### **Gunther International Ltd.**

Condensed Consolidated Financial Statements
(Unaudited)
Interim Periods Ended December 31, 2016 and 2015

## GUNTHER INTERNATIONAL LTD. CONDENSED CONSOLIDATED BALANCE SHEETS

#### (Unaudited)

(dollar amounts in thousands, except per share data)

Assets		<b>December 31, 2016</b>	March 31, 2016		
Cash         \$         3.34         \$ 1,895           Accounts receivable, less allowance of \$180         2,413         2,725           Inventories         5,361         4,991           Other current assets         504         3,335           Deferred income taxes         1,214         1,217           Total current assets         9,826         1,121           Equipment and leasehold improvements         1         90         2,048           Equipment and fixtures         428         426         2,048         2,202         2,030         2,233         2,343         2,343         2,343         2,343         2,343 <t< th=""><th>Assets</th><th></th><th></th></t<>	Assets				
Accounts receivable, less allowance of \$180         2,413         2,725           Inventories         5,361         4,991           Other current assets         5,04         3,335           Deferred income taxes         1,214         1,271           Total current assets         9,826         11,217           Equipment and leasehold improvements:           Wachinery and equipment         1,990         2,048           Furniture and fixtures         428         426           Leasehold improvements         233         233           Leasehold improvements         233         233           Accumulated depreciation and amortization         629         677           Accumulated depreciation and amortization         5         7           Petents, net of amortization         5         7           Total Assets         1,618         1,508           Total Assets         1,618         1,508           Total Assets         1,618         1,508           Accounts payable         \$ 1,494         \$ 1,094           Accounts payable         \$ 1,494         \$ 1,094           Accounts payable accountact revenue         2,24         2,00           Accumed interest due to Gunther Partners LLC - a rel					
Inventories         5.361         4.991           Other current asests         504         3.53           Deferred income taxes         1,214         1,217           Total current asests         9.826         11,217           Equipment and leasehold improvements:         ***         ***           Machinery and equipment         1.99         2.08           Furniture and fixtures         428         4.26           Leasehold improvements         233         2.33           Leasehold improvements         233         2.33           Accumulated depreciation and amortization         629         6.77           Patents, net of amortization         6.29         6.77           Patents, net of amortization         1,618         1,506           Total Assets         1,618         1,506           Total Assets         1,618         1,506           Total Assets         1,618         1,506           Accrued kepters         1,618         1,506           Accrued kepters         1,925         1,52           Accrued kepters         1,995         1,552           Deferred service contract exervice         1,925         1,52           Deferred service contract exervice         2,0					
Other current assets         504         3.35           Deferred income taxes         1,214         1,217           Total current assets         9,826         1,1217           Equipment and leasehold improvements:         ***         ***           Equipment and leasehold improvements:         1,990         2,048           Furniture and fixtures         4,288         4,268           Leasehold improvements         2,33         2,33           Leasehold improvements         2,33         2,33           Accumulated depreciation and amortization         6,29         6,70           Accumulated depreciation and amortization         6,29         6,77           Pleaters, net of amortization         5,29         6,77           Petered income taxes         1,618         1,50           Total Assets         1,618         1,50           Total Assets         1,618         1,50           Total Assets         1,20         1,31           Liabilities         2,102         1,50           Accrued income taxes         1,995         1,55           Deposits on systems contracts         1,995         1,55           Deposits on systems contract require         2,91         5           Accrued ini	Accounts receivable, less allowance of \$180	· ·	· ·		
Deferred income taxes         1,214         1,279           Total current assers         9,826         11,217           Equipment and leasehold improvements:         8,286         2,088           Machinery and equipment         1,990         2,081           Furniture and fixtures         428         426           Leasehold improvements         2,651         2,707           Accumulated depreciation and amortization         6,022         6,030           Accumulated depreciation and amortization         5         7           Patents, net of amortization         5         7           Deferred income taxes         1,623         1,513           Total Assets         8         1,203           Total Assets         8         1,203           Total Assets         8         1,203           Total Assets         8         1,203           Accorded Security Equity         8         1,304           Accorded Security Equity         1,905         1,523           Accorded specified Security         2,91         5,52           Deferred security contract revenue         1,247         2,80           Accorded interest due to Gunther Partners LLC - a related party         2         6	Inventories		4,991		
Total current assets         9,826         11,217           Equipment and leaschold improvements:         1,990         2,048           Machinery and equipment         428         426           Furniture and fistures         428         426           Leaschold improvements         2,33         233           Leaschold improvements         2,651         2,703           Accumulated depreciation and amortization         629         677           Patents, net of amortization         629         677           Patents, net of amortization         1,618         1,506           Deferred income taxes         1,618         1,506           Total Assets         1,618         1,506           Total Assets         1,623         1,513           Total Assets         1,623         1,513           Accounts asystems contracts         1,905         1,524           Accounts payable         \$ 1,494         \$ 1,094           Accounts payable         \$ 1,494         \$ 1,094           Accounts payable due to Gunther Partners LLC - a related party         2,90         623           Deposits on systems contracts         3,90         623           Notes payable due to Gunther Partners LLC - a related party         3,00	Other current assets	504	335		
Equipment and leasehold improvements:         According to the provincion of a pignor of a page 1 pa	Deferred income taxes		1,271		
