

SOFTNAUTICS, INC.

Consolidated Financial Statements
And Supplemental Schedules

For the period April 1, 2024 to March 31, 2025

With

Independent Auditor's Report and Accompanying Notes

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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, 2025, and the related statements of operations, changes in stockholder's equity, and cash flows for the year ended March 31, 2025, 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, 2025, and the results of its operations and its cash flows for the year ended March 31, 2025 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 \$1,022,690 as of March 31, 2025, and total revenues of \$3,387,191 for the year ended March 31, 2025. 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 2, 2025

SOFTNAUTICS INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
AS ON MARCH 31, 2025

ASSETS

CURRENT ASSETS

Cash	\$ 180,581
Accounts receivable, net	1,018,957
Lease Deposits	35,637
Unbilled revenue	96,768
Loans and advances	6,148
Other current assets	48,319
TOTAL CURRENT ASSETS	<u>1,386,411</u>

Property & equipment, at cost	162,758
Less: Accumulated depreciation	(131,844)
TOTAL PROPERTY & EQUIPMENT	<u>30,914</u>

NON CURRENT ASSETS

Intangible IP Assets, at cost	842,569
Less: Accumulated amortization	(209,826)
TOTAL INTANGIBLE ASSETS	<u>632,743</u>

OTHER ASSETS

Deferred tax assets	83,599
Right to use asset	38,892
TOTAL OTHER ASSETS	<u>122,491</u>

TOTAL NON CURRENT ASSETS	<u>786,148</u>
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TOTAL ASSETS	<u>\$ 2,172,559</u>
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SOFTNAUTICS INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
AS ON MARCH 31, 2025

LIABILITIES & STOCKHOLDER'S EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 117,340
Accrued expenses	93,993
Provision for taxes	59,530
Loans & advances	1,795,947
Operating lease liability	39,417
Provision for employee benefits	339,001
TOTAL CURRENT LIABILITIES	<u>2,445,228</u>

TOTAL LIABILITIES	<u>2,445,228</u>
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STOCKHOLDER'S EQUITY

Common stock, par value \$0.00001; Authorised 15,000,000; 13,582,000 issued and outstanding	1,358
Other comprehensive loss	(123,961)
Retained earnings	<u>(150,155)</u>

TOTAL STOCKHOLDER'S EQUITY	(272,758)
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Non Controlling interest	<u>88</u>
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TOTAL LIABILITIES & STOCKHOLDER'S EQUITY	<u><u>\$ 2,172,559</u></u>
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SOFTNAUTICS INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2025

Service revenue	\$ 4,445,324
Cost of services (Schedule A)	<u>(4,230,366)</u>
GROSS PROFIT	214,958
Operating expenses (Schedule B)	<u>(733,378)</u>
OPERATING LOSS BEFORE TAXES	(518,421)
OTHER INCOME/(EXPENSE)	
Other income	\$ 161,132
Lease interest Income	\$ 4,181
Lease interest expense	<u>\$ (7,855)</u>
LOSS BEFORE INCOME TAX	(360,962)
Income Tax Expense	<u>(14,005)</u>
NET LOSS	<u><u>\$ (374,967)</u></u>

SOFTNAUTICS INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEAR ENDED MARCH 31, 2025

	<u>Common Stock</u>		<u>Other</u>	<u>Retained</u>	<u>Total attributable</u>	<u>Non-</u>	<u>Total</u>
	<u>No. of Shares</u>	<u>Amount</u>	<u>Comprehensive</u>	<u>Earnings</u>	<u>to owners</u>	<u>Controlling</u>	<u>Equity</u>
			<u>Income (Loss)</u>		<u>of parents</u>	<u>Interest</u>	
Balance as of March 31, 2024	13,582,000	\$ 1,358	\$ (99,730)	\$ 224,812	\$ 126,440	\$ 88	\$ 126,528
Other Comprehensive Loss			(24,231)		(24,231)		(24,231)
Net loss				(374,967)	(374,967)		(374,967)
Balance as of March 31, 2025	13,582,000	\$ 1,358	\$ (123,961)	\$ (150,155)	\$ (272,758)	\$ 88	\$ (272,670)

SOFTNAUTICS INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (374,967)
Adjustment to reconcile net income to net cash generated from operating activities	
Depreciation expense	22,409
Foreign currency adjustment	4,091
Amortization on leased assets	138,063
Interest Income on lease deposit	(4,181)
Interest expense on lease liability	7,855
Deferred taxes	3,357
Amortization	171,519
(Increase) decrease in operating assets	
Accounts receivable, net	(25,918)
Unbilled revenue	218,313
Prepaid expenses	985
Loans & Advances	2,097
Other Current Assets	211,365
Term deposit with bank	397,687
Increase (decrease) in operating liabilities	
Accounts payable	(58,278)
Credit card payable	(1,265)
Accrued expenses	6,916
Provision for taxes	(146,475)
Loans & Advances	(360,201)
Provision for employee benefits	(45,952)
Unearned revenue	(16,667)
Net cash provided by operating activities	<u>150,753</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property & equipment	<u>(27,070)</u>
Net cash used in investing activities	(27,070)
CASH FLOWS FROM FINANCING ACTIVITIES	
Change in lease liability	(102,758)
Payment of interest on lease liability	<u>(7,855)</u>
Net cash used in financing activities	(110,613)
NET INCREASE IN CASH	13,070
CASH, beginning of year	<u>167,511</u>
CASH, end of year	<u><u>\$ 180,581</u></u>
Supplemental disclosure of cash flow information	
Interest paid	\$ 28,438
Taxes paid, net of refunds	\$ 20,723

SOFTNAUTICS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

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. They 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 year ended March 31, 2025.

