

MAHESH J. AGASHIWALA, C.P.A, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT REPORT
DATAMATICS GLOBAL SERVICES INC
APRIL 2020 - MARCH 2021

REPORT DATE: MAY 20, 2021

DATAMATICS GLOBAL SERVICES INC.

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Report of Independent Auditors

To:

The Board of Directors and Stockholders
Datamatics Global Services Inc.

Report on the Financial Statements

We have audited the accompanying Balance Sheet of Datamatics Global Services Inc. as of March 31, 2021 and 2020 and the related statements of Income and Expenditure, Retained Earnings and Cash Flows for the period then ended.

Since our engagement is limited to expressing an audit opinion on Datamatics Global Services Inc.'s financial position on a stand-alone basis for the years ending March 31, 2021 and 2020, the effects of the results of operations, cash-flow and Balance Sheet of the non-consolidating subsidiary companies are not considered in this audit report

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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Datamatics Global Services Inc as of March 31, 2021 and 2020 and the results of its operations and its cash flows for the years then ended in conformity with Generally Accepted Accounting Principles in the United States of America.

Handwritten signature of Mahesh J. Agashiwala in cursive, with "CPA" written in a smaller font to the right of the signature.

Mahesh J. Agashiwala C.P.A., P.C

**New York, NY
May 20, 2021**

**DATAMATICS GLOBAL SERVICES INC.
BALANCE SHEET**

	<u>March 31,</u> <u>2021</u>	<u>March 31,</u> <u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash & Bank Balance	\$ 3,136,906	\$ 2,532,613
Accounts Receivable, Net - Trade (Note 2, 3 & 6)	6,519,150	7,374,151
Prepaid Taxes & Expenses	685,973	1,101,478
Loans & Advances - Others	3,832,608	2,592,168
Total Current Assets	14,174,638	13,600,410
PROPERTY, EQUIPMENT & IMPROVEMENTS (Note 7)		
Net of accumulated depreciation of \$4,227,469 and \$3,968,532 respectively	284,818	444,243
OTHER ASSETS		
Security Deposits	185,036	184,515
Investment	1,088,527	1,200,376
Total Other Assets	1,273,563	1,384,891
INTANGIBLE ASSETS (Note 8)		
Intangible Assets - Net of Accumulated Amortization of \$973,578 and \$863,340 respectively	349,330	455,203
TOTAL ASSETS	\$ 16,082,349	\$ 15,884,747
<u>LIABILITIES & STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts Payable - Trade (Note 6)	\$ 4,201,764	\$ 3,546,136
HSBC Bank - Line of Credit (Note 4)	0	2,903,838
Loans from Related Parties (Note 8)	1,342,648	0
Customer Deposits	175,724	175,723
Accrued Expenses & Other Current Liabilities (Note 6)	3,409,866	2,129,491
Total Current Liabilities	9,130,002	8,755,188
EQUITY		
Equity Capital - Common (Note 10)	15,887,571	15,887,571
Additional Paid in Capital	12,358,231	12,354,232
Retained Earnings	(21,293,456)	(21,112,245)
Total Stockholders' Equity	6,952,347	7,129,559
TOTAL LIABILITY & STOCKHOLDERS' EQUITY	\$ 16,082,349	\$ 15,884,747

See Independent Auditors' Report and the accompanying notes which are an integral part of these financial statements

**DATAMATICS GLOBAL SERVICES INC.
INCOME STATEMENT**

	March 31, <u>2021</u>	March 31, <u>2020</u>
NET SALES	\$ 24,333,648	\$ 22,841,026
COST OF SALES (Schedule A)	<u>19,529,156</u>	<u>18,050,555</u>
GROSS PROFIT	4,804,492	4,790,471
OPERATING EXPENSES		
Selling, General and Administrative Expenses (Schedule B)	<u>5,299,641</u>	<u>4,964,250</u>
INCOME / (LOSS) FROM OPERATIONS	<u>(495,149)</u>	<u>(173,779)</u>
OTHER INCOME AND (EXPENSES)		
Interest Income / (Expenses)	(92,943)	(95,801)
Other Income / (Expenses)	<u>81,935</u>	<u>180,307</u>
TOTAL OTHER INCOME AND (EXPENSES)	<u>(11,008)</u>	<u>84,506</u>
NET INCOME / (LOSS) BEFORE TAX	(506,157)	(89,273)
Corporate Taxes (Note 2)	36,000	36,000
NET INCOME / (LOSS)	\$ <u><u>(542,157)</u></u>	\$ <u><u>(125,273)</u></u>

