3i INFOTECH INC

AUDITED FINANCIAL STATEMENTS

TWELVE MONTHS ENDED MARCH 31, 2019 AND 2018

VBC & COMPANY
Certified Public Accountants
A Professional Corporation
97, Cedar Grove Lane, Suite 202,
Somerset, NJ 08873.
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3i INFOTECH INC.

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INDEPENDENT AUDITOR'S REPORT

To the Stockholder and Board of Directors of,
3i Infotech Inc,
New Jersey, USA

Report on the Financial Statements

We have audited the accompanying balance sheets of 3i Infotech Inc., as of March 31, 2019 and 2018 and the related statements of income, changes in stockholder's equity, and cash flows for the twelve months ended March 31, 2019 and March 31, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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 entity'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 3i Infotech Inc., as of March 31, 2019 and 2018 and the results of their operations and their cash flows for the twelve months ended March 31, 2019 and March 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

VBC & Company
Certified Public Accountants
Somerset, New Jersey
April 27, 2019

3i INFOTECH INC
BALANCE SHEETS
AS OF MARCH 31, 2019 AND 2018

	2019	2018
Current assets		
Cash and cash equivalents	$ 626,102	$ 154,097
Accounts receivable, net	6,316,140	5,486,193
Unbilled revenue	4,562,960	4,133,252
Employee advances	88,765	61,930
Prepaid expenses	57,647	84,513
Total current assets	**$ 11,651,614**	**$ 9,919,985**
Property and equipment, net	39,517	105,339
Other assets		
Advance income tax	30,000	5,000
Investments	11,173	11,173
Security deposits	30,000	30,000
Dues from affiliates	137,307,189	137,281,898
Other advances	50,129	118,802
Total other assets	**$ 137,428,492**	**$ 137,446,873**
Total assets	**$ 149,119,622**	**$ 147,472,197**
Current liabilities		
Accounts payable and accrued liabilities	$ 2,492,177	$ 1,497,398
Accrued Interest	2,944,403	2,516,675
Accrued payroll and payroll taxes	3,148,198	2,865,509
Short term borrowings	3,500,000	2,618,200
Unearned revenue	563,729	460,636
Income taxes payable	40,497	57,738
Total current liabilities	**$ 12,689,003**	**$ 10,016,156**
Other liabilities		
Long-term debt from affiliates	4,745,000	4,745,000
Dues to affiliates	54,876,197	55,605,156
Other liabilities	26,944	28,325
Total other liabilities	**$ 59,648,141**	**$ 60,378,481**
Stockholder's equity		
Common stock	30,332,078	30,332,078
Additional paid-in capital	23,157,686	23,157,686
Optionally convertible preferred stock	89,495,976	89,495,976
Share application money pending allotment	7,700,000	7,700,000
Accumulated deficit	(73,903,262)	(73,608,179)
Total stockholder's equity	**$ 76,782,478**	**$ 77,077,561**
Total liabilities and stockholder's equity	**$ 149,119,622**	**$ 147,472,197**

(See report of independent auditor's and accompanying notes to financial statements)

3i INFOTECH INC
STATEMENTS OF INCOME
FOR THE TWELVE MONTHS ENDED MARCH 31, 2019, 2018 AND 2017

	2019	2018	2017
Revenue			
Information Technology Services	$ 48,386,758	$ 44,177,273	$ 47,016,084
Other income	36	79	169
Total Revenue	**$ 48,386,794**	**$ 44,177,352**	**$ 47,016,253**
Cost of revenue	41,504,528	37,893,547	40,165,103
Gross profit	**$ 6,882,266**	**$ 6,283,805**	**$ 6,851,150**
General and admininstrative expenses	6,406,935	5,771,895	6,187,232
Income before depreciation and tax	**475,330**	**511,910**	**663,918**
Interest expense	177,013	128,766	159,762
Interest expense - Affiliates	440,086	401,454	382,379
Depreciation/Amortization	69,899	71,121	683,097
Loss before income taxes	**$ (211,667)**	**$ (89,431)**	**$ (561,320)**
Provision for income tax - current year	40,497	57,738	178,520
Income taxes, prior year	42,919	-	-
Net Loss	**(295,083)**	**(147,169)**	**(739,840)**
Beginning accumulated deficit	$ (73,608,179)	$ (65,834,162)	$ (65,094,322)
Add: accumulated deficit from merged entites	-	(7,626,848)	-
Ending accumulated deficit	**$ (73,903,262)**	**$ (73,608,179)**	**$ (65,834,162)**