Machinery and equipment         1,990         2,048           Furniture and fixtures         428         428           Leaschold improvements         2,651         2,707           Accumulated depreciation and amortization         6,209         6,707           Patents, net of amortization         5         7           Deferred income taxes         1,618         1,508           Total Assets         1,623         1,518           Total Assets         1,2078         8         1,307           Liabilities and Stockholders' Equity:           Current Liabilities           Accounts payable         \$ 1,494         \$ 1,094           Accrued expenses         1,995         1,552           Deposits on systems contracts         5         2,9         623           Deferred service contract revenue         1,247         2,808           Accrued interest due to Gunther Partners LLC - a related party         2         6           Current portion of capital lease obligations         8         1,343           Total Caurent liabilities         5,563         6,837           Total Liabilities         3,407         3,402           Long Term Liabilities         3,407         3,412	Total current assets	9,826	11,217		
Fundame and fixtures         428         426           Leashold improvements         2631         233           Accumulated depreciation and amortization         629         6703           Accumulated of amortization         629         677           Deferred income taxes         1,618         1,506           Total Assets         1,623         1,518           Total Assets         1,623         1,518           Current Liabilities           Current Liabilities           Accounts payable         \$ 1,494         \$ 1,095           Accude Accude capenses         1,995         1,525           Deposits on systems contracts         529         623           Deposits on systems contracts         529         623           Accude deprese         1,247         2,808           Accude sprace contract revenue         9 29         623           Accude interest due to Gunther Partners LLC - a related party         9 8         15           Notes payable due to Gunther Partners LLC - a related party         3 6         63           Total lease obligations         3 8         15           Total lease obligations, less current portion         3 ,401         3,401           Capital lease obl	Equipment and leasehold improvements:				
Leasehold improvements         233         233           2,671         2,707           Accumulated depreciation and amortization         6,202         2,030           Patents, net of amortization         5         7           Deferred income taxes         1,618         1,508           Total Assets         1,623         1,513           Total Assets         1,023         1,513           Total Assets         8         1,208         1,504           Accounts pashe         1,952         1,525           Accounts pashel         1,955         1,525           Accounts pashel         1,955         1,525           Deferred service contract revenue         1,955         1,525           Deposits on systems contracts         1,955         1,525           Deferred service contract revenue         1,247         2,808           Accrued interest due to Gunther Partners LLC - a related party         2         2,80           Accrued interest due to Gunther Partners LLC - a related party         3         4,83           Total current fiabilities         3,407         3,407         3,407           Steps applied due to Gunther Partners LLC - a related party         3,407         3,412           Total current fiabilities	Machinery and equipment	1,990	2,048		
Accumulated depreciation and amortization         2,651         2,707           Accumulated depreciation and amortization         629         677           Patents, net of amortization         5         7           Deferred income taxes         1,618         1,506           Total Assets         \$ 12,078         \$ 13,407           Liabilities and Stockholders' Equity:         ***         ***         \$ 1,404         \$ 1,094           Current Liabilities:         ***         1,995         1,523         1,513         ***           Accounts payable         \$ 1,494         \$ 1,094         ***         1,094         ***         2,004         ***         2,004         ***         2,004         ***         2,002         623         623         623         623         625         625         625         625         625         625         625         625         626	Furniture and fixtures	428	426		
Accumulated depreciation and amortization         (2,030)           Patents, net of amortization         5         7           Deferred income taxes         1,618         1,506           Total Assets         \$ 1,618         1,510           Total Assets         \$ 1,070         \$ 1,340           Liabilities and Stockholders' Equity:           Current Liabilities           Accounts payable         \$ 1,494         \$ 1,094           Accured expenses         1,995         1,552           Deposits on systems contracts         529         623           Deferred service contract revenue         1,247         2,808           Accrued interest due to Gunther Partners LLC-a related party         2         6           Notes payable due to Gunther Partners LLC-a related party         5         6,83         15           Total current liabilities         3,400         3,400         3,400         3,400         3,400         3,401<	Leasehold improvements	233	233		
Patents, net of amortization         629         677           Deferred income taxes         1,618         1,506           Total Assets         1,623         1,513           Liabilities and Stockholders' Equity:           Current Liabilities:           Accounts payable         \$ 1,494         \$ 1,094           Accound expenses         1,995         1,552           Deposits on systems contracts         529         623           Deferred service contract revenue         1,247         2,808           Accrued interest due to Gunther Partners LLC - a related party         291         545           Notes payable due to Gunther Partners LLC - a related party         2         200           Current portion of capital lease obligations         8         15           Total current liabilities         3,400         3,400           Long Term Liabilities         3,400         3,400           Capital lease obligations, less current portion         3,400         3,401           Total long term liabilities         8,970         10,249           Total long term liabilities         8,970         10,249           Stockholders' Equity         9         2           Preferred stock, \$,001 par value: 30,000,00 shares authorized; none issued		2,651	2,707		
