REPORT OF THE DIRECTORS

Your Directors present their Report together with the Audited Financial Statements for the year ended March 31, 2019.

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

Principal Activities

The Corporation is engaged in providing marketing, sales and delivery of IT services.

Financial Results (*)

($ million)

Year Ended March 31,	2019	2018
Total Revenue	96.98	88.11
Operating Income before Amortization	4.39	4.00
Profit/(Loss) After Tax	3.68	1.97

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

For the year under review, the Corporation declared and paid a dividend of $10 (2018: $8) per share on 182,000 Common Shares-without par value aggregating $ 1.82 million (2018: $1.46 million).

Business Review

Corporation

For the year ended March 31, 2019, the Corporation posted total revenues of $ 96.98 million while the net profit after tax was $ 3.68 million. The growth in revenues was driven by existing clients and through substantial new clients acquired. Deep capabilities in digital lines of businesses continued to fuel the Corporation's growth, complemented by the strengths in traditional lines of business.

In the coming year, the focus will be on accelerating the growth momentum by sharpening focus on select Industry clusters that can best leverage the Corporation's unique value proposition of business friendly solutions, i.e. at the intersection of domain and technology. The Corporation will continue to focus on strengthening its ecosystem of alliances with existing ISV partners as well as with select partners in emerging digital technologies.

Primary challenges seen by the Corporation are macro-economic headwinds and uncertainties relating to legal movement of human resources. The Corporation believes that its focus and investment led strategy will enable it to deliver strong results in the coming year.

Wholly owned subsidiary- Indivate Inc.

Indivate Inc. ("Indivate") provides market research, business development, consulting and other advisory services. During the year under review, Indivate recorded Revenue of $ 524,152 (2018: $ 475,267) and Net Profit of $ 29,669 (2018: $ 26,902).

Directors

In terms of Article III Clause 4(a) of the By Laws of the Corporation and as nominated by ITC Infotech India Limited, Mr. S .Singh was appointed as a Director of the Corporation with effect from February 1, 2019 to hold office until the next Annual Meeting of Shareholders of the Corporation. Your approval for appointment of Mr. Singh as Director of the Corporation will be sought at the Annual Meeting of the Corporation for the financial year ended March 31, 2019.

Consequent to her resignation, Ms. S. Rajagopalan ceased to be a Director of the Corporation with effect from February 1, 2019.

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

Auditors

M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, India, Firm Registration Number 117366W/W-100018, Auditors of the Corporation, offer themselves for re-appointment as Auditors of the Corporation to audit the Financial Statements of the Corporation for the financial year ending March 31, 2020.

On behalf of the Board

	S. Sivakumar	**S. Singh**
April 29, 2019	**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 sheet as of March 31, 2019 and 2018, 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, 2019 and 2018, 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
April 29, 2019