(See report of independent auditor's and accompanying notes to financial statements)

3i INFOTECH INC
STATEMENTS OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2019, 2018 AND 2017

	2019	2018	2017
Cash flow from operating activities			
Net loss	$ (295,083)	$ (147,169)	$ (739,840)
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	69,899	71,121	683,097
Provision for doubtful debts	-	123,456	1,161
Bad debts written off	83,277	34,091	52,034
Changes in operating assets and liabilities:			
Trade and other receivables	(1,342,933)	(570,755)	937,466
Prepaid and other advances	43,704	96,614	253,893
Accounts payable, accrued expenses and other liabilities	1,789,666	1,360,920	176,933
Net cash provided by / (used in) operating activities	**348,530**	**968,278**	**1,364,744**
Cash flow from investing activities			
Purchase of assets (net of capital work-in-progress)	(4,076)	(21,447)	(4,377)
Net cash provided by / (used in) investing activities	**(4,076)**	**(21,447)**	**(4,377)**
Cash flow from financing activities			
On account of merger			
Additional Common stock issued	-	280,556	-
Additional Optionally convertible preferred stock	-	30,297,500	-
Intercompany balances and retained earnings	-	(31,485,832)	-
Dues to/from affiliates - net	(754,249)	(952,428)	(124,621)
Proceeds/ (repayments) from/to borrowings	881,800	118,200	(1,500,000)
Net cash provided by / (used in) financing activities	**127,551**	**(1,742,004)**	**(1,624,621)**
Increase (decrease) in cash and cash equivalents	**472,005**	**(795,173)**	**(264,254)**
Cash and cash equivalents, beginning of period	154,097	949,270	1,213,524
Cash and cash equivalents, end of period	**$ 626,102**	**$ 154,097**	**$ 949,270**
Interest paid	189,371	116,408	173,004
Taxes paid	95,657	35,520	251,002

(See report of independent auditor's and accompanying notes to financial statements)

3i INFOTECH INC
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE TWELVE MONTHS ENDED MARCH 31, 2019, 2018 AND 2017

	2019	2018	2017
<u>Common stock and paid-in capital</u>			
Balance, beginning of period:			
Common stock	$ 30,332,078	$ 30,051,522	$ 30,051,522
Add: Additions during the year:	-	280,556	-
Balance, end of period	**30,332,078**	**30,332,078**	**30,051,522**
Additional paid-in capital	**23,157,686**	**23,157,686**	**23,157,686**
Balance, beginning of period:			
Optionally convertible preferred stock	89,495,976	59,198,476	59,198,476
Add: Additions during the year:	-	30,297,500	-
Balance, end of period	**89,495,976**	**89,495,976**	**59,198,476**
Share application money pending allotment	**7,700,000**	**7,700,000**	**7,700,000**
Balance, end of period	**150,685,740**	**150,685,740**	**120,107,684**
Accumulated deficit			
Balance, beginning of period			
Accumulated dificit	(114,812,238)	(97,218,777)	(96,478,937)
Security premium	41,204,059	31,384,615	31,384,615
Net loss during the year	(295,083)	(147,169)	(739,840)
Add: Transferred from merged entity			
Accumulated deficit	-	(17,446,292)	-
Security premium	-	9,819,444	-
Balance, end of period	**(73,903,262)**	**(73,608,179)**	**(65,834,162)**
Total stockholder's equity	**$ 76,782,478**	**$ 77,077,561**	**$ 54,273,522**

(See report of independent auditor's and accompanying notes to financial statements)

Note 1- Summary of significant accounting policies

Nature of Operations
3i Infotech Inc. (the "Company"), a Delaware Corporation, is a wholly owned subsidiary of 3i Infotech Holdings Private Limited (Mauritius). The Company undertakes IT Services and Staffing Services. Numerous factors affect the Company's operating results, including general economic conditions, market acceptance and demand for its consulting services, its ability to obtain new customers, and rapidly changing technologies and competition. The Company's customer base covers a broad spectrum of industries including, Engineering, Financials, Information technologies, Insurance, Healthcare, Manufacturing, Medical, Telecommunication among others.