See Independent Auditors' Report and the accompanying notes which are an integral part of these financial statements

**DATAMATICS GLOBAL SERVICES INC.
STATEMENT OF CASH FLOW**

	March 31, <u>2021</u>	March 31, <u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Profit / (Loss)	\$ (542,157)	\$ (125,273)
Adjustments to reconcile net profit to net cash provided (used in) by Operating activities:		
Lease accounting adjustment impact	(138,581)	(539,811)
Depreciation & Amortization	379,056	477,031
(Increase)/Decrease in Accounts Receivable	855,001	(129,862)
(Increase)/Decrease in Other Current Assets	415,505	(541,064)
(Increase)/Decrease in Other Assets	(521)	(5,352)
Increase/(Decrease) in Current Liabilities	2,160,183	607,091
Net cash provided by operating activities	<u>3,128,486</u>	<u>(257,240)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Addition)/Deletion to Property & Equipment	(219,632)	(213,651)
(Addition)/Deletion to Intangible Assets	20,274	(190,251)
Investment in subsidiaries	472,795	(794,315)
Loans & Advances	(1,240,440)	700,523
Net cash provided by Investing activities	<u>(967,003)</u>	<u>(497,694)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Working Capital Facility - HSBC Bank	(2,903,838)	2,103,838
increase in Capital	4,000	0
Loan from DIL	1,342,648	0
Net cash provided by financing activities	<u>(1,557,190)</u>	<u>2,103,838</u>
Net Increase / (Decrease) in cash flow	604,293	1,348,904
Cash at beginning of year	<u>2,532,613</u>	<u>1,183,709</u>
Cash at end of year	<u>\$ 3,136,906</u>	<u>\$ 2,532,613</u>

See Independent Auditors' Report and the accompanying notes which are an integral part of these financial statements

**DATAMATICS GLOBAL SERVICES INC.
STATEMENT OF RETAINED EARNINGS**

	March 31, <u>2021</u>	March 31, <u>2020</u>
<u>RETAINED EARNINGS</u>		
Beginning Balance	\$ (21,112,245)	\$ (20,447,161)
IND AS 116 Lease adjustment	0	(539,811)
Merger of TJUS	360,946	0
Net Profit / (Loss) for the Period	(542,157)	(125,273)
Ending Balance	\$ <u>(21,293,456)</u>	\$ <u>(21,112,245)</u>

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of these financial statements

**DATAMATICS GLOBAL SERVICES INC.
SCHEDULE OF COST OF SALES**

Schedule A

	March 31, <u>2021</u>	March 31, <u>2020</u>
Salaries	\$ 8,451,848	\$ 8,967,272
Contract Labor	7,133,504	3,678,099
Employee Benefit Expenses	544,544	607,612
Rent	13,409	633,473
Bank Charges	390	846
Utilities	38,122	53,722
Real & Property Taxes	26,882	24,022
Depreciation & Amortization	199,025	290,441
Recruitment Expenses	65,953	54,142
Repairs & Maintenance	168,686	226,497
Supplies	53,070	29,864
Software	61,139	120,509
Telephone	4,231	13,859
Postage	1,310,042	948,813
Travel Expenses	155,054	303,355
Meals & Entertainment	1,249	52,959
Professional Fees	1,158,537	1,846,373
Commission on Sales	0	94,960
Other Expenses	119,325	80,860
Insurance	24,146	22,877
 COST OF SALES	 \$ <u><u>19,529,156</u></u>	 \$ <u><u>18,050,555</u></u>

See Independent Auditors' Report and the accompanying notes which are an integral part of these financial statements

