CIGNEX Datamatics Inc. and Subsidiaries

Consolidated Financial Statements
March 31, 2020 and March 31, 2019

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Independent Auditor's Report

Board of Directors
CIGNEX Datamatics Inc. and Subsidiaries

We have audited the accompanying consolidated financial statements of CIGNEX Datamatics, Inc. and its subsidiaries ("the Company"), which comprise the consolidated balance sheets as of March 31, 2020 and March 31, 2019, and the related consolidated statement of comprehensive income, consolidated statement of changes in stockholder's equity and consolidated statement of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We did not audit the financial statements of foreign subsidiaries based in Singapore, India, United Kingdom and Germany, financial statements of which reflect total assets constituting approximately 65 and 63 percent of total consolidated assets as of March 31, 2020 and March 31, 2019, respectively, and total revenues constituting approximately 46 and 47 percent of the total consolidated revenues for the years ended March 31 2020 and March 31, 2019, respectively. The financial statements of CIGNEX Datamatics Technologies Limited (India) were audited by other auditors in accordance with Standards of Auditing issued by the Institute of Chartered Accountants of India, whose report has been furnished to us. For the year ended March 31, 2020, we were unable to obtain audited financial statements for CIGNEX Datamatics UK Limited, a private company, registered in England and Wales, which is a wholly owned subsidiary of the Company. The financial statements of the UK subsidiary reflect total assets constituting approximately 0.02 percent of total consolidated assets as of March 31, 2020 and total revenues constituting NIL percent of the total consolidated revenues for the year then ended. The financial statements of CIGNEX Datamatics UK Limited for the year ended March 31, 2019, were audited by other auditors in accordance with International Standards on Auditing (UK), whose report has been furnished to us. The financial statements of CIGNEX Datamatics Pte. Ltd. were audited by other auditors in accordance with Singapore Standards on Auditing, whose report has been furnished to us. The financial statements of the subsidiary in Germany were compiled by other accountants and constitute approximately 0.23 and 0.35 percent as of March 31, 2020 and March 31, 2019, respectively, of the consolidated assets and approximately 0.09 and 0.27 percent for the years ended March 31, 2020 and March 31, 2019, respectively, of consolidated revenues of the Company. Our opinion, insofar as it relates to the amounts included for the subsidiaries, is based solely on the report of, and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States, performed by, the other accountants. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We did not audit the financial statements of the foreign subsidiaries, which statements reflect approximately 65 and 63 percent of total consolidated assets as of March 31, 2020 and March 31, 2019, respectively, and approximately 46 and 47 percent of the total consolidated revenues for the years ended March 31, 2020 and March 31, 2019, respectively. These statements were audited and compiled by other auditors and accountants, respectively, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for foreign subsidiaries, is based on the report of the other auditors and accountants and our evaluation of the appropriateness of the adjustments to convert the component's financial statements to the financial reporting framework used by the Company.

Basis for qualified opinion

We were unable to obtain audited financial statements for Duo Consulting, Inc., formerly known as DuoDesign, L.L.C., a Delaware Corporation ("Delaware subsidiary"), in which the Company has 66 percent ownership of voting common stock. The financial statements of the Delaware subsidiary reflect total assets constituting approximately 03 percent of total consolidated assets as of March 31, 2020 and March 31, 2019, and total revenues constituting approximately 07 and 09 percent of the total consolidated revenues for the years then ended, respectively.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the "Basis for qualified opinion" paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CIGNEX Datamatics, Inc. and its subsidiaries as of March 31, 2020 and March 31, 2019, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Report on segment information – supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The segment information – supplementary information pertaining to consolidating balance sheet as at March 31, 2020, consolidating statement of income and comprehensive income and consolidating schedules of revenues, cost of revenues and selling and administrative expenses for the year ended March 31, 2020, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KNAV P.A.

Atlanta, Georgia
May 14, 2020

Consolidated Financial Statements

Consolidated balance sheets

(All amounts in United States Dollars, unless otherwise stated)	As at March 31, 2020	As at March 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	7,281,162	3,283,577
Accounts receivable, net	5,626,165	5,701,314
Investments in marketable securities	673,406	2,475,338
Prepaid expenses and other current assets	1,305,346	1,351,260
Due from related party	1,216,881	902,801
Total current assets	**16,102,960**	**13,714,290**
Property, equipment and software, net	111,556	244,415
Goodwill and other intangibles, net	-	2,632,898
Investments	165,366	-
Restricted cash	811	829
Deferred tax assets, net	224,333	122,869
Other assets	171,559	532,767
Total assets	**16,776,585**	**17,248,068**
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Borrowings under short term line of credit	412,271	337,342
Accounts payable	1,541,148	893,598
Deferred revenue	975,854	1,451,527
Other current liabilities	2,500,052	2,742,893
Total current liabilities	**5,429,325**	**5,425,360**
Due to related party	275,478	275,478
Deferred tax liabilities, net	906,126	1,020,273
Other liabilities	564,380	342,205
Total liabilities	**7,175,309**	**7,063,316**
Stockholders' equity		
Common stock	525	525
Additional paid-in-capital	1,846,391	1,846,391
Accumulated surplus	9,562,633	8,314,788
Accumulated other comprehensive loss	(1,690,412)	(897,288)
Total stockholder's equity	**9,719,137**	**9,264,416**
Non-controlling interest in subsidiaries	(117,861)	920,336
Total equity	**9,601,276**	**10,184,752**
Total liabilities and equity	**16,776,585**	**17,248,068**

(The accompanying notes are an integral part of these consolidated financial statements)

Consolidated statements of comprehensive income

(All amounts in United States Dollars, unless otherwise stated)

	Year ended March 31, 2020	Year ended March 31, 2019
Revenues, net of allowances & rebates		
Consulting income	26,157,307	26,083,685
Software license resale	1,259,911	1,351,001
Reimbursable expenses	103,930	45,725
Service, maintenance, and support	106,286	585,247
Total revenues	**27,627,434**	**28,065,658**
Costs and expenses		
Cost of revenues	18,001,053	16,715,214
Personnel cost	3,245,588	4,308,205
Selling, general and administrative expenses	3,006,930	3,541,684
Depreciation	73,924	117,385
Interest expense	48,173	42,275
Total costs and expenses	**24,375,668**	**24,724,763**
Operating income	**3,251,766**	**3,340,895**
Other (expenses) income		
Interest (expense) income	(18,436)	14,591
Unrealized exchange gain (loss)	271,874	(22,218)
Goodwill impairment expense	(2,228,985)	-
Loss on deconsolidation of subsidiary	(83,135)	-
Other income	144,663	143,780
Total other (expenses) income	**(1,914,019)**	**136,153**
Income before taxes	**1,337,747**	**3,477,048**
Income tax expense		
Current tax expense – US	(680,433)	(529,663)
Current tax expense – foreign	(313,276)	(417,444)
Deferred tax benefit (expense)	137,565	(363,929)
Total income taxes	**(856,144)**	**(1,311,036)**
Net income	**481,603**	**2,166,012**
Net income (loss) attributable to non-controlling interest	766,242	(40,090)
Net income after non-controlling interest	**1,247,845**	**2,125,922**
Other comprehensive (loss) income		
Foreign currency translation adjustment	(419,298)	(264,436)
(Loss) gain on cash flow hedging derivatives	(417,649)	45,989
Other comprehensive (loss) income before income tax effect	**(836,947)**	**(218,447)**
Income tax related to items of other comprehensive income	(58,410)	(55,278)
Total other comprehensive (loss) income	**(895,357)**	**(273,725)**
Comprehensive income	**352,488**	**1,852,197**
Comprehensive income (loss) attributable to non-controlling interest	271,955	(40,987)
Comprehensive income attributable to stockholders	**624,443**	**1,811,210**

