REPORT OF THE DIRECTORS

Your Directors present their Report together with the Audited Financial Statements for the year ended March 31, 2020.

The Corporation is a wholly owned subsidiary of ITC Infotech India Limited, incorporated in India.

Principal Activities

The Corporation is engaged in providing information technology services to customers, majority of which are commercial entities throughout the United States of America.

Financial Results (*)

($ million)

Year Ended March 31,	2020	2019
Total Revenue	105.62	96.98
Operating Income	4.13	4.39
Profit/(Loss) After Tax	3.31	3.68

(*) including Indivate Inc., a wholly owned subsidiary of the Corporation.

For the year under review, the Corporation declared and paid a dividend of $ 11 (2019: $ 10) per share on 182,000 Common Shares-without par value aggregating $ 2.002 million (2019: $ 1.82 million).

Business Review

Corporation

For the year ended March 31, 2020, the Corporation posted total revenues of $ 105.12 million while the net profit after tax was $ 3.28 million. The growth in revenues was driven by strong deal wins in existing strategic clients in areas such as Infrastructure services, Data and analytics and Application development and maintenance.

In the coming year, the focus will be on accelerating the growth momentum by scaling existing strategic accounts and sharpening focus on select Industry verticals for new business development and to develop and deliver domain specific Business friendly solutions to existing clients. The Corporation will also focus on strengthening its alliances and partnership ecosystem with existing ISV partners as well as with partners and startups in emerging digital technologies.

Primary challenges seen by the Corporation are macro-economic headwinds due to the Coronavirus (COVID-19) and uncertainties relating to movement of human resources. The lockdown and other restrictions imposed to contain the spread of the Coronavirus has had significant impact on the operations of some of the Corporation's clients in sectors such as Travel and Hospitality. The Corporation continues to take all necessary and pro-active steps to ensure the safety of its employees, to provide uninterrupted delivery of services to its clients and to minimize the impact of COVID-19 on the Corporation's performance in the coming year.

Wholly owned subsidiary - Indivate Inc.

Indivate Inc. ("Indivate") provides market research, business development, consulting and other advisory services. The Corporation has also identified opportunity in trading activities wherein the Corporation shall import goods into the United States of America and distribute / market the same. During the year under review, Indivate recorded Revenue of $ 502,082 (2019: $ 524,152) and Net Profit of $ 28,420 (2019: $ 29,669).

Directors

Mr. Y. C. Deveshwar, Chairman and Director of the Corporation, passed away on May 11, 2019. Your Directors express their sincere condolences on the demise of Mr. Deveshwar and place on record their deep appreciation for his legendary stewardship of the Corporation.

In terms of clause 6A of Article III of By-Laws, Mr. S. Puri took over as the Chairman of your Corporation with effect from May 17, 2019, consequent to his appointment as the Chairman of ITC Infotech India Limited, the parent company.

Messrs. S. Puri, S. Sivakumar, B. B. Chatterjee, (Ms.) B. Parameswar, S. Singh and R. Tandon, Directors of the Corporation, will retire at the next Annual Meeting, and, being eligible, offer themselves for re-appointment.

On behalf of the Board

June 10, 2020

S. Sivakumar
Vice Chairman

S. Singh
Director

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
ITC Infotech (USA), Inc.

We have audited the accompanying special-purpose financial statements of ITC Infotech (USA), Inc. (the "Company"), which comprise the special-purpose balance sheet as of March 31, 2020 and 2019, and the related special-purpose statements of operations and retained earnings and cash flows for the year then ended, and the related notes to the special-purpose financial statements.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these special-purpose financial statements in accordance with the basis described in Note B [1] to the special-purpose financial statements; 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 special-purpose financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on Special-Purpose Financial Statements

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of ITC Infotech (USA), Inc. as of March 31,2020 and 2019, and the results of its operations and its cash flows for the year then ended in accordance with the Basis of Presentation as described in Note B [1].

