REPORT OF THE DIRECTORS

Your Directors present their Report together with the Audited Financial Statements for the year ended March 31, 2022.

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 (*)

(US $ million)

Year Ended March 31,	2022	2021
Total Revenue	133.76	108.36
Operating Income	3.34	3.42
Profit/(Loss) After Tax	2.53	2.59

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

Business Review

Corporation

For the year ended March 31, 2022, the Corporation posted total revenue of US $ 133.34 million (**) while the net profit after tax was US $ 2.52 million (**). The growth in revenue was driven by deal wins in existing strategic clients in areas such as Infrastructure Services, Data and Analytics, Automation, and Application Development and Maintenance.

The Corporation continues to enable clients to anticipate and adapt to the constantly evolving business and technology landscape by accelerating value realization at the intersection of domain and technology. Today, across all areas of business, Digital Transformation and Software as a Service (SaaS) adoption are becoming mainstream. Digital and Capability-led opportunities and new models of technology consumption in a 'Everything as a Service' model is expected to continue being the key drivers of growth, along with an increased focus on environment and sustainability. With the increasing need to drive cost optimization and organizational efficiency, clients are looking for partners who can support them in end-to-end management of services. IT spending is seeing a shift from a single, consolidated buying center to multiple buying centers, creating opportunities for an eco-system of technology service providers.

In the coming year, the focus will be on taking a leadership position in helping our clients with their digital transformation and SaaS adoption; accelerating our growth momentum by scaling existing strategic accounts, by sustaining our focus on delivery excellence; and, strengthening our alliance and partnership eco-system with existing ISV partners as well as new, future-ready software vendors in Digital, Data & Analytics, and Infrastructure Services amongst other identified areas. The Corporation will continue its strategy of Industry-focused and capability-driven growth and sustain its investments on hiring and training the right talent with a focus on building a culture of continuous learning.

Primary challenges seen by the Corporation are macro-economic headwinds due to the volatile economic and geo-political environment, which is expected to impact client sentiment and IT spending, sustaining the pressure on cost-optimization. The high demand for talent, particularly for niche skills, continues to remain a top priority. The Corporation's strategy of increasing its onsite presence, including local hiring, its investments in strengthening its Sales teams (hiring & sales enablement training) and its continued investments in learning & development for its employees will mitigate these risks.

(**) Standalone Results

Wholly owned subsidiary - Indivate Inc.

Indivate Inc. ("Indivate") provides market research, business development, consulting and other advisory services. Indivate is also engaged in trading activities where in the corporation imports goods into the United States of America for distributing / marketing the same. During the year under review, Indivate recorded Revenue of US$ 420,999 (2021: US$ 428,532) and Net Profit of US$ 13,239 (2021: US$ 21,571).

Directors

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.

Mr. Chatterjee and Mr. Tandon have informed that they would not like to offer themselves for re-appointment at the next Annual Meeting.

Messrs. S. Puri, S. Sivakumar, (Ms.) B. Parameswar and S. Singh, being eligible, offer themselves for re-appointment.

Auditors

Messrs. Deloitte Haskins & Sells LLP, Chartered Accountants, India, Firm Registration Number 117366W/W-100018 (Deloitte India), complete their term of appointment at the conclusion of the next Annual Meeting and offer themselves for re-appointment as Auditors of the Corporation.

The Board has recommended for the approval of the Shareholders, appointment of Deloitte India to conduct the audit of the Financial Statements of the Corporation for the financial year 2022-23.

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, 2022.

On behalf of the Board

	S. Sivakumar	**S. Singh**
Date: May 2, 2022	**Vice Chairman**	**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 sheets as of March 31, 2022 and 2021, and the related special-purpose statements of operations and retained earnings and cash flows for the years then ended, and the related notes to the special purpose financial statements (collectively referred to as the "Special Purpose Financial Statements").

In our opinion, the accompanying Special Purpose Financial Statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with the basis of preparation set out in Note B[1] to the Special Purpose Financial Statements.

Basis for Opinion

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

Emphasis of Matter

Basis of preparation and presentation and restriction to use

We draw attention to Note B[1] to the Special Purpose Financial Statements, which describes the basis of preparation. For the purpose of the Special Purpose Financial Statements, the Company did not consolidate Indivate Inc., a wholly owned subsidiary. Further, as discussed in Note B[1] to the Special Purpose Financial Statements, the Indian Rupee equivalent figures have been included in the Special Purpose Financial Statements as required by the Parent company of ITC Infotech (USA), Inc. for informational purposes only. 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 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.