**DATAMATICS GLOBAL SERVICES INC.
SCHEDULE OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Schedule B

	March 31, <u>2021</u>	March 31, <u>2020</u>
Advertisement & Sales Promotion	\$ 135,651	\$ 183,482
Bank Charges and Interest	13,410	20,417
Bad & Doubtful Debts	136,495	28,505
Depreciation & Amortization	180,031	186,590
Employee Benefit Expenses	208,656	212,365
Entertainment & Membership Expenses	19,837	40,103
Recruitment Expenses	27,144	72,146
Insurance	62,830	121,797
Legal Fees & Professional Fees	223,274	177,520
Miscellaneous Expenses	0	572
Software Expenses	195,371	128,338
Postage & Delivery	23,268	11,995
Printing, Stationery & Office Supplies	39,271	0
Rent	111,615	121,733
Repairs & Maintenance	232,539	204,630
Real & Property Taxes	28,485	26,439
Salaries	3,197,917	2,662,581
Sales Commission	1,525	0
Telephone & Link Expenses	365,254	382,896
Travel Expenses	58,576	354,700
Utilities	38,492	27,441
TOTAL	\$ <u>5,299,641</u>	\$ <u>4,964,250</u>

See Independent Auditors' Report and the accompanying notes which are an integral part of these financial statements

**DATAMATICS GLOBAL SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

1. ORGANIZATION

Datamatics Global Services Inc. (“the Company”) is incorporated in the State of Delaware in 1999 and has permission to do business in multiple states in the USA. The Company is a wholly owned subsidiary of Datamatics Global Services Limited (DGSL) which is incorporated in India.

The principal business of the Company is to provide ITES - BPO services, more particularly, the Company offers end to end services in back-office processing, covering: Accounts Payable Management, Tax Returns Processing, Market Research Forms Processing and Health Care Claims Processing; Content Management including Publishing Services, Financial Document Processing and Litigation Support Services. It also offers Consulting Services including Data Warehousing and Business Intelligence, Data Integration and Document Management and Workflow.

Effective April 1, 2020, management decided to merge Techjini Inc. (“Techjini”) is a New Jersey corporation, an entity related by common ownership into Datamatics Global Services, Inc. All issued and outstanding shares of the Techjini shall be cancelled and no consideration shall be paid to the shareholder of the Company. The issued and outstanding shares of the Company shall not be converted or exchanged in any manner, but each said share which is issued as of the Effective Date of the Merger shall continue to represent one issued share of the Company. As a result of the merger, additional paid in capital of the Company increased by \$4,000 and adjustment to Retained Earnings increased by \$360,946.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Company maintains its books of accounts on accrual basis.

INVENTORY

The Company is not engaged in sale of any products and therefore there is no inventory of merchandise.

See Independent Auditors’ Audit Report

**DATAMATICS GLOBAL SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONTRACT LABOR

Contract Labor consists of expenses related to hiring of human resources and is reported under Cost of Sales. Few of the expenses reported under Professional Fees in prior years have been reclassified as Contract Labor in the current fiscal year.

CASH

Cash includes cash on hand and in bank deposit. The Company maintains its cash in bank deposit accounts that, at times, may be in excess of amounts insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in such accounts.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short maturity of those instruments. The Company believes that the carrying value of notes payable and capital leases payable approximates fair value as the interest rates on those instruments are similar to rates currently available to the Company.

PROPERTY, EQUIPMENT AND DEPRECIATION

Property and Equipment are valued at cost. Depreciation is provided on Straight Line Method over the estimated useful life of the assets. When the assets are disposed off, the cost and the accumulated depreciation are eliminated from the books of accounts and the gain or loss is recognized.

See Independent Auditors' Audit Report

**DATAMATICS GLOBAL SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INTANGIBLE ASSETS

Intangible assets consist of business acquisition costs, software and capitalized leases. Management believes that the intangible assets have significant value and will provide future benefits to the Company and are stated at their fair values.

In accordance with GAAP, long lived assets to be held and used are analyzed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. The Company evaluates at each balance sheet date whether events and circumstances have occurred that indicates possible impairment. If there are indications of impairment, the Company uses future undiscounted cash flows of the related asset or asset grouping over the remaining life in measuring whether the assets are recoverable. In the event such cash flows are not expected to be sufficient to recover the recorded asset values, the assets are written down to their estimated fair value.

PROVISION FOR DOUBTFUL DEBTS

The Company creates a reserve for bad debts for its Receivables, which it considers as doubtful. During the year, the Company reversed \$37,709 excess provision for doubtful debt created in the previous year and reported the same as Other Income in the Income Statement. For the year ending March 2021, the reserve for bad debt balance is \$180,087.