Patents, net of amortization         5         7           Deferred income taxes         1,618         1,506           Total Assets         1,623         1,513           Total Assets         \$ 12,078         \$ 13,407           Liabilities and Stockholders' Equity:           Current Liabilities:           Accounts payable         \$ 1,494         \$ 1,094           Accrued expenses         1,995         1,552           Deposits on systems contracts         529         623           Deferred service contract revenue         1,247         2,808           Accrued interest due to Gunther Partners LLC - a related party         291         545           Notes payable due to Gunther Partners LLC - a related party         8         15           Total current liabilities         5,563         6,837           Long Term Liabilities         3,563         6,837           Long Term Liabilities         3,407         3,412           Total l	Accumulated depreciation and amortization	(2,022)	(2,030)		
Pubme   1,618   1,508   1,503   1,513   1,513   1,523   1,513   1,523   1,513   1,52		629	677		
Total Assets         1,623         1,513           Total Assets         1,623         1,513           Liabilities and Stockholders' Equity:         Urrent Liabilities:           Accounts payable         \$ 1,494         \$ 1,094           Accrued expenses         1,995         1,552           Deposits on systems contracts         599         623           Deposits on systems contracts         1,247         2,808           Accrued expenses         1,247         2,808           Deferred service contract revenue         1,247         2,808           Accrued interest due to Gunther Partners LLC - a related party         291         545           Notes payable due to Gunther Partners LLC - a related party         2         200           Current portion of capital lease obligations         3,55         6,837           Total current liabilities         3,400         3,400           Capital lease obligations, less current portion         3,400         3,400           Capital lease obligations, less current portion         8,970         10,249           Stockholders' Equity:         8,970         10,249           Preferred stock, \$,001 par value: 500,000 shares authorized; none issued         -         -         -           Common stock, \$,001 par value:	Patents, net of amortization		7		
Total Assets         1,623         1,513           Total Assets         \$ 12,078         \$ 13,407           Liabilities and Stockholders' Equity:           Current Liabilities:           Accounts payable         \$ 1,494         \$ 1,094           Accounde expenses         1,995         1,552           Deposits on systems contracts         529         623           Deferred service contract revenue         1,247         2,808           Accrued interest due to Gunther Partners LLC - a related party         291         545           Notes payable due to Gunther Partners LLC - a related party         2         20           Current portion of capital lease obligations         8         15           Total current liabilities         3         6,837           Long Term Liabilities         3,400         3,400           Capital lease obligations, less current portion         3,400         3,402           Total long term liabilities         3,407         3,412           Total long term liabilities         8,970         10,249           Stockholders' Equity:         9         6         6           Preferred stock, \$,001 par value: 500,000 shares authorized; none issued         5         6         7         6	Deferred income taxes	1,618	1,506		
Total Assets         \$ 12,078         \$ 13,407           Liabilities and Stockholders' Equity:         Current Liabilities:           Accounts payable         \$ 1,494         \$ 1,094           Accrued expenses         1,995         1,552           Deposits on systems contracts         529         623           Deferred service contract revenue         1,247         2,808           Accrued interest due to Gunther Partners LLC - a related party         291         545           Notes payable due to Gunther Partners LLC - a related party         8         15           Current portion of capital lease obligations         8         15           Total current liabilities         5,563         6,837           Notes payable due to Gunther Partners LLC - a related party         3,400         3,400           Capital lease obligations, less current portion         3,400         3,400           Capital lease obligations, less current portion         7         12           Total liabilities         8,970         10,249           Stockholders' Equity:           Preferred stock, \$,001 par value: \$00,000 shares authorized; none issued         -         -         -           Common stock, \$,001 par value: \$2,000,000 shares authorized;         20         20 <td< td=""><td></td><td></td><td></td></td<>					
Current Liabilities:         \$ 1,494         \$ 1,094           Accounts payable         \$ 1,494         \$ 1,094           Accrued expenses         1,995         1,552           Deposits on systems contracts         529         623           Deferred service contract revenue         1,247         2,808           Accrued interest due to Gunther Partners LLC - a related party         291         545           Notes payable due to Gunther Partners LLC - a related party         8         15           Current portion of capital lease obligations         8         15           Total current liabilities         5,563         6,837           Long Term Liabilities         3,400         3,400           Capital lease obligations, less current portion         7         12           Total long term liabilities         3,407         3,412           Total liabilities         8,970         10,249           Stockholders' Equity:           Preferred stock, \$.001 par value: 32,000,000 shares authorized; none issued         -         -         -           Common stock, \$.001 par value: 32,000,000 shares authorized;         20         20           Additional paid-in capital         19,951         19,951           Accumulated deficit         (16,883) <t< td=""><td>Total Assets</td><td></td><td></td></t<>	Total Assets				
Current Liabilities:         \$ 1,494         \$ 1,094           Accounts payable         \$ 1,494         \$ 1,094           Accrued expenses         1,995         1,552           Deposits on systems contracts         529         623           Deferred service contract revenue         1,247         2,808           Accrued interest due to Gunther Partners LLC - a related party         291         545           Notes payable due to Gunther Partners LLC - a related party         8         15           Current portion of capital lease obligations         8         15           Total current liabilities         5,563         6,837           Long Term Liabilities         3,400         3,400           Capital lease obligations, less current portion         7         12           Total long term liabilities         3,407         3,412           Total liabilities         8,970         10,249           Stockholders' Equity:           Preferred stock, \$.001 par value: 32,000,000 shares authorized; none issued         -         -         -           Common stock, \$.001 par value: 32,000,000 shares authorized;         20         20           Additional paid-in capital         19,951         19,951           Accumulated deficit         (16,883) <t< td=""><td>Liabilities and Stockholders' Fauity</td><td></td><td></td></t<>	Liabilities and Stockholders' Fauity				
