

SOFTNAUTICS, INC.

Consolidated Financial Statements
And Supplemental Schedules

For the period June 7, 2023 to March 31, 2024

With

Independent Auditor's Report and Accompanying Notes

CONTENTS	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Balance Sheet	3-4
Consolidated Statement of operations	5
Consolidated Statements of changes in stockholder's equity	6
Consolidated Statements of cash flows	7
Notes to Consolidated financial statements	8-17
SUPPLEMENTAL INFORMATION	
Independent Auditors' Report on Supplementary Information	18
Schedule A –Consolidated Cost of services	19
Schedule B – Consolidated Operating expenses	20



TAX | ACCOUNTING | AUDIT | CONSULTING

1600 DUANE AVENUE, SANTA CLARA, CA 95054 | TEL 408.970.0100 | FAX 408.970.0200 | WWW.CHUGH.NET

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholder
of Softnautics, Inc. USA

Santa Clara, CA

Opinion

We have audited the accompanying consolidated financial statements of Softnautics, Inc. (a California corporation), and subsidiary Softnautics LLP (together "Company), which comprise the consolidated balance sheet as of March 31, 2024, and the related statements of operations, changes in stockholder's equity, and cash flows for the period June 7, 2023 to March 31, 2024, and the related notes to the financial statements.

In our opinion, based on our audit and report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Softnautics Inc. and subsidiary as of March 31, 2024, and the results of its operations and its cash flows for the period June 7, 2023 to March 31, 2024 in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Softnautics LLP, a majority-owned subsidiary, which statements reflect total assets of \$1,713,030 as of March 31, 2024, and total revenues of \$3,425,666 for the period June 7, 2023 to March 31, 2024. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Softnautics LLP, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Chugh CPAs LLP

Chugh CPAs LLP

Santa Clara, CA

May 3, 2024

SOFTNAUTICS INC.
CONSOLIDATED BALANCE SHEET
AS ON MARCH 31, 2024

ASSETS

CURRENT ASSETS

Cash	\$ 167,511
Accounts receivable, net	993,039
Prepaid insurance	985
Lease Deposits	71,449
Unbilled revenue	315,081
Loans and advances	8,245
Other current assets	259,684
Term deposit with Bank	397,687

TOTAL CURRENT ASSETS 2,213,681

Property & equipment, at cost	140,574
Less: Accumulated depreciation	(114,321)
TOTAL PROPERTY & EQUIPMENT	<u>26,253</u>

NON CURRENT ASSETS

Intangible IP Assets, at cost	876,405
Less: Accumulated amortization	(43,821)
TOTAL INTANGIBLE ASSETS	<u>832,584</u>

OTHER ASSETS

Deferred tax assets	86,956
Right to use asset	46,835
TOTAL OTHER ASSETS	<u>133,791</u>

TOTAL NON CURRENT ASSETS 992,628

TOTAL ASSETS \$ 3,206,309

SOFTNAUTICS INC.
CONSOLIDATED BALANCE SHEET
AS ON MARCH 31, 2024

LIABILITIES & STOCKHOLDER'S EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 175,618
Credit card payables	1,265
Accrued expenses	87,078
Provision for taxes	206,005
Unearned revenue	16,667
Loans & advances	1,621,342
Operating lease liability	52,048
Provision for employee benefits	384,953
Short term loan from Bank	534,806
TOTAL CURRENT LIABILITIES	<u>3,079,781</u>

TOTAL LIABILITIES 3,079,781

STOCKHOLDER'S EQUITY

Common stock	1,358
Other comprehensive loss	(99,730)
Retained earnings	<u>224,812</u>

TOTAL STOCKHOLDER'S EQUITY 126,440

Non Controlling interest 88

TOTAL LIABILITIES & STOCKHOLDER'S EQUITY \$ 3,206,309

SOFTNAUTICS INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE PERIOD JUNE 7, 2023 TO MARCH 31, 2024