Accounting Policies
These financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"); consequently, revenues are recognized when services are rendered and expenses reflected when cost are incurred. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard require a change in accounting policy hitherto in use.

Concentration of Credit Risk
The Company maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and the Company places its cash and cash equivalents with high-credit quality financial institutions. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents. With respect to trade receivables, the Company generally does not require collateral because of the common business practice prevailing in the industry and also that majority of the Company's customers are fairly well established companies operating in a variety of industries and geographic regions. When necessary, the Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

Use of Estimates
The Company's management makes estimates and assumptions in the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America. These estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as on the date of the financial statements and the reported amounts of revenues and expenses during the respective reporting periods. Actual results could differ from those results implicit in the estimates and assumption.

Cash and cash equivalents
Cash and cash equivalents consist of demand deposits. The Company considers all highly liquid investments purchased with a remaining maturity principally of three months or less to be cash equivalents.

The Company maintains its cash in a bank deposit account that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Financial Instruments
The Company's financial instruments including cash and cash equivalents, accrued expenses, accounts receivable, accounts payable and lines of credit, all of which approximate fair value at the balance sheet dates.

Accounts receivable
Accounts receivable are generated from various commercial entities. Accounts receivable are stated at cost less an allowance for doubtful accounts if considered necessary. Credit is extended to customers after an evaluation of the customer's financial condition, and generally collateral is not required. Management's determination of the allowance for doubtful accounts is based on an evaluation of the accounts receivable, past experience, current economic conditions and other risks inherent in the accounts receivable portfolio.

Allowance for Doubtful Accounts
The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the accounts receivable balance. The Company determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. The allowance for doubtful accounts for the twelve months ended March 31, 2019 and 2018 was $ 433,493 and $ 454,418 respectively.

Revenue Recognition
The Company generates most of its revenues from Technology Staffing, and IT Services. Revenue on time and material contracts is recognized as and when services are performed. Revenue on fixed-price contracts is recognized on the percentage of completion method. Provision for estimated losses, if any, on such uncompleted contracts are recorded in the year in which such losses become probable based on the current liabilities. Changes in estimates are reflected in the year in which the changes become known. Maintenance revenues are recognized ratably over the term of the underlying maintenance agreement.

Cost of Revenues
The costs of revenues are classified as cost of sales on the income statement and consist primarily of employee costs and sub-contractor's costs, and other costs incurred in connection with the execution of projects.

Unbilled Revenues
Unbilled revenues, if any are classified as unbilled receivables on the balance sheet, represents services rendered prior to being invoiced due to certain contractual restrictions.

Customer and Business Concentration
Financial instruments that potentially subject the company to concentration of credit risk consist principally of cash and trade receivables. Credit risks associated with trade receivables is minimal due to the Company's ongoing procedures, which monitor the credit worthiness of its customers. For the twelve months ended March 31, 2019, 2018 and 2017 revenue from the top 10 external customers amounted to $ 12,751,187 (representing 26% of revenue), $ 10,205,517 (representing 23% of net revenues) and $ 12,188,070 (representing 26% of net revenues) respectively. As of March 31, 2019 and 2018, accounts receivable from these customers were $ 1,531,253 (representing 24% of accounts receivable) and $ 1,044,787 (representing 19% of net accounts receivables) respectively.

Property and equipment

Property and equipment, consisting of computers, furniture, vehicle and equipment, are stated at cost. Improvements which substantially increase the useful lives of assets are capitalized. Maintenance and repairs are expensed as incurred. Upon retirement or disposal, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss is recorded. Depreciation on all property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from three to ten years. The Company amortizes business and commercial rights, over five years' period. The Company amortizes goodwill, (purchased or merger related) over five years' period. The depreciation expense, including amortization for the twelve months ended March 31, 2019, 2018 and 2017 was $ 69,899, $ 71,121, and $ 683,097 respectively. There was no amortization of goodwill for the twelve months ended March 31, 2019 & 2018.