Basis of Accounting

We draw attention to Note B [1] of the special–purpose financial statements, which describes the basis of accounting. For the purpose of the special–purpose financial statements, the Company did not consolidate Indivate Inc., a wholly owned subsidiary. Accordingly, the accompanying special-purpose financial statements are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note B [1] to the special-purpose financial statements, the Indian Rupee equivalent figures have been included in the financial statements as required by the Parent company of ITC Infotech (USA), Inc. for informational purposes only, and is not a representation in conformity with principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and management of ITC Infotech (USA), Inc. and its group companies and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte Haskins & Sells LLP
Kolkata, India

SPECIAL PURPOSE BALANCE SHEET AS OF MARCH 31,

	2020	2020	2019	2019
Assets	$	₹	$	₹
Current assets				
Cash and cash equivalents	4,022,441	304,378,110	2,339,685	161,812,615
Accounts receivable, net of allowance for doubtful accounts of $2,458,124 (₹ 186,006,243) as of March 2020 and $1,175,099 (INR 81,269,832) as of March 2019	29,145,133	2,205,412,214	25,656,145	1,774,378,988
Receivable from Indivate	2,642	199,920	8,349	577,417
Advances to employees	62,561	4,733,990	69,087	4,778,056
Total current assets	33,232,777	2,514,724,234	28,073,266	1,941,547,076
Property and Equipment	742,476	56,183,159	818,082	56,578,551
Less: Accumulated depreciation and amortization	652,453	49,371,119	673,452	46,575,940
	90,023	6,812,040	144,630	10,002,611
Right of Use Asset	560,452	42,409,403	–	–
Less: Accumulated Depreciation	150,972	11,424,051	–	–
	409,480	30,985,352	–	–
Intangible assets and goodwill	–	–	12,574,566	869,656,985
Less: Accumulated amortization	–	–	12,574,566	869,656,985
	–	–	–	–
Investment in subsidiary (Indivate Inc.)	100,000	7,567,000	100,000	6,916,000
Receivable from ITC Infotech India Ltd	–	–	680,457	47,060,406
Deferred income taxes	2,428,823	183,789,036	2,663,685	184,220,455
Other assets, principally unsecured advances	797,156	60,320,795	1,983,423	137,173,535
	37,058,259	2,804,198,457	33,645,461	2,326,920,083
Liabilities and Stockholder's Equity				
Current liabilities				
Accounts payable	168,297	12,735,034	689,995	47,720,054
Accrued expenses and other current liabilities	8,074,045	610,962,984	9,438,924	652,795,984
Accrued payroll and payroll taxes	1,390,314	105,205,060	1,310,493	90,633,696
Due to ITC Infotech Ltd.,UK, net	–	–	70,132	4,850,329
Due to ITC Infotech India Ltd., net	3,780,594	286,077,548	–	–
Total current liabilities	13,413,250	1,014,980,626	11,509,544	796,000,063
Non-current liabilities				
Lease Liability	229,813	17,389,950	–	–
Stockholder's equity				
Paid up Share Capital	200,000	15,134,000	200,000	13,832,000
Additional paid-in capital	18,000,000	1,362,060,000	18,000,000	1,244,880,000
Retained earnings	5,215,196	394,633,881	3,935,917	272,208,020
Total stockholder's equity	23,415,196	1,771,827,881	22,135,917	1,530,920,020
	37,058,259	2,804,198,457	33,645,461	2,326,920,083

On behalf of the Board

Date: June 10, 2020	Soumyarup Roy	A Raghavapudi	S Singh	S Sivakumar
	Financial Controller	President	Director	Vice Chairman