Our opinion is not modified with respect to this matter.

Responsibilities of Management 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 Special Purpose Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Special Purpose Financial Statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the Special Purpose Financial Statements are issued.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the Special Purpose Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the Special Purpose Financial Statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Special Purpose Financial Statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Special Purpose Financial Statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Special Purpose Financial Statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Other Information included in the Report of the Directors

Management is responsible for the other information included in the Report of the Directors. The other information comprises the information included in the Report of the Directors but does not include the Special Purpose Financial Statements and our auditor's report thereon. Our opinion on the Special Purpose Financial Statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the Special Purpose Financial Statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the Special Purpose Financial Statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Deloitte Haskins & Sells LLP
Bengaluru, India
Date: May 2, 2022

SPECIAL PURPOSE BALANCE SHEETS AS OF MARCH 31,

	2022 (US $)	2022 (₹)	2021 (US $)	2021 (₹)
Assets				
Current assets				
Cash and cash equivalents	2,291,928	173,710,952	4,108,478	300370,827
Accounts receivable, net of allowance for doubtful accounts of US $ 227,621 (INR 17,251,964) as of March 2022 and US $1,238,514 (INR 90,547,756) as of March 2021	40,197,903	3,046,699,563	27,706,699	2,025,636,764
Advances to employees	72,835	5,520,346	6,541	478,212
Other current assets	210,526	15,956,291	108,695	7,946,691
Total current assets	42,773,192	3,241,887,152	31,930,413	2,334,432,494
Property and equipment	415,245	31,472,457	414,592	30,310,821
Less: Accumulated depreciation and amortization	315,588	23,919,203	375,796	27,474,446
	99,657	7,553,254	38,796	2,836,375
Right of Use Asset	93,347	7,075,002	464,737	33,976,922
Less: Accumulated depreciation	71,806	5,442,356	285,992	20,908,875
	21,541	1,632,646	178,745	13,068,047
Investment in subsidiary (Indivate Inc.)	100,000	7,579,250	100,000	7,311,000
Deferred income taxes	1,156,047	87,619,692	1,886,520	137,923,477
Other assets, principally unsecured advances	872,903	66,159,501	815,756	59,639,922
	45,023,340	3,412,431,495	34,950,230	2,555,211,315
Liabilities and Stockholder's Equity				
Current liabilities				
Accounts payable	173,777	13,170,993	133,173	9,736,278
Accrued expenses and other current liabilities	8,098,473	613,803,515	8,343,787	610,014,267
Accrued payroll and payroll taxes	981,792	74,412,471	1,023,514	74,829,109
Lease liability	22,948	1,739,286	150,188	10,980,245
Due to ITC Infotech India Ltd., net	9,795,116	742,396,329	1,824,497	133,388,976
Total current liabilities	19,072,106	1,445,522,594	11,475,159	838,948,875
Non-current liabilities				
Lease liability	–	–	39,068	2,856,261
Stockholder's equity				
Paid up Share Capital	18,200,000	1,379,423,500	18,200,000	1,330,602,000
Retained earnings	7,751,234	587,485,401	5,236,003	382,804,179
Total stockholder's equity	25,951,234	1,966,908,901	23,436,003	1,713,406,179
	45,023,340	3,412,431,495	34,950,230	2,555,211,315

On behalf of the Board

Date: May 2, 2022	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,

	2022 (US $)	2022 (₹)	2021 (US $)	2021 (₹)
Revenues				
Sale of Services	132,809,360	10,065,953,418	107,311,500	7,845,543,765
Resale of Software and Hardware	425,968	32,285,180	622,728	45,527,644
Other Operating Income	108,042	8,188,773	–	–
Total revenues	133,343,370	10,106,427,371	107,934,228	7,891,071,409
Cost of revenues, principally employment costs and fees charged by affiliates	122,388,922	9,276,162,373	96,286,536	7,039,508,649
Gross profit	10,954,448	830,264,998	11,647,692	851,562,760
General and administrative expenses	7,628,814	578,206,885	8,244,731	602,772,283
Operating income	3,325,634	252,058,113	3,402,961	248,790,477
Other income	–	–	1	73
Income before interest and income tax expense	3,325,634	252,058,113	3,402,962	248,790,550
Interest Expense	1,815	137,563	11,684	854,217
Income before income tax expense	3,323,819	251,920,550	3,391,278	247,936,333
Income tax expense / (benefit)				
Current	78,115	5,920,531	280,167	20,483,009
Deferred	730,473	55,364,375	542,304	39,647,845
Total income tax expense	808,588	61,284,906	822,471	60,130,854
Net income	2,515,231	190,635,644	2,568,807	187,805,479
Retained earnings at beginning of year	5,236,003	396,849,757	5,215,196	381,282,980
Less : Dividend Paid	–	–	2,548,000	186,284,280
Retained earnings at end of year	7,751,234	587,485,401	5,236,003	382,804,179

