

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 (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,	2022	2021
Total Revenue	420,999	428,532
Operating Income / (loss)	13,239	21,571
Profit/(Loss) After Tax	13,239	21,571

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

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 in consumer products sourced from ITC for distribution in the USA.

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), 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, the 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
Bhavani Parameswar
Director & President

Date: May 2, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Indivate Inc.

Opinion

We have audited the accompanying financial statements of Indivate Inc., (a wholly owned subsidiary of ITC Infotech (USA), Inc.) (the "Company") which comprise the balance sheets as of March 31, 2022 and 2021, and the related statement of operations and retained earnings and cash flows for the years then ended, and the related notes to the financial statements (collectively referred as "Financial Statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Indivate Inc. 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 accounting principles generally accepted in the United States of America.

Basis of 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 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

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.

Responsibilities of Management 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional scepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements.
- Conclude whether, in our judgment, 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 financial statements and our auditor's report thereon. Our opinion on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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

BALANCE SHEETS AS OF MARCH 31,

	2022 (US \$)	2022 (₹)	2021 (US \$)	2021 (₹)
Assets				
Current assets				
Cash and cash equivalents	99,421	7,535,367	138,741	10,143,355
Inventory	13,437	1,018,424	15,681	1,146,438
Accounts receivable	2,072	157,050	1,016	74,280
Due from ITC Limited	38,721	2,934,753	29,103	2,127,720
Other current assets	53,243	4,035,420	53,304	3,897,055
Total current assets	<u>206,894</u>	<u>15,681,014</u>	<u>237,845</u>	<u>17,388,848</u>
Property and equipment	7,070	535,853	7,070	516,888
Less: Accumulated depreciation and amortization	4,896	371,080	3,926	287,030
	<u>2,174</u>	<u>164,773</u>	<u>3,144</u>	<u>229,858</u>
	<u>209,068</u>	<u>15,845,787</u>	<u>240,989</u>	<u>17,618,706</u>
Liabilities and Stockholder's Equity				
Current liabilities				
Accounts payable	11,928	904,053	12,160	889,018
Accrued expenses and other current liabilities	6,195	469,535	13,788	1,008,039
Accrued payroll and payroll taxes	63,835	4,838,214	101,170	7,396,539
Total current liabilities	<u>81,958</u>	<u>6,211,802</u>	<u>127,118</u>	<u>9,293,596</u>
Stockholder's equity				
Paid up Capital	100,000	7,579,250	100,000	7,311,000
Retained earnings	27,110	2,054,735	13,871	1,014,110
Total Stockholder's equity	<u>127,110</u>	<u>9,633,985</u>	<u>113,871</u>	<u>8,325,110</u>
	<u>209,068</u>	<u>15,845,787</u>	<u>240,989</u>	<u>17,618,706</u>

On behalf of the Board

Date: May 2, 2022

Bhavani Parameswar
Director and PresidentSoumyarup Roy
Director

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

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

	2022 (US \$)	2022 (₹)	2021 (US \$)	2021 (₹)
Revenue				
Service income- Related party	395,823	30,000,415	409,977	29,973,418
Total Service income	395,823	30,000,415	409,977	29,973,418
Sale of Traded Goods	25,176	1,908,152	18,555	1,356,556
Total Revenue	<u>420,999</u>	<u>31,908,567</u>	<u>428,532</u>	<u>31,329,974</u>
Cost of revenues, principally employment costs	373,417	28,302,208	386,771	28,276,828
Purchase of Stock-in-trade	32,098	2,432,788	6,851	500,877
Change in Inventories of Stock-in-trade	2,245	170,154	4,127	301,725
Cost of Sales	<u>34,343</u>	<u>2,602,942</u>	<u>10,978</u>	<u>802,602</u>
Gross profit	<u>13,239</u>	<u>1,003,417</u>	<u>30,783</u>	<u>2,250,544</u>
General and administrative expenses	-	-	9,212	673,489
Operating Income	<u>13,239</u>	<u>1,003,417</u>	<u>21,571</u>	<u>1,577,055</u>
Less: Income tax	-	-	-	-
Net Income	<u>13,239</u>	<u>1,003,417</u>	<u>21,571</u>	<u>1,577,055</u>
Retained earnings at beginning of the year	<u>13,871</u>	<u>1,051,318</u>	<u>(7,700)</u>	<u>(562,945)</u>
Retained earnings at end of the year	<u>27,110</u>	<u>2,054,735</u>	<u>13,871</u>	<u>1,014,110</u>