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

SPECIAL PURPOSE STATEMENTS OF OPERATIONS AND RETAINED EARNINGS FOR THE YEARS ENDED MARCH 31,

	2020	2020	2019	2019
	$	₹	$	₹
Revenues				
Sale of Services	104,983,974	7,944,137,313	95,926,534	6,634,279,091
Resale of Software and Hardware	133,221	10,080,833	529,542	36,623,125
Total revenues	105,117,195	7,954,218,146	96,456,076	6,670,902,216
Cost of revenues, principally employment costs and fees charged by affiliates	88,633,570	6,706,902,242	76,465,702	5,288,367,950
Gross profit	16,483,625	1,247,315,904	19,990,374	1,382,534,266
General and administrative expenses	12,365,742	935,715,697	15,629,825	1,080,958,697
Operating income	4,117,883	311,600,207	4,360,549	301,575,569
Other income	8,223	622,234	137	9,475
Income before interest and income tax expense	4,126,106	312,222,441	4,360,686	301,585,044
Interest Expense	28,611	2,164,994	-	-
Income before income tax expense	4,097,495	310,057,447	4,360,686	301,585,044
Income tax expense / (benefit)				
Current	581,354	43,991,057	1,066,681	73,771,658
Deferred	234,862	17,772,008	(356,457)	(24,652,566)
Total income tax expense	816,216	61,763,065	710,224	49,119,092
Net income	3,281,279	248,294,382	3,650,462	252,465,952
Retained earnings at beginning of year	3,935,917	297,830,838	2,105,455	145,613,268
Less : Dividend Paid	2,002,000	151,491,339	1,820,000	125,871,200
Retained earnings at end of year	5,215,196	394,633,881	3,935,917	272,208,020

On behalf of the Board

Date: June 10, 2020	Soumyarup Roy	A Raghavapudi	S Singh	S Sivakumar
	Financial Controller	President	Director	Vice Chairman

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

SPECIAL PURPOSE STATEMENTS OF CASH FLOWS FOR YEARS ENDED MARCH 31,

	2020	**2020**	2019	2019
	$	**₹**	$	₹
Cash flows from operating activities				
Net income	**3,281,279**	**248,294,382**	3,650,462	252,465,952
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	**374,209**	**28,316,395**	102,743	7,105,706
Deferred income taxes	**234,862**	**17,772,008**	(356,457)	(24,652,566)
Write off of Fixed Assets	**(4,474)**	**(338,548)**	2,507	173,384
Provision for Bad debt expense	**1,775,543**	**134,355,339**	773,836	53,518,498
(Increase) decrease in assets				
Accounts receivable	**(5,264,531)**	**(398,367,061)**	2,641,901	182,713,873
Receivable from Indivate	**5,707**	**431,849**	126,239	8,730,689
Advances to employees	**6,526**	**493,822**	16,430	1,136,299
Other assets, principally unsecured advances	**1,186,267**	**89,764,824**	459,002	31,744,578
Receivable from ITC Infotech India Ltd.	**680,457**	**51,490,181**	(680,457)	(47,060,406)
Increase (decrease) in liabilities				
Accounts payable	**(521,698)**	**(39,476,888)**	354,467	24,514,938
Accrued expenses and other liabilities	**(1,364,879)**	**(103,280,394)**	2,290,989	158,444,799
Accrued payroll and payroll taxes	**79,821**	**6,040,055**	161,011	11,135,521
Due to ITC Infotech Ltd. (UK), net	**(70,132)**	**(5,306,888)**	(31,116)	(2,151,983)
Due to ITC Infotech India Ltd., net	**3,780,594**	**286,077,548**	(6,721,553)	(464,862,605)
Lease Liability (Net Amount)	**(469,622)**	**(35,536,297)**	-	-
Net cash provided by / (used in) operating activities	**3,709,929**	**280,730,327**	2,790,004	192,956,677
Cash flows from investing activities				
Capital expenditures	**(25,173)**	**(1,904,841)**	(30,457)	(2,106,406)
Net cash used in investing activities	**(25,173)**	**(1,904,841)**	(30,457)	(2,106,406)
Payout of Dividend	**(2,002,000)**	**(151,491,340)**	(1,820,000)	(125,871,200)
Net cash used in financing activities	**(2,002,000)**	**(151,491,340)**	(1,820,000)	(125,871,200)
Net increase (decrease) in cash and cash equivalents	**1,682,756**	**127,334,146**	939,547	64,979,071
Cash and cash equivalents at beginning of year	**2,339,685**	**177,043,964**	1,400,138	96,833,544
Cash and cash equivalents at end of year	**4,022,441**	**304,378,110**	2,339,685	161,812,615