Income Taxes

The Company is taxed as a "C" corporation and as such accounts for income taxes pursuant to the provisions of Statement of Financial Statement Accounting Standards No. 109 "Accounting for Income Taxes." Under SFAS No. 109, deferred tax liabilities and assets are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their tax bases. Any deferred tax assets recognized for net operating loss carry-forwards and other items are reduced by a valuation allowance when it is more likely than not that the benefits may not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected. The Company recognizes deferred tax assets to the extent that it believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If the Company determines that it would be able to realize its deferred tax assets in the future in excess of their net recorded amount, the Company would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes. There are no deferred tax liabilities as of March 31, 2019 and 2018 and the company has reduced the entire deferred tax asset as of the above dates by a valuation allowance as the company does not expect to realize the benefits of such deferred tax asset in the foreseeable future.

Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such assets is reduced to its recoverable amount and the amount of such impairment loss is charged to Income statement. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

Impact of New Accounting Standards

In May 2014, the FASB issued an update to ASC 606, Revenue from Contracts with Customers, further amended in July 2015. This update to ASC 606 provides a five-step process to determine when and how revenue is recognized. The core principle of the guidance is that a Company should recognize revenue upon transfer of promised goods or services to customers in an amount that reflects the expected consideration to be received in exchange for those goods or services. This update to ASC 606 will also result in enhanced disclosures about revenue, providing guidance for transactions that were not previously addressed comprehensively, and improving guidance for multiple-element arrangements. This update to ASC 606 is effective for the Company beginning in fiscal 2019. The Company is currently evaluating the impact of this update on its financial statements.

In February, 2016, the FASB issued an update to ASC 842, Leases. This update results in more faithful representation of the rights and obligations arising from leases by requiring lessees to recognize the lease assets and lease liabilities, improves understanding and comparability of lessees' financial commitments, provides users of financial statements with additional information about lessors' leasing activities and lessors' exposure to credit and asset risk as a result of leasing, This update to ASC 842 is effective for the Company beginning in fiscal 2020. The Company is currently evaluating the impact of this update on its financial statements.

Note 2 – Merger

On December 28, 2017, the Company (3i Infotech Inc.), along with 3i Infotech Financial Software Inc. (the "Company"), a Delaware Corporation, entered in to a definitive Agreement and Plan of Merger, with an intent to affect a tax-free reorganization under all applicable laws. 3i Infotech Holdings Private Limited (Mauritius), is the 100% shareholder in 3i Infotech Inc. and 3i Infotech Financial Software Inc. respectively, with an effective date of December 31, 2017.

3i Infotech Inc. and 3i Infotech Financial Software Inc. and their respective Board of Directors and shareholders declared it advisable and to the advantage, welfare and best interests of all Corporations and their respective stockholders to merge 3i Infotech Financial Software Inc. with and into 3i Infotech Inc., the surviving corporation. The Board of Directors and the Shareholders of 3i Infotech Inc, the surviving corporation completed the merger on December 31, 2017.

Pursuant to the merger, the entire business and all the assets and liabilities, duties and obligations of 3i Infotech Financial Software Inc, have been transferred to and vested in the Company with effect from December 31, 2017. The merger with the Company are non-cash transaction and recorded at book value.

Accounting treatment of the merger:

The Company accounted for the merger as under:

a. All assets and liabilities (including contingent liabilities), reserves, benefits under income tax, duties and obligations of 3i Infotech Financial Software Inc, have been recorded in the books of account of the Company at their existing carrying amounts and in the same form.

b. Each issued share of the 3i Infotech Financial Software Inc, shall at the Effective Time be cancelled and retired. Each issued and outstanding share of 3i Infotech Inc, shall, at the Effective Time, continue to be issued and outstanding in the same manner as prior to the Effective Time. 3i Infotech Inc., has issued shares, in 3i Infotech Inc., to the shareholders of 3i Infotech Financial Software Inc., pursuant to the scheme of merger, as mentioned below, which represented the overall issued share capital of 3i Infotech Financial Software Inc.,

    a. Class A: Common stock: 935,187 shares of par value $ 0.30 each.
    b. Series C: Optionally Convertible Preferred Stock: 30,297,500 shares of par value $ 1 each.

c. Accordingly, the merger has resulted in transfer of assets and liabilities in accordance with the terms of the merger scheme at the following summarized values.

