REPORT OF THE DIRECTORS

Your Directors present their Report together with the Audited Financial Statements for the year ended 31st March, 2018.

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 (*)

(US$ million)

	ITC Infotech (USA), Inc.	
Year Ended March 31,	2018	2017
Total Revenue	88.11	91.44
Operating Income before Amortization	4.00	4.00
Profit/(Loss) After Tax	1.97	1.21

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

For the year under review, the Corporation declared and paid a maiden dividend of US$ 8 per share on 1,82,000 Common Shares-without par value aggregating US$ 1.46 million.

Business Review

Corporation

In 2017-18, the Corporation's total revenue was US$ 87.64 million while the net profit was US$ 1.94 million. The Corporation witnessed a slowdown in 2017-18 primarily due to depreciation in the US Dollar and weakness in some existing accounts, which was partly offset by strong growth in other existing accounts in the Retail, Consumer Products, Manufacturing, Hi-tech and Healthcare verticals. Significant growth was also seen in the Hi-tech, Retail, Financial services and Manufacturing verticals and in some of the existing and new clients in the area of Product Lifecycle Management. Data, Digital Customer experience and Infrastructure services saw good demand from clients in the USA.

In the coming year, the Corporation focuses on acquiring a select set of new clients aligned to specific industries in addition to deepening relationships and scaling key existing accounts. The Corporation will continue to elevate it's positioning in the USA market by effectively leveraging the Business and Technology Consulting offerings and by demonstrating the capabilities of the Innoruption lab in emerging technologies. The Corporation will continue to focus on strengthening alliances with large scale technology vendors while forming and nurturing new partnerships with emerging, future ready Independent Software Vendors.

Primary challenges seen by the Corporation are the uncertainties resulting from new protectionist regulatory changes and fluctuations in the US Dollar. The Corporation will continue to execute on the focus areas of the strategy to deliver strong traction and financial results in the coming year.

Wholly owned subsidiary- Indivate Inc.

Indivate Inc. ("Indivate") provides market research, consulting and business development services. During the year under review, Indivate recorded Revenue of US$ 475,267 and Net Profit of US$ 26,902.

Directors

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

On behalf of the Board

	S. Rajagopalan	S. Sivakumar
2nd May, 2018	Director	Vice Chairman

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, 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 the 2018 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, 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.

Predecessor Auditor's Opinion on 2017 Special-Purpose Financial Statements

The special-purpose financial statements of the Company as of and for the year ended March 31, 2017 were audited by other auditors whose report, dated May 5, 2017 expressed an unmodified opinion on those statements and included an emphasis-of-matter paragraph that described the inclusion of Indian Rupee equivalent figures as required by the Parent company of ITC Infotech (USA), Inc. for informational purposes only as discussed in Note B [1] to the Special-Purpose financial statements.

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
Bengaluru, India
May 2, 2018

BALANCE SHEET AS OF MARCH 31

	2018	2018	2017	2017
	$	₹	$	₹
Assets				
Current assets				
Cash and cash equivalents	1,400,138	91,260,996	4,074,442	264,227,497
Accounts receivable, net of allowance for doubtful accounts of $1,292,377 (₹ 84,237,130) and $1,188,158 (₹ 77,052,046) for 2018 and 2017, respectively	29,071,882	1,894,905,271	22,929,981	1,487,009,270
Receivable from Indivate	134,588	8,772,444	43,467	2,818,833
Advances to employees	85,517	5,573,998	135,763	8,804,231
Total current assets	30,692,125	2,000,512,709	27,183,653	1,762,859,831
Property and Equipment	1,113,041	72,548,012	985,511	63,910,388
Less: Accumulated depreciation and amortization	893,619	58,246,086	779,967	50,580,860
	219,422	14,301,926	205,544	13,329,528
Intangible assets and goodwill	12,574,566	819,610,212	12,574,566	815,460,582
Less: Accumulated amortization	12,574,566	819,610,212	12,574,566	815,460,582
	–	–	–	–
Investment in subsidiary (Indivate Inc.)	100,000	6,518,000	100,000	6,485,000
Deferred income taxes	2,350,747	153,221,689	3,317,383	215,132,288
Other assets, principally unsecured advances	2,442,425	159,197,262	901,109	58,436,919
	35,804,719	2,333,751,586	31,707,689	2,056,243,566
Liabilities and Stockholder's Equity				
Current liabilities				
Accounts payable	335,528	21,869,715	1,126,821	73,074,342
Accrued expenses and other current liabilities	7,147,934	465,902,411	5,003,752	324,493,253
Accrued payroll and payroll taxes	1,149,482	74,923,237	1,214,884	78,785,227
Due to ITC Infotech Ltd., (UK), net	101,248	6,599,334	–	–
Due to ITC Infotech India Ltd., net	6,721,553	438,110,765	4,475,712	290,249,923
Total current liabilities	15,455,745	1,007,405,462	11,821,169	766,602,745
Non-current liabilities				
Deferred income taxes	43,519	2,836,568	63,879	4,142,553
Stockholder's equity				
Paid up Share Capital	200,000	13,036,000	200,000	12,970,000
Additional paid-in capital	18,000,000	1,173,240,000	18,000,000	1,167,300,000
Retained earnings	2,105,455	137,233,556	1,622,641	105,228,268
Total stockholder's equity	20,305,455	1,323,509,556	19,822,641	1,285,498,268
	35,804,719	2,333,751,586	31,707,689	2,056,243,566