On behalf of the Board

Date: June 10, 2020	Soumyarup Roy	A Raghavapudi	S Singh	S Sivakumar
	Financial Controller	President	Director	Vice Chairman

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

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2020 and 2019

NOTE A - BUSINESS BACKGROUND AND PRINCIPAL TRANSACTIONS WITH AFFILIATES

ITC Infotech (USA), Inc. (the "Company"), a New Jersey corporation, is engaged in providing information technology services to customers, majority of which are commercial entities throughout the United States of America. The Company is a wholly-owned subsidiary of ITC Infotech India Ltd., an Indian company. There are 185,000 common shares authorized of which 182,000 have been issued, and are outstanding, to ITC Infotech India Ltd. ITC Infotech Ltd. is also a wholly-owned subsidiary of ITC Infotech India Ltd.

The Company has entered into an agreement with its parent company ITC Infotech India Ltd. on April 1, 2014 wherein the Company has agreed to sub-contract the execution and management of customer contracts to ITC Infotech India Ltd. Under the terms of this agreement, ITC Infotech India Ltd shall assume the overall execution and management responsibilities for such customer contracts.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation:

As required by its parent company ITC Infotech India Ltd., the financial statements of the Company are not prepared in accordance with accounting principles generally accepted in the United States of America as the results of operations of its wholly-owned subsidiary Indivate were not included since the date of acquisition. Accordingly, these financial statements do not purport to follow US GAAP.

These financial statements are presented in U.S. dollars. However, as required by the parent company ITC Infotech India Ltd., the Indian Rupee equivalent figures, arrived at by applying the average interbank exchange rate of $1 = ₹ 75.67 for fiscal year ended March 31, 2020 (2019 $1 = ₹ 69.16) as provided by ITC Infotech India Ltd, have been included solely for informational purposes and is not in conformity with the provisions of FASB ASC 830-30 – *Foreign Currency Matters – Translation of Financial Statements and U.S. GAAP.*

[2] Use of estimates:

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although actual results could differ from those estimates, in the opinion of management such estimates would not materially affect the financial statements.

<u>Estimation of uncertainties relating to the Global Health pandemic from COVID-19</u>

The Company has considered the possible effects that may arise out of the still unfolding COVID-19 pandemic on the carrying amounts of trade receivables, unbilled revenues, investments, goodwill etc. For this purpose, the Company has considered internal and external sources of information up to the date of approval of these financial statements, including credit reports and related information, economic forecasts, market value of certain investments etc. The Company has also performed sensitivity analysis on the assumptions used, and based on current estimates, does not expect any significant impact on such carrying values. The impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of these consolidated financial statements.

[3] Recognition of revenue:

Effective April 1, 2018, the Company adopted ASC 606 "Revenue from Contracts with Customers" using the cumulative catch-up transition method, as prescribed in the Standard.

Revenue is recognized at fair value of amounts received or receivable for products delivered and services rendered and is net of discounts, and excludes amounts collected on behalf of third parties, such as sales tax. Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2020 and 2019 (Contd.)

Recognition of revenue (Contd.)

consideration which the Company expects to receive in exchange for those products or services.

Revenue is recognized from services performed on a "time and material" basis, as and when the services are performed.

