

REPORT OF THE DIRECTORS

Your Directors present their Report together with the Audited Financial Statements for the year ended March 31, 2021.

The Corporation is a wholly owned subsidiary of ITC Infotech (USA), Inc., incorporated in the USA.

Principal Activities

The Corporation provides market research, business development, consulting, and other advisory services. The Corporation is also engaged in trading activities i.e. import goods into the USA to distribute / market the same.

Financial Results

(US \$)

Year Ended March 31,	2021	2020
Total Revenue	428,532	502,082
Operating Income / (loss)	21,571	28,420
Profit/(Loss) After Tax	21,571	28,420

Business Review

The Corporation continues to provide business consulting and other advisory services to ITC Limited, India (ITC) pursuant to the Business Services Agreement with ITC. These services primarily include trendspotting, market evaluation and research, analysis of emerging regulatory frameworks and consumer preferences in identified business segments. The

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Indivate Inc.

We have audited the accompanying financial statements of Indivate Inc., (a wholly owned subsidiary of ITC Infotech (USA), Inc.) which comprise the balance sheet as of March 31, 2021 and 2020, and the related statement of operations and retained earnings and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

Corporation also undertakes business development activities towards enhancing the sales for the goods and services of ITC in the US market. During the year, the Corporation engaged in limited trading activities with the import of pilot marketing quantities of stationery products and incense sticks sourced from ITC for distribution in the USA, through the Amazon platform.

Directors

Messrs. S. Dutta, (Ms.) B. Parameswar and S. Roy, Directors of the Corporation, will retire at the next Annual Meeting, and, being eligible, offer themselves for re-appointment.

Auditors

Messrs. Deloitte Haskins & Sells LLP, Chartered Accountants, India, Firm Registration Number 117366W/W-100018 (Deloitte India), were appointed as the Auditors of the Corporation to hold office until the conclusion of the next Annual Meeting for audit of the Financial Statements for the financial year 2020-21.

The Board has recommended for the approval of the Shareholders, the appointment of Deloitte India to conduct the audit of the Financial Statements of the Corporation for the financial year 2021-22.

Appropriate resolution seeking your approval in respect of the said appointment is included in the Notice convening the Annual Meeting of the Corporation for the year ended March 31, 2021.

On behalf of the Board
Bhavani Parameswar
Director & President

May 3, 2021

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 Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indivate Inc. as of March 31, 2021 and 2020 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.

Emphasis of Matter

As discussed in Note B [1] to the 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.

Deloitte Haskins & Sells LLP
Bengaluru, India
Date: May 3, 2021

BALANCE SHEET AS OF MARCH 31,

	2021 (US \$)	2021 (₹)	2020 (US \$)	2020 (₹)
Assets				
Current assets				
Cash and cash equivalents	138,741	10,143,355	186,845	14,138,561
Inventory	15,681	1,146,438	19,808	1,498,871
Accounts receivable	1,016	74,280	-	-
Due from ITC Limited	29,103	2,127,720	94,650	7,162,166
Total current assets	184,541	13,491,793	301,303	22,799,598
Property and Equipment	7,070	516,888	3,859	292,011
Less: Accumulated depreciation and amortization	3,926	287,030	3,121	236,166
	3,144	229,858	738	55,845
Other assets, principally unsecured advances	53,304	3,897,055	1,507	114,035
	240,989	17,618,706	303,548	22,969,478
Liabilities and Stockholder's Equity				
Current liabilities				
Accounts payable	12,160	889,018	7,703	582,886
Accrued expenses and other current liabilities	13,788	1,008,039	15,440	1,168,345
Accrued payroll and payroll taxes	101,170	7,396,539	185,463	14,033,985
Due to ITC Infotech (USA), Inc., net	-	-	2,642	199,920
Total current liabilities	127,118	9,293,596	211,248	15,985,136
Stockholder's equity				
Paid up Capital	100,000	7,311,000	100,000	7,567,000
Retained earnings	13,871	1,014,110	(7,700)	(582,658)
Total Stockholder's equity	113,871	8,325,110	92,300	6,984,342
	240,989	17,618,706	303,548	22,969,478