(The accompanying notes are an integral part of these consolidated financial statements)

Statements of changes in stockholder's equity

(All amounts in United States Dollars, except number of shares)

	Stockholder's equity						
	Common stock		Additional	Accumulated other comprehensive	Accumulated	Non-controlling	
	Share	Value	paid in capital	loss	surplus	interest	Total
Balance as at April 01, 2018	**52,517**	**525**	**1,846,391**	**(623,562)**	**6,188,866**	**881,143**	**8,293,363**
Currency translation adjustment	-	-	-	(264,436)	-	(897)	(265,333)
Loss on cash flow hedging derivatives, net of taxes	-	-	-	(9,290)	-	-	(9,290)
Net income	-	-	-	-	2,125,922	40,090	2,166,012
Balance as at March 31, 2019	**52,517**	**525**	**1,846,391**	**(897,288)**	**8,314,788**	**920,336**	**10,184,752**
Currency translation adjustment	-	-	-	(418,668)	-	-	(418,668)
Loss on cash flow hedging derivatives, net of taxes	-	-	-	(359,239)	-	-	(359,239)
Deconsolidation of subsidiary	-	-	-	(15,217)	-	(271,955)	(287,172)
Net income (loss)	-	-	-	-	1,247,845	(766,242)	481,603
Balance as at March 31, 2020	**52,517**	**525**	**1,846,391**	**(1,690,412)**	**9,562,633**	**(117,861)**	**9,601,276**

(The accompanying notes are an integral part of these consolidated financial statements)

Consolidated statements of cash flows

(All amounts in United States Dollars, unless otherwise stated)

	Year ended March 31, 2020	Year ended March 31, 2019
Cash flows from operating activities		
Net income	481,603	2,166,012
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	73,924	117,385
Gain on sale of investments	-	(97,378)
Deferred tax (benefit) expense	(137,565)	363,929
Allowance for doubtful accounts	3,973	-
Unrealised exchange loss	1,085	-
Goodwill impairment loss	2,228,985	-
Loss on deconsolidation of subsidiary	83,135	-
Changes in assets and liabilities		
Accounts receivable, net	(2,379,864)	(2,056,390)
Due to related party	2,442,772	359,121
Prepaid expenses and other current assets	(51,152)	228,607
Other assets	221,357	(92,817)
Accounts payable	164,795	409,763
Deferred revenue and other current liabilities	(488,729)	1,355,244
Other liabilities	(107,002)	(92,816)
Net cash provided by operating activities	**2,537,317**	**2,660,660**
Cash flow from investing activities		
Purchase of property, equipment, and software	(7,373)	(61,942)
Proceeds from sale of short-term investment	1,699,295	175,325
Purchase of short-term investment	-	(1,448,678)
Proceeds from partial sale in investment in subsidiary	33,073	-
Reduction of cash due to deconsolidation of subsidiary	(4,748)	-
Net cash provided by (used in) investing activities	**1,720,247**	**(1,335,295)**
Cash flow from financing activities		
Inter-corporate loan to Parent Company	(314,080)	(902,801)
Proceeds from short term borrowings	74,928	27,342
Net cash provided by (used in) financing activities	**(239,152)**	**(875,459)**
Net increase in cash, cash equivalents and restricted cash	**4,018,412**	**449,906**
Foreign currency translation adjustment	(20,845)	(19,162)
Cash, cash equivalents and restricted cash at the beginning of the year	3,284,406	2,853,662
Cash, cash equivalents and restricted cash at the end of the year	**7,281,973**	**3,284,406**
Supplemental disclosure of cash flow information		
Cash paid for income taxes		
- US	715,557	36,595
- Foreign	9,691	12,575
Interest paid		
- US	-	17,348
- Foreign	-	458

(The accompanying notes are an integral part of these consolidated financial statements)

Notes to Consolidated Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements are as follows:

1. *Business description*

CIGNEX Datamatics, Inc. ("the Company" or "CIGNEX"), is a wholly owned subsidiary of CIGNEX Global Holding Corporation, a company registered in British Virgin Islands. The Company specializes in IT consulting services that enable enterprises to migrate to Open Source technologies across Enterprise Content Management, Portals & Social Collaboration, e-commerce, Business Intelligence and Enterprise Resource Planning. The Company was incorporated in year 2000 in the state of California.

On April 1, 2016, the Company effectuated a tax-free merger under Section 368 of the Internal Revenue Code. Section 368(a)(1)(F) allows for a tax-free reorganization where there is a mere change in identity, form, or place of organization of one corporation, however effected. The tax-free reorganization enabled the corporation organized in California to operate in Michigan and transfer the corporate charter while retaining its corporate tax attributes, history, and licenses.

The Company is the beneficiary of software development and maintenance services provided by its Indian subsidiary, CIGNEX Datamatics Technologies Limited (Cignex India). In September 2016, Cignex India completed acquisition of 51% of membership interest in Attune Infocom Private Limited (Attune). The Company uses its Singapore based subsidiary, CIGNEX Datamatics Pte. Ltd., for sales and marketing services in the region. Two wholly owned subsidiaries, CIGNEX Datamatics GMbH (Germany) and CIGNEX Datamatics UK Limited, were incorporated in April 2014 and July 2015, respectively, for expansion of services in the European market. In February 2016, CIGNEX Datamatics, Inc. completed acquisition of 66% of the outstanding membership interest in Duo Consulting, Inc. formerly known as DuoDesign, L.L.C. In March 2016, CIGNEX Datamatics, Inc. entered into a stock purchase agreement to acquire 51% of outstanding shares of Elevondata Labs Holdings, Inc. ("Elevondata"), a Delaware Corporation. Effective March 15, 2018, the Company surrendered all of its interest in Elevondata for a consideration of $450,000. On September 09, 2019, Attune and Cignex India entered into a share purchase agreement with the non-controlling shareholder, which led to loss of control over the operations of Attune for Cignex India (refer note B).

2. *Basis of preparation*

The accompanying consolidated financial statements include the accounts of CIGNEX Datamatics, Inc. and its subsidiaries. These consolidated financial statements are prepared under the historical cost convention on the accrual basis of accounting in accordance with the accounting and reporting requirements of generally accepted accounting principles in the United States ('US GAAP') to reflect the consolidated financial position, results of operations and cash flows of the Company.

All amounts are stated in United States dollars, except as otherwise specified. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous period.

Certain reclassifications, regroupings and reworking have been made in the consolidated financial statements of prior year to conform to the classifications used in the current year. These changes had no material impact on previously reported consolidated statement of comprehensive income or stockholder's equity.

Basis of consolidation
The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, CIGNEX Datamatics Technologies Limited., CIGNEX Datamatics Pte. Ltd., CIGNEX Datamatics GmbH and CIGNEX Datamatics UK Limited. The consolidated financial statements also include the accounts of Attune Infocom Private Limited (acquired during the year ended March 31, 2017 by the India subsidiary) and Duo Consulting, Inc. ("Duo") formerly known as DuoDesign, L.L.C., from the date of acquisition. For the year ended March 31, 2020, the Company deconsolidated Attune Infocom Private Limited and recorded a loss on deconsolidation (refer note B). The non-controlling interest for the allocable portion of income or loss and

comprehensive income or loss to which the noncontrolling interest holders are entitled, based upon their ownership share of the affiliate, is reported as a separate component of equity. Distributions made to the holders of non-controlling interests are charged to the respective non-controlling interest balance.

All significant intercompany accounts and transactions have been eliminated. The Company and its subsidiaries are collectively referred as the Company and these consolidated financial statements are referred to as the consolidated financial statements of the Company.