Revenue is recognized from services performed on "time bound fixed-price engagements" based on efforts expended using the percentage of completion method of accounting, if work completed can be reasonably estimated. The cumulative impact of any revision in estimates of the percentage of work completed is reflected in the period in which the change becomes known. Provisions for estimated losses on such engagements are made during the period in which a loss becomes probable and can be reasonably estimated.

Revenue is recognized from trading in software packages / licenses / hardware upon delivery to customer.

Amounts received or billed in advance of services performed are treated as unearned revenue (contract liability). Unbilled revenue represents amounts recognized based on services performed in advance of billing in accordance with contract terms.

[4] Cash and cash equivalents:

For purposes of reporting cash flows, the Company considers all deposits in cash accounts which are not subject to withdrawal restrictions or penalties, and certificates of deposit with original maturities of ninety days or less, when purchased, to be cash or cash equivalents.

[5] Accounts receivable:

Credit is extended based on evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are generally due within 30 to 60 days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Company creates an allowance for accounts receivable based on historical experience and management's evaluation of outstanding accounts receivable. Amounts are written off when they are deemed uncollectible.

[6] Property and Equipment:

Equipment, purchased or internally developed software, furniture and fixtures and leasehold improvements are stated at cost. Depreciation and amortization is provided under the straight line method based upon the estimated useful lives of the assets, with such lives ranging up to five years.

[7] Leases:

The Company assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a Lessee

Right – of – Use (ROU) Assets are recognized at inception of a contract or arrangement for significant lease components at cost less lease incentives, if any. ROU Assets are subsequently measured at cost less accumulated depreciation and impairment losses, if any. The cost of ROU Assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the lease commencement date. ROU Assets are generally depreciated over the shorter of the lease term and estimated useful lives of the underlying assets on a straight-line basis. Lease term is determined based on consideration of facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Lease payments associated with short-term leases are charged to the Statement of Operations on a straight-line basis over the term of the relevant lease.

The Company recognizes lease liabilities measured at the present value of lease payments to be made on the date of recognition of the lease. Such lease liabilities do not include variable lease payments (that do not depend on an index or a rate), which are recognized as expense in the periods in which they are incurred. Interest on lease liability is recognized using the effective interest method. Lease liabilities are subsequently increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities are also remeasured upon modification of lease arrangement or upon change in the assessment of the lease term. The effect of such remeasurements is adjusted to the value of ROU Assets.

As a Lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Where the Company is a lessor under an operating lease, the asset is capitalized within property, plant and equipment or investment property and depreciated over its useful economic life. Payments received under operating leases are recognized in the Statement of Operations on a straight-line basis over the term of the lease.

The amount of ROU Asset and Lease Liabilities recognized in the Balance Sheet are disclosed in Note F. The total cash outflow for leases for the year is $ 406,645 (₹ 30,770,823) (including payments in respect short-term leases of $ 97,573 (₹ 7,383,352)

[8] Income taxes:

The Company accounts for income taxes pursuant to ASC 740, Income Taxes ("ASC 740"). ASC 740 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Future tax benefits, such as net operating loss carry forwards, are recognized to the extent that realization of these benefits is considered to be more likely than not. If the future realization of such benefits is uncertain, then a valuation allowance is recorded.

The Company provides for income tax in accordance with the FASB issued ASC 740-10, Income Taxes ("ASC 740-10"). ASC 740-10 provides recognition criteria and a related measurement model for uncertain tax positions taken or expected to be taken in income tax returns. ASC 740-10 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not that the position would be sustained upon examination by tax authorities. Tax positions that meet the more likely than not threshold are then measured using a probability-weighted approach recognizing the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement.

There were no significant matters determined to be unrecognized tax benefits taken or expected to be taken in a tax return that have been recorded in the Company's consolidated financial statements for the year ended March 31, 2020. The Company's Federal and State tax returns are subject to examination by taxing authorities for the years ended March 31, 2017 and after.

[9] Advertising costs:

Advertising costs are expensed as incurred.

