

SUBEX INC.

FINANCIAL STATEMENTS

March 31, 2025

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SUBEX INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Of Subex Inc.

Opinion

We have audited the accompanying financial statements of Subex Inc. (a Delaware Corporation), which comprise the balance sheet as of March 31, 2025, and the related statements of operations, changes in stockholder's deficit, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Subex Inc. as of March 31, 2025, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Subex Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Subex Inc's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute

assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Subex Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Subex Inc's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Ram Associates

Ram Associates

Hamilton, NJ

April 30, 2025

SUBEX INC
Balance Sheet
March 31, 2025

ASSETS

Current assets

Cash	\$ 180,819
Accounts receivable, net	685,822
Unbilled receivables, net	151,799
Other current assets	53,973
Total current assets	<u>1,072,413</u>

Fixed assets, net

3,572

Operating lease- right of use asset

3,318

Security deposit

3,500

Due from affiliates

414,830

TOTAL ASSETS

\$ 1,497,633

LIABILITIES AND STOCKHOLDER'S DEFICIT

Current liabilities

Current portion of operating lease	\$ 3,472
Accounts payable and accrued expenses	178,297
Other current liabilities	430,829
Deferred revenues	730,381
Total current liabilities	<u>1,342,979</u>

Long-term liabilities

Due to affiliates	575,133
Total liabilities	<u>1,918,112</u>

Stockholder's deficit

Common stock, \$.01 par value; 1,000 shares authorized, issued and outstanding	10
Accumulated deficit	(465,067)
Accumulated other comprehensive income	44,578
Total stockholder's equity deficiency	<u>(420,479)</u>

TOTAL LIABILITIES AND STOCKHOLDER'S DEFICIT

\$ 1,497,633

-See accompanying notes to the financial statements-

SUBEX INC
Statement of Operations
For The Year Ended March 31, 2025

Net revenue	\$ 5,997,386
Cost of revenue	3,020,276
Gross profit	2,977,110
Operating expenses	
General and administrative expenses	3,011,410
Depreciation	15,318
Operating loss before tax	(49,618)
Income tax	(4,449)
Net loss	\$ (54,067)

-See accompanying notes to the financial statements-

SUBEX INC

Statement of Changes in Stockholder's Deficit For The Year Ended March 31, 2025

	Common stock		Accumulated other comprehensive income		Total stockholder's deficit
	Shares	Amount	Accumulated deficit		
Balance as of March 31, 2024	1,000	\$ 10	\$ (411,000)	\$ 44,578	\$ (366,412)
Net loss			(54,067)		(54,067)
Balance as of March 31, 2025	<u>1,000</u>	<u>\$ 10</u>	<u>\$ (465,067)</u>	<u>\$ 44,578</u>	<u>\$ (420,479)</u>

-See accompanying notes to the financial statements-

SUBEX INC
Statement of Cash Flows
For The Year Ended March 31, 2025

Cash flows from operating activities

Net loss	\$ (54,067)
Adjustments to reconcile net loss to net cash provided by operating activities	
Depreciation	15,318
Amortization of right of use asset	(1,788)

Changes in assets and liabilities:

(Increase)/ decrease in:	
Accounts receivable	(359,322)
Unbilled receivables	829,949
Other current assets	(22,169)
Increase/ (decrease) in:	
Accounts payable and accrued expenses	50,835
Other current liabilities	(677,199)
Deferred revenues	418,602
Net cash provided by operating activities	<u>200,159</u>

Cash flows from investing activities:

Collections from affiliates	<u>181,422</u>
Net cash provided by investing activities	<u>181,422</u>

Cash flows from financing activities:

Repayment of due to affiliates	<u>(334,582)</u>
Net cash used in financing activities	<u>(334,582)</u>

Net increase in cash	46,999
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Cash at the beginning	<u>133,820</u>
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Cash at the end	<u><u>\$ 180,819</u></u>
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Supplementary disclosure of cash flows information

Non-cash investing and financing activities:

Right-of-use assets obtained in exchange for lease obligations	\$ 3,318
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-See accompanying notes to the financial statements-

SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2025

1. Organization and Description of Business

Azure Solutions, Inc., a Delaware corporation was incorporated in November 2004. Azure Solutions, Inc. was a 100% owned subsidiary of Azure Solutions, Ltd., UK. On June 22, 2006, Subex Systems, Ltd., India acquired 100% of Azure Solutions, Ltd., UK.