On behalf of the Board

Date: May 2, 2018

Soumyarup Roy	L N Balaji	S Rajagopalan	S Sivakumar
Financial Controller	President	Director	Vice Chairman

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

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

	2018	2018	2017	2017
	$	₹	$	₹
Revenues				
Service fees	50,860,897	3,315,113,266	48,118,777	3,120,502,688
Project fees	36,774,538	2,396,964,387	43,242,244	2,804,259,523
Total revenues	87,635,435	5,712,077,653	91,361,021	5,924,762,211
Cost of revenues, principally employment costs and fees charged by affiliates	70,340,373	4,584,785,512	72,965,322	4,731,801,132
Gross profit	17,295,062	1,127,292,141	18,395,699	1,192,961,079
General and administrative expenses	13,323,116	868,400,701	14,327,710	929,151,994
Operating income before amortization	3,971,946	258,891,440	4,067,989	263,809,085
Amortization of intangible assets and goodwill	–	–	2,422,917	157,126,167
Operating income / (Loss)	3,971,946	258,891,440	1,645,072	106,682,918
Other income	12,287	800,867	74	4,799
Income before income tax expense	3,984,233	259,692,307	1,645,146	106,687,717
Income tax expense / (benefit)				
Current	1,099,144	71,642,206	900,649	58,407,088
Deferred	946,275	61,678,205	(561,543)	(36,416,064)
Total income tax expense	2,045,419	133,320,411	339,106	21,991,024
Net income / (Loss)	1,938,814	126,371,896	1,306,040	84,696,693
Retained earnings at beginning of year	1,622,641	105,763,740	316,601	20,531,575
Less : Dividend Paid	1,456,000	94,902,080	–	–
Retained earnings at end of year	2,105,455	137,233,556	1,622,641	105,228,268

On behalf of the Board

Date: May 2, 2018

Soumyarup Roy	L N Balaji	S Rajagopalan	S Sivakumar
Financial Controller	President	Director	Vice Chairman

