

CIGNITI TECHNOLOGIES, 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,
Somerset, NJ 08873.
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CIGNITI TECHNOLOGIES, INC

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INDEPENDENT AUDITOR'S REPORT

To the Stockholder and Board of Directors of,
Cigniti Technologies Inc.,
Irving, TX

Report on the Financial Statements

We have audited the accompanying financial statements of Cigniti Technologies Inc, which comprise the balance sheets 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, 2019 and 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 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 audits. We conducted our audits 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 Cigniti Technologies 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, 2019 and 2018 in accordance with accounting principles generally accepted in the United States of America.

The Company wrote off some of the assets and the development costs during the twelve months ended March 31, 2017, which resulted in the negative networth as of that date and continues as of March 31, 2020. The financial statements have been prepared on going concern basis, based on the existing credit arrangements with financial institutions and representation of financial and operational support from the Parent company, Cigniti Technologies Limited, and consequently no adjustments have been made to the carrying values or classification of balance sheets accounts.



VBC & Company
Certified Public Accountants
Somerset, New Jersey
April 29, 2020

CIGNITI TECHNOLOGIES INC
BALANCE SHEETS
AS OF MARCH 31, 2020 AND 2019

	2020	2019
Current Assets		
Cash and cash equivalents	\$ 162,405	\$ 125,064
Accounts receivable, net	18,470,900	15,585,801
Employee advances	11,870	23,588
Other receivables	-	514,502
Other current assets	261,424	131,774
Due from affiliates	4,185,327	4,084,014
Total current assets	<u>23,091,926</u>	<u>20,464,742</u>
 Property and equipment, net	 149,683	 77,811
Other assets		
Security deposits	41,576	39,218
Advance income tax	-	350,000
Total other assets	<u>41,576</u>	<u>389,218</u>
 Total assets	 <u>\$ 23,283,185</u>	 <u>\$ 20,931,771</u>
 Current liabilities		
Accounts payable and accrued liabilities	4,244,183	3,549,569
Accrued payroll and payroll taxes	2,114,690	3,515,196
Accrued income taxes	637,887	110,592
Due to affiliates	7,305,821	13,567,664
Line of credit	9,193,719	8,977,956
Other current liabilities	193,059	225,917
Total current liabilities	<u>23,689,359</u>	<u>29,946,894</u>
 Stockholder's equity		
Common stock, \$1 par value, 1500 shares authorized, 1000 shares issued and outstanding		
Capital Stock	1,000	1,000
Additional paid in capital	402,045	402,045
Retained earnings/(deficit)	(809,219)	(9,418,167)
Total stockholder's equity	<u>(406,174)</u>	<u>(9,015,122)</u>
 Total liabilities and stockholder's equity	 <u>\$ 23,283,185</u>	 <u>\$ 20,931,771</u>

(See Auditor's report and accompanying notes to financial statements)

CIGNITI TECHNOLOGIES INC
STATEMENTS OF INCOME
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020, 2019 AND 2018

	2020	2019	2018
Revenue			
Consulting income	\$ 98,038,146	\$ 93,922,506	\$ 85,980,164
Other income	904,180	103,213	23,475
Total Revenue	<u>98,942,326</u>	<u>94,025,718</u>	<u>86,003,639</u>
Cost of sales	65,398,073	57,484,425	61,436,739
Gross profit	<u>33,544,253</u>	<u>36,541,294</u>	<u>24,566,900</u>
General and administrative expenses	23,925,930	27,497,980	23,572,237
Income before depreciation and tax	<u>9,618,323</u>	<u>9,043,313</u>	<u>994,663</u>
Interest expense	410,473	196,235	301,590
Depreciation	59,413	67,674	74,267
Deferred income tax/(credit)	-	-	327,682
Income before income taxes	<u>9,148,437</u>	<u>8,779,405</u>	<u>291,124</u>
Provision for income taxes	605,814	110,592	(25)
Prior period taxes/(credit)	(66,325)	(2,430,678)	(656,665)
Net income	<u>\$ 8,608,948</u>	<u>\$ 11,099,491</u>	<u>\$ 947,814</u>
Beginning retained earnings/(deficit)	(9,418,167)	(20,517,658)	(21,465,472)
Net income	8,608,948	11,099,491	947,814
Ending retained earnings/(deficit)	<u>\$ (809,219)</u>	<u>\$ (9,418,167)</u>	<u>\$ (20,517,658)</u>