Accounts payable         \$ 1,494         \$ 1,094           Accrued expenses         1,995         1,552           Deposits on systems contracts         529         623           Deferred service contract revenue         1,247         2,808           Accrued interest due to Gunther Partners LLC - a related party         291         545           Notes payable due to Gunther Partners LLC - a related party         8         15           Current portion of capital lease obligations         8         15           Total current liabilities         3,400         3,400           Capital lease obligations, less current portion         3,400         3,400           Capital lease obligations, less current portion         3,407         3,412           Total long term liabilities         3,407         3,412           Total liabilities         8,970         10,249           Stockholders' Equity:         2         -           Preferred stock, \$.001 par value: \$0,000 shares authorized; none issued         -         -         -           Common stock, \$.001 par value: \$2,000,000 shares authorized;         20         20           Additional paid-in capital         19,951         19,951           Accumulated deficit         (16,863)         16,6813           Total					
Accrued expenses         1,995         1,552           Deposits on systems contracts         529         623           Deferred service contract revenue         1,247         2,808           Accrued interest due to Gunther Partners LLC - a related party         291         545           Notes payable due to Gunther Partners LLC - a related party         -         200           Current portion of capital lease obligations         8         15           Total current liabilities         5,563         6,837           Long Term Liabilities         3,400         3,400           Capital lease obligations, less current portion         7         12           Total long term liabilities         3,407         3,412           Total liabilities         8,970         10,249           Stockholders' Equity:           Preferred stock, \$.001 par value: 500,000 shares authorized; none issued         -         -         -           Common stock, \$.001 par value: 32,000,000 shares authorized;         20         20           Additional paid-in capital         19,951         19,951           Accumulated deficit         (16,863)         (16,813)           Total Stockholders' Equity         3,108         3,158		\$ 1 494	\$ 1,094		
Deposits on systems contracts         529         623           Deferred service contract revenue         1,247         2,808           Accrued interest due to Gunther Partners LLC - a related party         291         545           Notes payable due to Gunther Partners LLC - a related party         -         200           Current portion of capital lease obligations         8         15           Total current liabilities         5,563         6,837           Long Term Liabilities         3,400         3,400           Capital lease obligations, less current portion         7         12           Total long term liabilities         3,407         3,412           Total labilities         8,970         10,249           Stockholders' Equity:         -         -           Preferred stock, \$.001 par value: 500,000 shares authorized; none issued         -         -           Common stock, \$.001 par value: 32,000,000 shares authorized;         20         20           Additional paid-in capital         19,951         19,951           Accumulated deficit         (16,863)         (16,813)           Total Stockholders' Equity         3,108         3,158		· ·			
Deferred service contract revenue         1,247         2,808           Accrued interest due to Gunther Partners LLC - a related party         291         545           Notes payable due to Gunther Partners LLC - a related party         -         200           Current portion of capital lease obligations         8         15           Total current liabilities         5,563         6,837           Long Term Liabilities:         -         8           Notes payable due to Gunther Partners LLC - a related party         3,400         3,400           Capital lease obligations, less current portion         7         12           Total long term liabilities         8,970         10,249           Stockholders' Equity:         8,970         10,249           Stockholders' Equity:         -         -           Preferred stock, \$,001 par value: 500,000 shares authorized; none issued         -         -           Common stock, \$,001 par value: 32,000,000 shares authorized;         20         20           Additional paid-in capital         19,951         19,951           Accumulated deficit         (16,863)         (16,813)           Total Stockholders' Equity         3,108         3,158	•				
Accrued interest due to Gunther Partners LLC - a related party         291         545           Notes payable due to Gunther Partners LLC - a related party         -         200           Current portion of capital lease obligations         8         15           Total current liabilities         5,563         6,837           Long Term Liabilities:         3,400         3,400           Capital lease obligations, less current portion         7         12           Total long term liabilities         3,407         3,412           Total liabilities         8,970         10,249           Stockholders' Equity:           Preferred stock, \$.001 par value: 500,000 shares authorized; none issued         -         -           Common stock, \$.001 par value: 32,000,000 shares authorized;         20         20           Additional paid-in capital         19,951         19,951           Accumulated deficit         (16,863)         (16,813)           Total Stockholders' Equity         3,108         3,158					
Notes payable due to Gunther Partners LLC - a related party         -         200           Current portion of capital lease obligations         8         15           Total current liabilities         5,563         6,837           Long Term Liabilities:         3,400         3,400           Capital lease obligations, less current portion         7         12           Total long term liabilities         3,407         3,412           Total liabilities         8,970         10,249           Stockholders' Equity:         8,970         10,249           Stockholders' Equity:         -         -           Preferred stock, \$.001 par value: 500,000 shares authorized; none issued         -         -           Common stock, \$.001 par value: 32,000,000 shares authorized;         20         20           Additional paid-in capital         19,951         19,951           Accumulated deficit         (16,863)         (16,813)           Total Stockholders' Equity         3,108         3,158		· ·	*		