[10] Long-lived assets:

The Company follows ASC 360, Property, Plant and Equipment. Accordingly, whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable, the Company assesses the recoverability of the asset. Based on our evaluation, no impairment charge has been recorded in fiscal years ended March 31, 2020 or 2019.

[11] Fair value measurements:

The Company's financial instruments include cash and cash equivalents, accounts receivable from customers, advances, other assets, accounts payable, and accruals, which are short-term in nature. The Company believes the carrying amounts of these financial instruments reasonably approximate their fair value.

ASC 820 Fair Value Measurements ("ASC 820") defines fair value, establishes a common framework for measuring fair value under the U.S. GAAP, and expands disclosures about fair value measurements for financial and non-financial assets and liabilities.

[12] Capitalized software costs:

Costs incurred for development of computer software for internal use of the Company are capitalized. Any costs incurred in the preliminary stages of development and in the operating stages of the software are expensed immediately. There were no such costs capitalized in fiscal years ended March 31, 2020 or 2019.

[13] Summary of recent accounting pronouncements:

In June 2016, FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses, which require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is to be deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The new guidance is effective for fiscal years beginning after December 15, 2020. The amendment should be applied through a modified retrospective approach. Early adoption as of the fiscal years beginning after December 15, 2018 is permitted. The Company does not expect the adoption of this ASU to have a material effect on its financial position or results of operations.

[14] Reclassifications:

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2020 and 2019 (Contd.)

NOTE C - RELATED PARTY TRANSACTIONS

The Company had transactions with the following parties :

	2020 $	2020 ₹	2019 $	2019 ₹
Transactions with ITC Infotech India Ltd.				
Costs for project consultations / other expenses, included in cost of revenues / general and administrative expenses	**40,615,504**	**3,073,375,202**	29,123,269	2,014,165,287
Dividend Paid	**2,002,000**	**151,491,340**	1,820,000	125,871,200
Transactions with ITC Infotech Ltd				
Costs for project consultations / other expenses, included in cost of revenues / general and administrative expenses	**66,242**	**5,012,536**	70,132	4,850,344
Transactions with Technico Technologies				
Costs for project consultations / other expense reimbursements, included in cost of revenues / general and administrative expenses	**143,254**	**10,840,049**	71,086	4,916,310
Transactions with ITC Limited				
Reimbursement of advances paid	**8,522**	**644,871**	414,214	28,647,010
Reimbursement of advances received	**234,542**	**17,747,776**	–	–
Transactions with Indivate				
Other expense reimbursements from Indivate included as a reduction in cost of revenues / general and administrative expenses	**20,949**	**1,585,211**	51,642	3,571,561
Audit fees paid on behalf which was reimbursed by Indivate	–	–	3,100	214,396

Amount payable to Technico Technologies (fellow subsidiary of ultimate parent, ITC Limited) was $ 0 (₹ 0) and $ 0 (₹ 0) as on 31st March, 2020 and 31st March, 2019 respectively. The receivable/ payable amount as on 31st March, 2020 and 31st March, 2019 for the other related parties have been disclosed in the Balance Sheet.

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable as on March 31, 2020 of $ 29,147,775 (₹ 2,205,612,134) and March 31, 2019 of $ 25,664,494 (₹ 1,774,956,405) includes both billed and unbilled receivables. Unbilled receivables were approximately $ 10,455,515 (₹ 791,168,821) and $ 6,495,574 (₹ 449,233,897) as of March 31, 2020 and 2019, respectively.