Service revenue	\$ 4,407,522
Cost of services (Schedule A)	<u>(2,615,122)</u>
GROSS PROFIT	1,792,400
Operating expenses (Schedule B)	<u>(1,373,081)</u>
OPERATING INCOME BEFORE TAXES	419,319
OTHER INCOME/(EXPENSE)	
Other income	(12,318)
INCOME BEFORE INCOME TAX	<u>407,001</u>
Income Tax Expense	<u>(166,365)</u>
NET INCOME	<u><u>\$ 240,637</u></u>

SOFTNAUTICS INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE PERIOD JUNE 7, 2023 TO MARCH 31, 2024

	<u>Common Stock</u>		<u>Other</u>		<u>Total attributable</u>		<u>Non-</u>		<u>Total</u>
	<u>No. of Shares</u>	<u>Amount</u>	<u>Comprehensive</u>	<u>Retained</u>	<u>to owners</u>	<u>Controlling</u>	<u>Interest</u>		<u>Equity</u>
			<u>Income (Loss)</u>	<u>Earnings</u>	<u>of parents</u>				
Balance as of June 7, 2023	13,582,000	\$ 1,358	\$ (88,035)	\$ (15,825)	\$ (102,501)	\$ 88	\$		(102,413)
Other Comprehensive Loss			(11,695)		\$ (11,695)				(11,695)
Net income				240,637	240,637				240,637
Balance as of March 31, 2024	13,582,000	\$ 1,358	\$ (99,730)	\$ 224,812	\$ 126,440	\$ 88	\$		126,528

SOFTNAUTICS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD JUNE 7, 2023 TO MARCH 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ 240,637
Adjustment to reconcile net income to net cash generated from operating activities	
Depreciation expense	17,941
Foreign currency adjustment	(44,347)
Amortization on leased assets	114,567
Interest Income on lease deposit	(2,760)
Interest expense on lease liability	8,616
Deferred taxes	(28,308)
Amortization	43,821
(Increase) decrease in operating assets	
Accounts receivable, net	91,900
Unbilled revenue	(313,774)
Prepaid expenses	3,006
Loans & Advances	22,645
Other Current Assets	17,606
Short term Investment	(276,498)
Increase (decrease) in operating liabilities	
Accounts payable	(287,704)
Credit card payable	775
Accrued expenses	(1,137,829)
Provision for taxes	32,532
Salaries payable	(112,739)
Inter company loan	1,621,324
Provision for employee benefits	63,748
Unearned revenue	16,667
Loans and advances	534,806
Net cash provided by operating activities	<u>626,630</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property & equipment	(9,184)
Intangibles, at cost	(876,405)
Net cash used in investing activities	<u>(885,588)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Change in lease liability	(120,466)
Payment of interest on lease liability	(8,616)
Net cash used in financing activities	<u>(129,082)</u>
NET DECREASE IN CASH	(388,041)
CASH, beginning of year	<u>555,552</u>
CASH, end of year	<u><u>\$ 167,511</u></u>
Supplemental disclosure of cash flow information	
Interest Paid	\$ 7,887
Taxes paid, net of refunds	130,502

SOFTNAUTICS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 7, 2023 TO MARCH 31, 2024

NOTE 1 – DESCRIPTION OF BUSINESS

Softnautics, Inc. USA, (“the Company”) was incorporated in the state of California on July 06, 2016 as “Softnautics, Inc. USA. The Company provides services in semiconductor and embedded AI solutions with design expertise in systems software, Field Programmable Gate Array (FPGA) and Very Large Scale Integration, Intellectual Property development for its customers worldwide.

With more than a decade of project execution experience globally, Softnautics continues to bring in digital and product transformation for businesses across the industries. We offer engineering services comprising of FPGA design, verification, DevOps, MLOps, multimedia, computer vision, deep learning, edge intelligence, and more. Our portfolio also includes Very Large Scale Integration, Intellectual Property in the fields of USB, Security, Encryption as well as various Verification IPs (VIP).

Softnautics, Inc. USA, was acquired by Moschip Technologies Limited, Indian company, with effect from June 7, 2023 and is now, a wholly owned subsidiary of Moschip Technologies Limited.

The Company has a majority owned subsidiary Softnautics LLP, India which was incorporated on January 25, 2018.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The Company uses the accrual method of accounting for both financial reporting and income tax reporting.