3. *Estimates and assumptions*

The preparation of consolidated financial statements in conformity with US GAAP requires management 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 consolidated financial statements and the results of operations during the reporting periods. The Company's most significant estimates relate to the management's forecasts of anticipated revenues from providing information technology related services, determination of allowances for doubtful accounts receivable, determination of useful lives for property, equipment, software & intangible assets, impairment of other tangible, goodwill & intangible assets, provisions for employee benefit obligations, valuation of derivative financial instruments, realization of deferred tax assets, income tax uncertainties and other contingencies. The estimates are made using historical information and other relevant factors available to management. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

4. *Foreign currency translation*

The consolidated financial statements are reported in US dollars. The functional currency of the Company's foreign subsidiaries is the local currency in the respective country. The assets and liabilities of foreign operations, whose functional currency is other than the US dollars are translated to US dollars using the exchange rates in effect as of the balance sheet date and revenues and expenses are translated using a yearly average exchange rate prevailing during the respective periods. Gains and losses from such currency translation are reported under accumulated other comprehensive income as a separate component of stockholder's equity. Transaction gains and losses that arise from exchange rate fluctuation on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred.

5. *Cash and cash equivalents*

The Company considers all highly liquid investments and deposits with a remaining maturity of three months or less on the date of purchase to be cash and cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

6. *Revenue recognition*

For the year ended March 31, 2019, the Company generated revenue from consulting services, resale of software licenses, subscriptions, support, and maintenance. Consulting service arrangements are billed on time-and-material basis and associated revenue is recognized when (i) written evidence that an arrangement exists; (ii) the service has been performed and the Company has no significant remaining obligation; (iii) the price to the buyer is fixed or determinable; and (iv) collectability is reasonably assured.

Revenue from third-party software license resale is recognized when delivered to customer, as it meets the criteria for fixed or determinable fees and the payment from customers is not contingent upon purchase or delivery of future maintenance and support. Revenue from support and maintenance, is recognized ratably over the contractual service period, which is typically three to twelve months.

Unbilled revenue represents value of services performed in accordance with the contract terms but not billed. Deferred revenue on the accompanying balance sheets represents amounts collected or billed prior to satisfying the above revenue recognition criteria.

Effective April 01, 2019, the Company has adopted Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) using modified retrospective method of transition to change its accounting policies; however, they did not have any significant impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods. Revenue is recognized upon transfer of control of products or services promised to customers in an amount that reflects the consideration the Company expects to receive in exchange for these products or services. Please refer to Note M, "Revenue from Contracts with Customers" for further information.

To achieve the same the Company applied the following five-step process:
Step 1: Identify the contract with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company primarily earns revenue from consulting services from time and material and fixed price contracts. Revenue with respect to such contracts is recognized as related services are performed applying the contracted rates.

Revenues are recognized over time when the entity's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

Revenue from contracts priced on time and material basis are recognized when services are rendered. Revenue from services performed on "fixed price" basis is recognized using the proportionate completion method.

The Company provides consulting services in the field of designing, development and testing of software and invoices its clients based on the hours worked. The Company has a statement of work ("SOW") with each customer. The SOW contains the details of the hours worked and the hourly billing rate for invoicing.

Revenue from third-party software license resale is recognized when delivered to customer, as it meets the criteria for single performance obligation and performance obligations are satisfied at a point in time when control transfers to the customer, and the payment from customers is not contingent upon purchase or delivery of future maintenance and support. Performance obligations for support and maintenance services are recognized rateably over the accounting term of the contract.

<u>Contract balances</u>
The timing of revenue recognition, billings and cash collections results in billed trade receivables, contract assets (unbilled receivables) and contract liabilities (deferred revenue). Contract assets are recorded when the right to consideration is conditioned on something other than the passage of time. Contract assets are reclassified to trade receivables on the balance sheet when the rights become unconditional. Contract liabilities represent customer deposits and deferred revenue billed and/or received in advance of fulfilment of performance obligations. Contract liabilities will convert to contract revenue as the Company performs obligations under the contract.

<u>Practical expedients and contract costs</u>
The Company applies the practical expedient available under Accounting Standard Codification ("ASC") 606 that permits not to disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less. In addition, there are no unsatisfied performance obligations for contracts greater than one year. Costs incurred to obtain or fulfil a contract are not material.

7. *Advertising costs*

Non-response advertising costs are presented as part of selling, general, and administrative expenses in the consolidated statement of comprehensive income. Advertising costs are expensed as incurred.

8. *Allowance for doubtful accounts*

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management analyses accounts receivable and the composition of the accounts receivable aging, historical bad debts, current economic trends, and customer credit worthiness when evaluating the adequacy of the allowance for doubtful accounts. Bad debt expense is included in selling, general and administrative expenses in the consolidated statements of comprehensive income.

9. *Property, equipment, and software*

Property, equipment, and software, consisting of software, computer and office equipment, motor vehicle, furniture, and leasehold improvements, is stated at cost less accumulated depreciation and amortization. Amortization and depreciation are calculated on the straight-line method over the estimated useful lives of the assets. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized Repairs and maintenance are charged to expense as incurred. The estimated useful lives used to determine depreciation are as follows:

Nature of assets	Estimated useful life of assets
Software	3-5 years
Computer and equipment	3-6 years
Motor vehicle	10 years
Furniture	5-10 years

10. *Business combinations, goodwill, and intangible assets*

The Company accounts for goodwill and intangible assets in accordance with ASC 350, Intangibles – Goodwill and Other ("ASC 350"). ASC 350 requires that goodwill and other intangibles with indefinite lives should be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of an asset has decreased below its carrying value.

Goodwill is tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

The Company has adopted the provisions of ASU 2017-04, "Intangibles -Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). ASU 2017-04 eliminates the second step of the goodwill impairment test. For goodwill impairment tests, if the carrying value of a reporting unit exceeds its fair value, the Company will measure any goodwill impairment losses as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit.

The Company amortizes intangible assets over their estimated useful lives unless such lives are determined to be indefinite. Amortizable intangible assets are amortized over their estimated useful lives in proportion to the economic benefits consumed in each period. Intangible assets with indefinite lives are tested at least annually for impairment and written down to the fair value as required (refer note B).

11. *Impairment of long-lived assets*

Long-lived assets and finite lived intangibles are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying amounts of assets may not be recoverable. Each impairment test is based on a comparison of the undiscounted cash flows expected to be generated from the use of the asset to its recorded value. If impairment is indicated, the asset is written down to its fair value. Long-lived assets, to be disposed are reported at the lower of the carrying value or fair value less cost to sell.

12. *Operating leases*

Lease agreements are classified as either capital or operating leases.

Rent expense on operating leases is recognized on a straight-line basis over the term of the lease including renewal terms if, at inception of the lease, renewal is reasonably assured.

13. *Commitments and contingencies*

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

14. *Retirement and employee benefits*

Defined contribution plan
The Company's contributions to provident fund and employee state insurance scheme are considered as defined contribution plans and are charged as an expense based on the amount of contribution as required to be made and when services are rendered by the employees.

Defined benefit plans
The Company provides for a gratuity obligation, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employees. The plan provides for lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount equivalent to 15 days (15/26) salary payable to the respective employee's salary for each completed year of service, with a maximum of $26,459 (₹2,000,000).

Actuarial gains and losses, which occur when actual experience differs from actuarial assumptions, are reflected in stockholders' equity (net of taxes). The funded status of the pension and postretirement plans is reflected on the consolidated balance sheets.

Compensated absences
The liability for compensated absences for employees of Cignex India is determined by actuarial valuation carried out by an independent actuary as at each balance sheet date and provided for in the consolidated statement of comprehensive income as incurred in the year in which services are rendered by the employees. The actuarial valuation method used for measuring the liability is the Projected Unit Credit Method.