Current portion of capital lease obligations         8         15           Total current liabilities         5,563         6,837           Long Term Liabilities:         3,400         3,400           Notes payable due to Gunther Partners LLC - a related party         3,400         3,400           Capital lease obligations, less current portion         7         12           Total long term liabilities         3,407         3,412           Total liabilities         8,970         10,249           Stockholders' Equity:         -         -           Preferred stock, \$.001 par value: 500,000 shares authorized; none issued         -         -           Common stock, \$.001 par value: 32,000,000 shares authorized;         20         20           Additional paid-in capital         19,951         19,951           Accumulated deficit         (16,863)         (16,813)           Total Stockholders' Equity         3,108         3,158		291			
Total current liabilities         5,563         6,837           Long Term Liabilities:         3,400         3,400           Notes payable due to Gunther Partners LLC - a related party         3,400         3,400           Capital lease obligations, less current portion         7         12           Total long term liabilities         3,407         3,412           Total liabilities         8,970         10,249           Stockholders' Equity:           Preferred stock, \$.001 par value: 500,000 shares authorized; none issued         -         -           Common stock, \$.001 par value: 32,000,000 shares authorized;         20         20           Additional paid-in capital         19,951         19,951           Accumulated deficit         (16,863)         (16,813)           Total Stockholders' Equity         3,108         3,158		- 0			
Long Term Liabilities:         Notes payable due to Gunther Partners LLC - a related party       3,400       3,400         Capital lease obligations, less current portion       7       12         Total long term liabilities       3,407       3,412         Total liabilities       8,970       10,249         Stockholders' Equity:         Preferred stock, \$.001 par value: 500,000 shares authorized; none issued       -       -         Common stock, \$.001 par value: 32,000,000 shares authorized;       20       20         Additional paid-in capital       19,951       19,951         Accumulated deficit       (16,863)       (16,813)         Total Stockholders' Equity       3,108       3,158					
Notes payable due to Gunther Partners LLC - a related party         3,400         3,400           Capital lease obligations, less current portion         7         12           Total long term liabilities         3,407         3,412           Total liabilities         8,970         10,249           Stockholders' Equity:         Preferred stock, \$.001 par value: 500,000 shares authorized; none issued         -         -           Common stock, \$.001 par value: 32,000,000 shares authorized;         -         -         -           Additional paid-in capital         19,951         19,951           Accumulated deficit         (16,863)         (16,813)           Total Stockholders' Equity         3,108         3,158			6,837		
Capital lease obligations, less current portion       7       12         Total long term liabilities       3,407       3,412         Total liabilities       8,970       10,249         Stockholders' Equity:         Preferred stock, \$.001 par value: 500,000 shares authorized; none issued       -       -         Common stock, \$.001 par value: 32,000,000 shares authorized;       -       -         19,767,435 shares issued and outstanding       20       20         Additional paid-in capital       19,951       19,951         Accumulated deficit       (16,863)       (16,813)         Total Stockholders' Equity       3,108       3,158		2 400	2 100		
Total long term liabilities         3,407         3,412           Total liabilities         8,970         10,249           Stockholders' Equity:         Preferred stock, \$.001 par value: 500,000 shares authorized; none issued         -         -           Common stock, \$.001 par value: 32,000,000 shares authorized;           19,767,435 shares issued and outstanding         20         20           Additional paid-in capital         19,951         19,951           Accumulated deficit         (16,863)         (16,813)           Total Stockholders' Equity         3,108         3,158					
Total liabilities         8,970         10,249           Stockholders' Equity:         Preferred stock, \$.001 par value: 500,000 shares authorized; none issued         -         -           Common stock, \$.001 par value: 32,000,000 shares authorized;         -         -           19,767,435 shares issued and outstanding         20         20           Additional paid-in capital         19,951         19,951           Accumulated deficit         (16,863)         (16,813)           Total Stockholders' Equity         3,108         3,158					
Stockholders' Equity:           Preferred stock, \$.001 par value: 500,000 shares authorized; none issued         -         -         -           Common stock, \$.001 par value: 32,000,000 shares authorized;         20         20           19,767,435 shares issued and outstanding         20         20           Additional paid-in capital         19,951         19,951           Accumulated deficit         (16,863)         (16,813)           Total Stockholders' Equity         3,108         3,158	Total long term habilities	3,407	3,412		
Preferred stock, \$.001 par value: 500,000 shares authorized; none issued       -       -         Common stock, \$.001 par value: 32,000,000 shares authorized;       20       20         19,767,435 shares issued and outstanding       20       20         Additional paid-in capital       19,951       19,951         Accumulated deficit       (16,863)       (16,813)         Total Stockholders' Equity       3,108       3,158	Total liabilities	8,970	10,249		
Common stock, \$.001 par value: 32,000,000 shares authorized;       20       20         19,767,435 shares issued and outstanding       20       19,951         Additional paid-in capital       19,951       19,951         Accumulated deficit       (16,863)       (16,813)         Total Stockholders' Equity       3,108       3,158	• •				
19,767,435 shares issued and outstanding       20       20         Additional paid-in capital       19,951       19,951         Accumulated deficit       (16,863)       (16,813)         Total Stockholders' Equity       3,108       3,158		-	-		
Additional paid-in capital       19,951       19,951         Accumulated deficit       (16,863)       (16,813)         Total Stockholders' Equity       3,108       3,158					
Accumulated deficit         (16,863)         (16,813)           Total Stockholders' Equity         3,108         3,158	19,767,435 shares issued and outstanding	20	20		
Total Stockholders' Equity 3,108 3,158	Additional paid-in capital	19,951	19,951		
	Accumulated deficit	(16,863)	(16,813)		
Total Liabilities and Stockholders' Equity \$ 12,078 \$ 13,407	Total Stockholders' Equity	3,108	3,158		
	Total Liabilities and Stockholders' Equity	\$ 12,078	\$ 13,407		