Principles of consolidation

The consolidated financial statements relate to Softnautics, Inc and its majority owned subsidiary, Softnautics LLP, which was incorporated in India on January 25th, 2018 (together, the “Company”). All significant inter-company accounts and transactions have been eliminated upon consolidation.

Softnautics LLP India has been audited by its local auditor for the period June 7, 2023 to March 31, 2024.

Use of Estimates

The preparation of consolidated financial statements and the related disclosures in conformity with generally accepted accounting principles in the United States of America (“GAAP”), requires management to make estimates and assumptions that affect the certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of consolidated financial statements and revenue and expenses during the period reported. Actual results may differ from these estimates. Estimates are used in accounting from among other things, estimated useful lives of property and equipment, impairment of long-lived assets and goodwill, depreciation, amortization, certain accrued expenses, intangible asset valuation and taxes. Changes in estimates are reflected in the financial statements in the period in which the changes are made and if material, their effects are disclosed in the notes to the financial statements.

SOFTNAUTICS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 7, 2023 TO MARCH 31, 2024

Foreign Currency Translation

The U.S. dollar is the functional currency of the Company, and the functional currency of the Company's foreign subsidiary is the local currency of the country. Accordingly, the assets and liabilities of the foreign subsidiary are translated at the exchange rate as of March 31, 2024. Revenue and expenses are translated at the average exchange rate for the period June 07, 2023 to March 31, 2024. Equity transactions are translated using historical exchange rates. Resulting translation adjustments are recorded as a component of accumulated other comprehensive income / (loss) in the statement of stockholder's equity.

All gains and losses from the translation of the financial statements of the foreign subsidiary are included in other comprehensive income. Gains and losses are presented without income tax effect on the Consolidated financial statements as of March 31, 2024 because the income tax effect on the gains and losses are considered immaterial.

Accumulated Other Comprehensive income

The Company follows the provisions of FASB ASC No. 220 (formerly SFAS No. 130) "Reporting Comprehensive Income". This statement requires companies to classify items of other comprehensive income by their components in the Consolidated financial statements and display the accumulated balance of other comprehensive income separately from retained earnings in the equity section of the balance sheet.

Revenue Recognition

The Company recognizes revenues on delivery of services to the customers in an amount that reflects the consideration which is expected to be entitled to in exchange for those services. See Note 3 for further discussion on Revenues.

Cash

Cash and cash equivalents generally consist of cash in bank.

Accounts Receivable

Accounts receivable, net of allowance for doubtful accounts, represents amounts due from customers for the services provided and are recorded at the invoiced amount and do not bear interest. The Company extends credit to its customers in the normal course of business. The Company performs ongoing evaluation of its existing receivables and evaluation of periodic ageing of the accounts to estimate allowance for potential credit losses. Losses are written off against the allowances when determined to be uncollectable.

Property, Plant and Equipment

Property and equipment are recorded at cost. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided principally on a straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

SOFTNAUTICS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 7, 2023 TO MARCH 31, 2024

Computers and Equipment	3 years
Furniture and Fixtures	5 years
Leasehold Improvement	Shorter of estimated useful life and lease term

It is the Company's policy to capitalize property and equipment over \$ 1,000. Lesser amounts are recorded as expense in the consolidated financial statements.

Intangible Assets

Intangible assets include software, acquired assets and patent costs. The software is being amortized on a straight-line basis over the estimated useful life which varies from three to five years and patents upto five years as determined by the management.

Accounts Payable

Accounts payable are recorded when goods or benefits are received.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC No. 740 (formerly SFAS No. 109) "Accounting for Income Taxes", which requires an assets and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statements and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

Fair value measurements

The Company reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The Company does not have any Level 1, 2 or 3 financial instruments as of the reporting dates. Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include accounts receivable, accounts payable and accrued liabilities.

SOFTNAUTICS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 7, 2023 TO MARCH 31, 2024

NOTE 3 – REVENUE RECOGNITION

Revenue Recognition

Revenue is recognized upon transfer of control of promised services to customers in an amount that reflects the transaction price (net of variable consideration) allocated to a particular performance obligation. The Company recognizes revenues in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic No. 606, Revenue from Contracts with Customers (“ASC 606”). The revenue is recognized upon completion of services.