After the acquisition, Azure Solutions, Inc., Azure Solutions, Ltd., UK and Subex Systems, Ltd., India was renamed as Subex Azure, Inc., Subex Azure UK, Ltd. and Subex Azure, Ltd., respectively. Effective from December 5, 2007 Subex Azure, Inc was renamed Subex, Inc. On November 1, 2017, Subex System Ltd transferred its investments in Subex Inc to Subex Assurance LLP.

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

2. Summary of Significant Accounting Policies

a) Basis of Presentation

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

b) Use of Estimates

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

SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2025

c) Cash

The Company considers all money market accounts to be cash equivalents. The financial statements of the Company have been prepared using the United States dollar as the functional currency.

d) Accounts Receivable and Unbilled Receivable

Accounts receivables are recorded at net realizable value consisting of the carrying amount less the allowance for credit losses.

Unbilled receivable represents revenue that has been earned but not yet invoiced to customers, often arising from ongoing services or delivered goods where the billing cycle is pending. It is disclosed as a current asset on the balance sheet.

e) Allowance for Credit Losses

The Company maintains an allowance for current/expected credit losses to provide for the estimated amount of receivables and other financial assets that may not be collected. The allowance is based upon an assessment of customer/borrower creditworthiness, historical payment experience, the age of outstanding receivables/loans and reasonable future forecasts. The Company evaluates the collectability of its financial assets on an on-going basis and writes off accounts when they are deemed to be uncollectable.

For the year ended March 31, 2025, the allowance for credit losses amounted to \$297,000 on Accounts Receivable and \$498,441 on Unbilled Receivables.

e) Revenue Recognition

The Company recognize revenue in accordance with the Accounting Standard Codification 606 "Revenue Recognition." The Company recognizes revenues as they transfer control of deliverables (products, solutions and services) to its customers in an amount reflecting the consideration to which it expects to be entitled. To recognize revenues, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied.

SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2025

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

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

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

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

Accounts Receivables, Contract Assets and Contract Liabilities

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

SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2025

A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets primarily relate to unbilled amounts on fixed-price contracts utilizing the cost-to-cost method of revenue recognition.

The Company's contract liabilities or unearned revenue consist of advance payments and billings that are in excess of revenues recognized, are classified as deferred revenues.

The beginning and ending contract balances were as follows:

<u>Description</u>	<u>As of</u> <u>March 31, 2025</u>	<u>As of</u> <u>March 31, 2024</u>
Accounts receivable	\$ 685,822	\$ 326,500
Unbilled receivables	\$ 151,799	\$ 981,748
Deferred revenue	\$ 730,381	\$ 311,779

f) Credit and Business Concentration

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and trade receivables. The Company maintains cash balances, which may exceed federally insured limits. The Company does not believe that this results in any significant credit risk. The federally insured balance is \$250,000.

Credit risks associated with trade receivables are minimal due to the Company's customer base which consist of large telecom companies and ongoing procedures, which monitor the credit worthiness of its customers. For the year ended March 31, 2025, sales to three major customers accounted for approximately 67% of revenue net of inter-company sales. As of March 31, 2025, accounts receivable due from the same three major customers were approximately 48% of net accounts receivable.

g) Property and Equipment

Property and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives by the straight-line method. Depreciation of an asset commences when the asset is put into service. The estimated useful lives of the related assets range

SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2025

from 4 to 5 years. The Company charges repairs and maintenance costs that do not extend the lives of the assets, to expense as incurred.

Property and equipment as of March 31, 2025, consists of the following:

Computer hardware	\$ 376,962
Computer software	28,921
Office equipment	14,397
Total assets	420,280
Less: Accumulated depreciation	(416,708)
Net assets	\$ 3,572

Depreciation expense for the year ended March 31, 2025, was \$15,318.

h) Lease

The Company determines if an arrangement contains a lease at inception. Right of use ("ROU") assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The lease agreements often include leasehold improvement incentives, escalating lease payments, renewal provisions and other provisions which require the Company to pay taxes, insurance, maintenance costs, or defined lease increases. Lease expense is recorded over the lease terms on a straight-line basis.

The Company utilized a portfolio approach in determining the discount rate. The portfolio approach takes into consideration the range of the term, the range of the lease payments, the category of the underlying asset and the Company's estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. The Company also considered its recent debt issuances as well as publicly available data for instruments with similar characteristics when calculating the incremental borrowing rates.

The lease terms include options to extend the leases when it is reasonably certain that the Company will exercise that option. Future obligations relating to the

SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2025

exercise of renewal options are included in the measurement if, based on the judgment of management, the renewal option is reasonably certain to be exercised. Factors in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of leasehold improvements, the value of the renewal rate compared to market rates, and the presence of factors that would cause a significant economic penalty to the Company if the option is not exercised.