SPECIAL PURPOSE BALANCE SHEET AS OF MARCH 31,

	2019	2019	2018	2018
Assets	$	₹	$	₹
Current assets				
Cash and cash equivalents	2,339,685	161,812,615	1,400,138	91,260,996
Accounts receivable, net of allowance for doubtful accounts of $1,175,099 (₹ 81,269,832) and $1,292,377 (₹ 84,237,137) for 2019 and 2018, respectively	25,656,145	1,774,378,988	29,071,882	1,894,905,271
Receivable from Indivate	8,349	577,417	134,588	8,772,444
Advances to employees	69,087	4,778,056	85,517	5,573,998
Total current assets	28,073,266	1,941,547,076	30,692,125	2,000,512,709
Property and Equipment	818,082	56,578,551	1,113,041	72,548,012
Less: Accumulated depreciation and amortization	673,452	46,575,940	893,619	58,246,086
	144,630	10,002,611	219,422	14,301,926
Intangible assets and goodwill	12,574,566	869,656,985	12,574,566	819,610,212
Less: Accumulated amortization	12,574,566	869,656,985	12,574,566	819,610,212
	–	–	–	–
Investment in subsidiary (Indivate Inc.)	100,000	6,916,000	100,000	6,518,000
Receivable from ITC Infotech India Ltd.	680,457	47,060,406	–	–
Deferred income taxes	2,663,685	184,220,455	2,307,228	150,385,121
Other assets, principally unsecured advances	1,983,423	137,173,535	2,442,425	159,197,262
	33,645,461	2,326,920,083	35,761,200	2,330,915,018
Liabilities and Stockholder's Equity				
Current liabilities				
Accounts payable	689,995	47,720,054	335,528	21,869,715
Accrued expenses and other current liabilities	9,438,924	652,795,984	7,147,934	465,902,411
Accrued payroll and payroll taxes	1,310,493	90,633,696	1,149,482	74,923,237
Due to ITC Infotech Ltd.,UK	70,132	4,850,329	101,248	6,599,334
Due to ITC Infotech India Ltd.	–	–	6,721,553	438,110,765
Total current liabilities	11,509,544	796,000,063	15,455,745	1,007,405,462
Stockholder's equity				
Paid up Share Capital	200,000	13,832,000	200,000	13,036,000
Additional paid-in capital	18,000,000	1,244,880,000	18,000,000	1,173,240,000
Retained earnings	3,935,917	272,208,020	2,105,455	137,233,556
Total stockholder's equity	22,135,917	1,530,920,020	20,305,455	1,323,509,556
	33,645,461	2,326,920,083	35,761,200	2,330,915,018

On behalf of the Board

Date: April 29, 2019	Soumyarup Roy	L N Balaji	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,

	2019	2019	2018	2018
	$	₹	$	₹
Revenues				
Sale of Services	95,926,534	6,634,279,091	87,026,829	5,672,408,714
Resale of Software and Hardware	529,542	36,623,125	608,606	39,668,939
Total revenues	96,456,076	6,670,902,216	87,635,435	5,712,077,653
Cost of revenues, principally employment costs and fees charged by affiliates	76,465,702	5,288,367,950	70,340,373	4,584,785,512
Gross profit	19,990,374	1,382,534,266	17,295,062	1,127,292,141
General and administrative expenses	15,629,825	1,080,958,697	13,323,116	868,400,701
Operating income / (Loss)	4,360,549	301,575,569	3,971,946	258,891,440
Other income	137	9,475	12,287	800,867
Income before income tax expense	4,360,686	301,585,044	3,984,233	259,692,307
Income tax expense / (benefit)				
Current	1,066,681	73,771,658	1,099,144	71,642,206
Deferred	(356,457)	(24,652,566)	946,275	61,678,205
Total income tax expense	710,224	49,119,092	2,045,419	133,320,411
Net income / (Loss)	3,650,462	252,465,952	1,938,814	126,371,896
Retained earnings at beginning of year	2,105,455	145,613,268	1,622,641	105,763,740
Less : Dividend Paid	1,820,000	125,871,200	1,456,000	94,902,080
Retained earnings at end of year	3,935,917	272,208,020	2,105,455	137,233,556

On behalf of the Board

Date: April 29, 2019	Soumyarup Roy	L N Balaji	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 YEARS ENDED MARCH 31,