Particulars	**Total**
Current Assets	
Cash and cash equivalents	$ 8,615
Accounts receivable, net	136,546
Prepaid expenses	15,904
Property and equipment, net	7,530
Other assets	
Investments	11,173
Dues from affiliates	23,195,124
Advance to creditors	3,500
Current liabilities	
Accounts payable and accrued liabilities	78,176
Unearned revenue	349,008
Security premium	9,819,444
Net Assets	$ 13,131,764

Note 3 – Advertising Costs

The Company expenses advertising costs in the period incurred. Advertising and Business promotion cost for the twelve months ended March 31, 2019, 2018 and 2017 was $ 75,474, $ 106,721 and $ 37,151 respectively.

Note 4 – Cash and Cash equivalents

As of March 31, 2019 and 2018, Cash and cash equivalents were $ 626,102 and $ 154,097 respectively.

Note 5 – Property and equipment

Property and equipment consisted of:

	March 31, 2019	**March 31, 2018**
Computers, software, furniture & office equipment's	$ 12,314,765	$ 12,310,688
Improvements to Leasehold Property	109,465	109,465
Business & Commercial Rights	4,015,315	4,015,315
Goodwill	113,120,240	113,120,240
Less: Accumulated depreciation and amortization	(129,520,268)	(129,450,369)
Property and equipment net	**$39,517**	**$105,338**

Depreciation expense for the twelve months ended to March 31, 2019, 2018 and 2017 was $ 69,899, $ 71,121 and $ 683,097 respectively.

There was no amortization of goodwill for the twelve months ended March 31, 2019 and 2018.

Note 6 – Commitments and Contingencies

Operating Lease:
The Company has an operating lease for its office space. Future minimum rental commitments under the non-cancellable lease are as follows:

	As of March 31, 2019	As of March 31, 2018
Within one year	$ 179,700	$ 161,400
More than one year and not later than 5 years	15,000	194,700
Total	**$ 194,700**	**$ 356,100**

Security deposit related to lease for office premises as on March 31, 2019 and 2018 was $ 30,000.

Total rent expense for all of these operating leases for the twelve months ended March 31, 2019, 2018 and 2017 was $ 176,786, $ 178,754 and $ 163,289 respectively.

The Company has sub leased its warehouse space for, warehouse and general office use in a manner consistent with the terms of its primary lease. Future minimum rental receipts under the non-cancellable lease are as follows:

	As of March 31, 2019	As of March 31, 2018
Within one year	33,600	$ 33,690
More than one year and not later than 5 years	-	33,240
Total	**33,600**	**$ 66,930**

Security deposit received related to the warehouse sub lease is as of March 31, 2019 and 2018 was $ 5,600.

Total rent received for the twelve months ended March 31, 2019, 2018 and 2017 was $ 48,000, $ 48,090 and $ 48,000 respectively. Rent received has been netted off with the total rental expenses.

The Company does not have any material outstanding capital commitments and contingent Liabilities as on the date of the Balance Sheet.

Note 7 – Income Taxes

The components of the provision for income taxes were as follows:

	March 31, 2019	March 31, 2018
State taxes	$ 40,497	$ 48,758
Federal taxes	-	-
AMT		8,980
Total current taxes	**$ 40,497**	**$ 57,738**
Prior period taxes	**$ 42,919**	**-**
Advances taxes paid	**$ 30,000**	**$ 5,000**

Components of deferred tax assets and liabilities:

	March 31, 2019	March 31, 2018
Deferred Income tax assets:		
Provision for bad debts	$ 91,034	$ 25,926
Interest expenses accrued	618,325	525,907
NOL available	250,292	314,632
Deferred income tax asset	**959,951**	**866,465**
Deferred income tax liabilities:		
Depreciation	(6,929)	(6,649)
Deferred income tax liabilities	**(6,929)**	**(6,649)**
Net deferred tax asset	**953,022**	**859,816**
Less: Valuation allowance	953,022	859,816
Deferred income tax asset – long term	**-**	**-**