The Company generates its revenues from providing professional services under two types of billing arrangements: time-and-expense and milestone basis. Time-and-expense billing arrangements require the client to pay based on the number of hours worked at agreed-upon rates. Expense reimbursements that are billable to the clients are included in total revenues. Reimbursable expenses are primarily recognized as revenue in the period in which the expense is incurred.

The Company has fixed-price contracts, and revenue is recognized under the percentage of completion method, measured by the percentage of costs incurred to date to estimated total costs of each contract. Provisions for estimated losses on uncompleted contracts are provided for when determined, regardless of the completion percentage. As contracts can extend over one or more accounting periods, changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions and final contract settlements may result in revisions to cost and income and are recognized in the period in which the revisions are determined.

Disaggregation of Revenue:

The following table presents revenue disaggregated by revenue source for the period June 7, 2023 to March 2024. The Management has applied the practical expedient of providing limited disclosure in this regard, as the cost to obtaining this information exceeds the benefits.

Revenue Source	Amount
Embedded sales services	\$ 3,460,064
License Fees	33,334
Semi- Conductor sales services	914,124
TOTAL	\$ 4,407,522

CONTRACT ASSETS AND LIABILITIES:

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the balance sheet. Amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., milestone based or monthly) or upon achievement of contractual milestones. Billing occurs after revenue recognition, resulting in unbilled receivable. However, the Company sometimes receive advances or deposits from the customers, before revenue is recognized, resulting in deferred revenue. These deposits are liquidated when revenue is recognized.

SOFTNAUTICS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 7, 2023 TO MARCH 31, 2024

The contract balances as of March 31, 2024 and June 06, 2023 are as follows:

PARTICULARS	March 31, 2024 Assets/ Liabilities	June 06, 2023 Assets/ Liabilities
Accounts receivable	\$ 993,039	\$ 1,084,939
Unbilled revenue	315,081	1,307
Unearned revenue	\$ 16,667	-

NOTE 4 – CONCENTRATION OF RISKS

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

As of March 31, 2024, cash and cash equivalents consist of cash deposited with a financial institution that management believes are of high-credit quality. The Company is exposed to credit risk in the event of default by the domestic financial institution to the extent that cash and cash equivalents are in excess of the amount insured by the Federal Deposit Insurance Corporation.

Accounts Receivables

As of March 31, 2024, the accounts receivable balance was \$993,039. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential uncollectable accounts as deemed necessary. The Company generally does not require collateral to secure its accounts receivable. It estimates credit losses based on management’s evaluation of historical experience and current industry trends. Although the Company expects to collect amounts due, actual collections may differ from the estimated amounts.

The Company considers accounts receivable to be collectible for the year ended March 31, 2024.

The Company’s revenues and accounts receivable from its major customers for the for the period June 7, 2023 to March 31, 2024 are as follows:

Clients	Revenue	Percentage	AR	Percentage
A	\$ 1,392,558	32%	\$ 285,694	29%
B	\$ 771,741	18%	\$ 217,800	22%

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of March 31, 2024:

Computers & equipment	\$ 120,908
Office Furniture & Equipment	12,987
Furniture and Fixtures	2,482
Fixed Assets Software	4,197
Total Property and Equipment	140,574
Less: Accumulated Depreciation	(114,321)
Property and Equipment, Net	\$ 26,253

SOFTNAUTICS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 7, 2023 TO MARCH 31, 2024

Depreciation expense is \$17,941 for the year ended March 31, 2024.

NOTE 6 – INTANGIBLE ASSETS

Intangible assets include internally developed IP assets as of March 31, 2024. Amortization of the IP Asset is computed over the estimated economic life of the product of 5 years.

IP Assets	\$	876,405
Less: Accumulated Amortization on IP		(43,821)
Intangibles	\$	832,584

Amortization expense is \$43,821 for the year ended March 31, 2024.

