pvt Ltd, an India Company, Aurionpro Solutions PLC, a U.K. company, and AurionPro Solutions Pty. Ltd., an Australian Company. Through August 14, 2016, the consolidated financial statements also included the accounts of Integro Technologies Pte Ltd and AurionPro Holdings Pte Ltd ("Singapore Companies"). In addition, from August 15, 2016 forward, the accounts of Spikes, Inc. are also consolidated (see Note 2). All intercompany transactions and balances have been eliminated in consolidation.

### Cash and cash equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. Periodically, the Company maintains cash balances in excess of federally insured limits.

### Revenue recognition

Service revenue is recognized when a contract or purchase order exist, as services are performed and collection is reasonably assured. License fee revenue is recognized as milestones, as defined in the contract, are met or on a straight-line basis over the term of the license. Support services are recognized over the term of the support agreement on a straight-line basis. Payments received in advance of services performed are reflected as deferred revenue. The Company recognizes earned revenue on unbilled receivables for recoverable contract fees and costs that have not yet been billed to the client.

For contracts that involve significant customization and implementation or professional services that are essential to the functionality of the software, the license and services revenues are recognized using the percentage-of-completion method.

## 1. Organization and Summary of Significant Accounting Policies (continued)

### Accounts receivable and unbilled receivables

Accounts receivable consist of trade receivables, and are stated net of an allowance for doubtful accounts of $204,998 and $179,363 at March 31, 2017 and 2016, respectively. Unbilled receivables were $649,298 and $2,263,265 at March 31, 2017 and 2016, respectively. The allowance for doubtful accounts is based on management's best estimate of the future collectability of outstanding receivables based on prior charge-off history, aging of receivables, and overall economic conditions. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

### Goodwill, intangibles and other long-lived assets

The Company has adopted amended standards that simplify how entities test goodwill for impairment. These amended standards permit an assessment of qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit in which goodwill resides is less than its carrying value. For reporting units in which this assessment concludes that it is more likely than not that the fair value is more than its carrying value, these amended standards eliminate the requirement to perform goodwill impairment testing.

Any such impairment charge could be significant and could have a material adverse effect on the Company's reported consolidated financial statements. Any impairment loss is reflected in operating expenses in the period incurred.

Other intangible assets with finite lives are amortized over their estimated useful lives which range from three to twelve years.

The Company continually monitors events and changes in circumstances that could indicate carrying amounts of long-lived assets, including certain intangible assets, may not be recoverable. When such events or changes in circumstances occur, the Company assesses the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, the Company records an impairment charge based on the excess of the carrying amount over the fair value of the assets. During 2017 and 2016, the Company determined that there were no significant events or changes in circumstances that indicated impairment of goodwill, intangibles and long-lived assets.

## 1. Organization and Summary of Significant Accounting Policies (continued)

### Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation is computed over the asset's estimated useful life using straight-line depreciation methods, generally three to seven years. Amortization of leasehold improvements is computed over the shorter of the improvement's useful life or related lease term. Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When items of property or equipment are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in the results of operations.

### Inventory

Inventory consists of goods held for re-sale. Inventory is valued at the lower of cost, as determined by the first-in, first-out ("FIFO") method, or market. Total inventory as of March 31, 2017 was $222,964. No write downs for slow moving or obsolete items was deemed necessary for the years ending March 31, 2017 and 2016. The Company held no inventory as of March 31, 2016.

### Software development costs

In general, costs incurred in the planning stage are expensed, costs incurred in the software application and infrastructure development stage, if determined to have a defined useful life, are capitalized, and costs incurred in the operating stage are expensed. Amortization is provided on the straight-line method over the estimated useful life, typically of seven years. Amortization of software development costs begins when development is complete and the product is available for use. With the transfer of Integro net assets to Fintech, the Company has no capitalized software development costs as of March 31, 2017.

### Advertising costs

Advertising costs are expensed as incurred. During the years ending March 31, 2017 and 2016, advertising expense totaled $224,563 and $296,337, respectively.