The actuarial gains and losses are recognized immediately in the consolidated statement of comprehensive income.

Post-employment benefits
Post-employment and other long-term employee benefits are recognized as an expense in the consolidated statement of comprehensive income for the year in which the employee has rendered services.

15. *Income taxes*

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. 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 to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded for deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. ASC 740 also provides guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. All deferred tax assets and liabilities, along with any related valuation allowance, is classified as non-current on the consolidated balance sheets.

The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company recognizes interest and penalties related to uncertain tax positions within the provision for income taxes.

16. *Derivative instruments and hedge accounting*

The Indian subsidiary uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Such forward contracts are utilized against the inflow of funds under firm commitments. The Company does not use the forward contact for speculative purposes. The Company designates these hedging instruments as cash flow hedge. The use of hedging instruments is governed by the Company's policies, which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy. Hedging instruments are initially measured at fair value and are re-measured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognized directly in the consolidated statement of stockholder's equity and the ineffective portion is recognized in the consolidated statement of comprehensive income.

For the year ended March 31, 2020, other comprehensive income includes losses of approximately $217,233 (₹16,420,669) and for the year ended March 31, 2019, other comprehensive income includes gains of approximately $200,415 (₹13,856,695) related to cash flow hedges.

17. *Investment in marketable securities*

Investment in marketable securities are classified as available for sale and are reported at fair value. The investments are reviewed for other-than-temporary impairment whenever events or changes in business circumstances indicate that the carrying value of the investment may not be fully recoverable. Realized gains and losses from sale of securities are determined using specific identification method and are reported in the consolidated statement of comprehensive income. Unrealized gains and losses on securities are reported as other income in the consolidated statement of comprehensive income.

18. *Fair value measurements and financial instruments*

The Company applies fair value measurements to certain assets, liabilities and transactions that are periodically measured at fair value.

Assets and liabilities recorded at fair value in the financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1- Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2- Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3- Unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, loan and advances, investments in marketable securities, foreign currency forward contracts and accrued liabilities. The estimated fair value of cash, accounts receivable, accounts payable, loan and advances, investments in marketable securities, foreign currency forward contracts and accrued liabilities approximate their carrying amounts due to the short-term nature of these instruments.

19. *Recent accounting pronouncements*

In February 2016, the FASB issued ASU 2016-02, Leases, which requires lessees to recognize right-of-use assets, representing their right to use the underlying asset for the lease term, and lease liabilities on the balance sheet for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing and uncertainty of cash flows arising from leases. The standard requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. The guidance is effective for annual periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early adoption is permitted.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) - Statement of Cash Flows (Topic 230): Restricted Cash. The amendments in this update 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 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 guidance is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The Company has adopted this standard and appropriately presented the restricted cash on its consolidated statements of cash flow.

In January 2017, the FASB issued ASU 2017-01, Clarifying the Definition of a Business (Topic 805), which provides guidance on evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The new guidance amends ASC 805 to provide a more robust framework to use in determining when a set of assets and activities is a business. In addition, the amendments provide more consistency in applying the guidance, reduce the costs of application, and make the definition of a business more operable. The guidance is effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted.

NOTE B - BUSINESS ACQUISITIONS & DIVESTITURES

On February 18, 2016 CIGNEX Datamatics, Inc. completed the acquisition of 66% of membership interest in Duo Consulting, Inc.

In September 2016, CIGNEX Datamatics Technologies Limited completed acquisition of 51% of membership interest in Attune Infocom Private Limited.

The Company recognized following in goodwill resulting from acquisitions up to year ended March 31, 2019:

Acquisition of Duo Consulting, Inc.	2,228,985
Acquisition of Attune Infocom Private Limited by CIGNEX Datamatics Technologies Limited	403,527
Total	**2,632,512**

In April 2016 CIGNEX Datamatics, Inc. completed acquisition of 51% of outstanding shares of common stock of Elevondata Labs Holdings, Inc. (“Elevondata”), a Delaware corporation.

Effective March 15, 2018, the Company surrendered all of its interest in Elevondata for a consideration of $450,000, of which $350,000 were paid to CIGNEX within 45 days from March 15, 2018, and the remaining $100,000 shall be adjusted through sub-contracting of certain services by CIGNEX to Elevondata or its affiliates, subsidiaries or assigns. Cignex Datamatics, Inc. has created an allowance amounting to $100,000 during the year ended March 31, 2019 against this receivable as the management is of the view that they may not receive the sub-contracting services.

On April 20, 2020, a majority owned subsidiary of the Company, Duo Consulting Inc. ("Duo"), entered into a sale and assignment agreement (“asset purchase agreement”) with a third party. Under the terms of the agreement, Duo has agreed to sell and assign certain employees along with customer contracts, and business IT systems for a total consideration of $742,000. The group of assets sold to the third-party buyer meets the definition of business under ASC 805. Consequently, management, in its annual assessment for goodwill impairment, impaired the entire goodwill associated with Duo amounting to $2,228,985 in the consolidated financial statements. Out of the total goodwill impairment of $2,228,985, an impairment loss of $1,471,130 is attributable to the Company and the remainder is attributable to the non-controlling interest.

On September 09, 2019, Attune Infocom Private Limited (“Attune”), a majority owned subsidiary and Cignex Datamatics Technologies Limited (“Cignex India”), a wholly owned subsidiary of the Company, entered into a share purchase agreement with the non-controlling shareholder, pursuant to which Cignex India agreed to sell its entire ownership interest in Attune to the non-controlling shareholder, in a phased manner for a total consideration of

$198,439. The payment will be received in 6 tranches against a sale of 8.5% ownership interest in each tranche. As at March 31, 2020, the Company has received $33,073 against a sale of 8.5% ownership in Attune.

The management concluded that the Company no longer met the accounting criteria for consolidation of Attune due to loss of control over the operations of Attune. Effective September 09, 2019, the Company deconsolidated the subsidiary. The Company recorded a loss of $83,135 due to the deconsolidation. The recorded loss also included historical cumulative translation adjustments related to operations of Attune that had previously been recorded in accumulated other comprehensive losses within equity.

NOTE C - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

	As at March 31, 2020	As at March 31, 2019
Bank balances	7,279,836	3,282,207
Cash in hand	1,326	1,370
Total	**7,281,162**	**3,283,577**

Restricted cash, consisting of foreign time deposits, amounting to $811 and $829 as at March 31, 2020 and March 31, 2019, respectively, are included in cash, cash equivalents and restricted cash on the consolidated statement of cash flows.

Cash balances on deposit with US banks are insured by the Federal Deposit Insurance Corporation up to $250,000.

NOTE D - ACCOUNTS RECEIVABLE, NET

Accounts receivable, are not secured, and represent amounts primarily resulting from consulting fees, license resale and service, maintenance, and training services. Accounts receivable, net, as of March 31, 2020 and March 31, 2019 were as follows:

	As at March 31, 2020	As at March 31, 2019
Due from customers	5,303,880	4,991,340
Due from related parties	-	44,724
Unbilled receivables	326,126	665,250
Total receivables	**5,630,006**	**5,701,314**
Allowance for doubtful accounts	(3,841)	-
Accounts receivable, net	**5,626,165**	**5,701,314**

Changes in the allowance for doubtful accounts during the year were as follows:

	Year ended March 31, 2020	Year ended March 31, 2019
Beginning balance	-	866,441
Add: provisions during the year	3,973	-
Less: write offs during the year	-	(866,441)
Effects of foreign exchange	(132)	-
Closing balance	**3,841**	**-**

NOTE E - ACCOUNTS PAYABLE

Accounts payable consisted of the following:

	As at March 31, 2020	As at March 31, 2019
Due to vendors	1,541,148	633,481
Due to related parties	-	260,117
Total	**1,541,148**	**893,598**

NOTE F - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	As at March 31, 2020	As at March 31, 2019
Prepaid expenses	187,103	612,456
Security deposits	1,337	1,402
Loans and advances	66,146	185,438
Other	1,050,760	551,964
Total	**1,305,346**	**1,351,260**

NOTE G - PROPERTY, EQUIPMENT AND SOFTWARE, NET

Property, equipment, and software consisted of the following:

	As at March 31, 2020	As at March 31, 2019
Computer and equipment	1,248,193	1,332,611
Furniture	254,294	313,871
Software	171,502	185,023
Motor vehicle	7,085	7,747
	1,681,074	**1,839,252**
Less: accumulated depreciation	(1,569,518)	(1,594,837)
Property, equipment and software, net	**111,556**	**244,415**

Depreciation expense for the year ended March 31, 2020 and 2019 was $73,924 and $117,385, respectively.