Unbilled Revenue consist of the following:

Particulars	2020 ($)	2020 (₹)	2019 ($)	2019 (₹)
Time & Material and others	**9,068,459**	**686,210,293**	5,926,145	409,852,166
Fixed Price contracts based on % Completion	**1,387,056**	**104,958,528**	569,429	39,381,731
Total	**10,455,515**	**791,168,821**	6,495,574	449,233,897

Changes in the allowance for doubtful accounts in 2020 and 2019 are as follows:

	2020 $	2020 ₹	2019 $	2019 ₹
Beginning balance	**1,175,099**	**88,919,741**	1,292,377	89,380,798
Increase to allowance	**1,767,374**	**133,737,191**	773,836	53,518,498
Accounts written off	**484,349**	**36,650,689**	891,114	61,629,464
Ending balance	**2,458,124**	**186,006,243**	1,175,099	81,269,832

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Estimated useful lives (Years)	As on 31-Mar-20 $	31-Mar-20 ₹	31-Mar-19 $	31-Mar-19 ₹
Leasehold Improvements	4	**26,074**	**1,973,020**	26,074	1,803,278
Office Equipment	4	**98,944**	**7,487,092**	77,730	5,375,807
Computers etc.	4	**463,575**	**35,078,720**	460,735	31,864,432
Furniture and Fixtures	4	**152,240**	**11,520,001**	251,900	17,421,404
Capitalised Software	5	**1,643**	**124,326**	1,643	113,630
		742,476	**56,183,159**	818,082	56,578,551
Less: Accumulated depreciation		**(652,453)**	**(49,371,119)**	(673,452)	(46,575,940)
Property and Equipment, net		**90,023**	**6,812,040**	144,630	10,002,611

The depreciation expense recognized in the Statement of Operations is as follows:

	FY 2019-20 $	FY 2019-20 ₹	FY 2018-19 $	FY 2018-19 ₹
Depreciation expense	**78,964**	**5,975,196**	102,743	7,105,706

NOTE F - LEASES

Transition:

Effective April 1, 2019, the Company adopted Topic 842 ASC 2016-2 "Leases" and applied the standard to all lease contracts existing on April 1, 2019 using the modified retrospective method. Consequently, the Company recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate and the right of use asset at an amount equal to the lease liability. In line with the transition provision, comparatives as at and for the year ended March 31, 2019 have not been retrospectively adjusted. On Transition, the adoption of the new standard resulted in recognition of 'Right of Use' asset of $ 9,55,266 (₹ 72,285,011) and a lease liability of $ 9,55,266 (₹ 72,285,011). The Company has applied the practical expedient to not recognize the right-of-use assets and lease liabilities for leases with less than 12 months of lease term on the date of initial application. The weighted average incremental borrowing rate of 3.70% has been applied to lease liabilities recognized in the balance sheet at the date of initial application.

Right of use asset:

	As on 31-Mar-20 $	31-Mar-20 ₹	31-Mar-19 $	31-Mar-19 ₹
Right of use asset - Buildings	**560,452**	**42,409,403**	–	–
	560,452	**42,409,403**	–	–
Less: Accumulated depreciation	**(150,972)**	**(11,424,051)**	–	–
Right of use asset, net	**409,480**	**30,985,352**	–	–

Lease Liability:

	As on 31-Mar-20 $	31-Mar-20 ₹	31-Mar-19 $	31-Mar-19 ₹
Lease Liability				
Current	**189,161**	**14,313,782**	-	-
Non - Current	**229,813**	**17,389,950**	-	-
	418,974	**31,703,732**	-	-

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2020 and 2019 (Contd.)

Impact for the period	FY 2019-20		FY 2018-19	
	$	₹	$	₹
Depreciation expense	295,246	22,341,265	–	–
Interest on Lease Liability	28,611	2,164,994	–	–
	323,857	24,506,259	–	–

NOTE G - INCOME TAXES

The income taxes expenses consists of the following:

	Year ended March 31, 2020 $	2020 ₹	2019 $	2019 ₹
Federal Taxes				
Current	487,145	36,862,262	893,773	61,813,341
Deferred	196,312	14,854,929	(299,067)	(20,683,474)
State and local taxes				
Current	94,209	7,128,795	172,908	11,958,317
Deferred	38,550	2,917,079	(57,390)	(3,969,092)
Total current expense	816,216	61,763,065	710,224	49,119,092