### Income taxes

The Company accounts for income taxes on the asset and liability method. Deferred tax assets and liabilities are determined based on the differences between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates, which will be in effect when these differences reverse. Deferred tax expense (benefit) is equal to the change in the deferred tax liability (asset) from the beginning to the end of the year. A valuation allowance is provided when it is more likely than not that all or a portion of deferred tax assets will not be realized.

## 1. Organization and Summary of Significant Accounting Policies (continued)

### Income taxes (continued)

Current income tax expense (benefit) is recognized for the estimated taxes payable or refundable for the current year.

The Company has evaluated its current tax positions and has concluded that as of March 31, 2017, the Company does not have any significant uncertain tax positions. The Company files U.S. federal, U.S. state and certain foreign tax returns. For U.S. state tax returns, the Company is generally no longer subject to tax examinations for years prior to 2013. For U.S. federal tax returns, the Company is no longer subject to tax examination for years prior to 2012. For foreign tax returns, the Company is no longer subject to tax examinations for years prior to 2013.

### Foreign currency

The Company's foreign subsidiaries' functional currencies are the Indian rupee, the British Pound, the Singapore dollar, and the Australian dollar. In reporting results in U.S. dollars for the consolidated financial statements, balance sheet accounts are translated at current period ending exchange rates and income statement accounts at the average rate for the period. Translation gains and losses are recorded as a separate component of other comprehensive income (loss). Foreign currency transaction gains (losses) occur for changes in currency rates on various transactions denominated in foreign currencies.

### Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Uses of estimates include, but are not limited to, percentage-of-completion on certain long-term implementation projects, accounting for allowances for doubtful accounts, valuation of intangible assets, useful lives of property and equipment and computation of related depreciation and amortization expense. Actual results could differ from those estimates.

## 2. Business Combinations

### Acquisition of Spikes Inc.

On August 15, 2016, the Company, through a newly-created subsidiary (Aurionpro Solutions Merger Sub, Inc.), acquired all of the outstanding interests of Spikes, Inc. ("Spikes"), a Silicon Valley pioneer of network based Web Malware Isolation products with Spikes as a surviving legal entity. The aggregate purchase consideration was approximately $14,718,000, of which $13,575,438 was attributed to 16,759,800 shares of common stock and $208,871 was attributed to options to purchase 1,240,000 shares of the Company's common stock granted to previous owners of Spikes' common stock and options to purchase Spikes common stock. An additional $933,800 was attributable to the Company retiring previous Spikes debt of $933,800.

The fair value of 1,240,000 fully vested options granted to replace the equity awards under Spikes was $442,231 of which $208,871 was allocated to purchase consideration and $233,360 immediately expensed for post-combination services based on the relative fair values of the equity interests received as compared to those being forfeited. The fair values were determined using the Black-Scholes pricing model. The following assumptions were used to estimate the fair value of fully vested options issued at the acquisition date:

| | |
|---|---|
| Expected term (in years) | 2.5 - 5.0 |
| Expected volatility | 40% - 50% |
| Risk-free interest rate | 0.79% - 1.14% |
| Dividend yield | 0% |

The consideration in the acquisition was composed of the following:

| | |
|---|---|
| Common stock consideration | $13,575,400 |
| Transaction bonus options | 208,800 |
| Debt retirement | 933,800 |
| Total purchase price | $14,718,000 |
| | |
| Net tangible assets (liabilities) | $ (193,800) |
| Developed technology | 5,460,000 |
| Customer relationships | 410,000 |
| Brand name | 10,000 |
| Goodwill | 9,031,800 |
| Total purchase consideration | $14,718,000 |