NOTE H -MARKETABLE SECURITIES

Company's India subsidiary invests in traded open-ended funds in India. The primary investment objective of the funds is to generate returns through investments in money market instruments. As of March 31, 2020, and March 31, 2019, the fair value of the marketable securities was approximately $673,406 (₹50,902,727) and approximately $2,475,338 (₹171,144,848), respectively. For the year ended March 31, 2020, the Company's India subsidiary reported realized gains of $130,686 and unrealized loss of $20,612 and for the year ended March 31, 2019 realized gains of $71,594 and unrealized gains $25,784, respectively.

For the years ended March 31, 2020 and March 31, 2019 the Company did not report any impairment charges related to these investments.

NOTE I - OTHER ASSETS

Other assets consisted of the following:

	As at March 31, 2020	As at March 31, 2019
Deposits	86,482	120,842
Advances	9,922	18,343
Others	75,155	393,582
Total	**171,559**	**532,767**

NOTE J - OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following:

	As at March 31, 2020	As at March 31, 2019
Provisions and accruals	1,714,860	1,852,416
Payroll liabilities	631,245	561,923

	As at March 31, 2020	As at March 31, 2019
Taxes payable	48,425	196,775
Other payables	105,522	131,779
Total	**2,500,052**	**2,742,893**

NOTE K - INCOME TAXES

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due and deferred tax liability for undistributed earnings of 100% owned foreign subsidiaries and, deferred tax asset for overpaid foreign taxes that are available to offset future taxable income of foreign subsidiary.

Since the financial results of the Company and its 100%-owned Indian subsidiary are consolidated for financial reporting but earnings from the investment in the subsidiary are included in taxable income only when they are remitted and received, the outside basis of the investment by US parent differs for financial and income tax reporting, primarily attributed to undistributed earnings of the India subsidiary. As of the date of this report it is not certain as to what portion of undistributed earnings is indefinitely invested. Per ASC 740-10-25 deferred tax liability is recognized on 100% of the undistributed earnings of the India subsidiary.

The Company files federal and state tax returns as per the regulations applicable to Chapter C corporations in United States.

Details of the Company's income tax (expense) benefit are set forth below:

	Year ended March 31, 2020	Year ended March 31, 2019
Current tax expense		
Federal	(512,579)	(383,826)
State	(167,854)	(145,837)
Foreign	(313,276)	(417,444)
Total current tax expense	**(993,709)**	**(947,107)**
Deferred tax benefit (expense)		
Federal	187,114	(322,823)
State	(72,967)	(27,323)
Foreign	23,418	(13,783)
Total deferred tax benefit (expense)	**137,565**	**(363,929)**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred income taxes as at March 31, 2020 and March 31, 2019 are as follows:

	As at March 31, 2020	As at March 31, 2019
Deferred tax assets		
Accrued vacation	41,658	39,562
Accrued commission	10,318	50,070
Provision for expected losses	-	26,682
Capital loss carryover	24,719	42,347
Net operating loss	-	60,226
Rent equalization reserve	41	40
Foreign deferred tax assets	224,333	122,869
Total deferred tax assets	**301,069**	**341,796**
Deferred tax liabilities		
Depreciable assets	2,849	5,382
Undistributed earnings of foreign subsidiary	980,013	1,233,818
Total deferred tax liabilities	**982,862**	**1,239,200**

	As at March 31, 2020	As at March 31, 2019
Components of net deferred taxes (liabilities) assets		
Net portion, domestic	(906,126)	(1,020,273)
Net portion, foreign	224,333	122,869

In assessing the realization of deferred tax assets, the likelihood of whether it is more likely than not that some portion or all of the deferred tax assets will not be realized must be considered. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which temporary difference become deductible. Management considers the projected future taxable income and tax planning strategies in making this assessment. Based on the history of taxable income and future projections, the management believes there exists reasonable certainty regarding reversibility of deferred tax assets.

The Tax Cuts and Jobs Act ("TCJA/ the Act") created a new requirement that certain income earned by foreign subsidiaries, known as global intangible low-tax income ("GILTI"), must be included in the gross income of their U.S. shareholder. The FASB allows an accounting policy election of either recognizing deferred taxes for temporary differences expected to reverse as GILTI in future years or recognizing such taxes as a current-period expense when incurred. During the year ended March 31, 2020, the Company has elected to treat the tax effect of GILTI as a current-period expense when incurred.

Realization of deferred tax assets is dependent upon future earnings, if any, the timing, and amount of which are uncertain. Utilization of the Company's net operating losses ("NOL") may also be subject to substantial annual limitation due to ownership change limitations, provided by Internal Revenue Code and similar state provisions, which could result in expiration of NOL's before utilization. As of March 31, 2020, and March 31, 2019, the India subsidiary has realizable deferred tax assets of $224,333 (₹16,957,309) and $122,869 (₹8,495,193), respectively.

Accounting for uncertain tax positions

The Company recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this standard had no material effect on the Company's financial position, results of operation or cash flows.

The tax years of 2016 through 2018 remain subject to examination by the taxing authorities in the US. The statute of limitations for various other jurisdictions is based on the various local laws but generally it is in the range of 3 – 7 years.

NOTE L - FAIR VALUE MEASUREMENT

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including financial instruments. The fair value measurements of these financial instruments were determined using the following inputs as on March 31, 2020 and March 31, 2019, respectively:

		As of March 31, 2020		
Assets	**Amount**	**Quoted price in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant other unobservable inputs (Level 3)**
<u>*Cash, cash equivalent and restricted cash*</u>				
Balance in INR	₹8,191,999	$108,374	-	-
Balance in GBP	£2,922	$3,621	-	-
Balance in Euro	€28,673	$31,609	-	-
Balance in SGD	S$244,925	$172,377	-	-
Mutual funds in INR	₹50,902,727	$673,406	-	-
Foreign exchange forward contracts in INR	(₹16,420,669)	-	($217,233)	-
Total		**$989,387**	**($217,233)**	-

		As at March 31, 2019		
		Quoted price in active markets for identical assets	Significant other observable inputs	Significant other unobservable inputs
Assets	INR Amount	(Level 1)	(Level 2)	(Level 3)
Cash, cash equivalent and restricted cash				
Balance in INR	₹11,096,260	$160,490	-	-
Balance in GBP	£6,626	$8,630	-	-
Balance in Euro	€45,107	$50,593	-	-
Balance in SGD	S$360,319	$265,836	-	-
Mutual funds in INR	₹171,144,848	$2,475,338	-	-
Foreign exchange forward contracts in INR	₹13,856,695	-	$154,426	-
Total		**$2,960,887**	**$200,415**	-

NOTE M -REVENUE FROM CONTRACTS WITH CUSTOMERS

a. Disaggregated revenue information

The following table presents revenue disaggregated by service line:

	Year ended March 31, 2020
Type of service	
Consulting income	26,157,307
Software license resale	1,259,911
Reimbursable expenses	103,930
Service, maintenance, and support	106,286
Total	**27,627,434**

The following table presents revenue disaggregated by timing of recognition:

	Year ended March 31, 2020
Timing of revenue recognition	
Services transferred over time	26,263,593
Services transferred at a time	1,363,841
Total	**27,627,434**

The following table presents revenue disaggregated by geography based on Company's locations:

	Year ended March 31, 2020
United States	21,488,246
India	5,939,084
Singapore	175,940
Germany	24,164

b. Contract balances

The following table provides information about contract assets and liability balances as of March 31, 2020:

	Year ended March 31, 2020
Accounts receivable, net (Refer Note D)	5,300,039
Contract assets (unbilled receivables) (Refer Note D)	326,126
Contract liabilities (deferred revenue)	975,854

NOTE N - COMMITMENT AND CONTINGENCIES

Operating leases

The Company leases facilities in Michigan under non-cancellable operating lease which expires on December 31, 2022. The Company also leased an office in the city of Peachtree Corners, GA under lease agreement expiring April 28, 2020. The leases require the Company to pay operating costs, including property taxes, normal maintenance, and insurance. Duo Consulting, Inc., leases facilities in Chicago under non-cancellable operating lease which expires on March 31, 2021.

The Company has similar leases in India for four office locations that expire at different dates in years 2020, 2021 and 2023. The aggregate monthly rental towards these leases is ₹1,614,343 per month which is approximately $22,814 per month.

Future minimum lease payments under non-cancellable operating leases having remaining terms in excess of one year as of March 31, 2020, are as follows:

Year ending March 31,	Amounts
2021	247,855
2022	125,354
2023	56,991
2024 and onwards	-

Rent expense for the years ended March 31, 2020 and 2019 was $402,928 and $508,535, respectively.

Contingencies

On March 24, 2017, the Company filed a lawsuit against a customer alleging breach of contract demanding full compensation in an amount no less than $434,097 for unpaid invoices for web design and coding services provided by the Company to the customer in a certain project. The customer filed a counterclaim alleging breach of contract and damages of no less than $768,908 for payments made to the Company in the project.

In a Memorandum Opinion issued by the District Court on or about February 26, 2019, the District Court denied in part a motion for summary judgment filed by the customer seeking judgment on the Company's claims. The District Court did determine that there was no evidence submitted by the Company that the Company was owed money for a third-party software license that the Company alleged it purchased for the customer; therefore, the Company's claim for damages has been reduced by $58,800, bringing the damages sought by the Company to $375,297.

The Delaware Action went to trial before the District Court on June 24, 26, and 27, 2019, and post-trial briefing has been submitted. At trial and in post-trial briefing, the Company asserted that it was entitled to $355,121 in damages, plus pre- and post-judgment interest and contractual attorneys' fees and other expenses. The customer in its opening post-trial brief claimed that it was entitled to $768,908 in damages, plus an award of punitive damages and attorneys' fees and costs, but in its answering post-trial brief does not mention the claim of punitive damages. At this stage of litigation at the District Court in Delaware, the legal counsel and management are unable to reasonably ascertain the claim amount as the District Court has not issued decision on the date of these consolidated financial statements.

On April 29, 2020 the District Court issued a Memorandum Opinion and Order wherein it concluded that the Company was able to prove its claim that Customer breached the parties' agreement by failing to pay amounts under certain invoices amounting to $232,040. Furthermore, the District Court in its opinion memorandum concluded that the Customer failed to prove all its counterclaims.

On May 06, 2020, the District Court entered a judgment in favour of the Company in the amount of $232,040 and against the Customer on all counterclaims in the Delaware Action.

NOTE O - DEFINED BENEFIT PLAN

Gratuity (unfunded plan)

The following table sets out the status of unfunded Gratuity Plan at March 31, 2020 and March 31, 2019. The reconciliation of opening and closing balances of the present value of the defined benefit obligation and plan assets is as follows:

	As at March 31, 2020	As at March 31, 2019
Present value of benefit obligation (PBO)		
Change in benefit obligation		
Present value of benefit obligation at beginning of year	342,205	287,538
Service cost	68,161	75,177
Interest cost	22,138	20,612
Actuarial loss	79,426	28,550
Benefits paid	(80,900)	(52,365)
Effects of deconsolidation of subsidiary	(52,353)	-
Effect of currency rates	(31,530)	(17,307)
Present value of benefit obligation at the end of the year	**347,147**	**342,205**

Weighted average assumptions used to determine benefit obligations:

	As at March 31, 2020	As at March 31, 2019
Discount rate	6.70%	7.85%
Rate of compensation increase	4.50%	4.50%

Weighted average assumptions used to determine net periodic benefit cost:

	Year ended March 31, 2020	Year ended March 31, 2019
Discount rate	6.70%	7.85%
Rate of compensation increase	4.50%	4.50%

The table below shows the expected cash flow profile of the benefits to be paid to the current membership of the plan based on employee's past service up to the valuation date plus employee's future service up to the date of payment.

	Amounts
Expected benefit payments during the year ending March 31,	
2021	9,902
2022	10,682
2023	13,278
2024	12,858
2025 and thereafter	98,092

NOTE P - COMPENSATED ABSENCES

As of March 31, 2020, and 2019, compensated absences totalled $195,340 and $176,208, respectively.

Financial assumptions used for actuarial valuation:

	Year ended March 31, 2020	Year ended March 31, 2019
Discount rate	6.70%	7.85%
Rate of compensation increase	4.50%	4.50%

NOTE Q - EMPLOYEE BENEFIT PLANS

In 2000, Duo Consulting, Inc., established a 401(k)-retirement plan (the "Duo Plan") for the benefit of its employees. As allowed under Section 401(k) of the Internal Revenue Code, Duo Plan provides for salary Roth contributions for eligible employees. Duo Plan allows employees to contribute a percentage of their annual compensation to the Duo

Plan on a pre-tax and after-tax basis. Employee contributions are limited to a maximum annual amount as set periodically by the Internal Revenue Code. At its discretion, Duo may match pre-tax and after-tax employee contributions up to 50% of the first $300 contributed by employees up to a maximum of $1,500. The employee contributions and the Company's matching contributions vest 100%, immediately. During the year ended March 31, 2020 and March 31, 2019, the Company contributed $13,066 and $14,386 towards the Plan, respectively.

In 2003, CIGNEX Datamatics Inc. (Cignex US) established a 401(k)-retirement plan (the "Cignex Plan") for the benefit of its employees. As allowed under Section 401(k) of the Internal Revenue Code, Cignex Plan provides for tax-deferred salary contributions for eligible employees. Cignex Plan allows employees to contribute a percentage of their annual compensation to the Cignex Plan on a pre-tax basis. Employee contributions are limited to a maximum annual amount as set periodically by the Internal Revenue Code. Cignex US has an option to make employer match and profit-sharing contributions towards the Cignex Plan and the contributions, if any, is determined by Cignex US's board of directors and is subject to limitations under the Internal Revenue Code. The employee contributions vest 100% immediately, however employer match and profit-sharing contributions vest 100% after a service of 3 years or more and none are vested between 0 to 3 years of service. During the years ended March 31, 2020 and March 31, 2019, Cignex US did not contribute towards the Cignex Plan.