On behalf of the Board

Bhavani Parameswar
Director and President

Soumyarup Roy
Director

Date: May 3, 2021

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

**STATEMENT OF OPERATIONS AND RETAINED EARNINGS
FOR THE YEARS ENDED MARCH 31,**

	<u>2021</u> (US \$)	<u>2021</u> (₹)	<u>2020</u> (US \$)	<u>2020</u> (₹)
Revenue				
Service income- Related party	409,977	29,973,418	502,082	37,992,545
Total Service income	409,977	29,973,418	502,082	37,992,545
Sale of Traded Goods	18,555	1,356,556	-	-
Total Revenue	428,532	31,329,974	502,082	37,992,545
Cost of revenues, principally employment costs	386,771	28,276,828	473,662	35,842,004
Purchase of Stock-in-trade	6,851	500,877	19,808	1,498,871
Change in Inventories of Stock-in-trade	4,127	301,725	(19,808)	(1,498,871)
Cost of Sales	10,978	802,602	-	-
Gross profit	30,783	2,250,544	28,420	2,150,541
General and administrative expenses	9,212	673,489	-	-
Operating Income	21,571	1,577,055	28,420	2,150,541
Less: Income tax	-	-	-	-
Net Income	21,571	1,577,055	28,420	2,150,541
Retained earnings at beginning of period	(7,700)	(562,945)	(36,120)	(2,733,199)
Retained earnings at end of period	<u>13,871</u>	<u>1,014,110</u>	<u>(7,700)</u>	<u>(582,658)</u>

Date: May 3, 2021

On behalf of the Board
 Bhavani Parameswar Soumyarup Roy
 Director and President Director

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

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31,**

	<u>2021</u> (US \$)	<u>2021</u> (₹)	<u>2020</u> (US \$)	<u>2020</u> (₹)
Cash flows from operating activities				
Net income	21,571	1,577,055	28,420	2,150,541
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	805	58,854	965	73,022
(Increase) decrease in assets				
Inventory	4,127	301,725	(19,808)	(1,498,871)
Accounts receivable	(1,016)	(74,280)	-	-
Due from ITC Limited	65,547	4,792,141	(94,650)	(7,162,166)
Other assets, principally unsecured advances	(51,797)	(3,786,878)	1,636	123,796
Increase (decrease) in liabilities				
Accounts payable	4,457	325,851	5,982	452,658
Accrued expenses and other liabilities	(1,652)	(120,778)	5,905	446,832
Accrued payroll and payroll taxes	(84,293)	(6,162,660)	64,515	4,881,850
Due to ITC Infotech (USA), Inc., net	(2,642)	(193,157)	(5,707)	(431,849)
Net cash used in operating activities	<u>(44,893)</u>	<u>(3,282,127)</u>	<u>(12,742)</u>	<u>(964,187)</u>
Cash flows from investing activities				
Capital expenditures	(3,211)	(234,756)	-	-
Net cash used in investing activities	<u>(3,211)</u>	<u>(234,756)</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities				
Net cash used in financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents	<u>(48,104)</u>	<u>(3,516,883)</u>	<u>(12,742)</u>	<u>(964,187)</u>
Cash and cash equivalents at beginning of year	186,845	13,660,238	199,587	15,102,748
Cash and cash equivalents at end of year	<u>138,741</u>	<u>10,143,355</u>	<u>186,845</u>	<u>14,138,561</u>

Date: May 3, 2021

On behalf of the Board
 Bhavani Parameswar Soumyarup Roy
 Director and President Director

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

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2021 AND 2020
NOTE A - BUSINESS BACKGROUND AND PRINCIPAL TRANSACTIONS WITH AFFILIATES

Indivate Inc. (the "Company") was formed as a New Jersey State incorporated company and 100% of the shareholder interest is owned by ITC Infotech (USA), Inc.