## 3. Related Party Transactions

The Company has notes receivable due from various related parties at March 31, 2017 and 2016. The notes receivable do not accrue interest and are due on demand. The notes receivable are due from the following related parties:

| | 2017 | 2016 |
|---|---|---|
| AurionPro - Singapore | $ - | $1,978,309 |
| Auroscient Outsourcing Limited | 364,826 | 357,719 |
| AurionPro Solutions Limited | 1,732,906 | 1,850,573 |
| AurionPro SEZ India | 46,922 | 46,612 |
| AurionPro SCM Singapore | - | 3,701 |
| AurionPro Africa | - | 10,000 |
| Parent stockholder | 167,303 | 162,377 |
| | $2,311,957 | $4,409,291 |

The Company had advances due from Aurionpro Solutions - Bahrain of $0 and $1,087,960 at March 31, 2017 and 2016, respectively. The Company had advances due from Integro Technologies Pte Ltd of $298,662 at March 31, 2017.

The Company has payables due to the following related parties at March 31, 2017 and 2016:

| | 2017 | 2016 |
|---|---|---|
| AurionPro - Singapore | $ - | $ 34,500 |
| AurionPro Solutions Limited | 249,289 | 2,241,662 |
| AurionPro SEZ India | 1,793,670 | 2,278,682 |
| AurionPro Fintech, Inc. | 480,902 | - |
| Aurionpro Solutions - Bahrain | 250,000 | - |
| AurionPro SCM Singapore | - | 47,112 |
| | $2,773,861 | $4,601,956 |

On April 1, 2016, the Company entered into a Separation and Release Agreement (the "Separation Agreement") with a former officer and employee of the Company. The Company agreed to pay an aggregate amount of approximately $2,350,000 due in 10 monthly installments beginning on April 4, 2016. If the total severance amount is not paid in full by January 2017, the unpaid severance payments bear interest of 7% per annum which will increase 1% every six months commencing on January 1, 2017, capped at 9% per annum. The total severance of $2,350,000 was recognized as other expense in the consolidated statement of comprehensive loss. The remaining severance liability of $1,633,000 has been recorded as accrued expenses on the consolidated balance sheets and is accruing interest.

## 3. Related Party Transactions (continued)

On December 14, 2016, the Company entered into a Separation and Settlement Agreement and Release of all Claims with a former officer and employee of the Company. The Company agreed to pay an aggregate amount of $450,000 due in 10 months beginning on December 15, 2016. The total severance of $450,000 was recognized as a selling, general and administrative expense in the consolidated statement of comprehensive loss. The remaining liability at March 31, 2017 of approximately $295,000 has been recorded as accrued expenses on the consolidated balance sheets.

On January 31, 2017, the Company entered into a Separation Agreement and General Release with a former officer and employee of the Company. The Company agreed to pay an aggregate amount of $130,000 due in 6 months beginning on February 15, 2017. The total severance of $130,000 was recognized as a selling, general and administrative expense in the consolidated statement of comprehensive loss. The remaining liability at March 31, 2017 of approximately $87,000 has been recorded as accrued expenses on the consolidated balance sheets. In addition, 50% of the remaining unvested options at the point of termination accelerated in vesting pursuant to the terms of his original employment agreement (see Note 16).

## 4. Goodwill and Intangibles

At March 31, 2017 and 2016, the balance of goodwill and other intangible assets consisted of the following:

| | 2017 | 2016 |
|---|---|---|
| Goodwill | $ 9,031,800 | $ 623,888 |
| Intangible assets with definite lives | | |
| Customer lists and naming rights | 994,032 | 4,413,337 |
| Developed technology | 5,460,000 | - |
| | 15,485,832 | 5,037,225 |
| Less accumulated amortization on intangibles | (1,340,119) | (1,754,720) |
| | $14,145,713 | $3,282,505 |

## 4. Goodwill and Intangibles (continued)

Amortization expense totaled approximately $1,105,000 and $790,000 for the years ended March 31, 2017 and 2016, respectively. Estimated total intangible amortization expense during the next five years and thereafter is as follows:

| Year Ending March 31, | |
|---|---|
| 2018 | $1,512,757 |
| 2019 | 1,441,001 |
| 2020 | 1,417,083 |
| 2021 | 563,958 |
| 2022 | 52,083 |
| Thereafter | 127,031 |
| Total amortizable assets | $5,113,913 |