The Company applies the recognition requirements in the leases standard ASC 842 to all leases other than short term leases that at commencement date had lease term of 12 months or less.

The Company recognizes variable lease payments in the period in which the obligation for those payments is incurred.

i) Advertising Costs

The Company expenses advertising cost as incurred. There was no advertising expense for the year ended March 31, 2025.

j) Subsequent Events

For the year ended March 31, 2025, the Company has evaluated subsequent events through April 30, 2025, the date the financial statements were available for issuance.

3. Income Taxes

The Company accounts for income taxes under the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized based upon differences arising from the carrying amounts of the Company's assets and liabilities for tax and financial reporting purposes using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change in tax is enacted. Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty, as applicable, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For the year ended March 31, 2025, the Company has not recorded any deferred tax assets or liability due to carried forward loss. Based on available objective evidence, management believes it is more likely than not that the deferred tax assets, if recorded, will not be fully realizable. The Company has elected to provide a 100% reserve against the deferred tax asset as

SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2025

of March 31, 2025. As of March 31, 2025, the Company had approximately \$13,722,724 in carried forward losses.

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

The Company's federal and state income tax returns are generally subject to possible examination by the taxing authorities until the expiration of the related statute of limitations on those tax returns which is generally preceding three years.

4. Employee Benefit Plan

Effective October 1, 2004, the Company sponsored an employee savings plan under Section 401(k) of the Internal Revenue Code. This plan is offered to all employees who have attained 21 years of age. Employees are vested 100% in the Company's matching from the first year of service. The Company's matching contribution was \$ 27,634 for the year ended March 31, 2025.

5. Legal Matters

The Company is or has been involved in legal proceedings that arise from the normal course of business. The Company cannot predict the timing or outcome of these claims and other proceedings. Currently, the Company is not involved in any action, arbitration and / or other legal proceedings that it expects to have a material adverse effect on the business, financial condition, results of operations or liquidity of the Company. All legal costs are expensed as incurred.

6. Related Party Transactions

Due to affiliates

During the year ended March 31, 2025, the Company owed its parent company and related companies a total of \$575,133 which consisted of the following:

Inter Company Payables – Services	\$ 559,366
Inter Company Payables - Others	15,762

SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2025

Unrealized Foreign Exchange	7
Total	<u>\$ 575,133</u>

Due from affiliates

During the year ended March 31, 2025, the Company had a receivable balance of \$414,830 due from its parent and related companies on account of marketing and allied services provided.

Inter Company Receivables - Services	\$ 414,093
Inter Company Receivables - Others	737
Total	<u>\$ 414,830</u>

Services procured from and expenses reimbursed to related companies.

During the year ended March 31, 2025, the Company provided services of \$3,725,135 to its parent company and related companies.

During the same period the Company received services of \$2,207,927 from its parent company and related companies.

7. Other Current Liabilities

Other current liabilities of \$430,829 as of March 31, 2025, are comprised of:

Income tax payable- Province/State 14-15	5,218
Income Tax Payable 2015-16	5,016
Leave encashment payable	149,926
Income Tax Payable 2016-17	2,087
Income Tax Payable 2018-19	(150)
Variable & Performance Bonus- Payable	262,120
Miscellaneous Foreign Creditors for Onetime Vendor	6,485

SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2025

Flex Health Withhold	127
Total	<u>\$ 430,829</u>

8. Commitments and Contingencies

Operating Lease

The Company leases an office facility in Westminster, CO, commencing from April 01, 2022, through April 30, 2025. The Company has not renewed this lease, as of the date of this report. These operating leases contain renewal options for periods ranging from one to five years that expire on April 30, 2025, with no residual value guarantees for \$ 3,472 per month.

Supplemental balance sheet information related to the lease was as follows as of March 31, 2025:

Operating lease ROU assets	\$ 3,318
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Operating lease liabilities:

Current portion	\$ 3,472
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Long-term portion	-
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Total operating lease	<u>\$ 3,472</u>
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Lease expenses for the year ended March 31, 2025, amounted to \$39,640 which is classified under general and administrative expenses.

Supplemental cash flow and other information related to the lease was as follows as of March 31, 2025:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating lease	\$ 41,602
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Weighted average remaining lease term (in months)	1 month
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Weighted average discount rate:	7%
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SUBEX, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2025

Total future minimum payments required under the lease obligation are as follows:

2025-2026	<u>\$ 3,472</u>
Total lease payments	\$ 3,472
Less: amount representing interest	<u>-</u>
Total lease obligation	<u>\$ 3,472</u>

The security deposit paid on account of the lease as of year ended March 31, 2025, is \$3,500.