# GUNTHER INTERNATIONAL LTD. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(dollar amounts in thousands, except share and per share data)

	Three Months Ended December 31,			Nine Months Ended December 31,				
	2016		2015		2016		2015	
Sales:								
Systems	\$	1,902	\$	2,178	\$	6,037	\$	9,692
Maintenance		2,306		2,497		10,403		11,320
Supplies		1,526		1,101		4,148		3,118
Total sales		5,735		5,776		20,588		24,130
Cost of sales:								
Systems		1,226		1,465		4,500		6,913
Maintenance		1,796		1,884		7,906		8,687
Supplies		1,153		834		3,112		2,361
Total cost of sales		4,175		4,182		15,518		17,961
Gross profit		1,560		1,594	-	5,070		6,169
Operating expenses:								
Selling and administrative		1,092		993		4,046		4,086
Research and development		345		235		1,093		883
Total operating expenses		1,437		1,229		5,139		4,969
Operating (loss) income		123		365		(69)		1,200
Interest expense, net		5		3		16		15
(Loss) income before income taxes		118		361		(85)		1,185
Income tax (benefit) expense		(15)		58		(35)		491
Net (loss) income	\$	133	\$	303	\$	(50)	\$	694
Basic and diluted net (loss) income per share	\$	0.01	\$	0.02	\$	(0.00)	\$	0.04
Weighted-average number of common								
shares outstanding	1	9,767,435	1	9,767,435	1	9,767,435	1	9,767,435