## 5. Property and Equipment

Property and equipment as of March 31, 2017 and 2016 consist of the following:

| | 2017 | 2016 |
|---|---|---|
| Furniture and fixtures | $ 166,225 | $ 191,233 |
| Computer equipment | 1,260,690 | 1,937,217 |
| Software | - | 25,557 |
| Leasehold improvements | 120,651 | 151,579 |
| | 1,547,566 | 2,305,586 |
| Less accumulated depreciation and amortization | (1,226,221) | (1,787,643) |
| | $ 321,345 | $ 517,943 |

Depreciation expense for the years ended March 31, 2017 and 2016 was $235,279 and $261,564, respectively.

## 6. Software Development Costs

The Company acquired approximately $8,500,000 of software development costs incurred to create a lending software platform through the AP Holdings acquisition of Integro in 2014. Integro continues to modify the platform to adjust its user functionality and to infiltrate new market segments.

## 6. Software Development Costs (continued)

Software development costs consisted of the following as of March 31, 2016:

| | |
|---|---|
| Software development costs | $3,772,670 |
| Less: accumulated amortization | (997,338) |
| Software development costs, net | $2,775,332 |

In August 2016, the software development costs were transferred as part of the spin-off of assets and liabilities (see Note 1.)

Amortization of software development costs for the period from April 1, 2016 through August 14, 2016 and the year ended March 31, 2016 was approximately $201,000 and $525,000, respectively.

## 7. Line of Credit

The Company entered into a line of credit agreement that allows for maximum borrowings of $5,000,000. In March 2014, the agreement was modified to increase the maximum borrowings from $5,000,000 to $9,000,000. The line of credit accrues interest at the prime rate plus 1.25% per annum (6.75% and 5.00% at March 31, 2017 and 2016, respectively). In July 2016, the agreement was modified to extend the maturity date to June 14, 2018. In March 2017, the agreement was modified to reduce maximum borrowings on the line from $9,000,000 to $4,000,000. The agreement is secured by all assets of the Company and calls for the Company to maintain certain financial covenants.

The outstanding balance on the line of credit amounted to $3,804,159 and $6,000,000 at March 31, 2017 and 2016, respectively.

## 8. Term Loan

On November 3, 2010, the Company entered into a term loan agreement with a bank, which is secured by all assets and receivables of the Company. On March 17, 2014, an amendment was signed to increase the borrowing amount to $6,000,000 and extend the maturity date to March 14, 2017. On November 8, 2016, an amendment was signed to extend the term loan in an amount equal to $4,500,000. The proceeds of the term loan were to be used (i) to repay all amounts owed under the term loan agreement immediately prior to the amendment, (ii) to repay all amounts owed with respect to the equipment loan (see Note 9) and (iii) for working capital purposes. On March 30, 2017, an amendment was signed to modify the covenants, waive previous non-compliance and extend the maturity date to December 10, 2018.

## 8. Term Loan (continued)

The term loan requires monthly principal payments of $136,364 and variable interest payments beginning on February 10, 2017. In addition, repayments of $150,000 each are due on January 10, 2017 and April 10, 2017. Interest is calculated at the prime rate plus 4.00% per annum (9.75% per annum as of March 31, 2017). The agreement also provides for a fee in lieu of a warrant equal to $300,000, payable on the earliest of the term loan maturity date or the date all obligations are repaid. During the year ended March 31, 2017, the Company recorded approximately $45,000 of warrant expense related to the fee.

The loan agreement also included a fee in lieu of a warrant equal to $300,000 due on December 31, 2016 provided certain milestones occurred. The fee in lieu of a warrant was paid during December 2016.

At March 31, 2017 and 2016, certain financial covenants have not been met and the bank has waived such noncompliance.