On behalf of the Board

Date: May 2, 2022

Bhavani Parameswar
Director and PresidentSoumyarup Roy
Director

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

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

	<u>2022</u> (US \$)	<u>2022</u> (₹)	<u>2021</u> (US \$)	<u>2021</u> (₹)
Cash flows from operating activities				
Net income	13,239	1,003,417	21,571	1,577,055
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	970	73,519	805	58,854
(Increase) decrease in assets				
Inventory	2,244	170,078	4,127	301,725
Accounts receivable	(1,056)	(80,037)	(1,016)	(74,280)
Due from ITC Limited	(9,618)	(728,972)	65,547	4,792,141
Other current assets	61	4,624	(51,797)	(3,786,878)
Increase (decrease) in liabilities				
Accounts payable	(232)	(17,584)	4,457	325,851
Accrued expenses and other liabilities	(7,593)	(575,492)	(1,652)	(120,778)
Accrued payroll and payroll taxes	(37,335)	(2,829,712)	(84,293)	(6,162,660)
Due to ITC Infotech (USA), Inc., net	-	-	(2,642)	(1,93,157)
Net cash used in operating activities	<u>(39,320)</u>	<u>(2,980,159)</u>	<u>(44,893)</u>	<u>(3,282,127)</u>
Cash flows from investing activities				
Capital expenditures	-	-	(3,211)	(234,756)
Net cash used in investing activities	-	-	(3,211)	(234,756)
Cash flows from financing activities				
Net cash used in financing activities	-	-	-	-
Net decrease in cash and cash equivalents	<u>(39,320)</u>	<u>(2,980,159)</u>	<u>(48,104)</u>	<u>(3,516,883)</u>
Cash and cash equivalents at beginning of year	<u>138,741</u>	<u>10,515,526</u>	<u>186,845</u>	<u>13,660,238</u>
Cash and cash equivalents at end of year	<u>99,421</u>	<u>7,535,367</u>	<u>138,741</u>	<u>10,143,355</u>

On behalf of the Board

Date: May 2, 2022

Bhavani Parameswar
Director and PresidentSoumyarup Roy
Director

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

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 Ltd., 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 = INR 75.7925 for the fiscal year ended March 31, 2022 (2021: US\$1 = INR 73.11) 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.

[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 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, to be cash or cash equivalents.

[6] 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.

[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 between three to ten 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

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

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.

[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 \$ Nil (INR. Nil) and US \$ 5,026

(INR. 367,451) for the Financial Year 2021-22 and 2020-21 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, 2022 and 2021 was US \$ 7,806 (INR 591,629) and US \$ 9,776 (INR 714,688), respectively.

NOTE C – RELATED PARTY TRANSACTIONS

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

	2022 (US \$)	2022 (₹)	2021 (US \$)	2021 (₹)
<u>Transactions with ITC Limited</u>				
Service / Account Management fees / others recognized as revenue by Indivate	395,823	30,000,415	409,977	29,973,418
Purchase of Goods	21,262	1,611,500	3,695	270,141
Re-imbursement of Expenses	-	-	17,419	1,273,503
Marketing expenses	150	11,346	-	-

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 \$ 38,721 (INR 2,934,753) and US \$ 29,103 (INR 2,127,720) as of March 31, 2022 and 2021, respectively.

Transactions with Parent Company

Payroll related expenditure - ESOS	-	-	5,026	367,451
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There was no amount receivable / payable to ITC Infotech (USA), Inc. as on 31st March, 2022 and 31st March, 2021, respectively.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Estimated useful lives (Years)	As of			
		31-Mar-22		31-Mar-21	
		(US \$)	(₹)	(US \$)	(₹)
Computers etc.	3	3,710	281,190	3,710	271,238
Office Equipment	5	639	48,432	639	46,718
Furniture and Fixtures	10	2,721	206,231	2,721	198,932
		<u>7,070</u>	<u>535,853</u>	7,070	516,888
Less: Accumulated depreciation		<u>(4,896)</u>	<u>(371,080)</u>	(3,926)	(287,030)
Property and Equipment, net		<u>2,174</u>	<u>164,773</u>	3,144	229,858

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

	FY 2021-22		FY 2020-21	
	(US \$)	(₹)	(US \$)	(₹)
Depreciation expense	970	73,519	805	58,854

NOTE E – 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.