USE OF ESTIMATES

The preparation of financial statements as per Generally Accepted Accounting Principles requires management to make estimates and assumptions which affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amount of revenue and expenses during the reported period. Actual results could differ from such estimates.

INTERNAL CONTROLS

Management believes that adequate internal controls are in place.

See Independent Auditors' Audit Report

**DATAMATICS GLOBAL SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAXES

The Company has reported Net Loss for the current fiscal year. No provision for federal income taxes is made in the books. The management has decided not to set up a Deferred Tax Asset Account. The mandatory State Income Taxes have been provided for since they are based on alternative tax computation.

3. ACCOUNTS RECEIVABLE

Accounts Receivable includes \$123,497 which is past Due for over 180 days, representing 2% of the total Accounts Receivable. The management represents that it expects to realize the amount in full over a period of time.

The Company adopted Expected Credit Loss Methodology during the fiscal year ended March 31, 2018, to comply with the International Financial Reporting Standard 9, a deviation from Generally Accepted Accounting Principles, to evaluate the impairment of it's accounts receivables for all prior years by creating \$249,437 of a reserve that reduced the accounts receivable reported in the previous fiscal year. This prior period adjustment is reflected as a separate line entry in the previous fiscal year Retained Earnings.

4. LINE OF CREDIT - BUSINESS LOAN AGREEMENT

On January 10, 2018, the Company signed a discretionary demand line of credit secured by the assets of the Company from HSBC Bank. The available credit of \$3 Million bears interest at Libor plus 2.15% per annum and are to be used for working capital and general corporate purposes. The Line of Credit was payable on demand. During the current fiscal year, the Company has repaid entire line of credit balance of \$2,900,000 outstanding as of March 31, 2020 and the Company had not renewed it.

5. BUSINESS DEVELOPMENT AGREEMENT

The five year conditional contract between the Company and Ameriinfo LLC (Consultant) dated March 5, 2014 under which the Accounts Payable Service Centre project introduced by the consultant will generate minimum revenue of \$4,795,000 and the Company has agreed to pay \$606,000 towards total gross commission in advance. As per the terms of the contract, the Company paid \$350,000 commission in advance of March 31, 2014 and was liable to pay the balance \$256,000 as of March 31, 2015 which remained unpaid as of March 31, 2021. This is neither paid nor recorded as a current liability as of March 31, 2021.

See Independent Auditors' Audit Report
MAHESH J. AGASHIWALA, C.P.A, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**DATAMATICS GLOBAL SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

6. RELATED PARTY TRANSACTIONS

Accounts Payable includes \$2,977,164 due to DGSL, the parent company against services received worth \$9,032,627 as of March 31, 2021. Accounts Receivable includes \$1,541,805 due from DGSL, the parent company, against services rendered worth \$1,126,741.

Accounts Payable also includes \$823,269 due to Datamatics Robotics Software Limited, a step-down subsidiary, against services received worth \$603,000.

Accounts Payable includes \$2,000 due to the Company's subsidiary Datamatics Robotics Software, Inc. against services received of \$2,000 as March 31, 2021.

Accounts payable includes \$13,628 due to Lumina Datamatics Inc., a related company under the common of DGSL against services received worth of \$136,580 as of March 31, 2021. Accounts Receivable includes \$26,014 and the Company invoiced \$121,800 for expenses of Lumina Datamatics Inc. as of March 31, 2021.

Accounts Payable includes \$67,928 for expenses of Cignex Datamatics, Inc. (Cignex) a related company under the common control, against services received of \$67,928 as of March 31, 2021. Accounts Receivable includes \$190,724 due from Cignex Datamatics, Inc. against services rendered and costs reimbursed worth of \$648,208 as of March 31, 2021.

Investment in Subsidiaries includes the following balances

Datamatics Global Services Corp.	863,208
Datamatics Robotics Software Inc.	186,000
Datamatics Global Services B.V.	28,315

Loan from Datamatics Infotech Ltd., a related entity through common parent control, includes \$1,318,800 as of March 31, 2021. Interest expense of \$23,848 was accrued as of March 31, 2021.

Loan provided to related entity Datamatics Global Services Corp of \$1,375,353 remains outstanding as of March 31, 2021.