## GUNTHER INTERNATIONAL, LTD. CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

#### (Unaudited)

(Dollars in thousands)

	Common Stock					Aco	cumulated		
	Shares	Am	Amount		 Capital		Deficit		Total
Balance, March 31, 2015	19,767,435	\$	20	\$	19,951	\$	(17,665)	\$	2,306
Net income							852		852
Balance, March 31, 2016	19,767,435		20		19,951		(16,813)		3,158
Net loss	<del></del>						(50)		(50)
Balance, December 31, 2016	19,767,435	\$	20	\$	19,951	\$	(16,863)	\$	3,108

## GUNTHER INTERNATIONAL LTD. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

#### (Unaudited)

(dollar amounts in thousands)

	Nin	nber 31,		
		2016		2015
Operating activities:				
Net (loss) income	\$	(50)	\$	694
Adjustments to reconcile net (loss) income to net cash used in				
operating activities:				
Depreciation and amortization		153		166
Loss on sales of equipment		46		-
Deferred income taxes		(55)		464
Changes in operating assets and liabilities:				
Accounts receivable		312		139
Inventories		(370)		866
Prepaid expenses and other assets		(169)		(432)
Accounts payable		400		(1,043)
Accrued expenses		443		217
Interest accrued on related party debt		(254)		(530)
Deferred service contract revenue		(1,561)		(543)
Deposits on systems contracts		(94)		(450)
Net cash used in operating activities		(1,199)		(452)
Investing activities:				
Purchase of equipment and leasehold improvements		(149)		(55)
Net cash used in investing activities		(149)		(55)
Financing activities:				
Payments on notes payable due to Gunther Partners LLC - a related party		(200)		(400)
Payments on notes payable - other		-		(48)
Payments on capital lease obligations		(13)		(28)
Net cash used in financing activities		(213)		(476)
Change in cash		(1,561)		(983)
Cash, beginning of period		1,895		2,932
Cash, end of period	\$	334	\$	1,949
Supplemental Disclosure of Non Cash Investing Activities:				
Equipment financed with capital lease	\$	-	\$	28
Equipment re-characterized as inventory	\$		\$	140

# Gunther International Ltd. Notes to Condensed Consolidated Financial Statements (Unaudited) December 31, 2016

#### 1. Basis of Presentation:

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position and the results of operations and cash flows for the interim periods presented. However, they do not include all disclosures required for a complete set of financial statements. As such, these financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's audited financial statements for the fiscal year ended March 31, 2016. The condensed consolidated balance sheet as of March 31, 2016 was derived from the audited financial statements for the year then ended. The results of operations for the interim periods are not necessarily indicative of results to be expected for the full year.

#### 2. Business and Operations

The Company has performed a review of events subsequent to the balance sheet date through February 10, 2017, the date the financial statements were issued. The Company has signed contracts for systems approximating \$1,284,000 at December 31, 2016 and \$1,983,000 at February 10, 2017.

