

3i INFOTECH INC

AUDITED FINANCIAL STATEMENTS

TWELVE MONTHS ENDED MARCH 31, 2020 AND 2019

VBC & COMPANY

Certified Public Accountants
A Professional Corporation
97, Cedar Grove Lane, Suite 202,
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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, 2020 and 2019 and the related statements of income, changes in stockholder's equity, and cash flows for the twelve months ended March 31, 2020, 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, 2020 and 2019 and the results of their operations and their cash flows for the twelve months ended March 31, 2020, 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

May 18, 2020

3i INFOTECH INC
BALANCE SHEETS
AS OF MARCH 31, 2020 AND 2019

	2020	2019
Current assets		
Cash and cash equivalents	\$ 787,865	\$ 626,102
Accounts receivable, net	5,625,271	6,316,140
Unbilled revenue	5,413,358	4,562,960
Employee advances	79,846	88,765
Prepaid expenses	48,971	57,647
Total current assets	<u>11,955,311</u>	<u>11,651,614</u>
Property and equipment, net	17,939	39,517
Other assets		
Advance income tax	-	30,000
Investments	-	11,173
Security deposits	30,000	30,000
Dues from affiliates	130,292,454	137,307,189
Other advances	235,694	50,129
Total other assets	<u>130,558,148</u>	<u>137,428,492</u>
Total assets	<u>\$142,531,398</u>	<u>\$149,119,622</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,514,251	\$ 2,492,177
Accrued Interest	3,345,042	2,944,403
Accrued payroll and payroll taxes	3,330,673	3,148,198
Short term borrowings	3,000,000	3,500,000
Unearned revenue	398,152	563,729
Income taxes payable	49,606	40,497
Total current liabilities	<u>11,637,725</u>	<u>12,689,003</u>
Other liabilities		
Long-term debt from affiliates	4,745,000	4,745,000
Dues to affiliates	49,359,753	54,876,197
Other liabilities	9,337	26,944
Total other liabilities	<u>54,114,090</u>	<u>59,648,141</u>
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	(73,906,157)	(73,903,262)
Total stockholder's equity	<u>76,779,583</u>	<u>76,782,478</u>
Total liabilities and stockholder's equity	<u>\$142,531,398</u>	<u>\$149,119,622</u>

(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, 2020, 2019 AND 2018

	2020	2019	2018
Revenue			
Information Technology Services	\$51,093,351	\$ 48,386,758	\$ 44,177,273
Other income	63	36	79
Total Revenue	<u>51,093,414</u>	<u>48,386,794</u>	<u>44,177,352</u>
Cost of revenue	44,600,097	41,504,528	37,893,547
Gross profit	<u>6,493,317</u>	<u>6,882,266</u>	<u>6,283,805</u>
General and administrative expenses	5,865,246	6,406,935	5,771,895
Income before depreciation and tax	<u>628,071</u>	<u>475,330</u>	<u>511,910</u>
Interest expense	143,778	177,013	128,766
Interest expense - Affiliates	400,639	440,086	401,454
Depreciation/Amortization	25,940	69,899	71,121
Profit/(Loss) before income taxes	<u>57,714</u>	<u>(211,667)</u>	<u>(89,431)</u>
Provision for income tax - current year	60,609	40,497	57,738
Income taxes, prior year	-	42,919	-
Net Loss	<u>\$ (2,895)</u>	<u>\$ (295,083)</u>	<u>\$ (147,169)</u>
Beginning accumulated deficit	\$ (73,903,262)	\$ (73,608,179)	\$ (65,834,162)
Add: accumulated deficit from merged entites	-	-	(7,626,848)
Ending accumulated deficit	<u>\$ (73,906,157)</u>	<u>\$ (73,903,262)</u>	<u>\$ (73,608,179)</u>