NOTE R - RELATED PARTY TRANSACTIONS

A. List of related parties with whom transactions have taken place during the period:

CIGNEX Global Holding Corporation – Parent Company
Datamatics Global Services Inc.- Affiliate Company
Datamatics Global Services Limited, India- Affiliate Company
Datamatics Robotics Software, Inc.- Affiliate Company
Datamatics Robotics Software Limited. - Affiliate Company
Datamatics Infotech Limited. – Affiliate Company
Lumina Datamatics, Inc.- Affiliate Company
Lumina Datamatics Assessment & Analytics. - Affiliate Company
Lumina Datamatics Limited. - Affiliate Company
LDR eRetail Limited. – Affiliate Company

B. Summary of the transactions and balances with related parties is as follows:

	For the year ended	
Nature of transactions	**March 31, 2020**	**March 31, 2019**
Datamatics Global Services Inc ("DGSI")		
Expenses incurred for software development services availed	602,878	635,645
Reimbursement of expenses paid by DGSI on behalf of Company	20,409	74,330
Consulting income	-	13,020
CIGNEX Global Holding Corporation		
Disbursement of interest-free short-term inter-company loan*	314,080	902,801
Datamatics Global Services Limited ("DGSL")		
Expenses incurred for software development services availed	37,024	264,918
Software development services provided to DGSL	92,306	104,956
Purchase of software licenses	-	14,237
Reimbursement of expenses paid by DGSL on behalf of Company	74,775	105,422
Expenses incurred for management support services availed	46,419	52,380
Datamatics Robotics Software Inc		
Software development services provided to DRSI	64,755	31,843
Reimbursement of expenses paid by DRSI on behalf of Company	2,252	105,422
Datamatics Robotics Software Limited		
Expenses incurred for software development services availed	62,622	31,843
Purchase of software licenses	16,669	-

Nature of transactions	For the year ended March 31, 2020	For the year ended March 31, 2019
Lumina Datamatics Assessment & Analytics ("LDA & A")		
Software development services provided to LDA & A	-	5,037
Lumina Datamatics, Inc.		
Reimbursement of expenses made for LDI	-	177
Training expense incurred	-	-
Finance support services	36,000	36,000
Lumina Datamatics Limited ("LDL")		
Reimbursement of expenses made for LDL	69,253	89,686

Balances	As at March 31, 2020	As at March 31, 2019
CIGNEX Global Holding Corporation		
Payable	275,478	275,478
Receivable	1,216,881	902,801
Datamatics Global Services Inc		
Accounts payable	158,283	145,465
Datamatics Global Services Limited		
Accounts payable	30,547	68,838
Accounts receivable	11,160	20,475
Datamatics Robotics Software Inc		
Unbilled receivable	-	6,944
Accounts receivable	14,880	
Datamatics Robotics Software Limited		
Accounts payable	47,728	42,814
Lumina Datamatics Assessment & Analytics		
Advances received	14,735	16,975
Lumina Datamatics Inc.		
Accounts payable	3,000	3,000
Lumina Datamatics Limited		
Accounts receivable	21,647	34,280

* During the year ended March 31, 2020, Cignex US provided the Parent Company an interest free loan amounting to $314,080 which is repayable on the notice of demand/ call of Cignex US. If not paid earlier, the outstanding principal shall be due and payable by the Parent Company on October 08, 2022. During the year ended March 31, 2019, Cignex US provided the Parent Company an interest free loan amounting to $902,801 which is repayable on the notice of demand/ call of Cignex US. If not paid earlier, the outstanding principal shall be due and payable by the Parent Company on May 01, 2021. As of March 31, 2020, both loans remain unpaid.

NOTE S - BORROWING UNDER SHORT TERM LINE OF CREDIT

Duo Consulting, Inc., ("Duo") has borrowings under short term line of credit with a Bank, with a maximum permissible limit of $550,000. As at March 31, 2020 and March 31, 2019, Duo has outstanding line of credit to the tune of $412,271 and $337,342, respectively. The line of credit is guaranteed by CIGNEX Datamatics Inc. (Cignex US) and is valid up to August 31, 2020, however it is subject to annual renewal on August 31 of each year on Bank's sole and absolute discretion. Interest on the line of credit is payable at LIBOR plus 90 basis points per annum, payable monthly. As of March 31, 2020, and March 31, 2019, the applicable rate of interest on the outstanding line of credit is

4.47% and 2.75%, respectively. Total interest expense on the line of credit for the years ended March 31, 2020 and March 31, 2019, is $18,441 and $23,148, respectively.

NOTE T - CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and accounts and unbilled receivable. Customer contracts are entered into based upon an evaluation of customers' financial condition. The Company generally does not require collateral from its customers.

As of March 31, 2020, and March 31, 2019, the Company had $5,626,165 and $5,701,314, respectively, of accounts and unbilled receivable (net) due from several customers.

Two customers accounted for 30% and 9% of the Company's revenues for the year ended March 31, 2020 and the same two customers accounted for 31% and 13% respectively of the Company's sales for the year ended March 31, 2019. Two customers accounted for 21% and 14% of accounts receivable as at March 31, 2020 and two customers accounted for 24% and 12% of accounts receivable as at March 31, 2019.

NOTE U - RISKS AND UNCERTAINITIES

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. Management is currently evaluating the impact of this COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Company's financial position and results of its operations, the specific impact is not readily determinable as of the date of these consolidated financial statements.

NOTE V - SUBSEQUENT EVENTS

The Company evaluated all events and transactions that occurred after March 31, 2020 up through May 14, 2020, the date the consolidated financial statements are issued. Based on the evaluation, there are no material effects of the same on the consolidated financial statements as on May 14, 2020, that would require recognition or disclosure.

CIGNEX Datamatics, Inc. and Subsidiaries
Supplementary Information
Segment Information
March 31, 2020

Balance sheets

	CIGNEX Datamatics, Inc. (US)	CIGNEX Datamatics Technologies Limited (IN)	CIGNEX Datamatics Pte Ltd (SING)	CIGNEX Datamatics GmbH (GERM)	CIGNEX Datamatics (UK)	Inter-Co. Eliminations	Consolidated Totals
ASSETS							
Current assets							
Cash and cash equivalents	6,965,991	107,563	172,377	31,609	3,622	-	7,281,162
Accounts receivable, net	3,545,499	5,033,851	28,218	-	-	(2,981,403)	5,626,165
Accounts receivable, due from related party	58,475	2,997,586	-	-	-	(3,056,061)	-
Investments in marketable securities	-	673,406	-	-	-	-	673,406
Prepaid expenses and other current assets	120,128	1,159,135	19,365	6,718	-	-	1,305,346
Due from related party	1,216,881	-	-	-	-	-	1,216,881
Total current assets	**11,906,974**	**9,971,541**	**219,960**	**38,327**	**3,622**	**-**	**16,102,960**
Property, equipment and software, net	37,027	74,529	-	-	-	-	111,556
Goodwill and other intangibles, net	-	-	-	-	-	-	-
Investments	36,821	198,439	-	-	-	(69,894)	165,366
Restricted cash	-	811	-	-	-	-	811
Deferred tax assets, net	-	224,333	-	-	-	-	224,333
Other assets	3,021	168,538	-	-	-	-	171,559
Total assets	**11,983,843**	**10,638,191**	**219,960**	**38,327**	**3,622**	**-**	**16,776,585**
LIABILITIES AND STOCKHOLDERS' EQUITY							
Current liabilities							
Borrowings under short term line of credit	412,271	-	-	-	-	-	412,271
Accounts payable	722,729	816,701	584	-	1,134	-	1,541,148
Due to related parties	2,981,403	2,997,586	35,770	-	18,586	(6,033,345)	-
Deferred revenue	975,854	-	-	-	-	-	975,854
Other current liabilities	1,227,980	1,291,582	1,549	6,508	5,506	(33,073)	2,500,052
Total current liabilities	**6,320,237**	**5,105,869**	**37,903**	**6,508**	**25,226**	**-**	**5,429,325**