See Independent Auditors' Audit Report

**DATAMATICS GLOBAL SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

7. PROPERTY, EQUIPMENT & IMPROVEMENTS

As of March 31, 2021 property, equipment and improvements consisted of the following:

	Automobiles	Machinery And	Furniture And	Leasehold Improvements	Total
<u>Cost:</u>					
Beginning Balance					
March 31, 2020	\$ 11,201	\$ 3,856,166	\$ 364,549	\$ 180,858	\$ 4,412,775
Additions	-	28,709	54,459	30,481	113,649
Dispositions	-	-	-	-	-
Ending Balance					
March 31, 2021	<u>\$ 11,201</u>	<u>\$ 3,884,875</u>	<u>\$ 419,008</u>	<u>\$ 211,339</u>	<u>\$ 4,526,424</u>
<u>Accumulated Depreciation:</u>					
Beginning Balance					
March 31, 2020	\$ 9,979	\$ 3,539,608	\$ 305,214	\$ 113,732	\$ 3,968,532
Additions	771	212,625	25,319	20,222	258,937
Dispositions	-	-	-	-	-
Ending Balance					
March 31, 2021	<u>\$ 10,750</u>	<u>\$ 3,752,232</u>	<u>\$ 330,533</u>	<u>\$ 133,953</u>	<u>\$ 4,227,469</u>

8. INTAGIBLE ASSETS

Intangible assets, at cost, consist of business acquisition costs, software and capital leases.

Business acquisition costs – Tricom Parties consist of the costs including legal costs incurred to purchase customer contracts:

Business acquisition – Tricom Parties	\$ 2,126,761
Less: Accumulated amortization	<u>(2,216,761)</u>
Business acquisition – Net	<u>\$ 0</u>

Business acquisition costs are fully written for the both the fiscal years presented.

Other Intangible costs consist of:

Capitalized Software	\$ 982,998
Capitalized Leases	122,886
Right to use Asset	217,024
Less: Accumulated amortization	<u>(973,578)</u>
Other Intangible Assets – Net	<u>\$ 349,330</u>

See Independent Auditors' Audit Report
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CERTIFIED PUBLIC ACCOUNTANTS

**DATAMATICS GLOBAL SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

9. LEASE COMMITMENTS

The Company has entered into lease agreements for office space and various items of equipment. The rental agreement for office space includes escalation clauses that allow increase in future operating costs.

The Company has adopted Ind AS 116, effective annual reporting period beginning April 01, 2019. The Company has applied the standard to its leases, retrospectively, with the cumulative effect of initially applying the standard, recognised on the date of initial application. Accordingly, the Company has not restated comparative information, instead, the cumulative effect of initially applying this standard has been recognised as an adjustment to the opening balance of retained earnings as on April 1, 2019. As of March 31, 2021, lease liability is measured at the present value of the remaining lease payments at \$387,415. The right-of-use asset is recognized at its carrying amount at \$131,426 discounted using incremental borrowing rate. The impact of accounting treatment as per standard has resulted in a) amortisation charge for right-to-use asset of \$85,599 and b) interest accrued on lease liability \$22,977.

10. EQUITY

The Company has Authorized Common Stock of 1150 Shares @ No Par Value. As of March 31, 2021, Common Stock Issued and Outstanding was 1000 shares @ No Par Value. Additional paid in capital increased by \$4,000 as result of merger of Techjini Inc. during the current fiscal year.

11. SIGNIFICANT EVENTS

Computer Malware/Ransomware Virus Event

During the prior fiscal year-end, the Company experienced a Cyber event that impacted operations and the resulting Revenue. It was mitigated and the Company has delivered the backlog caused by the incident. The Company believes it has sufficient measures in place to avoid a similar event in the future. The Company is awaiting final settlement of its Cyber Insurance claim that resulted from the Cyber event. The Company has no reason to doubt the eventual collectability of this claim.

See Independent Auditors' Audit Report

**DATAMATICS GLOBAL SERVICES INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

11. SIGNIFICANT EVENTS (Continued)

COVID 19

The Company is deemed to be an Essential Critical Infrastructure Workforce employer for its Business Process Outsourcing operations that provide essential Financial Services by processing Accounts Payable, Accounts Receivable, Payroll and Pension check printing services. The Company is also deemed to be an essential vendor for its customers who are in the banking, Newspaper and Transportation industries. As such, the Company has continued operations with increase in Revenue and increase in Net Loss.

See Independent Auditors' Audit Report