(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, 2020, 2019 AND 2018

	2020	2019	2018
Cash flow from operating activities			
Net loss	\$ (2,895)	\$ (295,083)	\$ (147,169)
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	25,940	69,899	71,121
Provision for doubtful debts	192,273	-	123,456
Bad debts written off	-	83,277	34,091
Changes in operating assets and liabilities:			
Trade and other receivables	(351,802)	(1,342,933)	(570,755)
Prepaid and other advances	(137,970)	43,704	96,614
Accounts payable, accrued expenses and other liabilities	(568,885)	1,789,666	1,360,920
Net cash provided by / (used in) operating activities	<u>(843,339)</u>	<u>348,530</u>	<u>968,278</u>
Cash flow from investing activities			
Purchase of assets (net of capital work-in-progress)	6,811	(4,076)	(21,447)
Net cash provided by / (used in) investing activities	<u>6,811</u>	<u>(4,076)</u>	<u>(21,447)</u>
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	1,498,291	(754,249)	(952,428)
Proceeds/ (repayments) from/to borrowings	(500,000)	881,800	118,200
Net cash provided by / (used in) financing activities	<u>998,291</u>	<u>127,551</u>	<u>(1,742,004)</u>
Increase (decrease) in cash and cash equivalents	<u>\$ 161,763</u>	<u>\$ 472,005</u>	<u>\$ (795,173)</u>
Cash and cash equivalents, beginning of period	626,102	154,097	949,270
Cash and cash equivalents, end of period	<u>\$ 787,865</u>	<u>\$ 626,102</u>	<u>\$ 154,097</u>
Interest paid	\$ 143,778	\$ 189,371	\$ 116,408
Taxes paid	\$ -	\$ 95,657	\$ 35,520

(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, 2020, 2019 AND 2018

	2020	2019	2018
<u>Common stock and paid-in capital</u>			
Balance, beginning of period:			
Common stock	\$ 30,332,078	\$ 30,332,078	\$ 30,051,522
Add: Additions during the year:		-	280,556
Balance, end of period	<u>30,332,078</u>	<u>30,332,078</u>	<u>30,332,078</u>
Additional paid-in capital	<u>23,157,686</u>	<u>23,157,686</u>	<u>23,157,686</u>
Balance, beginning of period:			
Optionally convertible preferred stock	89,495,976	89,495,976	59,198,476
Add: Additions during the year:	-	-	30,297,500
Balance, end of period	<u>89,495,976</u>	<u>89,495,976</u>	<u>89,495,976</u>
Share application money pending allotment	<u>7,700,000</u>	<u>7,700,000</u>	<u>7,700,000</u>
Balance, end of period	<u>\$ 150,685,740</u>	<u>\$ 150,685,740</u>	<u>\$ 150,685,740</u>
Accumulated deficit			
Balance, beginning of period			
Accumulated deficit	(115,107,321)	(114,812,238)	(97,218,777)
Security premium	41,204,059	41,204,059	31,384,615
Net loss during the year	(2,895)	(295,083)	(147,169)
Add: Transferred from merged entity			
Accumulated deficit	-	-	(17,446,292)
Security premium	-	-	9,819,444
Balance, end of period	<u>(73,906,157)</u>	<u>(73,903,262)</u>	<u>(73,608,179)</u>
Total stockholder's equity	<u>\$ 76,779,583</u>	<u>\$ 76,782,478</u>	<u>\$ 77,077,561</u>

3i INFOTECH INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020 AND 2019

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.

3i INFOTECH INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020 AND 2019

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, 2020 and 2019 was \$ 625, 766 and \$ 433,493 respectively.

Revenue Recognition

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. Effective Jan 01, 2019, the Company adopted Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers, using the modified retrospective method. The adoption allows companies to apply the new revenue standard to reporting periods beginning in the year the standard is first implemented, while prior periods continue to be reported in accordance with previous accounting guidance. Since the adoption of Accounting Standards Codification ("ASC") 606 did not have a significant impact on the recognition of revenue, the Company did not have an opening retained earnings adjustment.