Payments due under of the term loan as of March 31, 2017 are as follows:

| | |
|---|---|
| 2018 | $1,636,364 |
| 2019 | 1,636,364 |
| 2020 | 700,386 |
| Total payments | 3,973,114 |
| Less current portion | (1,636,364) |
| Note payable, less current portion | $2,336,750 |

## 9. Equipment Loan

On May 29, 2014, the Company entered into an equipment loan agreement with a financial institution in the form of a lease agreement. The Company could lease equipment up to $6,000,000, from the proceeds of advances received of $4,000,000 and $2,000,000. The $4,000,000 advance is payable in installments of $153,458 per month from month 7 through 36.

In connection with the loan agreement, the Company issued a warrant to the lender to purchase up to one percent of the outstanding capital shares of common stock at an exercise price per share of $0.01. The warrant expires on the date that is the earlier to occur of (i) ten years from the date of issuance, and (ii) three years from the effective date of the Company's initial public offering of shares of common stock pursuant to an effective registration statement on Form S-1 (or any successor form) in an underwritten public offering of shares of common stock for the account of the Company under the Securities Exchange Act.

## 9. Equipment Loan (continued)

The warrant also included a put option, which allows the lender to release the warrant in exchange for $900,000. The put option may be exercised at the earlier of the termination of the loan or a "Liquidity Event" as described by the warrant agreement, which is generally a sale of substantially all of the Company's assets, a merger, consolidation, or a loss of majority voting interest by the Company except in the case of a bona fide equity financing or an initial public offering. The Put Right terminates at the time that the Company receives at least $20,000,000 in cash proceeds on or before the date that is thirty-six (36) months from the Issue Date, or from the sale and issuance of its equity securities to institutional investors, venture capital and other financial investors. During 2016, the Company recorded approximately $300,000 of warrant expense related to the put option. The loan was paid down during 2016 in connection with the modification on the term loan (see Note 8).

## 10. Convertible Promissory Note

On October 14, 2014, the Company entered into a promissory note for $2,500,000, with interest at 7.25% per annum. The note provides the lender with the option to convert the note to shares of common stock at any time prior to the maturity date, upon delivery of at least ten days prior written notice to the Company. The conversion price will be determined based upon $60,000,000 divided by the total number of fully diluted common stock shares outstanding. The note requires monthly interest payments with the principal due upon maturity. The note was transferred to Fintech in the spin-off of the banking operations (see Note 1).

## 11. Interest Expense

Interest expense related to the line of credit and loans, including expense related to applicable warrant and put options, was $1,489,897 and $1,649,649 for the years ended March 31, 2017 and 2016, respectively.

## 12. Income Taxes

The provision for income taxes consisted of the following for the years ended 2017 and 2016:

| 2017 | Federal | State | Foreign | Total |
|---|---|---|---|---|
| Current | $ - | $ 16,660 | $453,725 | $ 470,385 |
| Deferred | (1,748,328) | (434,516) | (107,743) | (2,290,587) |
| | $(1,748,328) | $(417,856) | $345,982 | $(1,820,202) |

| 2016 | Federal | State | Foreign | Total |
|---|---|---|---|---|
| Current | $ - | $ 2,282 | $ - | $ 2,282 |
| Deferred | (79,165) | (60,468) | 91,278 | (48,355) |
| | $ (79,165) | $ (58,186) | $ 91,278 | $ (46,073) |

Deferred tax assets and liabilities consist primarily of differences between financial statement and tax reporting for depreciation, accruals, amortization of intangible assets, net operating loss carryforwards, amounts due to related parties and the allowance for doubtful accounts.

At March 31, 2017, the Company had federal and apportioned state net operating loss ("NOL") carry forwards of approximately $1,386,180 and $1,068,939, respectively, to offset future taxable income. The Company's federal and state net operating loss carry forwards will begin expiring after fiscal year ending March 31, 2036.

In general, a corporation's ability to utilize its NOL carryforwards may be substantially limited due to ownership changes that may have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as similar state provisions. These ownership changes may limit the amount of NOL and R&D credit carryforwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an "ownership change", as defined by Section 382 of the Code, results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50 percent of the capital (as defined) of a company by certain stockholders or public groups.