NOTE 7 – LOANS AND ADVANCES

As of March 31, 2024, Loans and Advances consist of the following:

Vendors Prepayment	\$	6,328
Advance to employee		1,917
Total Loans and Advances	\$	8,245

NOTE 8 – OTHER CURRENT ASSETS

As of March 31, 2024, Other current assets consist of the following:

Foreign Advance Tax	\$	171,804
Foreign GST Refund		17,268
Foreign Input GST		70,350
Foreign TDS Receivables		262
Total Other Current Assets	\$	259,684

NOTE 9 – ACCRUED EXPENSES

Accrued expenses consisted of the following at March 31, 2024:

Provisions		28,161
Employee Payables		2,123
TDS Payable		56,426
Profession Tax		368
Accrued Expenses	\$	87,078

SOFTNAUTICS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 7, 2023 TO MARCH 31, 2024

NOTE 10 – PROVISION FOR EMPLOYEE BENEFITS

As of March 31, 2024, Provision for employee benefits consist of the following:

Particulars	March 31, 2024
Provision for Gratuity	177,062
Provision for Leave encashment	46,394
Provision for employee benefits	148,332
Provident Fund	13,165
Total Provision for employee benefits	\$ 384,953

NOTE 11 – COMMITMENTS UNDER OPERATING LEASE

During the year, the Company leased its office in Ahmedabad under a finance lease which was effective from 31 Oct 2021 to 30 Sep 2024 for a period of 36 months and the lease agreement contains scheduled rent increases. The lease asset is amortized over its estimated useful life of 3 years.

Further during the year, the Company leased its office in Pune under a finance lease which was effective from Aug'22 to May'24 for a period of 22 Months. The lease agreement contains scheduled rent increases. The lease asset is amortized over its estimated useful life of 22 Months.

The following summarizes the line items in balance sheet which include amounts for operating leases as of March 31, 2024:

Payment of Lease Rentals:

Particulars	Ahmedabad	Pune	Total
Lease liability	\$ 52,707	\$ 72,717	\$ 125,424
Finance Cost	7,815	6,377	14,192
Total	\$ 60,522	\$ 79,094	\$ 139,616

Lease Expenses	Ahmedabad	Pune	Total
Finance Lease expense			
Amortization of ROU asset	\$ 53,158	\$ 70,616	\$ 123,774
Interest on Lease liability	7,815	6,377	14,192
Total	\$ 60,972	\$ 76,993	\$ 137,966

SOFTNAUTICS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 7, 2023 TO MARCH 31, 2024

Particulars	Ahmedabad	Pune	Total
ROU assets obtained in exchange for a new operating lease liability	\$ 83,472	\$ 86,962	\$ 170,434
Weighted-average remaining lease term for finance leases	0.50	0.17	Years
Weighted-average discount rate for finance and operating leases	7%	7%	

Maturity Analysis	Ahmedabad	Pune	Total
FY25	\$ 36,867	\$ 16,000	\$ 52,866
FY26	-	-	-
Total undiscounted cash flow	\$ 36,867	\$ 16,000	\$ 52,866
Less: present value discount	2,151	1,759	3,910
Total lease liabilities	\$ 34,716	\$ 14,240	\$ 48,956

NOTE 12 – RELATED PARTY TRANSACTIONS

From June 7, 2023, the Company is a wholly owned subsidiary of Moschip Technologies Limited (an Indian based company).

The Company has a majority owned subsidiary- Softnautics LLP, India. They have entered into a professional service agreement. The subsidiary provides engineering services to the Company.

Moschip Technologies USA, is also a wholly owned subsidiary of Moschip Technologies Limited, India (the Company’s parent company). Moschip Technologies USA has given an advance to the Company for business purposes carrying no interest.

Moschip Technologies USA	
Advance from Moschip Technologies USA	\$ 1,621,342

NOTE 13 – CONTINGENCIES

There are no pending legal actions, including arbitrations, class actions and other litigation, arising in connection with the Company’s activities. Legal reverses are established in accordance with FASB ASC 450 “Accounting for Contingencies” (formerly known as SFAS No. 5). Once established, reserves are adjusted when there is more information available or when an event occurs requiring a change. There are no legal reserves in the statement of financial condition as of March 31, 2024.

Legal reverses are established in accordance with FASB ASC 450 “Accounting for Contingencies” (formerly known as SFAS No. 5). Once established, reserves are adjusted when there is more information available or when an event occurs requiring a change. There are no legal reserves in the statement of financial condition as of March 31, 2024.