CIGNEX Datamatics, Inc. and Subsidiaries
Supplementary Information
Segment Information
March 31, 2020

Balance sheets

	CIGNEX Datamatics Inc. (US)	CIGNEX Datamatics Technologies Limited (IN)	CIGNEX Datamatics Pte Ltd (SING)	CIGNEX Datamatics GmbH (GERM)	CIGNEX Datamatics (UK)	Inter-Co. Eliminations	Consolidated Totals
Due to related party	275,478	-	-	-	-	-	275,478
Deferred tax liabilities, net	906,126	-	-	-	-	-	906,126
Other liabilities	-	564,380	-	-	-	-	564,380
Total liabilities	**7,501,841**	**5,670,249**	**37,903**	**6,508**	**25,226**	**-**	**7,175,309**
Stockholders' equity							
Common stock	525	2,500	1	34,250	155	(36,906)	525
Additional paid-in-capital	1,846,391	7,094	-	-	-	(7,094)	1,846,391
Accumulated surplus (deficit)	2,750,335	6,557,446	205,027	(1,396)	(23,950)	75,171	9,562,633
Accumulated other comprehensive (loss) income	-	(1,599,099)	(22,971)	(1,035)	2,191	(69,498)	(1,690,412)
Total stockholders' equity (deficit)	**4,597,251**	**4,967,942**	**182,057**	**31,819**	**(21,604)**	**-**	**9,719,137**
Non-controlling interest in subsidiaries	(115,249)	-	-	-	-	(2,612)	(117,861)
Total equity (deficit)	**4,482,002**	**4,967,942**	**182,057**	**31,819**	**(21,604)**	**-**	**9,601,276**
Total liabilities and stockholder's equity	**11,983,843**	**10,638,191**	**219,960**	**38,327**	**3,622**	**-**	**16,776,585**

CIGNEX Datamatics, Inc. and Subsidiaries
Supplementary Information
Segment Information
March 31, 2020

Statements of comprehensive income

	CIGNEX Datamatics, Inc. (US)	CIGNEX Datamatics Technologies Limited (IN)	CIGNEX Datamatics Pte Ltd (SING)	CIGNEX Datamatics GmbH (GERM)	CIGNEX Datamatics (UK)	Inter-Co. Eliminations	Consolidated Totals
Revenues, net of allowances & rebates:							
Revenues	21,578,084	12,390,848	175,940	24,164	-	(6,541,602)	27,627,434
Total revenues	**21,578,084**	**12,390,848**	**175,940**	**24,164**	**-**	**-**	**27,627,434**
Costs and expenses							
Cost of revenues	14,706,886	9,656,360	157,394	11,477	-	(6,531,064)	18,001,053
Personnel cost	2,124,040	1,121,548	-	-	-	-	3,245,588
Selling, general and administrative expenses	2,091,343	912,438	7,574	8,126	2,841	(15,392)	3,006,930
Depreciation and amortization	14,932	58,992	-	-	-	-	73,924
Interest expense	33,187	14,986	-	-	-	-	48,173
Total costs and expenses	**18,970,388**	**11,764,324**	**164,968**	**19,603**	**2,841**	**-**	**24,375,668**
Operating income (loss)	**2,607,696**	**626,524**	**10,972**	**4,561**	**(2,841)**	**-**	**3,251,766**
Other (expenses) income							
Goodwill impairment expense	(2,228,985)	-	-	-	-	-	(2,228,985)
Loss on deconsolidation of subsidiary	-	-	-	-	-	(83,135)	(83,135)
Unrealized exchange gain (loss)	(9,777)	283,170	2,514	-	-	(4,033)	271,874
Other income	31,688	94,539	-	-	-	-	126,227
Total other (expense) income	**(2,207,074)**	**377,709**	**2,514**	**-**	**-**	**-**	**(1,914,019)**
Income (loss) before taxes	**400,624**	**1,004,233**	**13,486**	**4,561**	**(2,841)**	**-**	**1,337,747**
Income taxes benefit (expense)							
Current taxes	(680,433)	(314,387)	2,491	(1,380)	-	-	(993,709)
Deferred taxes	114,147	23,418	-	-	-	-	137,565
Total income taxes	**(566,286)**	**(290,969)**	**2,491**	**(1,380)**	**-**	**-**	**(856,144)**

CIGNEX Datamatics, Inc. and Subsidiaries
Supplementary Information
Segment Information
March 31, 2020

Statements of comprehensive income

	CIGNEX Datamatics, Inc. (US)	CIGNEX Datamatics Technologies Limited (IN)	CIGNEX Datamatics Pte Ltd (SING)	CIGNEX Datamatics GmbH (GERM)	CIGNEX Datamatics (UK)	Inter-Co. Eliminations	Consolidated Totals
Net income (loss)	**(165,664)**	**713,264**	**15,977**	**3,181**	**(2,841)**	**-**	**481,603**
Net loss (income) attributable to non-controlling interest	-	-	-	-	-	766,242	766,242
Net income (loss) after non-controlling interest	**(165,664)**	**713,264**	**15,977**	**3,181**	**(2,841)**	**-**	**1,247,845**
Other comprehensive income (loss)							
Foreign currency translation adjustment	-	(480,436)	(8,616)	(525)	1,037	69,242	(419,298)
Loss on cash flow hedging derivatives	-	(417,649)	-	-	-	-	(417,649)
Other comprehensive income (loss) before income tax effect	**-**	**(898,085)**	**(8,616)**	**(525)**	**1,037**	**-**	**(836,947)**
Income tax related to items of other comprehensive income	-	(58,410)	-	-	-	-	(58,410)
Total other comprehensive income (loss)	**-**	**(956,495)**	**(8,616)**	**(525)**	**1,037**	**-**	**(895,357)**
Comprehensive income (loss)	**(165,664)**	**(243,231)**	**7,361**	**2,656**	**(1,804)**	-	**352,488**
Comprehensive income attributable to non-controlling interest	-	271,955	-	-	-	-	271,955
Comprehensive income (loss) attributable to stockholders	**(165,664)**	**28,724**	**7,361**	**2,655**	**(1,804)**	**-**	**624,443**

Schedule of selling, general and administrative expenses

	CIGNEX Datamatics Inc. (US)	CIGNEX Datamatics Technologies Limited (IN)	CIGNEX Datamatics Pte Ltd (SING)	CIGNEX Datamatics GmbH (GERM)	CIGNEX Datamatics (UK)	Inter-Co. Eliminations	Consolidated Totals
Advertising and marketing expenses	85,142	41	-	133	-	-	85,316
Bad debts and customer credits	-	-	3,973	-	-	-	3,973
Bank, finance and interest charges	6,414	81,503	766	219	383	-	89,285
Conferences and seminars	749	12,357	-	-	-	-	13,106
Dues and subscriptions	14,232	15,784	-	-	-	-	30,016
General and administrative expenses	696,855	280,108	-	-	-	(15,392)	961,571
Insurance expenses	14,006	68,897	101	827	-	-	83,831
Legal and professional expenses	852,611	99,164	2,734	6,502	2,458	-	963,469
Office expenses	-		-	170	-	-	170
Office supplies	94	10,758	-	-	-	-	10,852
Postage & delivery	4,306	5,339	-	54	-	-	9,699
Printing and reproduction	2,627	4,193	-	-	-	-	6,820
Rents and utilities	154,000	313,348	-	-	-	-	467,348
Taxes, licenses and permits	1,960	-	-	221	-	-	2,181
Telephone and internet	52,235	11,357	-	-	-	-	63,592
Travel and entertainment	206,112	9,589	-	-	-	-	215,701
Total	**2,091,343**	**912,438**	**7,574**	**8,126**	**2,841**	**-**	**3,006,930**