The Company periodically reviews the uncertainties and judgements related to the application of complex income tax regulations to determine income tax liabilities in several jurisdictions. The Company uses a "more likely than not" criterion for recognizing the income tax benefit of uncertain tax positions and establishing measurement criteria for income tax benefits. The Company has evaluated the impact of these positions and believes its tax filing positions and deductions will more likely than not be sustained upon examination. Accordingly, no reserve for uncertain income tax provisions has been recorded as of March 31, 2017.

## 12. Income Taxes (continued)

The Company's effective income tax rate differs from the federal statutory income tax rate of 34% primarily due to state income taxes, taxes assessed by India on Sena-India, Great Britain on Aurionpro PLC, Australia on AP Australia and Singapore on Integro at a lower statutory rate, acquisition expenses, meals and entertainment expenses and amounts due to foreign subsidiaries subject to tax.

## 13. Commitments and Contingencies

### Facility leases

The Company leases office space and office equipment under various lease agreements that expire at various dates through September 2020. Approximate future minimum obligations under these lease agreements at March 31, 2017 were as follows:

| | |
|---|---|
| 2018 | $ 447,501 |
| 2019 | 449,418 |
| 2020 | 280,728 |
| 2021 | 41,178 |
| Total | $1,218,825 |

On March 2, 2017, the Company entered into a sublease agreement, which expires in August 2019. The above rental expense will be offset by approximately $22,000 per month in sublease rental income through the year ending March 2020.

Rental expense for the years ended March 31, 2017 and 2016 totaled $604,626 and $738,507, respectively.

### Legal proceedings

From time to time, the Company may become a party to legal proceedings arising in the normal course of business. The Company may also be indirectly affected by administrative or court proceedings or actions in which the Company is not involved but which have general applicability.

## 14. Retirement Plan

The Company sponsors a 401(k) savings and profit sharing plan for the benefit of its employees. Employees are eligible for participation on the first day of the month following their month of employment and after reaching 21 years of age and completing 1,000 hours of service. Participants may contribute up to 96% of their eligible compensation to the plan, subject to the limits of the Internal Revenue Code. Effective January 1, 2011, the Company elected to make matching contributions to all participants in an amount equal to 100% of the first 3% of eligible compensation and 50% of the next 2%. Contributions to the plan for the years ended March 31, 2017 and 2016 amounted to $366,439 and $495,309, respectively.

## 15. Employee Trust

On March 14, 2013, the Company established a trust, the "Aurionpro Employees' Trust," to receive contributions of cash from the Company or its affiliates in order to purchase equity securities of the Parent that shall be held until the shares can be transferred to selected employees of the Company as a means of rewarding employee performance. As of March 31, 2016, the trust held approximately $355,000, respectively of Parent company stock. The Company recognized an unrealized loss on the investment in Parent company stock of approximately $204,000 for the year ended March 31, 2016. This unrealized loss was presented as other comprehensive loss in the Consolidated Statements of Comprehensive Loss. The trust was transferred to Fintech in the spin-off of the banking operations (see Note 1).

## 16. Stockholder's Equity

In August, 2016, the Company authorized the following:

- Increased the number of authorized shares of common stock from 15,000,000 to 110,000,000 stock with a revised par value of $0.0001.
- Authorized 8,000,000 shares of Preferred Stock - Series A ("preferred shares") with a par value of $0.0001.
- Approved issuance of an additional 64,405,478 shares of common stock to Parent as part of an amended capitalization structure so that the total number held by Parent became 72,000,000.

In the same time period, the Company's Board of Directors determined it advisable and in the best interest of the Company to convert 2,500,000 shares of the Parent's common stock to 2,500,000 shares of the Company's preferred shares. The exchange was valued at the fair value of $1.00 for 1 share of preferred shares based upon other recent purchases of the Company's preferred shares.

During the year ended March 31, 2017, 2,675,000 shares of preferred shares were issued for $1.00 per share.