It is principally engaged in providing business consulting services to related party entities that operate in India. The Company is also engaged in trading activities wherein the Company is importing goods into US and distributing/marketing the same.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
[1] Basis of presentation:

The financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America, the country of formation. The amounts are represented in U.S. dollars. As required by ITC Infotech India Limited, the sole shareholder of the Parent

Company, the Indian Rupee equivalent figures, arrived at by applying the year end interbank exchange rate of US \$1 = ₹ 73.11 for the fiscal year ended March 31, 2021 (2020: US \$1 = ₹ 75.67) as provided by the Sole shareholder of the Parent Company, have been included solely for informational purposes and is not in conformance 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 the management such estimates would not materially affect the financial statements.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2021 AND 2020 (Contd.)

[3] Inventory:

Inventories are stated at lower of cost and net realisable value. The cost is calculated on weighted average method. Cost comprises expenditure incurred in the normal course of business in bringing such inventories to its present location and condition and includes product cost from the Company's suppliers, as well as inbound freight, import duties, taxes, insurance and logistics and other handling fees. Net realisable value is the estimated selling price less estimated costs for completion and sale. Obsolete, slow moving and defective inventories are identified from time to time and, where necessary, a provision is made for such inventories.

[4] Recognition of revenue:

Service revenue is based upon services provided by the Company on customer assignments and is recognized when the work is performed. Substantially, the customers are invoiced on a monthly basis.

Revenue from sales of goods is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of returns and discounts to customers. Revenue from the sale of goods is shown excluding taxes such as State Sales tax which are payable in respect of sale of goods. Revenue from the sale of goods and services is recognized when the Company performs its obligations to its customers and the amount of revenue can be measured reliably and recovery of the consideration is probable. The timing of such recognition in case of sale of goods is when the control over the same is transferred to the customer, which is mainly upon delivery.

[5] 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.

[6] Accounts receivable and allowance for doubtful accounts:

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.

[7] Property and equipment:

Property and Equipment purchased are stated at cost. Depreciation is provided under the straight-line method based upon the estimated useful lives of the assets, with such lives ranging up to four years.

[8] 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, 2021. 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.

[9] Employees stock based compensation:

Employee of the Company is covered under the stock option plans of the Company's ultimate Parent, ITC Limited. These plans are assessed, managed and administered by ITC Limited. 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 aggregating US \$ 5,026 (₹ 367,451) and US \$20,949 (₹ 1,585,211) for the Financial Year 2020-21 and 2019-20 respectively.

[10] 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, 2021 and 2020 was US \$ 9,776 (₹ 714,688) and US \$ 9,384 (₹ 710,122), respectively.

NOTE C – RELATED PARTY TRANSACTIONS

The Company has entered into various transactions with its related parties as follows:

	2021 (US \$)	2021 (₹)	2020 (US \$)	2020 (₹)
<u>Transactions with ITC Limited</u>				
Service / Account Management fees / others recognized as revenue by Indivate	409,977	29,973,418	502,082	37,992,545
Purchase of Goods	3,695	270,141	17,461	1,321,299
Re-imbursment of Expenses	17,419	1,273,503	-	-

Accounts receivable consist of trade accounts receivable and unbilled accounts receivable, if any (representing services performed prior to the balance sheet date, but not invoiced to the customer until thereafter). Related parties receivable total US \$ 29,103 (₹ 2,127,720) and US \$ 94,650 (₹ 7,162,166) as of March 31, 2021 and 2020, respectively.

Transactions with Parent Company

Payroll related expenditure	5,026	367,451	20,949	1,585,211
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NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Estimated useful lives (Years)	As of			
		31-Mar-21		31-Mar-20	
		(US \$)	(₹)	(US \$)	(₹)
Computers etc.	4	3,710	271,238	1,138	86,113
Office Equipment	4	639	46,718	-	-
Furniture and Fixtures	4	2,721	198,932	2,721	205,898
		7,070	516,888	3,859	292,011
Less: Accumulated depreciation		(3,926)	(287,030)	(3,121)	(236,166)
Property and Equipment, net		3,144	229,858	738	55,845

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

	FY 2020-21		FY 2019-20	
	(US \$)	(₹)	(US \$)	(₹)
Depreciation expense	805	58,854	965	73,022

NOTE E – SUBSEQUENT EVENTS

The Company evaluated subsequent events through May 3, 2021 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.