On behalf of the Board

Date: May 2, 2022	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 THE YEARS ENDED MARCH 31,

	2022 (US $)	2022 (₹)	2021 (US $)	2021 (₹)
Cash flows from operating activities				
Net income	**2,515,231**	**190,635,644**	2,568,807	187,805,479
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	**137,493**	**10,420,938**	238,091	17,406,833
Deferred income taxes	**730,473**	**55,364,375**	542,304	39,647,845
Write off of Fixed Assets / ROU Assets	**(2,497)**	**(189,254)**	(689)	(50,373)
Provision for Bad debt expense	**92,547**	**7,014,368**	(647,967)	(47,372,867)
(Increase) decrease in assets				
Accounts receivable	**(12,583,751)**	**(953,753,948)**	2,086,401	152,536,777
Receivable from Indivate	**–**	**–**	2,642	193,157
Advances to employees	**(66,294)**	**(5,024,588)**	56,019	4,095,549
Other current assets	**(101,831)**	**(7,718,026)**	5,928	433,396
Other assets, principally unsecured advances	**(57,147)**	**(4,331,314)**	(133,223)	(9,739,933)
Increase (decrease) in liabilities				
Accounts payable	**40,604**	**3,077,479**	(35,122)	(2,567,769)
Accrued expenses and other liabilities	**(245,314)**	**(18,592,961)**	458,903	33,550,398
Accrued payroll and payroll taxes	**(41,722)**	**(3,162,215)**	(366,800)	(26,816,748)
Due to ITC Infotech India Ltd., net	**7,970,619**	**604,113,141**	(1,956,097)	(143,010,252)
Net cash (used) / provided by operating activities	**(1,611,589)**	**(122,146,361)**	2,819,197	206,111,492
Cash flows from investing activities				
Capital expenditures	**(105,630)**	**(8,005,962)**	–	–
Net cash used in investing activities	**(105,630)**	**(8,005,962)**	–	–
Payout of Dividend	**–**	**–**	(2,548,000)	(186,284,280)
Lease Liability	**(99,331)**	**(7,528,545)**	(185,160)	(13,537,048)
Net cash used in financing activities	**(99,331)**	**(7,528,545)**	(2,733,160)	(199,821,328)
Net increase / (decrease) in cash and cash equivalents	**(1,816,550)**	**(137,680,868)**	86,037	6,290,164
Cash and cash equivalents at beginning of year	**4,108,478**	**311,391,820**	4,022,441	294,080,663
Cash and cash equivalents at end of year	**2,291,928**	**173,710,952**	4,108,478	300,370,827

On behalf of the Board

Date: May 2, 2022	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, 2022 AND 2021

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 US$1 = INR *75.7925* for fiscal year ended March 31, 2022 (2021 US$1 = INR 73.11) 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 COVID-19 pandemic on the carrying amounts of trade receivables, unbilled revenues, 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, 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.

[3] Recognition of revenue:

The Company is engaged in providing information technology services to enterprise clients. The Company derives its revenues primarily from Information Technology (IT) services.

Revenues from customer contracts are considered for recognition and measurement when the contract has been approved by the parties to the contract, the parties to the contract are committed to perform their respective obligations under the contract, and the contract is legally enforceable.

Revenue is recognized upon transfer of control of promised products or services ("performance obligations") to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those products or services ("transaction price").

The Company assesses the services promised in a contract and identifies distinct performance obligations in the contract. The Company allocates the transaction price to each distinct performance obligation based on expected cost-plus margin. Revenue excludes amounts collected on behalf of third parties, such as sales tax.

Revenue is recognized from services performed on a "time and material" basis, as and when the services are performed. Revenue from Fixed price support services is recognized on a straight-line basis when services are performed through a series of repetitive acts over a specified period.

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 from sales of third-party vendor software / hardware is upon delivery to customer.

The billing schedules agreed with customers include periodic performance-based billing and / or milestone-based progress billings. Amounts received or billed in advance of services performed are presented as unearned revenue (contract liabilities). Unbilled revenue represents amounts recognized based on services performed in advance of billing in accordance with contract terms.