	2019	2019	2018	2018
	$	₹	$	₹
Cash flows from operating activities				
Net income	3,650,462	252,465,952	1,938,814	126,371,897
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	102,743	7,105,706	118,682	7,735,693
Deferred income taxes	(356,457)	(24,652,566)	946,275	61,678,205
Write off of Fixed Assets	2,507	173,384	2,668	173,900
Bad debt expense	773,836	53,518,498	104,219	6,792,994
(Increase) decrease in assets				
Accounts receivable	2,641,901	182,713,873	(6,246,120)	(407,122,102)
Receivable from Indivate	126,239	8,730,689	(91,121)	(5,939,267)
Advances to employees	16,430	1,136,299	50,246	3,275,034
Trade advances				
Other assets, principally unsecured advances	459,002	31,744,578	(1,541,316)	(100,462,977)
Receivable from ITC Infotech India Ltd.	(680,457)	(47,060,406)	–	–
Increase (decrease) in liabilities				
Accounts payable	354,467	24,514,938	(791,293)	(51,576,478)
Accrued expenses and other liabilities	2,290,989	158,444,799	2,144,183	139,757,848
Accrued payroll and payroll taxes	161,011	11,135,521	(65,402)	(4,262,902)
Due to ITC Infotech Ltd. (UK), net	(31,116)	(2,151,983)	101,248	6,599,345
Due to ITC Infotech India Ltd., net	(6,721,553)	(464,862,605)	2,245,841	146,383,916
Net cash provided by / (used in) operating activities	2,790,004	192,956,677	(1,083,076)	(70,594,894)
Cash flows from investing activities				
Capital expenditures	(30,457)	(2,106,406)	(135,228)	(8,814,161)
Net cash used in investing activities	(30,457)	(2,106,406)	(135,228)	(8,814,161)
Payout of Dividend	(1,820,000)	(125,871,200)	(1,456,000)	(94,902,080)
Net cash used in financing activities	(1,820,000)	(125,871,200)	(1,456,000)	(94,902,080)
Net increase (decrease) in cash and cash equivalents	939,547	64,979,071	(2,674,304)	(174,311,135)
Cash and cash equivalents at beginning of year	1,400,138	96,833,544	4,074,442	265,572,130
Cash and cash equivalents at end of year	2,339,685	161,812,615	1,400,138	91,260,995

On behalf of the Board

Date: April 29, 2019	Soumyarup Roy	L N Balaji	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, 2019 and 2018

NOTE A - BUSINESS BACKGROUND AND PRINCIPAL TRANSACTIONS WITH AFFILIATES

ITC Infotech (USA), Inc. (the "Company"), a New Jersey corporation, is principally engaged in the information technology services business. The majority of its customers 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 = ₹ 69.16 for fiscal year ended March 31, 2019 (2018 $1 = ₹ 65.18) 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.

[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. The effect on adoption of ASC 606 was not material.

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 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.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2019 and 2018 (Contd.)

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. Accounts 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] 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, 2019. The Company's Federal and State tax returns are subject to examination by taxing authorities for the years ended March 31, 2016 and after.

The Federal Income Tax rate structure in the United States of America was revised w.e.f. 1st January, 2018. Consequently, the Federal income tax rate applicable to the Company has reduced from 34% to 21%. Accordingly, a weighted average Federal tax rate of 30.75% was applied in the previous Financial year. Further, due to the decrease in the Federal income tax rate, the Deferred Tax Assets of the Company had been suitably revalued in the previous Financial Year. For the current Financial year, the reduced Federal tax rate of 21% has been applied.

[8] Advertising costs:

Advertising costs are expensed as incurred.

[9] 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, 2019 or 2018.

[10] 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.

[11] 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, 2019 or 2018.

[12] Summary of recent accounting pronouncements:

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). ASU No. 2016-02 requires the identification of arrangements that should be accounted for as leases by lessees. In general, for lease arrangements exceeding a twelve month term, these arrangements must now be recognized as assets and liabilities on the balance sheet of the lessee. Under ASU No. 2016-02, a right-of-use asset and lease obligation will be recorded for all leases, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. The balance sheet amount recorded for existing leases at the date of adoption of ASU No. 2016-02 must be calculated using the applicable incremental borrowing rate at the date of adoption. In addition, ASU No. 2016-02 requires the use of the modified retrospective method, which will require adjustment to all comparative periods presented in the consolidated financial statements. The new guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early application of the amendments in this Update 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.

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, including interim periods within those fiscal years. 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.