The Company generates most of its revenues from Technology Staffing, and IT Services. Comprehensive revenue recognition model is designed to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenues are recognized as control of the promised service is transferred to customers, in an amount that reflects the consideration expected in exchange for the services. Revenues from contract assignments are recognized over time, based on hours worked by the Company's contract professionals. The performance of the requested service over time is the single performance obligation for assignment revenues. Revenues are recognized net of variable consideration to the extent that it is probable that a significant reversal of revenues will not occur in subsequent periods. The Company recognizes revenue for fixed-price contracts using percentage of completion method. Under this method of revenue recognition, the Company estimates the progress towards completion to determine the amount of revenue and profit to recognize on all significant contracts. The Company utilizes a cost-to-cost approach in applying the percentage-of-completion method, under which revenue is earned in proportion to total costs incurred, divided by total costs expected to be incurred. The recognition of profit is dependent upon

3i INFOTECH INC.
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FOR THE TWELVE MONTHS ENDED MARCH 31, 2020 AND 2019

the accuracy of a variety of estimates, including software development progress, achievement of milestones and other incentives, penalty provisions, labor productivity and cost estimates. Such estimates are based on various judgments that the Company makes with respect to those factors and are difficult to accurately determine until the project is significantly underway. Due to uncertainties, inherent in the estimation process, it is possible that actual completion costs may vary from estimates. If estimated total costs on any contract indicate a loss, the Company charges the entire estimated loss to operations in the period the loss first becomes known. Maintenance revenues are recognized ratably over the term of the underlying maintenance agreement.

The Company recognizes most of its revenue on a gross basis when it acts as a principal in its transactions. The Company has direct contractual relationships with its customers, bears the risks and rewards of its arrangements, has the discretion to select the contract professionals and establish the price for the services to be provided. The Company primarily provides services through its employees and through subcontractors; the related costs are included in cost of sales. The Company includes billable expenses (out-of-pocket reimbursable expenses) in revenue and the associated expenses are included in cost of sales.

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, 2020, 2019 and 2018 revenue from the top 10 external customers amounted to \$ 15,104,489 (representing 30% of revenue), \$ 12,751,187 (representing 26% of revenue) and \$ 10,205,517 (representing 23% of net revenues) respectively. As of March 31, 2020 and 2019, accounts receivable from these customers were \$ 1,075,549 (representing 19% of accounts receivable) and \$ 1,531,253 (representing 24% of accounts receivable) 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, 2020, 2019 and 2018 was \$ 25,940, \$ 69,899 and \$ 71,121, respectively. There was no amortization of goodwill for the twelve months ended March 31, 2020 & 2019.

3i INFOTECH INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020 AND 2019

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, 2020 and 2019 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.

Provisions and Contingent Liabilities

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires outflow of resources, which can be reliably estimated. Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources. Contingent assets are neither recognized nor disclosed in the financial statements.

Impact of New Accounting Standards

In February 2016, the FASB issued ASI No 2016-02, which introduces a lessee model that brings substantially all leases into the balance sheet. Under the new standard, a lessee will recognize on its balance sheet a lease liability and a right of use of all asset for all leases, including operating leases, with a greater term than 12 months. The new standard will also distinguish leases as either finance leases or operating leases. This distinction will affect how leases are measured and presented in the income statement and statement of cash flows. ASU No. 2016-02 is effective for annual and interim periods in fiscal year beginning after December 15, 2020. Due to the challenges related to the coronavirus pandemic, on April 8, 2020, FASB has proposed to defer the effective date to fiscal years beginning after December 15, 2021. The Management is still accessing the potential impact that ASU No 2016-02 will have on its financial statements and disclosures.

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

3i INFOTECH INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020 AND 2019

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.

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

3i INFOTECH INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020 AND 2019

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, 2020, 2019 and 2018 was \$ 49,053, \$ 75,474, and \$ 106,721 respectively.

Note 4 – Cash and Cash equivalents

As of March 31, 2020 and 2019, Cash and cash equivalents were \$ 787,685 and \$ 626,102 respectively.

Note 5 – Property and equipment

Property and equipment consisted of:

	March 31, 2020	March 31, 2019
Computers, software, furniture & office equipment's	\$ 12,319,128	\$ 12,314,765
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	(129,546,209)	(129,520,268)
Property and equipment net	\$17,939	\$39,517

Depreciation expense for the twelve months ended to March 31, 2020, 2019 and 2018 was \$ 25,940, \$ 69,899 and \$ 71,121 respectively.

There was no amortization of goodwill for the twelve months ended March 31, 2020 and 2019.