The incremental costs of obtaining a contract are recognized as an asset and amortized to revenues in accordance with ASC 606 - Revenue from contracts with customers. Capitalized costs are monitored regularly for impairment. Impairment losses are recorded when present value of projected remaining operating cash flows is not sufficient to recover the carrying amount of the capitalized costs.

[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 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 from three to ten 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.

<u>As a Lessee</u>

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.

<u>As a Lessor</u>

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 US $ 129,525 (INR 9,817,008) (including payments in respect short-term leases of US $ 28,378 (INR 2,150,862)) [In FY2020-21, the total cash outflow for leases was US $ 234,989 (INR 17,180,013) (including payments in respect short-term leases of US $ 38,146 (INR 2,788,845))]

[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, 2022. The Company's Federal and State tax returns are subject to examination by taxing authorities for the years ended March 31, 2019 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, 2022 or 2021.

[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, 2022 or 2021.

[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, 2022. 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, 2022 AND 2021 (Contd.)

NOTE C - RELATED PARTY TRANSACTIONS

The Company had transactions with the following parties :

	2022 (US $)	2022 (₹)	2021 (US $)	2021 (₹)
Transactions with ITC Infotech India Ltd				
Costs for project consultations / other expenses, included in cost of revenues / general and administrative expenses	82,470,620	6,250,654,466	56,671,120	4,143,225,583
Dividend Paid	–	–	2,548,000	186,284,280
Transactions with ITC Infotech Ltd				
Costs for project consultations / other expenses, included in cost of revenues / general and administrative expenses	73,958	5,605,462	68,205	4,986,468
Transactions with Technico Technologies				
Costs for project consultations / other expense reimbursements, included in cost of revenues / general and administrative expenses	275,975	20,916,835	279,026	20,399,591
Transactions with ITC Limited				
Refund of reimbursement of expenses	1,200	90,951	–	–
Transactions with Indivate				
Other expense reimbursements from Indivate included as a reduction in cost of revenues / general and administrative expenses	–	–	5,026	367,451

There was no amount receivable/ payable to Technico Technologies (fellow subsidiary of ultimate parent, ITC Limited), ITC Limited, Indivate Inc. and ITC Infotech Ltd. as on 31st March, 2022 and 31st March, 2021 respectively. The receivable/ payable amount as on 31st March, 2022 and 31st March, 2021 for the other related parties have been disclosed in the Balance Sheet.

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable as on March 31, 2022 of US $ 40,197,903 (INR 3,046,699,563) and March 31, 2021 of US $ 27,706,699 (INR 2,025,636,764) includes both billed and unbilled receivables. Unbilled receivables were US $ 16,971,112 (INR 1,286,283,035) and US $ 9,423,707 (INR 688,967,239) as of March 31, 2022 and 2021, respectively.

Unbilled Revenue consist of the following:

Particulars	2022 (US $)	2022 (₹)	2021 (US $)	2021 (₹)
Time & Material and others	15,054,436	1,141,013,335	8,638,379	631,551,902
Fixed Price contracts based on % Completion	1,916,676	145,269,700	785,328	57,415,337
Total	16,971,112	1,286,283,035	9,423,707	688,967,239

Changes in the allowance for doubtful accounts in 2022 and 2021 are as follows:

	2022 (US $)	2022 (₹)	2021 (US $)	2021 (₹)
Beginning balance	1,238,514	93,870,072	2,458,124	179,713,446
Increase / (Decrease) to allowance	92,547	7,014,368	(647,967)	(47,372,867)
Accounts written off	1,103,440	83,632,476	571,643	41,792,823
Ending balance	227,621	17,251,964	1,238,514	90,547,756

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Estimated useful lives (Years)	As of 31-Mar-22 (US $)	31-Mar-22 (₹)	31-Mar-21 (US $)	31-Mar-21 (₹)
Leasehold Improvements	4	26,074	1,976,214	26,074	1,906,270
Office Equipment	5	38,168	2,892,848	43,136	3,153,673
Computers etc.	3	290,398	22,009,991	212,318	15,522,569
Furniture and Fixtures	10	58,962	4,468,877	131,421	9,608,189
Capitalised Software	5	1,643	124,527	1,643	120,120
		415,245	31,472,457	414,592	30,310,821
Less: Accumulated depreciation		(315,588)	(23,919,203)	(375,796)	(27,474,446)
Property and Equipment, net		99,657	7,553,254	38,796	2,836,375