## 16. Stockholder's Equity (continued)

On August 15, 2016, the Company acquired Spikes. The consideration included 16,759,800 shares of common stock in the Company and 1,240,000 fully vested options to purchase 1,240,000 shares of the Company's common stock (see Note 2).

### Stock option plan

In March 2015, the Company adopted the Aurionpro Solutions, Inc. Equity Incentive Plan (the "Plan") to attract, retain, motivate and reward employees and non-employee directors and consultants. The Plan authorizes stock and cash-based incentives for participants and is designed to provide for the opportunity to acquire common shares in the Company. Under the Plan, various instruments including stock options, restricted stock, and stock-appreciation rights may be granted subject to various expiration terms and vesting periods. Generally, options vest over a maximum period of three years and have an average term of 9 years.

On August 15, 2016, the Company amended the Plan to increase the number of shares of common stock that may be issued under the Plan from 1,000,000 shares to 11,240,200 shares of common stock.

A summary of the status of the plan for the years ended March 31, 2017 and 2016 is as follows:

| | Shares Available for Grant | Number of Shares Outstanding | Weighted Average Exercise Price (per share) |
|---|---|---|---|
| Balance at March 31, 2015 | 1,000,000 | - | $ - |
| Options granted | (256,200) | 256,200 | $4.00 |
| Options cancelled | 47,205 | (47,205) | $4.00 |
| Balance at March 31, 2016 | 791,050 | 208,950 | $4.00 |
| Increase in authorized shares | 10,240,200 | - | - |
| Options granted | (7,208,532) | 7,208,532 | $0.81 |
| Options cancelled | 1,313,350 | (1,313,350) | $0.86 |
| Balance at March 31, 2017 | 5,136,068 | 6,104,132 | $0.91 |

## 16. Stockholder's Equity (continued)

### Stock option plan (continued)

The following table summarizes information about stock options outstanding and exercisable at March 31, 2017:

| Exercise Price per Share | Shares Outstanding | Weighted Average Remaining Contractual Term (years) | Shares Vested and Exercisable | Weighted Average Exercise Price per Share |
|---|---|---|---|---|
| $0.91 | 6,104,132 | 8.45 | 3,608,462 | $0.87 |

The following table summarizes information about stock options outstanding and exercisable at March 31, 2016:

| Exercise Price per Share | Shares Outstanding | Weighted Average Remaining Contractual Term (years) | Shares Vested and Exercisable | Weighted Average Exercise Price per Share |
|---|---|---|---|---|
| $4.00 | 208,950 | 9.36 | 45,000 | $4.00 |

As of March 31, 2017, the Company had 5,848,357 outstanding options that were vested and expected to vest. These vested and expected to vest outstanding options had a weighted average exercise price of $0.91, and a weighted average remaining contractual life of 8.86 years.

Early exercises of stock options are subject to a right of repurchase by the Company of any unvested shares. The repurchase rights lapse over the original vesting period of the options.

The total fair value of stock options vested during 2017 and 2016 was $1,291,494 and $81,681, respectively, of which $233,360 is attributable to options to purchase 1,240,000 shares of the Company's common stock granted for the acquisition of Spikes that is considered remuneration for post-combination services.

## 16. Stockholder's Equity (continued)

### Stock-based compensation associated with awards to employees

During the year ended March 31, 2017, the Company granted stock options to employees to purchase 5,408,532 shares of common stock with a weighted-average grant date fair value of $0.98. Stock-based compensation expense recognized from awards to employees was $1,340,800 during the year ended March 31, 2017, $581,552 of which related to the accelerated vesting of 50% of the remaining options held by a former executive of the Company upon his termination pursuant to the terms of his original employment agreement. In addition, $233,360 is attributable to options to purchase 1,240,000 shares of the Company's common stock granted for the acquisition of Spikes that is considered remuneration for post-combination services. As of March 31, 2017, there were total unrecognized compensation costs of $410,234 related to these stock options. These costs are expected to be recognized over a period of approximately 3.03 years.