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, 2020	As of March 31, 2019
Within one year	\$ 184,125	\$ 179,700
More than one year and not later than 5 years	800,661	15,000
Total	\$ 984,786	\$ 194,700

Security deposit related to lease for office premises as on March 31, 2020 and 2019 was \$ 30,000.

Total rent expense for all of these operating leases for the twelve months ended March 31, 2020, 2019 and 2018 was \$ 179,559, \$ 176,786 and \$ 178,754 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:

3i INFOTECH INC.
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	As of March 31, 2020	As of March 31, 2019
Within one year	\$ 4,000	\$ 33,600
More than one year and not later than 5 years	-	-
Total	\$ 4,000	\$ 33,600

Security deposit received related to the warehouse sub lease is as of March 31, 2020 and 2019 was \$ 5,600.

Total rent received for the twelve months ended March 31, 2020, 2019 and 2018 was \$ 48,000, \$ 48,000 and \$ 48,090 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 for the twelve months ended, were as follows:

	March 31, 2020	March 31, 2019
Current taxes	\$ 60,609	\$ 40,497
Total current taxes	60,609	40,497
Prior period taxes	-	42,219
Advance taxes paid	-	\$ 30,000

Components of deferred tax assets and liabilities:

	As of March 31, 2020	As of March 31, 2019
Deferred income tax assets:		
Provision for bad debts	\$ 131,411	\$ 91,034
Interest expenses accrued	702,459	618,325
NOL available	145,736	250,292
Deferred income tax asset	979,606	959,951
Deferred income tax liabilities:		
Depreciation	(93,527)	(95,225)
Deferred income tax liabilities	(93,527)	(95,225)
Net deferred tax asset	886,349	864,726
Less: Valuation allowance	(886,349)	(864,726)
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, 2020, 2019, 2018 and 2017 were open as of the report date.

3i INFOTECH INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020 AND 2019

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, 2020.

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. The line of credit has been reduced from \$ 500,000 to \$ 250,000 and maturity date of this loan agreement has been extended to September 30, 2020.

The interest charged on the line of credit during the twelve months ended March 31, 2020, 2019 and 2018 was at an average of 6.5%, 7.0% and 7.40% per annum respectively. The balance outstanding as of March 31, 2020 and 2019 was \$ 3,000,000 and \$ 3,500,000 respectively. Interest expenses for the twelve months ended March 31, 2020, 2019 and 2018 was \$ 143,778, \$ 177,013, and \$ 128,766 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

3i INFOTECH INC.
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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, 2020	March 31, 2019
Common Stock:		
Class A-Authorized 101,135,187 shares of par value USD 0.30each	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 USD1 each	67,000,000	67,000,000

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

	March 31, 2020	March 31, 2019
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, 2020 and 2019 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, 2020 and 2019 and closing balance as on March 31, 2020 and 2019 were as follows:

3i INFOTECH INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020 AND 2019

Particulars	As at Mar 31, 2020	As at Mar 31, 2019
3i Infotech Ltd		
<i>Balances</i>		
a) Receivable/(Payable)	\$ (49,344,501)	\$ (54,865,032)
<i>Transactions for the year ended March 31, 2020 and year ended March 31, 2019</i>		
a) Consultancy fees and expenses	1,840,000	1,004,000
b) Cost of Outsourced Resources	2,523,917	1,702,373
c) Outsourced services	1,021,966	967,735
3i Infotech Holdings Private Limited		
<i>Balances</i>		
a) Loan Receivable/(Payable)	(495,000)	(495,000)
b) Interest Receivable/(Payable)	(106,594)	(86,794)
c) Receivable/(Payable)	(3,666)	(3,666)
d) Share Application Money	7,700,000	7,700,000
<i>Transactions for the year ended March 31, 2020 and year ended March 31, 2019</i>		
a) Loan Taken	-	-
b) Interest on Loan	19,800	19,800
3i Infotech BPO Limited		
<i>Transactions for the year ended March 31, 2020 and year ended March 31, 2019</i>		
Cost of outsourced resources	-	20,145
3i Infotech (Middle East) FZ LLC		
<i>Balances</i>		
a) Receivable/(Payable)	130,285,048	137,273,288
<i>Transactions for the year ended March 31, 2020 and year ended March 31, 2019</i>		
a) Cost of outsourced resources	38,240	-
3i Infotech Asia Pacific Pte. Ltd.		
<i>Balances</i>		
a) Loan receivable/(Payable)	(2,750,000)	(2,750,000)
b) Interest receivable/(Payable)	(1,752,013)	(1,505,588)
<i>Transactions for the year ended March 31, 2020 and year ended March 31, 2019</i>		
a) Interest on loan	246,425	271,950
3i Infotech Sdn Bhd		
<i>Balances</i>		
a) Loan receivable/(Payable)	(1,500,000)	(1,500,000)
b) Interest receivable/(Payable)	(1,486,434)	(1,352,021)
<i>Transactions for the year ended March 31, 2020 and year ended March 31, 2019</i>		
a) Interest on Loan	134,414	148,336
Locuz Enterprise Solution Ltd		
<i>Balances</i>		
Receivable/(Payable)	-	7,500
<i>Transactions for the year ended March 31, 2020 and year ended March 31, 2019</i>		
Cost of outsourced resource	-	7,500
3i Infotech (UK) Ltd		
<i>Balances</i>		
Receivable/(Payable)	7,406	6,689
<i>Transactions for the year ended March 31, 2020 and year ended March 31, 2019</i>		
a) Expenses	717	693