Uncertain tax positions: The Company believes that it is not likely that it will realize the benefits of its deferred tax assets based primarily on the Company's history of and projections for taxable income in the future. The Company recognizes interest and penalties associated with tax matters as selling, general and administrative expenses and includes accrued interest and penalties with accrued and other liabilities in the consolidated balance sheets. As of the report date, the Company does not have any uncertain tax liabilities or benefits that could materially affect the effective tax rate. The federal tax years ended March 31, 2019, March 31, 2018, March 31, 2017 and March 31, 2016 were open as of the report date. Management regularly assesses the tax risk of the company's return filing positions for all open years.

Note 8 – Line of credit

On September 30, 2017, the Company renewed a $ 3,000,000 line of credit from State Bank of India(SBI), California Branch, USA, which was with reference to the original loan which was obtained on December 11, 2009, with a maturity date of September 30, 2018 and the bank has a first charge on the current assets of the company. The interest rate on this loan is subject to changes from time to time based on changes in WSJ Prime rate. Interest on the unpaid principal balance of this loan is charged at 2.250% points over and above the WSJ prime rate. As per the covenants of this loan the Company has to maintain a minimum current asset to current liabilities ratio of 1.25, maximum debt to net worth of 3 and minimum interest coverage of 1.50 on EBITDA, as calculated by the management prepared financial statements. The maturity date of this loan agreement has been extended to September 30, 2019.

On January 19, 2018, the Company entered in to line of credit agreement for $ 500,000, from State Bank of India(SBI), California Branch, USA, with a maturity date of September 26, 2018 and the interest rate is subject to change from time to time based on changes in an independent Index which is the WSJ Prime rate. Interest on the unpaid principal balance of this loan is charged at 2.50% points over and above the WSJ prime rate. As per the covenants of this loan the Company has to maintain a minimum current asset to current liabilities ratio of 1.25, maximum debt to net worth of 3 and minimum interest coverage of 1.25 on EBITDA, as calculated by the management prepared financial statements. Company has fully utilized this line of credit in FY 2019 and the maturity date of this loan agreement has been extended to September 26, 2019.

The interest charged on the line of credit during the twelve months ended March 31, 2019, 2018 and 2017 was at an average of 7.4%, 6.54% and 6.66% per annum respectively. The balance outstanding as of March 31, 2019 and 2018 was $ 3,500,000 and $ 2,618,200 respectively. Interest expenses for the twelve months ended March 31, 2019, 2018 and 2017 was $ 177,013, $ 128,766, and $ 159,762 respectively.

Note 9 – Litigation and Contingencies

The Company has obtained a $ 3,500,000 line of credit from State Bank of India, California Branch, USA, with the charge on the current assets of the company.

The Company was identified as a material obligor in March 2012 under the Corporate Debt Restructuring (CDR) package of the ultimate Indian parent, 3i Infotech Limited (the “Borrower”) and had issued a secured corporate guarantee in favour of IDBI Trusteeship Services Limited (as the security trustee for the all the CDR Lenders of 3i Infotech Limited) towards securing the secured obligations of the Borrower under the CDR package. As per the terms of this secured guarantee, ICICI Bank Limited, one of the CDR Lenders, was granted a first charge on all the present and future movable fixed assets and Current Assets of the Company, ranking pari passu with the existing first charge in favour of SBI California to secure line of credit of US$ 3.5 million, while the facilities of the remaining CDR Lenders were granted a second charge. The charge on the assets of the Company pertaining to these secured guarantees continues as on the date of these financial statements.

The Company does not have any knowledge of any involvement in legal proceedings, either of which the company has initiated or has been brought against it. The company’s liabilities, if any, have been reported on the balance sheet and the management has no knowledge of any further liabilities or contingencies.

Contingent liabilities: The Company is named in various claims and legal actions in the ordinary course of business. Based on the counsel and management’s opinion, there are no pending significant legal proceedings to which the Company is a party, the ultimate outcome would have a material adverse effect on the Company’s financial position.