(See Auditor's report and accompanying notes to financial statements)

CIGNITI TECHNOLOGIES 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 income after taxes	\$ 8,608,948	\$ 11,099,491	\$ 947,814
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	59,413	67,674	74,267
Changes in operating assets and liabilities:			
Trade and other receivables	(2,885,099)	(1,082,255)	(1,024,188)
Employee advances	11,718	70,814	74,047
Accounts payable, accrued expenses	694,614	(568,600)	377,463
Other current assets	(129,650)	(52,997)	68,600
Other assets	347,642	(349,235)	-
Due from affiliates	(101,313)	40,474	(2,570,929)
Accrued payroll and related costs	(1,400,506)	32,510	(110,810)
Accrued income taxes	527,295	(1,887,126)	(1,746,182)
Deferred income taxes	-	-	327,682
Due to affiliates	(6,261,843)	(7,815,400)	4,984,821
Other liabilities	(32,858)	93,538	3,566
Net cash provided by/(used in) operating activities	<u>(561,639)</u>	<u>(351,112)</u>	<u>1,406,151</u>
Cash flow from investing activities			
Purchase of assets	(131,285)	(44,212)	(25,603)
Net cash provided by/(used in) investing activities	<u>(131,285)</u>	<u>(44,212)</u>	<u>(25,603)</u>
Cash flow from financing activities			
Proceeds from Line of credit	215,763	8,977,956	-
Proceeds/(repayments) from notes payable	-	(539,500)	(727,134)
Proceeds/(repayments) from/to factor	514,502	(10,088,198)	(548,603)
Net cash provided by/(used in) financing activities	<u>730,265</u>	<u>(1,649,742)</u>	<u>(1,275,737)</u>
Increase/(decrease) in cash and cash equivalents	<u>\$ 37,341</u>	<u>\$ (2,045,066)</u>	<u>\$ 104,811</u>
Cash and cash equivalents, beginning of period	125,064	2,170,130	2,065,319
Cash and cash equivalents, end of period	<u>\$ 162,405</u>	<u>\$ 125,064</u>	<u>\$ 2,170,130</u>
Interest paid	\$ 413,940	\$ 291,108	\$ 112,000
Taxes paid	\$ 85,724	\$ 868,438	\$ 1,136,985

(See Auditor's report and accompanying notes to financial statements)

CIGNITI TECHNOLOGIES INC
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020, 2019 AND 2018

	2020	2019	2018
Common stock and paid-in capital			
Balance, beginning of period	\$ 1,000	\$ 1,000	\$ 1,000
Additional paid in capital	402,045	402,045	402,045
Balance, end of period	<u>\$ 403,045</u>	<u>\$ 403,045</u>	<u>\$ 403,045</u>
Accumulated retained earnings/(deficit)			
Balance, beginning of period	(9,418,167)	(20,517,658)	(21,465,472)
Net Income during the year	8,608,948	11,099,491	947,814
Balance, end of period	<u>\$ (809,219)</u>	<u>\$ (9,418,167)</u>	<u>\$ (20,517,658)</u>
Total stockholder's equity	<u>\$ (406,174)</u>	<u>\$ (9,015,122)</u>	<u>\$ (20,114,613)</u>

(See Auditor's report and accompanying notes to financial statements)

CIGNITI TECHNOLOGIES INC
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020, 2019 AND 2018

Note A - Summary of Significant Accounting Policies

Nature of Operations

Cigniti Technologies Inc (the "Company") was formed effective June 11, 2014, as a Delaware Corporation. The Company provides software engineering and consulting services on both project and hourly basis. The market for the Company's services is characterized by rapidly changing technology, evolving industry standards, and new product introductions. The Company's market is intensely competitive. The Company's success will depend on its ability to enhance and market existing services and introduce new services to meet changing customer requirements and evolving standards.

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. 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 the majority of the Company's customers are well established companies operating in a variety of industries and geographic regions.

Use of Estimates

The Company's management makes estimates and assumptions in 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, disclosure of contingent assets and liabilities as of the date of the financial statements, and reported amounts of revenues and expenses during the respective reporting periods. Actual results could differ from those implicit in the estimates and assumptions.