Deferred tax assets and liabilities consist of the following:

	2020 $	2020 ₹	2019 $	2019 ₹
Provision for Doubtful Debts	592,348	44,822,973	283,187	19,585,213
Depreciation under State Taxes	4,769	360,870	3,097	214,189
Depreciation under Federal Taxes	(18,371)	(1,390,134)	(29,125)	(2,014,283)
Accrued vacation	369,453	27,956,509	477,623	33,032,407
Accrued bonus	591,815	44,782,641	810,644	56,064,139
Amortization of intangible assets and goodwill	411,589	31,144,940	645,116	44,616,223
ESOS Expense	251,200	19,008,304	272,969	18,878,533
Prepaid Expenses	(20,210)	(1,529,291)	(42,493)	(2,938,816)
Foreign tax credit carry-over	242,667	18,362,612	242,667	16,782,850
Lease Dep and Interest	3,563	269,612	-	-
	2,428,823	183,789,036	2,663,685	184,220,455

NOTE H – UNEARNED SALES

Unearned Sales consist of amounts received or billed in advance of services performed. Unearned Sales have been reflected under in the Balance Sheet under Other current liabilities in the amount of $ 92,185 (₹ 6,975,639) and $ 262,190 (₹ 18,133,060) for the fiscal years ended March 31, 2020 and 2019, respectively.

Revenue recognized in FY 2019-20 that was included as Unearned Sales balance at the beginning of the FY 2019-20 was $ 262,190.

NOTE I - CONCENTRATION OF CREDIT RISK AND SIGNIFICANT CUSTOMERS

A significant portion of the Company's sales are to several key customers, some of which are also agencies providing software consulting services to commercial entities and software developers. Three such key customers accounted for approximately 16% (7%, 5% and 4%) and approximately 19% (7%, 7% and 5%) of the Company's revenues for the years ended March 31, 2020 and 2019, respectively. Accounts receivable from these customers approximated 15 % (11%, 3%, 1%) and 9% (4%, 4%, 1%) of total accounts receivable as at March 31, 2020 and 2019, respectively. Additionally, two customers accounted for 9% (5% and 4%) of the accounts receivables as of March 31, 2020 that did not account under revenue concentration.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to regulatory limits. The Company has not experienced any losses in such accounts.

NOTE J - EMPLOYEES STOCK BASED COMPENSATION

Certain employees of the Company are covered under the stock option plans of the Company's ultimate Parent, ITC Limited. These plans are assessed, managed and administered by the Holding Company of ITC Infotech India Ltd. Fair value of such stock options is calculated using the Black Scholes pricing model at the grant date. Expense related to these stock options have been reflected in the statement of operations in the amount of $64,495 (₹ 4,880,306) and $345,095 (₹ 23,866,770) for the Fiscal Year 2019-20 and 2018-19 respectively.

NOTE K - EMPLOYEE BENEFIT PLANS

The Company maintains a 401(k) Savings Plan for qualified employees. Employees who are eligible, as defined by the plan documents, may contribute an amount not to exceed 100% of participant's compensation, up to the maximum annual elective contribution established by the Internal Revenue Service. The Company makes a Safe Harbor Matching Contribution equal to 100% on the first 3% of eligible earnings that are deferred as Elective Deferral and an additional 50% on the next 2% of eligible earnings. The 401(k) expense for the years ended March 31, 2020 and 2019 was $ 679,963 (₹ 51,452,834) and $580,904 (₹ 40,175,338), respectively.

NOTE L - SUBSEQUENT EVENTS

The Company evaluated subsequent events through June 10, 2020 which is the date on which the Financial Statements are issued. Based on this evaluation, the Company is not aware of any other events or transactions that would require recognition or disclosure in the financial statements.