3i INFOTECH INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020 AND 2019

Locuz Inc		
<i>Balances</i>		
Receivable/(Payable)	-	27,213
<i>Transactions for the year ended March 31, 2020 and year ended March 31, 2019</i>		
a) Expenses	-	208,772
3i Infotech Middle East And Africa		
<i>Balances</i>		
Receivable/(Payable)	(11,588)	-
<i>Transactions for the year ended March 31, 2020 and year ended March 31, 2019</i>		
a) Expenses	11,588	-

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, 2020, 2019 and 2018 was \$ 148,366, \$ 126,357 and \$ 142,624 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 May 18, 2020 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.

Impact of COVID-19 Pandemic: The COVID-19 outbreak in early 2020 has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. The management is continuously monitoring the impact of the pandemic on its financial statements. As of the date of this report, the Company has not faced any material impact to its business. The Management is not aware of any other matter or circumstance, other than those which are disclosed above or not otherwise dealt with in the Financial Statements that has significantly or may significantly affect the operations of the company in the subsequent years the financial effects of which has not been provided for as of the March 31, 2020.

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, 2020 and 2019 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

May 18, 2020

3i INFOTECH INC
SUPPLEMENTARY SCHEDULES
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020, 2019 AND 2018

	2020	2019	2018
Cost of sales			
Payroll and Benefits	\$ 35,260,003	\$ 32,195,909	\$ 31,865,916
Contractual Services	2,108,152	1,004,078	1,663,093
Other Software expenses	171,950	63,174	20,788
Outside services	6,881,762	7,952,122	3,972,957
Travel and other project related expenses	178,230	289,245	370,793
Total cost of sales	<u>44,600,097</u>	<u>41,504,528</u>	<u>37,893,547</u>
General & administrative expenses			
Advertisement and marketing	\$ 49,053	\$ 75,474	\$ 106,721
Bad debts	-	83,277	34,091
Bank service charges	63,147	63,606	56,352
Insurance	85,436	110,415	248,999
Legal and professional fees	1,324,950	1,574,604	1,290,016
Maintenance	13,546	27,565	48,562
Miscellaneous	7,771	65,600	18,928
Office expenses	42,225	35,612	50,299
Outside services - SGA	1,140,394	967,735	834,884
Postage and delivery	8,934	12,163	10,780
Printing and stationery	7,588	14,777	10,183
Provision for bad debts	192,273	-	123,456
Rates and taxes	74,096	92,442	69,974
Rent	179,559	176,786	178,754
Staff wages and benefits	2,421,646	2,824,685	2,478,752
Telephone	38,973	43,902	44,508
Travel	184,151	206,074	136,083
Utilities	31,504	32,219	30,553
Total general & administrative expenses	<u>\$ 5,865,246</u>	<u>\$ 6,406,935</u>	<u>\$ 5,771,895</u>

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