Cash and Cash Equivalents

The Company considers cash and highly liquid debt instruments with original maturities of three months or less to be cash equivalents. The Company places its temporary cash and cash equivalents with high credit quality financial institutions.

Financial Instruments

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

Accounts Receivable

The Company routinely assesses the financial strength of its customers and does not require collateral or other security to support customer receivables. Credit losses are provided for in the financial statements based upon the age of the receivable and specific circumstances surrounding the collection of an invoice. Actual collection on accounts may differ from the Company's estimate of the amount collectible.

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 Provision for doubtful debts as of March 31, 2020 and 2019 was \$ 307,641 and \$ 796,154 respectively.

Property and Equipment

Property and equipment, consisting of computers, furniture 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.

CIGNITI TECHNOLOGIES INC
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020, 2019 AND 2018

Depreciation/Amortization

Depreciation on all property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from five to seven years. Depreciation expense for the twelve months ended March 31, 2020, 2019 and 2018 was \$ 59,413, \$ 67,674 and \$ 74,267 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 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.

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.

Unbilled Revenues

If any are classified as accounts receivables on the balance sheet, represents services rendered prior to being invoiced due to certain contractual restrictions.

CIGNITI TECHNOLOGIES INC
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020, 2019 AND 2018

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-contractors' costs, and other costs incurred in connection with the execution of assignments.

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 large customer base and ongoing procedures, which monitor the credit worthiness of its customers. For the twelve months and ended March 31, 2020, 2019 and 2018, sales to the top five customers was \$ 23,592,037 (24% of net revenues), \$ 18,591,806 (24% of net revenues) and \$ 20,515,926 (24% of net revenues) respectively. For the twelve months ended March 31, 2020 and 2019, accounts receivable due from these customers was \$ 3,992,403 (22% of net receivables) and \$ 2,304,931 (15% of net receivables) respectively.

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 on a conservative basis.

Impairment of Intangibles

The Company assesses at each balance sheet date whether there is any indication that any intangible assets including goodwill 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 the 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.

CIGNITI TECHNOLOGIES INC
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020, 2019 AND 2018

Note B - Advertising Costs

Costs for producing and communicating advertising for the Company's brand and products are charged to general and administrative (G&A) expenses as they are incurred. Advertising expense for the twelve months ended March 31, 2020, 2019 and 2018 was \$ 4,299, \$ 2,718 and \$ 18,389 respectively.

Note C - Property and Equipment

Property and Equipment consisted of:

	As of March 31, 2020	As of March 31, 2019
Computer equipment and software	\$ 492,524	\$ 361,240
IT Hardware	9,387	9,387
Furniture & Fixtures	292,195	292,195
Leasehold Improvements	25,600	25,600
Vehicle	50,253	50,253
Total assets	869,959	738,675
Less: Accumulated depreciation	(720,276)	(660,864)
Property and Equipment, net	\$ 149,683	\$ 77,811

Note D - Commitments and contingent liabilities

Operating Leases

The Company has several non-cancellable leases for its office space and vehicles. Rent expense for the office space and vehicles is recognized equally over the lease term. 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	\$ 278,126	\$ 247,951
More than one year and not later than 5 years	193,457	379,792
Total	\$ 471,583	\$ 627,743

The rent expense for the twelve months ending March 31, 2020, 2019 and 2018 was \$ 383,125, \$ 383,281 and \$ 532,303 respectively.

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

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 E – Advances from factor

On August February 15, 2017 Cigniti Technologies Inc entered into an accounts receivable purchasing agreement with Green Bank, N.A and this agreement overrides all the previous such arrangements with Green Bank N.A. entered by Cigniti Technologies Inc and its erstwhile subsidiaries. As per the agreement, Green Bank will advance against the eligible accounts receivable and with effect from February 15, 2017, the total facility is capped at \$ 14,000,000 at any given time. The eligible accounts receivable will be discounted at 1% of the face value of the purchased accounts for the first thirty days that it remains outstanding and then at 0.03% for each additional day that the invoice remains outstanding. Any invoice outstanding beyond ninety days will be charged back to Cigniti Technologies Inc. In the event of default, under the agreement, Cigniti Technologies Inc shall be liable to pay any sums necessary to discharge any lien or encumbrances which is senior to Green Bank's security interest including a delay discount of 0.065 per day will be charged on all past due amounts due from Cigniti Technologies Inc to Green Bank and on the amount of any reserve shortfall.