In August 2016, FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments. The amendments apply to all entities that are required to present a statement of cash flows under Topic 230. The amendments are an improvement to GAAP because they provide guidance for each of the eight issues, thereby reducing the current and potential future diversity in practice. The amendments are effective for fiscal years beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019 and should be applied using a retrospective transition method to each period presented. Early adoption is permitted, including adoption in an interim period.The Company does not expect the adoption of this ASU to have a material effect on its financial position or results of operations.

In November 2016, FASB issued ASU No. 2016-18, Statement of cash flows - Restricted cash. The amendments apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. The amendments in this update require that a statement of cash flows should explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments are effective for fiscal years beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. The Company does not expect the adoption of this ASU to have a material effect on the presentation of its statement of cash flows.

[13] Reclassifications:

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

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2019 and 2018 (Contd.)

NOTE C - RELATED PARTY TRANSACTIONS

The Company had transactions with the following parties :

	2019 $	2019 ₹	2018 $	2018 ₹
Transactions with ITC Infotech India Ltd.				
Costs for project consultations / other expenses, included in cost of revenues / general and administrative expenses	29,123,269	2,014,165,287	27,046,677	1,762,902,427
Dividend Paid	1,820,000	125,871,200	1,456,000	94,902,080
Transactions with ITC Infotech Ltd.				
Costs for project consultations / other expenses, included in cost of revenues / general and administrative expenses	70,132	4,850,344	113,963	7,428,084
Transactions with Technico Technologies				
Costs for project consultations / other expense reimbursements, included in cost of revenues / general and administrative expenses	71,086	4,916,310	141,557	9,226,684
Transactions with ITC Limited				
Reimbursement of advances paid	414,214	28,647,010	932,949	60,809,607
Transactions with Indivate				
Other expense reimbursements from Indivate included as a reduction in cost of revenues / general and administrative expenses	51,642	3,571,561	91,121	5,939,267
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 $ 32,722 (₹ 2,132,848) as on 31st March, 2019 and 31st March, 2018 respectively. The receivable/ payable amount as on 31st March, 2019 and 31st March, 2018 for the other related parties have been disclosed in the Balance Sheet.

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable as on March 31, 2019 of $ 25,664,494 (₹ 1,774,956,405) and March 31, 2018 of $ 29,206,470 (₹ 1,903,677,715) includes both billed and unbilled receivables. Unbilled receivables were approximately $ 6,495,574 (₹ 449,233,897) and $10,427,395 (₹ 679,657,631) as of March 31, 2019 and 2018, respectively.

Unbilled Revenue consist of the following:

Particulars	2019 ($)	2019 (₹)	2018 ($)	2018 (₹)
Time & Material and others	5,926,145	409,852,166	10,427,395	679,657,631
Fixed Price contracts based on % Completion	569,429	39,381,731		
Total	6,495,574	449,223,897	10,427,395	679,657,631

Changes in the allowance for doubtful accounts in 2019 and 2018 are as follows:

	2019 $	2019 ₹	2018 $	2018 ₹
Beginning balance	1,292,377	89,380,798	1,188,158	77,444,143
Increase to allowance	773,836	53,518,498	104,219	6,792,994
Accounts written off	891,114	61,629,464	–	–
Ending balance	1,175,099	81,269,832	1,292,377	84,237,137

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Estimated useful lives (Years)	As on 31-Mar-19 $	31-Mar-19 ₹	31-Mar-18 $	31-Mar-18 ₹
Leasehold Improvements	4	26,074	1,803,278	26,074	1,699,503
Office Equipments	4	77,730	5,375,807	81,958	5,342,022
Computers etc.	4	460,735	31,864,432	751,466	48,980,554
Furniture and Fixtures	4	251,900	17,421,404	251,900	16,418,842
Capitalised Software	5	1,643	113,630	1,643	107,091
		818,082	56,578,551	1,113,041	72,548,012
Less: Accumulated depreciation		(673,452)	(46,575,940)	(893,619)	(58,246,086)
Property and Equipment, net		144,630	10,002,611	219,422	14,301,926