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

STATEMENTS OF CASH FLOWS FOR THE YEAR END MARCH 31

	2018	2018	2017	2017
	$	₹	$	₹
Cash flows from operating activities				
Net income	1,938,814	126,371,897	1,306,040	84,696,693
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	118,682	7,735,693	2,535,594	164,433,271
Deferred income taxes	946,275	61,678,205	(561,543)	(36,416,064)
Write off of Fixed Assets	2,668	173,900	–	–
Bad debt expense	104,219	6,792,994	283,550	18,388,218
(Increase) decrease in assets				
Accounts receivable	(6,246,120)	(407,122,102)	19,397	1,257,893
Receivable from Indivate	(91,121)	(5,939,267)	(43,467)	(2,818,833)
Advances to employees	50,246	3,275,034	(9,091)	(589,551)
Trade advances				
Other assets, principally unsecured advances	(1,541,316)	(100,462,977)	(7,668)	(497,270)
Increase (decrease) in liabilities				
Accounts payable	(791,293)	(51,576,478)	309,758	20,087,806
Accrued expenses and other liabilities	2,144,183	139,757,848	(167,375)	(10,854,269)
Accrued payroll and payroll taxes	(65,402)	(4,262,902)	39,929	2,589,396
Due to ITC Infotech Ltd. (UK), net	101,248	6,599,345	–	–
Due to ITC Infotech India Ltd., net	2,245,841	146,383,916	(1,271,926)	(82,484,401)
Net cash provided by / (used in) operating activities	(1,083,076)	(70,594,894)	2,433,198	157,792,889
Cash flows from investing activities				
Capital expenditures	(135,228)	(8,814,161)	(46,116)	(2,990,623)
Net cash used in investing activities	(135,228)	(8,814,161)	(46,116)	(2,990,623)
Payout of Dividend	(1,456,000)	(94,902,080)	–	–
Investment in Subsidiary	–	–	(100,000)	(6,485,000)
Net cash used in financing activities	(1,456,000)	(94,902,080)	(100,000)	(6,485,000)
Net increase (decrease) in cash and cash equivalents	(2,674,304)	(174,311,135)	2,287,083	148,317,266
Cash and cash equivalents at beginning of year	4,074,442	265,572,130	1,787,359	115,910,231
Cash and cash equivalents at end of year	1,400,138	91,260,995	4,074,442	264,227,497

On behalf of the Board

Date: May 2, 2018	Soumyarup Roy Financial Controller	L N Balaji President	S Rajagopalan Director	S Sivakumar Vice Chairman

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

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2018 AND 2017

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. This agreement, inter alia, provides a percentage of revenue to be paid to ITC Infotech India Ltd. based on actual financial performance of the Company.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation:

As required by its parent company ITC Infotech India Ltd. the financial statements of the Company are not prepared in accordance with accounting principles generally accepted in the United States of America as the results of operations of its wholly-owned subsidiary Indivate were not included since the date of acquisition. Accordingly, these financial statements do not purport to follow US GAAP.

These financial statements are presented in U.S. dollars. However, as required by the parent company ITC Infotech India Ltd. the Indian Rupee equivalent figures, arrived at by applying the average interbank exchange rate of US$1 = ₹ 65.18 for fiscal year ended March 31, 2018 (2017 US$1 = ₹ 64.85) 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.*

Figures for year ended March 31, 2017 were audited by the previous auditors M/s EisnerAmper LLP.

[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:

In accordance with ASC Topic 605, *"Revenue Recognition"*, the Company recognizes revenues on delivery when a non-cancelable agreement has been executed, fees are fixed and determinable and collection is considered probable unless there is significant uncertainty about customer acceptance, in which case revenues are recognized upon such acceptance. Losses on contracts are recognized when probable and determinable.

Service Fees:

Service revenues are based upon hours worked by Company employees on customer assignments and are recognized when the work is performed. Revenue is determined by multiplying the hours worked by the contractual billing rates. Substantially all customers are invoiced weekly, biweekly, or monthly.

Project Fees:

Revenues on the project business are recognized as earned, typically in the month the service is performed. Costs associated with the use of subcontractors to fulfill such project business are recognized in the same period.

[4] Cash and cash equivalents:

For purposes of reporting cash flows, the Company considers all

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

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 financial statements for the year ended March 31, 2018. The Company's Federal and State tax returns are subject to examination by taxing authorities for the years ended March 31, 2015 and after.

The Federal Income Tax rate structure in the United States of America was revised with effect from 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% has been applied in the current year. Further, due to the decrease in the Federal income tax rate, the Deferred Tax Assets of the Company have been suitably revalued.

[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, 2018 or 2017.

[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, 2018 or 2017.

[12] Summary of recent accounting pronouncements:

In May 2014, the FASB and the International Accounting Standards Board ("IASB") issued their final standard on revenue from contracts with customers. The standard, issued as ASU No. 2014-09 by the FASB and as International Financial Reporting Standards 15 by the IASB, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that "an entity recognizes revenue 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". This ASU is effective for annual reporting periods beginning after December 15, 2018 for all nonpublic entities. The Company is currently evaluating the impact that the adoption of this ASU will have on its financial statements.