Effective February 11, 2019, Cigniti has terminated its agreement with Green Bank N.A. and company has entered into an agreement with Commerica bank for short term financing. Total receivable balances factored and yet to be collected as on February 11, 2019 was USD 8,996,478. Green Bank N.A. had a reserve balance payable to the Company of \$ 659,480, resulting in a net liability of USD 7,354,827,

CIGNITI TECHNOLOGIES INC
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020, 2019 AND 2018

including closing charges and interest of \$ 367,298, payable to Green bank N.A. Cigniti has used the line of credit with Comerica bank and settled the total balance payable to Green Bank N.A. as on February 11, 2019. Post closure, an amount of \$ 514,502, which was received by Green Bank N.A. as on March 31, 2019, and was settled to Cigniti post balance sheet date, has been shown as other receivables. The factoring charges, including interest incurred during the twelve months ended March 31, 2019 and 2018 was \$1,461,179 (including closing charges of \$ 351,759) and \$ 1,228,147 respectively.

Note F – Line of Credit

On February 4, 2019, the Company has executed \$ 15,000,000 Master revolving note with Comerica Bank. As per the credit agreement, amount unpaid as per the credit agreement shall not exceed at any time, the face amount of the note or 85% of company's eligible accounts (Eligible accounts as defined in the credit agreement), whichever is lesser. If at any time, the unpaid principal balance exceeds 85% of company's eligible account or the face amount, company will have to repay the excess within one business day without the necessity of notice or demand by bank. Interest is payable monthly, on the first business day of each month, from the date made until the same is paid in full. Daily adjusting LIBOR rate or the extent applicable, the prime referenced rate, will be used for computation of interest plus an applicable margin of 2.5% per annum. The loan is also subject to an unused commitment fee of 0.25% per annum on the unused portion of face amount of this debt. The maturity date of the note is February 4, 2021. The Company is subject to affirmative covenants as per the loan agreement and the financial covenants, as per the agreement are summarized below.

- a. Maintain Tangible effective net worth of not less than
 1. US\$ 500,000 for fiscal quarter ending June 30, 2019
 2. US\$ 1,000,000 for fiscal quarter ending September 30, 2019
 3. US\$ 1,500,000 for fiscal quarter ending December 31, 2019
 4. Commencing as of December 31, 2020 and as of the last day of each succeeding fiscal year thereafter, the minimum amount of consolidated tangible effective net worth to be maintained hereunder during each respective annual period commencing as of each such date shall be increased by 50% of net income of borrower for the respective annual period ending as of each such date, without deduction for losses or negative net income
- b. Maintain a consolidated senior debt to EBITDA of not more than the following:
 1. From the date of the agreement through September 30, 2019 3:1
 2. From and after December 31, 2019 2.5:1
- c. Maintain at all times, a consolidated interest coverage ratio of not less than 2:1

For year ended March 31, 2020 and March 31, 2019 company has paid interest of \$ 410,473 and \$ 50,604 towards new line of credit. Principal balance outstanding as of March 31, 2020 and March 31, 2019 was \$ 9,193,719 and \$ 8,977,956. Company has met the financial covenants as of the reporting date.

Note G – Employee Stock Options

During 2014 and 2015, the parent company granted stock-based compensation to directors and employees of Cigniti Technologies Inc. The amount granted was charged to Cigniti Technologies Inc towards the employee stock option expenses. The stock-based compensation expense has been reflected under staff wages and benefits – support expenses.

Note H - Retirement Benefits

The Company adopted a 401(k)-profit sharing plan for its employees effective August 12, 2014. There is no age or service period requirement for elective deferral eligibility. However, for non-elective contributions and matching contributions eligibility requirement, the employees are eligible to become participants following one year of employment, with at least 1000 hours of service and should have attained a minimum of 21 years of age. The amount of elective deferral allowed is up to 92% of contributing participant's compensation. The company can make matching contributions, based on its sole discretion as determined year to year. The company did not make any contributions during the twelve months ended March 31, 2020 and March 31, 2019.