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

	FY 2021-22 (US $)	FY 2021-22 (₹)	FY 2020-21 (US $)	FY 2020-21 (₹)
Depreciation expense	41,855	3,172,270	51,226	3,745,122

NOTE F - LEASES

Right of use asset:

	As of 31-Mar-22 (US $)	31-Mar-22 (₹)	31-Mar-21 (US $)	31-Mar-21 (₹)
Right of use asset - Buildings	93,347	7,075,002	464,737	33,976,922
	93,347	7,075,002	464,737	33,976,922
Less: Accumulated depreciation	(71,806)	(5,442,356)	(285,992)	(20,908,875)
Right of use asset, net	21,541	1,632,646	178,745	13,068,047

Lease Liability:

	As of 31-Mar-22 (US $)	31-Mar-22 (₹)	31-Mar-21 (US $)	31-Mar-21 (₹)
Lease Liability				
Current	22,948	1,739,286	150,188	10,980,245
Non - Current	–	–	39,068	2,856,261
	22,948	1,739,286	189,256	1,38,36,506

Impact for the period	FY 2021-22 (US $)	FY 2021-22 (₹)	FY 2020-21 (US $)	FY 2020-21 (₹)
Depreciation expense	95,638	7,248,643	186,865	13,661,700
Interest on Lease Liability	1,815	137,563	11,684	854,217
	97,453	7,386,206	198,549	14,515,917

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2022 AND 2021 (Contd.)

NOTE G - INCOME TAXES

The income taxes expense consists of the following:

	Year ended			
	2022 (US $)	**2022 (₹)**	2021 (US $)	2021 (₹)
Federal Taxes				
Current	**63,676**	**4,826,163**	226,025	16,524,688
Deferred	**613,910**	**46,529,774**	462,670	33,825,803
State and local taxes				
Current	**14,439**	**1,094,368**	54,142	3,958,321
Deferred	**116,563**	**8,834,601**	79,634	5,822,042
Total current expense	**808,588**	**61,284,906**	822,471	60,130,854

Deferred tax assets and liabilities consist of the following:

	2022 (US $)	**2022 (₹)**	2021 (US $)	2021 (₹)
Provision for Doubtful Debts	**54,881**	**4,159,568**	298,468	21,820,995
Depreciation under State Taxes	**4,790**	**363,046**	5,748	420,236
Depreciation under Federal Taxes	**(21,990)**	**(1,666,677)**	(8,782)	(642,052)
Accrued vacation	**353,808**	**26,815,993**	361,567	26,434,164
Accrued bonus	**396,377**	**30,042,404**	654,583	47,856,563
Amortization of intangible assets and goodwill	**–**	**–**	178,062	13,018,113
ESOS Expense	**229,736**	**17,412,266**	232,078	16,967,223
Prepaid Expenses	**(46,209)**	**(3,502,296)**	(24,424)	(1,785,639)
Foreign tax credit carry-over	**183,040**	**13,873,059**	185,412	13,555,471
Lease Depreciation and Interest	**1,614**	**122,329**	3,808	278,403
	1,156,047	**87,619,692**	1,886,520	137,923,477

NOTE H – UNEARNED SALES

Unearned Sales consist of amounts received or billed in advance of services performed. Unearned Sales have been reflected in the Balance Sheet under Other current liabilities in the amount of US $ 236,308 (INR 17,910,338) and US $ 510,813 (INR 37,345,533) as at March 31, 2022 and 2021, respectively.

Revenue recognized in FY 2021-22 that was included as Unearned Sales balance at the beginning of the FY 2021-22 was US $ 492,360 (INR 37,317,195).

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 25% (9%, 9% and 7%) and approximately 23% (9%, 8% and 6%) of the Company's revenues for the years ended March 31, 2022 and 2021, respectively. Accounts receivable from these customers approximated 30 % (14%, 10%, 6%) and 21 % (7%, 4%, 10%) of total accounts receivable as at March 31, 2022 and 2021, respectively. Additionally, one customer accounted for 7% of the accounts receivables as of March 31, 2021 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 financial 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 US $ Nil (INR Nil) and (-) US $84,381 [(-) INR 6,169,095] for the Fiscal Year 2021-22 and 2020-21 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, 2022 and 2021 was US$554,595 (INR 42,034,155) and US$584,300 (INR 42,718,193), respectively.

NOTE L - SUBSEQUENT EVENTS

The Company evaluated subsequent events through May 2, 2022 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.