Note 10 – Stockholder’s Equity

The Company is authorized to issue the following stocks

	March 31, 2019	March 31, 2018
Common Stock:		
Class A - Authorized 101,135,187 shares of par value USD 0.30 each	30,340,556	30,340,556
Class B - Authorized 1,000,000 shares of par value USD 0.01 each	10,000	10,000
Optionally Convertible Preferred Stock:		
Series A - Authorized 21,000,000 shares of par value of USD 1 each	21,000,000	21,000,000
Series B - Authorized 29,000,000 shares of par value of USD 1 each	29,000,000	29,000,000
Series C - Authorized 67,000,000 Shares of par value of USD 1 each	67,000,000	67,000,000

The amounts of common stock and preferred stock, issued and outstanding were as follows:

	March 31, 2019	March 31, 2018
Common Stock:		
Class A - Issued 101,073,594 shares of par value USD 0.30 each held by Parent only	30,322,078	30,322,078
Class B - Issued 1,000,000 shares of par value USD 0.01 each held by Parent only	10,000	10,000
Optionally Convertible Preferred Stock:		
Series B - Issued 23,129,051 shares of par value of USD 1 each	23,129,051	23,129,051
Series C - Issued 66,366,925 Shares of par value of USD 1 each	66,366,925	66,366,925

Subsequent to the merger with 3i Infotech Financial Solutions Inc., the Class A Common stock have been increased by 935,187 shares and Series C Optionally convertible preferred stock have been increased by 30,297,500 shares.

Share application money pending allotment, as on Mar 31, 2019 and 2018 was $ 7,700,000 and $ 7,700,000 respectively.

Note 11 – Related party transactions

In the ordinary course of business, the Company entered into transactions with entities owned directly/indirectly by the stockholders. The nature of transaction for the twelve months ended March 31, 2019 and 2018 and closing balance as on March 31, 2019 and 2018 were as follows:

Particulars	As at Mar 31, 2019	As at Mar 31, 2018
3i Infotech Ltd		
Balances		
a) Receivable/(Payable)	$ (54,865,032)	$ (55,601,490)
Transactions for the year ended March 31, 2019 and year ended March 31, 2018		
a) Consultancy fees and expenses	1,702,373	1,624,074
b) Cost of Outsourced Resources	1,004,000	1,660,829
c) Outsourced services	967,735	894,253
3i Infotech Holdings Private Limited		
Balances		
a) Loan Receivable/(Payable)	(495,000)	(495,000)
b) Interest Receivable/(Payable)	(86,794)	(66,994)
c) Receivable/(Payable)	(3,666)	(3,666)
d) Share Application Money	7,700,000	7,700,000
Transactions for the year ended March 31, 2019 and year ended March 31, 2018		
a) Loan Taken	-	-
b) Interest on Loan	19,800	19,800

3i INFOTECH INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELEVE MONTHS ENDED MARCH 31, 2019 AND 2018

3i Infotech Financial Software Inc		
Balances		
a) Receivable/(Payable)	-	-
Transactions for the year ended March 31, 2019 and year ended March 31, 2018		
a) Outside services		10,601
b) Consultancy fees and expenses		82,814
c) Cost of Outsourced Resources		463,432
3i Infotech BPO Limited		
Balances		
Receivable/(Payable)	-	-
Transactions for the year ended March 31, 2019 and year ended March 31, 2018		
Cost of outsourced resources	20,145	18,208
3i Infotech (Middle East) FZ LLC		
Balances		
a) Receivable/(Payable)	137,273,288	137,273,288
3i Infotech Asia Pacific Pte. Ltd.		
Balances		
a) Loan receivable/(Payable) b) Interest receivable/(Payable)	(2,750,000) (1,505,588)	(2,750,000) (1,233,638)
Transactions for the year ended March 31, 2019 and year ended March 31, 2018		
a) Interest on loan	271,950	246,953
3i Infotech Sdn Bhd		
Balances		
a) Loan receivable/(Payable) b) Interest receivable/(Payable)	(1,500,000) (1,352,021)	(1,500,000) (1,203,684)
Transactions for the year ended March 31, 2019 and year ended March 31, 2018		
a) Interest on Loan	148,336	134,701
Locuz Enterprise Solution Ltd		
Balances		
Receivable/(Payable)	7,500	
Transactions for the year ended March 31, 2019 and year ended March 31, 2018		
Cost of outsourced resource	7,500	-
3i Infotech (UK) Ltd		
Balances		
Receivable/(Payable)	6,689	5,996
Transactions for the year ended March 31, 2019 and year ended March 31, 2018		
a) Expenses	693	(2,313)
Locuz Inc		
Receivable/(Payable)	27,213	2,615
Transactions for the year ended March 31, 2019 and year ended March 31, 2018		
a) Expenses	208,772	161,124