Note I - Income Taxes

CIGNITI TECHNOLOGIES INC
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020, 2019 AND 2018

The components of the provision for income taxes for the twelve months ended March 31, 2020 and 2019 was as follows:

	As of March 31, 2020	As of March 31, 2019
Current taxes		
State	\$ 365,571	\$ 110,592
Federal	240,243	-
Prior period taxes/(credit)	(66,324)	(2,430,678)
Total – current	\$ 539,490	\$ (2,320,086)
Deferred tax credit	-	-
Deferred tax expense	-	-
Provision for income taxes	\$ 539,490	\$ (2,320,086)

No provision for income taxes was made for the twelve months ending March 31, 2018, as there are operating losses in the current tax period till YTD December 31, 2017. The total estimated taxable loss for the twelve months ended December 31, 2017 was \$ 23,030,591. Of this \$ 7,551,869 was carried back to the previous two tax years and offset against the taxable income for the two years and the balance \$ 15,478,722 was carried forward as Net Operating Loss to be offset against future taxable income. The unutilized carried forward net operating loss as on March 31, 2020 was zero and as on March 31, 2019 was \$ 3,945,850.

The components of the deferred income tax assets and liabilities were as follows:

	As of March 31, 2020	As of March 31, 2019
<u>Deferred income tax assets:</u>		
Provision for doubtful debts	64,605	167,192
Interest on intercompany loans	-	-
Net operating loss carried forward – current year	-	843,735
Depreciation	27,906	272,661
Less: Valuation allowance	(92,511)	(1,283,588)
Net deferred income tax assets	-	-
<u>Deferred income tax liabilities:</u>		
Net deferred income tax liabilities - Depreciation timing difference	-	-
Reported as:		
Deferred income tax assets – Long Term	-	-
Deferred income tax liabilities– Long Term	-	-

Uncertain tax positions: 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 tax years 2019, 2018, 2017 and 2016 were open as of date of report. Management regularly assesses the tax risk of the company's return filing positions for all open years.

The Company is the subject to Internal Revenue Service audit for the year ending December 31, 2016 and 2017. The Internal Revenue Service has not confirmed, as of the date of these financial statements, any changes to the reported taxable income for the year being audited. The findings, if any, will be communicated upon completion of the audit by the Internal Revenue Service. The management does not anticipate any material impact on the financial statements as a result of the audit.

Note J – Related party transactions

In the ordinary course of business, the company enters into transactions with its Parent Company – Cigniti Technologies Limited and its affiliates. During the twelve months ended March 31, 2020, 2019 and 2018 the offshore delivery expenses incurred was \$ 31,948,112, \$ 28,181,457 and \$ 27,378,180 respectively.

Remuneration and expenses paid to Directors, during the twelve months ended March 31, 2020, 2019

CIGNITI TECHNOLOGIES INC
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020, 2019 AND 2018

and 2018 the was:

	Twelve months ended March 31, 2020	Twelve months ended March 31, 2019	Twelve months ended March 31, 2018
Mr. Srikanth C	\$ 600,000*	\$ 750,000*	\$ 251,153
Primentor Inc – Mr. Paneesh Murthy	300,000	300,000	300,000
Travel expenses (Mr.Srikanth)	7,991	9,050	6,764
Travel expenses (Primentor)	43,990	27,502	30,352

* Includes Bonus of \$240,000 for April 2019 to March 2020, \$ 200,000 for June 2018 to March 2019 and \$ 200,000 for June 2017 to May 2018.

Balances payable to directors as of March 31, 2020 and March 31, 2019 is as follows:

	As of March 31, 2020	As of March 31, 2019
Mr. Srikanth C	\$ 224,638	\$ 230,000
Primentor Inc – Mr. Paneesh Murthy	26,078	12,500

Balances outstanding to / from the parent company, affiliates, and Cigniti Technologies Inc as of March 31, 2019 and 2018 were:

	As of March 31, 2020	
	Due from Affiliates	Due to Affiliates
Cigniti Technologies Ltd – Parent Entity	-	\$ 6,325,955
Cigniti Technologies (SA) Ltd	2,823,683	-
Cigniti Technologies Canada Inc	282,096	-
Cigniti UK Ltd	-	979,866
Cigniti Tech Australia Pty Ltd.	1,079,548	-
Total	\$ 4,185,327	\$ 7,305,821

	As of March 31, 2019	
	Due from Affiliates	Due to Affiliates
Cigniti Technologies Ltd – Parent Entity	-	\$ 12,286,765
Cigniti Technologies (SA) Ltd	\$ 2,823,683	-
Cigniti Technologies Canada Inc	180,783	-
Cigniti UK Ltd	-	1,280,899
Cigniti Tech Australia Pty Ltd.	1,079,548	-
Total	\$ 4,084,014	\$ 13,567,664

Note K – Subsequent Events

The Company has evaluated subsequent events through April 29, 2020 the date on which the financial statements were available to be issued. The company does not have any reportable events occurring after March 31, 2020.