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

	FY 2018-19 $	FY 2018-19 ₹	FY 2017-18 $	FY 2017-18 ₹
Depreciation expense	102,743	7,105,706	118,682	7,735,693

NOTE F - COMMITMENTS AND CONTINGENCIES

Leases

The Companies have leased offices and storage spaces under non-cancelable operating leases, some of these expiring through fiscal 2023. Total rent expense under all such leases was approximately $ 392,102 (₹ 27,411,884) and $ 410,791 (₹ 26,775,361) for the fiscal years ended March 31, 2019 and 2018, respectively.

In addition, the Company has entered into various non-cancelable operating leases for the rental of equipment.

The future minimum annual lease payments as at March 31, 2019 are as follows:

FY	Office $	Office ₹	Equipment $	Equipment ₹	Total $	Total ₹
2019-20	349,495	24,171,063	810	56,025	350,304	24,227,088
2020-21	153,136	10,590,882	–	–	153,136	10,590,882
2021-22	154,669	10,696,885	–	–	154,669	10,696,885
2022-23	39,309	2,718,644	–	–	39,309	2,718,644

NOTE G - INCOME TAXES

The income taxes expenses consists of the following:

	Year ended March 31, 2019 $	2019 ₹	2018 $	2018 ₹
Federal Taxes				
Current	893,773	61,813,341	958,731	62,490,107
Deferred	(299,067)	(20,683,474)	960,817	62,626,052
State and local taxes				
Current	172,908	11,958,317	129,586	8,446,408
Deferred	(57,390)	(3,969,092)	(14,542)	(947,860)
Foreign Taxes	–	–	10,827	705,704
Total current expense	710,224	49,119,092	2,045,419	133,320,411

Deferred tax assets and liabilities consist of the following:

	2019 $	2019 ₹	2018 $	2018 ₹
Provision for Doubtful Debts	283,187	19,585,213	311,447	20,300,110
Depreciation under State Taxes	3,097	214,189	1,003	65,368
Depreciation under Federal States	(29,125)	(2,014,283)	(43,519)	(2,836,568)
Accrued vacation	477,623	33,032,407	421,552	27,476,772
Accrued bonus	810,644	56,064,139	318,065	20,731,453
Amortization of intangible assets and goodwill	645,116	44,616,223	878,643	57,269,972
ESOS Expense	272,969	18,878,533	177,370	11,560,996
Prepaid Expenses	(42,493)	(2,938,816)	–	–
Foreign tax credit carry-over	242,667	16,782,850	242,667	15,817,019
	2,663,685	184,220,455	2,307,228	150,385,121

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 $ 262,190 (₹ 18,133,060) and $ 85,800 (₹ 5,592,444) for the fiscal years ended March 31, 2019 and 2018, respectively.

Revenue recognized in FY 2018-19 that was included as Unearned Sales balance at the beginning of the FY 2018-19 was $ 33,750.

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 19% (7%, 7% and 5%) and approximately

16% (6%, 5% and 5%)of the Company's revenues for the years ended March 31, 2019 and 2018, respectively. Accounts receivable from these customers approximated 9% (4%, 4%, 1%) and 9% (3%, 6%, 0%) of total accounts receivable as at March 31, 2019 and 2018, respectively. Additionally, two customers accounted for 12% (7% and 5%) of the accounts receivables as of March 31, 2019 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 $ 345,095 (₹ 23,866,770) and $ 644,893 (₹ 42,034,126) for the Fiscal Year 2018-19 and 2017-18 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, 2019 and 2018 was $ 580,904 (₹ 40,175,338) and $ 467,478 (₹ 30,468,253), respectively.

NOTE L - SUBSEQUENT EVENTS

The Company evaluated subsequent events through April 29, 2019 which is the date on which the Financial Statements are issued.