#### 3. Inventories

Inventories consist of:

(dollars in thousands)						
Dece	mber 31, 2016	Marc	ch 31, 2016			
\$	4,088	\$	4,068			
	349		202			
	925		721			
\$	5,362	\$	4,991			
	Decer	December 31, 2016  \$ 4,088  349  925	December 31, 2016 Marc  \$ 4,088 \$ 349 925			

#### 4. Related Party Debt

The Company has notes payable to Gunther Partners LLC, the Company's principal stockholder, aggregating \$3,400,000 and \$3,600,000 as of December 31, 2016 and March 31, 2016, respectively. All of the aggregate amounts outstanding as of December 31, 2016 are due December 31, 2018 and bear interest at 0.75% after an amendment on September 30, 2016. The Company has accrued interest due to Gunther Partners LLC aggregating \$291,000 and \$545,000 as of December 31, 2016 and March 31, 2016, respectively. Interest is payable at any time on or after the maturity date of the notes without compounding, however the Company intends to continue to make payments against the outstanding accrued interest. Also, early payments of principal and interest are allowed without premium or penalty.

#### 5. Debt

The Company has a Commercial Revolving Loan Agreement with Citizens Bank that provided for a Demand Note (the "Note") of \$1,000,000. Borrowings under the Note bear interest at 3.50% above the LIBOR Advantage Rate, as defined. Proceeds from the Note are to be used to finance working capital related to ongoing operations. Collateral for the note is substantially all of the Company's operating assets. Borrowings under the Note, as amended, must be repaid on April 30, 2017, or upon demand by Citizens Bank. At December 31, 2016 the Note had no outstanding balance leaving an available balance of \$1,000,000.

#### 6. Contingencies

From time to time, the Company is a party to legal proceedings arising in the ordinary course of business. Management believes that the ultimate outcome of these matters will not have a material adverse effect on the Company's financial position, operating results or cash flows.

#### 7. Segment Information

The following summarizes the Company's results by operating segment:

	<u> 1016</u>	<u>2015</u> <u>2016</u> <u>20</u>				2015	
Sales: Intelligent Mail Inserting Industrial Ink Jet Printing Elimination	\$ 4,153 2,794 (18) 6,929	\$	5,635 2,367 (12) 7,990	\$	12,798 7,833 (43) 20,588	\$	17,377 6,783 (30) 24,130
Income (loss) before income taxes: Intelligent Mail Inserting Industrial Ink Jet Printing Operating income (loss) Interest expense, net	\$ (252) 272 20 7 13	\$	88 328 416 5 411	\$	(925) 856 (69) 16 (85)	\$	482 718 1,200 15 1,185

#### 8. Recent Accounting Pronouncements

The Company continually assesses any new accounting pronouncements to determine their applicability to the Company. In the case where it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequence of the change to its financial reporting, and assures that there are proper controls in place to ascertain that the Company's financial statements properly reflect the change.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue From Contracts with Customers*. ASU No. 2014-09 was updated by ASU No. 2015-14 in August 2015, which deferred the effective date of the new standard to fiscal years beginning after December 15, 2017. The purpose of this new standard is to clarify the principles for recognizing revenue so that the standard can be applied consistently across various transactions, industries and capital markets. ASU No. 2014-09 was updated by ASU No. 2016-08, *Principal versus Agent Considerations*, in March 2016, by ASU No. 2016-10, *Identifying Performance Obligations and Licensing*, as well as other updates that address certain narrow-scope matters and practical expedients. We have not completed our assessment of ASU No. 2014-09 and the related updates; however we do not expect it will have a material impact on our results.

In November 2015, the Financial Accounting Standards Board issued ASU No. 2015-17, *Balance Sheet Classification of Deferred Taxes*. The purpose of this standard is to consolidate balance sheet reporting of deferred income taxes into non-current categories. The Company is required to adopt ASU No. 2015-17 in its interim period beginning April 1, 2017. Upon adoption, the Company will report all deferred income tax assets and liabilities as non-current. There will be no impact on net income.

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases*. The purpose of this standard is to mandate that lessees recognize the assets and liabilities that arise from leases.

For finance leases, a lessee is required to do the following:

- 1. Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position
- 2. Recognize interest on the lease liability separately from amortization of the right-of-use asset in the statement of comprehensive income
- 3. Classify repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability and variable lease payments within operating activities in the statement of cash flows.

For operating leases, a lessee is required to do the following:

- 1. Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position
- 2. Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis
- 3. Classify all cash payments within operating activities in the statement of cash flows.

The Company is required to adopt ASU No. 2016-02 in its interim period beginning April 1, 2019. Upon adoption, the Company will recognize the asset and liability associated with each lease on its consolidated balance sheet and reflect payments on the consolidated statement of cash flows.

In August 2016, the Financial Accounting Standards Board issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments. The purpose of this statement is to address eight specific cash flow issues with the objective of reducing the existing diversity of practice. The Company is currently compliant with the provisions of this pronouncement as far as the Company is affected.