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 financial statements. The new guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. 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, 2019, 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, 2017 and interim periods within those annual periods and should be applied using a retrospective transition method to each period presented. 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, 2017 and interim periods within those annual periods. The Company does not expect the adoption of this ASU to have a material effect on the presentation of its statement of cash flows.

[14] Reclassifications:

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

NOTE C - RELATED PARTY TRANSACTIONS

The Company had transactions with the following parties :

	2018 $	2018 ₹	2017 $	2017 ₹
Transactions with ITC Infotech India Ltd.				
Costs for project consultations / other expenses, included in cost of revenues / general and administrative expenses	27,046,677	1,762,902,427	30,051,155	1,948,817,402
Transactions with ITC Infotech Ltd.				
Costs for project consultations / other expenses, included in cost of revenues / general and administrative expenses	113,963	7,428,084	96,828	6,279,301
Transactions with Technico Technologies				
Costs for project consultations / other expense reimbursements, included in cost of revenues / general and administrative expenses	141,557	9,226,684	135,442	8,783,394
Transactions with ITC Limited				
Reimbursement of advances paid	932,949	60,809,607	827,372	53,655,066
Transactions with Indivate Inc.				
Other expense reimbursements from Indivate included as a reduction in cost of revenues / general and administrative expenses	91,121	5,939,267	43,467	2,818,833

Amount payable to Technico Technologies was $ 32,722 (₹ 2,132,848) and $ 10,930 (₹ 708,801) as on 31st March, 2018 and 31st March, 2017 respectively. The receivable/ payable amount as on 31st March, 2018 and 31st March, 2017 for the other related parties have been disclosed on the Balance Sheet.

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable as on March 31, 2018 of $ 29,206,470 (₹ 1,903,677,715) and March 31, 2017 of $ 22,973,448 (₹ 1,489,828,103) includes both billed and unbilled receivables. Unbilled receivables were approximately $ 10,427,395 (₹ 679,657,631) and $ 7,223,936 (₹ 468,472,256) as of March 31, 2018 and 2017, respectively.

Changes in the allowance for doubtful accounts in 2018 and 2017 are as follows:

	2018 $	2018 ₹	2017 $	2017 ₹
Beginning balance	1,188,158	77,444,143	904,608	58,663,833
Increase to allowance	104,219	6,792,994	283,550	18,388,218
Accounts written off	—	—	—	—
Ending balance	1,292,377	84,237,137	1,188,158	77,052,051

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Estimated useful lives (Years)	31-Mar-18 $	31-Mar-18 ₹	31-Mar-17 $	31-Mar-17 ₹
Leasehold Improvements	4	26,074	1,699,503	26,074	1,690,899
Office Equipments	4	81,958	5,342,022	71,637	4,645,668
Computers etc.	4	751,466	48,980,554	636,417	41,271,654
Furniture and Fixtures	4	251,900	16,418,842	249,739	16,195,587
Capitalised Software	5	1,643	107,091	1,643	106,581
		1,113,041	72,548,012	985,511	63,910,388
Less: Accumulated depreciation		(893,619)	(58,246,086)	(779,967)	(50,580,860)
Property and Equipment, net		219,422	14,301,926	205,544	13,329,528

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

	FY 2017-18 $	FY 2017-18 ₹	FY 2016-17 $	FY 2016-17 ₹
Depreciation expense	118,682	7,735,660	112,676	7,307,018

NOTE F - INTANGIBLE ASSETS AND NET ASSETS IN PYXIS SOLUTIONS, LLC

The Company had intangible assets arising from the acquisition of 100% membership interest of Pyxis Solutions, LLC in 2008. The components of intangible assets (including goodwill) as at March 31, 2018 and 2017, are as follows:

Identifiable intangible assets	Estimated useful life	Currency	2018			2017		
			Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Trade name	8	$	300,000	300,000	–	300,000	300,000	–
		₹	19,554,000	19,554,000	–	19,455,000	19,455,000	–
Non-compete agreement	4	$	90,000	90,000	–	90,000	90,000	–
		₹	5,866,200	5,866,200	–	5,836,500	5,836,500	–
Customer relationship	8	$	3,900,000	3,900,000	–	3,900,000	3,900,000	–
		₹	254,202,000	254,202,000	–	252,915,000	252,915,000	–
Know how	5	$	1,100,000	1,100,000	–	1,100,000	1,100,000	–
		₹	71,698,000	71,698,000	–	71,335,000	71,335,000	–
Total intangible assets		$	5,390,000	5,390,000	–	5,390,000	5,390,000	–
		₹	351,320,200	351,320,200	–	349,541,500	349,541,500	–
Goodwill	4	$	7,184,566	7,184,566	–	7,184,566	7,184,566	–
		₹	468,289,989	468,289,989	–	465,919,105	465,919,105	–
Total intangible assets and goodwill		$	12,574,566	12,574,566	–	12,574,566	12,574,566	–
		₹	819,610,189	819,610,189	–	815,460,605	815,460,605	–

Amortization of identifiable intangible assets and goodwill for the years ended March 31, 2018 and 2017 was $ 0 (₹ 0) and $2,422,917 (₹ 157,126,167), respectively. As of March 31, 2018, amortization has been fully recognized in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

NOTE G - COMMITMENTS AND CONTINGENCIES

[1] 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 $ 410,791 (₹ 26,775,361) and $ 481,136 (₹ 31,201,670) for the fiscal years ended March 31, 2018 and 2017, 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, 2018 are as follows:

FY	Office		Equipment		Total	
	$	₹	$	₹	$	₹
2018-19	380,731	24,816,070	2,430	158,403	383,161	24,974,473
2019-20	331,819	21,627,964	810	52,801	332,629	21,680,765
2020-21	151,636	9,883,636	–	–	151,636	9,883,636
2021-22	154,669	10,081,309	–	–	154,669	10,081,309
2022-23	39,309	2,562,193	–	–	39,309	2,562,193

NOTE H - INCOME TAXES

The income taxes expenses consists of the following:

	Year ended March 31,			
	2018	2018	2017	2017
	$	₹	$	₹
Federal Taxes				
Current	958,731	62,490,107	745,740	48,361,250
Deferred	960,817	62,626,052	(563,994)	(36,574,982)
State and local taxes				
Current	129,586	8,446,408	89,917	5,831,126
Deferred	(14,542)	(947,860)	2,451	158,944
Foreign Taxes	10,827	705,704	64,991	4,214,686
Total current expense	2,045,419	133,320,411	339,105	21,991,024
Deferred tax assets and liabilities consist of the following:				
Non-current assets				
Accounts Receivable Reserve	311,447	20,300,110	434,631	28,185,839
Equipment, software, furniture and fixtures & leasehold improvements	1,003	65,368	474	30,711
Accrued vacation	421,552	27,476,771	363,958	23,602,689
Accrued bonus	318,065	20,731,453	591,212	38,340,142
Amortization of intangible assets and goodwill	878,643	57,269,972	1,688,240	109,482,339
ESOS Expense	177,370	11,560,996	–	–
Foreign tax credit carry-over	242,667	15,817,019	138,868	15,490,568
	2,350,747	153,221,689	3,317,383	215,132,288
Non-current (liability)				
Depreciation	(43,519)	(2,836,556)	(63,879)	(4,142,555)

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 16% (6%, 5% and 5%) and approximately 28% (12%, 9% and 7%) of the Company's revenues for the years ended March 31, 2018 and 2017, respectively. Accounts receivable from these customers approximated 9% (3%, 6%, 0%) and 17% (4%, 7% and 9%) of total accounts receivable as at March 31, 2018 and 2017, respectively. Additionally, one customer accounted for 8% of the accounts receivables as of March 31, 2018 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 $ 644,893 (₹ 42,034,126) and $ 771,311 (₹ 50,019,536) for the Fiscal Year 2017-18 and 2016-17 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, 2018 and 2017 was $ 467,478 (₹ 30,468,253) and $ 491,188 (₹ 31,853,542), respectively.

NOTE L - LINE OF CREDIT

On February 17, 2016, the Company entered into a revolving line of credit agreement for a maximum borrowing of $ 5,000,000 (₹ 32,590,000). Interest on this line of credit is chargeable at London Interbank Offered Rate plus 1.35%. There were no amounts outstanding as at March 31, 2018 and March 31, 2017 on account of this credit facility.

NOTE M - SUBSEQUENT EVENTS

The Company evaluated subsequent events through May 2, 2018 which is the date on which the Financial Statements are issued.