SOFTNAUTICS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 7, 2023 TO MARCH 31, 2024

NOTE 14 – INCOME TAXES

The Company accounts for income taxes under the provisions of FASB ASC 740, “Accounting for Income Taxes”. Under ASC 740, deferred taxes are required to be classified based on the financial statement classification of the related assets and liabilities which give rise to temporary differences. Deferred taxes result from temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities.

The provision for (benefit from) income taxes for the period ended March 31, 2024, consisted of the following:

<i>Total Taxes</i>	March 31, 2024
<i>Current Taxes</i>	
Domestic	
Federal	\$ 45,372
State	15,080
Foreign	130,503
Total Current Taxes	\$ 190,955
<i>Deferred Taxes</i>	
Domestic	
Federal	-
State	-
Foreign	(24,590)
Total Current Taxes	
Total Tax Benefit	\$ (166,365)

Deferred Tax Effects:

The components of deferred tax asset are as follows:

	March 31, 2024
<i>Deferred Tax Assets</i>	
Gratuity & Leave Encashment	\$ 86,956
Deferred Tax Assets	\$ 86,956

SOFTNAUTICS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 7, 2023 TO MARCH 31, 2024

NOTE 15 – STOCKHOLDER’S EQUITY

Common Stock:

The Company is authorized to issue 15,000,000 shares of \$0.00001 par value as of March 31, 2024. There were no new shares issued during the current period. As on March 31, 2024, 13,582,000 common stocks are issued and outstanding.

NOTE 16 – SUBSEQUENT EVENTS

The Company is required to disclose events and transactions after balance sheet date but before the financial statements are available to be issued. The Company has evaluated the subsequent events until May 02, 2024, which is the date the financial statements are available for issuance. The Company has concluded that no other events or transactions have occurred which would require adjustments or disclosures in the Company’s financial statements.



TAX | ACCOUNTING | AUDIT | CONSULTING

1600 DUANE AVENUE, SANTA CLARA, CA 95054 | TEL 408.970.0100 | FAX 408.970.0200 | WWW.CHUGH.NET

**INDEPENDENT AUDITOR’S REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors and Stockholder
Softnatics, Inc.
Santa Clara, CA

We have audited the consolidated financial statements of Softnatics, Inc. and subsidiary for the period June 7, 2023 to March 31, 2024, and our report thereon dated May 3, 2024, which expressed an unmodified opinion on those financial statements, appears on pages 1&2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information in Schedule A – Cost of services and Schedule B – Operating expenses are presented for purposes of additional analysis and are not a required part of the 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 of America. In our opinion, such supplementary information, which insofar as it related to Softnautics LLP, is based on the report of other auditors, is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Chugh CPAs LLP

Chugh CPAs LLP
Santa Clara, CA
May 3, 2024

SOFTNAUTICS INC.
SCHEDULE A: CONSOLIDATED COST OF SERVICES
FOR THE PERIOD JUNE 7, 2023 TO MARCH 31, 2024

Consulting Fees	\$	873,410
Payroll expenses		1,382,120
Payroll Taxes		2,480
Employee Benefits		357,112
TOTAL COST OF SERVICES	\$	2,615,122

SOFTNAUTICS INC.
SCHEDULE B: CONSOLIDATED OPERATING EXPENSES
FOR THE PERIOD JUNE 7, 2023 TO MARCH 31, 2024

Amortization	\$	43,821
Bank charges		3,038
Commission		30,366
Depreciation		17,941
Dues and subscriptions		679
Electricity		14,778
Employee benefits program		106,045
Insurance		38,931
Interest on Leased Liability		8,616
Interest		7,887
Lease amortization		114,567
Legal and professional fees		7,791
Meals expense		21,222
Payroll expenses		821,885
Payroll processing fees		946
Payroll tax expense		4,861
Repairs and maintenance		5,258
Postage & Courier		200
Office Expenses and Supplies		14,908
Software tools cost		16,511
Telephone and internet		6,008
Travel		65,638
Taxes, Licenses & Fees		8,770
Recruitment		3,770
Parking charges		8,644
TOTAL OPERATING EXPENSES	\$	1,373,081