Note 12 – Retirement Benefits

The Company setup an IRS approved 401(k) defined contribution plan for its employees. There is an age and service period requirement for elective deferral eligibility. Employees are generally eligible to participate following the completion of six months of entry service. The plan does not include qualified automatic contribution arrangement (QACA). The Company provides a discretionary matching contribution of up to 50% of the first 6% of base wages contributed by the participants to the Plan. The Company's matching contributions for the twelve months ended March 31, 2019, 2018 and 2017 was $ 126,357, $ 142,624 and $ 154,364 respectively.

Note 13 - Segment Revenues

The Company's operations comprise only of software services and solutions and the financial statements reflect the performance for the segment as such. Segments are identified taking into account the nature of the business, the differing risks and returns, the organization structure and internal reporting system. Accordingly, the Company has considered only one business segment as the primary segment. The Company presently caters to the domestic market and hence there are no reportable Geographic segments.

Note 14 – Subsequent Events

The Company has evaluated subsequent events through April 27, 2019 the date on which the financial statements were available to be issued. The company does not have any reportable events occurring after the balance sheet date.

Note 15 – Comparative Statements

Certain comparative figures have been reclassified as needed to confirm to current year's presentation.

VBC & COMPANY
Certified Public Accountants
A Professional Corporation
97 Cedar Grove Lane, Suite 202
Somerset, NJ 08873

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Stockholder and Board of Directors of,
3i Infotech Inc.
New Jersey, USA

Our report on our audit of the basic financial statements of 3i Infotech Inc., for the twelve months ended March 31, 2019 and 2018 appears on page 3. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information representing Cost of Sales and Selling, General and Administration expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such supplemental information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

VBC & Company
Certified Public Accountants
Somerset, New Jersey

April 27, 2019

3i INFOTECH INC
SUPPLEMENTARY SCHEDULES
FOR THE TWELVE MONTHS ENDED MARCH 31, 2019, 2018 AND 2017

	2019	2018	2017
Cost of sales			
Payroll and Benefits	$ 40,148,031	$ 35,838,873	$ 37,114,020
Contractual Services	1,004,078	1,663,093	2,666,367
Other Software expenses	63,174	20,788	11,959
Travel and other project related expenses	289,245	370,793	372,757
Total cost of sales	**41,504,528**	**37,893,547**	**40,165,103**
General & administrative expenses			
Advertisement and marketing	$ 75,474	$ 106,721	$ 37,151
Bad debts	83,277	34,091	302,194
Bank service charges	63,606	56,352	52,034
Insurance	110,415	248,999	139,050
Legal and professional fees	1,574,604	1,290,016	1,286,533
Maintenance	27,565	48,562	40,471
Miscellaneous	65,600	18,928	24,041
Office expenses	35,612	50,299	36,297
Outside services	967,735	834,884	871,986
Postage and delivery	12,163	10,780	9,321
Printing and stationery	14,777	10,183	14,368
Provision for bad debts	-	123,456	1,161
Rates and taxes	92,442	69,974	64,596
Rent	176,786	178,754	163,289
Staff wages and benefits	2,824,685	2,478,752	2,889,949
Telephone	43,902	44,508	55,772
Travel	206,074	136,083	168,866
Utilities	32,219	30,553	30,153
Total general & administrative expenses	**$ 6,406,935**	**$ 5,771,895**	**$ 6,187,232**

(See report of independent auditor's and accompanying notes to financial statements)