During the year ended March 31, 2016, the Company granted stock options to employees to purchase 196,200 shares of common stock with a weighted-average grant date fair value of $1.74. Stock-based compensation expense recognized from awards to employees was $49,768 during the year ended March 31, 2016. As of March 31, 2016, there were total unrecognized compensation costs of $29,714 related to these stock options. These costs are expected to be recognized over a period of approximately 2.39 years.

The Company estimated the fair value of stock options using the Black-Scholes option valuation model. The fair value of employee stock options is being amortized on a straight-line basis over the requisite service period of the awards. The fair value of employee stock options was estimated using the following assumptions during the year ended March 31:

| | 2017 | 2016 |
|---|---|---|
| Expected term (in years) | 6.00 - 9.54 | 6.15 |
| Expected volatility | 40% - 43% | 42% |
| Risk-free interest rate | 1.37% - 2.34% | 1.67% - 1.78% |
| Dividend yield | 0% | 0% |

The expected term of stock options represents the weighted-average period the stock options are expected to remain outstanding. The simplified method was applied to calculate the expected term. The expected stock price volatility assumption was determined by examining the historical volatilities for industry peers. The Company will continue to analyze the historical stock price volatility and expected term assumption as more historical data for the Company's common stock becomes available. The risk-free interest rate assumption is based on the U.S. Treasury instruments whose term was consistent with the expected term of the Company's stock options. The expected dividend assumption is based on the Company's history and expectation of dividend payouts.

## 16. Stockholder's Equity (continued)

### Stock-based compensation associated with awards to employees (continued)

In addition, forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on management's analysis of available historical data.

### Stock-based compensation associated with awards to nonemployees

During the year ended March 31, 2017 the Company granted options to purchase 1,800,000 shares of common stock to nonemployees. Stock-based compensation expense related to stock options granted to nonemployees is recognized as the stock options are earned and has been included in the total stock-based compensation expense above. The Company believes that the estimated fair value of the stock options is more readily measurable than the fair value of the services rendered.

During the year ended March 31, 2016 the Company granted options to purchase 60,000 shares of common stock, respectively, to consultants in exchange for services.

The Company believes that the estimated fair value of the stock options is more readily measurable than the fair value of the services rendered.

The fair value of non-employee stock options was estimated using the following weighted-average assumptions for the years ended March 31:

| | 2017 | 2016 |
|---|---|---|
| Expected term (in years) | 5 - 10 | 5 - 10 |
| Expected volatility | 41% - 42% | 42% - 46% |
| Risk-free interest rate | 1.22% - 2.45% | 1.62% - 2.33% |
| Dividend yield | 0% | 0% |

The stock-based compensation expense will fluctuate as the estimated fair value of the common stock fluctuates. In connection with the grant of stock options to nonemployees, the Company recorded stock-based compensation charges of $160,330 and $80,232 for the years ended March 31, 2017 and 2016, respectively.

## 17. Sale of Client Lists

On April 1, 2016, the Company sold customer lists and naming rights to an unrelated company for an aggregate sales price of $4,000,000. The Company received $2,500,000 in cash and issued a note receivable for $1,500,000, payable in 12 equal installments commencing on April 1, 2017. The sales price, and resulting gain recognized by the Company, is subject to adjustments based on the performance of the assets sold over the period prescribed by the terms of the asset purchase agreement. In June 2016, the Company recorded an additional receivable of $900,000 related to the expected contingent payment based on approved existing customer orders, and the likelihood of the customers lists achieving the target performance defined in the agreement. The Company recognized a gain on the sale of $4,113,663 for the year ended March 31, 2017. The receivables on sale of client lists was transferred to Fintech in the spin-off of the banking operations (see Note 2).

## 18. Subsequent Events

The Company has evaluated subsequent events through May 25, 2017, the date the financial statements were available to be issued. No other subsequent events have occurred that would have a material impact on the presentation of the Company's financial statements.