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 L – Common Stock

The Company is authorized to issue 1500 shares at \$ 1 par value. As of March 31, 2020, the company had 1000 shares of common stock, issued and outstanding. The entire issued and outstanding common stock is currently held by Cigniti Technologies Ltd.

Note M – Segment Revenues

CIGNITI TECHNOLOGIES INC
NOTES TO FINANCIAL STATEMENTS
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020, 2019 AND 2018

The Company's operations comprise only of software testing, engineering and consulting services on both project and hourly basis 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 N – Risks and Uncertainties of Doing Business

A few of the Company's engagements involve projects that are critical to the operations of its customers' businesses. Any failure in a customer's system could impact the operations of the customer and result in a claim for substantial damages against the Company. However, the Company limits contractually its liability for damages arising from errors, mistakes or omissions in rendering its information technology services, which is enforceable in most instances or would otherwise protect the Company from liability for damages. Further, Company is of the opinion that these risks are adequately covered by insurance and this will not have a material effect on the Company's business, financial condition and results of operations.

Note O – 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,
Cigniti Technologies Inc.,
Irving, TX.

Our report on our audit of the basic financial statements of Cigniti Technologies Inc. for the twelve months ending March 31, 2020, 2019 and 2018 appears on pages 3 & 4. 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 Accountant
Somerset, New Jersey
April 29, 2020

CIGNITI TECHNOLOGIES INC
SUPPLEMENTARY SCHEDULES
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020, 2019 AND 2018

	2020	2019	2018
Other Income			
Foreign exchange gains	\$ 59,897	\$ 49,741	\$ -
Interest income	-	-	20,000
Provision no longer required	488,513	-	-
Miscellaneous income	355,770	53,471	3,475
Total Other Income	\$ 904,180	\$ 103,213	\$ 23,475
Cost of sales			
Offshore delivery expenses	21,724,062	15,751,359	17,544,253
Outside services	12,739,582	10,971,014	7,917,024
Immigration expense	416,587	547,923	956,811
Staff wages and benefits	29,575,007	29,884,765	34,794,410
Travel expenses	942,835	329,365	224,241
Total cost of sales	\$ 65,398,073	\$ 57,484,425	\$ 61,436,739
General & administrative expenses			
Advertising	4,299	2,718	18,389
Bad debts	372,388	124,368	206,419
Bank service charges	48,482	37,122	19,042
Business promotion expenses	2,075,303	1,171,597	416,050
Computer and Internet	16,039	10,692	12,947
Discounts	411,821	271,588	389,487
Dues and subscriptions	430,460	94,239	89,939
Factoring charges	2,155	1,461,179	1,228,147
Forex movement	1,623	-	190,389
Insurance	95,095	191,615	105,465
Legal and professional fees	969,766	1,441,366	1,097,040
Meals and entertainment	69,287	46,467	52,514
Office expenses	146,387	81,238	60,270
Outside services - G&A	10,224,051	12,430,099	9,833,927
Payroll processing fees	47,832	62,930	66,486
Penalty	123	424,189	115,945
Postage and delivery	34,764	41,042	26,019
Printing & Stationary	9,209	13,565	10,286
Provision for bad and doubtful debts	-	585,430	434,509
Recruitment Expenses	379,993	167,189	200,223
Rent	383,125	383,281	532,303
Sales and marketing	1,550,896	1,584,664	2,063,538
Software Licencing Cost	533,646	413,898	244,002
Staff wages and benefits - support	4,833,456	5,006,564	4,752,684
State taxes	-	158,158	87,590
Tax & License	69,433	10,940	14,786
Telephone	161,921	129,634	176,951
Travel	1,025,190	1,119,811	1,081,530
Utilities	29,186	32,395	45,360
Total general & administrative expenses	\$ 23,925,930	\$ 27,497,980	\$ 23,572,237

(See Auditor's report, report on supplemental information and accompanying notes to financial statements)