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
MARCH 31, 2025

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, 2025. Revenue and expenses are translated at the average exchange rate for the year ended March 31, 2025. 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, 2025 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
MARCH 31, 2025

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
MARCH 31, 2025

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 year ended March 31, 2025. 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
Time and Material	\$ 4,428,657
Turn-key	16,667
TOTAL	\$ 4,445,324

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
MARCH 31, 2025

The contract balances as of March 31, 2025 and March 31, 2024 are as follows:

PARTICULARS	March 31, 2025 Assets/ Liabilities	March 31, 2024 Assets/ Liabilities
Accounts receivable	\$ 1,018,957	\$ 993,039
Unbilled revenue	96,768	315,081
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.

Cash

As of March 31, 2025, 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, 2025, the accounts receivable balance was \$1,018,957. 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, 2025.

The Company’s revenues and accounts receivable from its major customers for the for the year ended March 31, 2025 are as follows:

Clients	Revenue	Percentage	AR	Percentage
A	\$ 1,350,157	37%	\$ 964,618	92%
B	\$ 706,493	19%	-	-

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of March 31, 2025:

Computers & equipment	\$ 143,041
Office Furniture & Equipment	14,488
Furniture and Fixtures	1,194
Fixed Assets Software	4,035
Total Property and Equipment	162,758
Less: Accumulated Depreciation	(131,844)
Property and Equipment, Net	\$ 30,915

Depreciation expense is \$22,409 for the year ended March 31, 2025.

SOFTNAUTICS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 6 – INTANGIBLE ASSETS

Intangible assets include internally developed Intellectual Property assets as of March 31, 2025. Amortization of the Intellectual Property Asset is computed over the estimated economic life of the product of 5 years.

Intellectual Property Assets	\$	842,569
Less: Accumulated Amortization on IP		(209,826)
Intangibles	\$	632,743

Amortization expense is \$171,519 for the year ended March 31, 2025.

NOTE 7 – LOANS AND ADVANCES

As of March 31,2025, Loans and Advances consist of the following:

Vendors Prepayment	\$	5,525
Advance to employee		623
Total Loans and Advances	\$	6,148

NOTE 8 – OTHER CURRENT ASSETS

As of March 31,2025, Other current assets consist of the following:

Foreign GST	\$	46,868
Foreign TDS Receivables		1,451
Total Other Current Assets	\$	48,319

NOTE 9 – ACCRUED EXPENSES

Accrued expenses consisted of the following at March 31, 2025:

Provisions	\$	27,738
Employee Payables		1,698
TDS Payable		64,235
Professional Tax		322
Accrued Expenses	\$	93,993

NOTE 10 – LOANS AND ADVANCES

As of March 31,2025, Loans and Advances consist of the following:

Advance from Moschip Technologies USA	\$	397,213
Advance from Moschip Technologies Ltd		1,389,419
Other advances received		9,315
Total Loans and Advances	\$	1,795,947

SOFTNAUTICS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 11 – PROVISION FOR EMPLOYEE BENEFITS

As of March 31, 2025, Provision for employee benefits consist of the following:

Particulars	Amount (\$)
Provision for Gratuity	\$ 254,833
Provision for Leave encashment	53,795
Provision for employee benefits	17,265
Provident Fund	13,108
Total Provision for employee benefits	\$ 339,001

NOTE 12 – COMMITMENTS UNDER OPERATING LEASE

During the year, the Company leased its office in Ahmedabad under a finance lease which was effective from October 31, 2021 to September 30, 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. This lease was renewed till September 2025. However with effect from December 2024 the lease got transferred to Moschip Technologies Ltd, India. The Company has sub-leased the same from Moschip Technologies Limited on a month to month basis from December 2024.

Further during the year, the Company leased its office in Pune under a finance lease which was effective from August 2022 to May 2024 for a period of 22 months. The lease got extended till June 2025. The lease agreement contains scheduled rent increases. The lease asset is amortized over its estimated useful life.

The following summarizes the line items in balance sheet which include amounts for operating leases as of March 31, 2025:

Payment of Lease Rentals:

Particulars	Ahmedabad	Pune	Total
Amortization of ROU Assets	\$ 44,373	\$ 93,690	\$ 138,063
Interest on Lease Liability	1,556	6,298	7,855
Total	\$ 45,930	\$ 99,988	\$ 145,918

	Ahmedabad	Pune	Total
ROU assets obtained in exchange for a new operating lease liability	\$ 73,061	\$ 116,675	\$ 123,774
Weighted-average remaining lease term for finance leases	In Nov'24 - Leases transferred to MosChip Technologies Ltd	0.42	Years
Weighted-average discount rate for finance and operating leases		9%	

SOFTNAUTICS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

Maturity Analysis	Pune
FY26	\$ 40,313
Total undiscounted cash flow	40,313
Less: present value discount	896
Total lease liabilities	\$ 39,417

NOTE 13 – RELATED PARTY TRANSACTIONS

From June 7, 2023, the Company is a wholly owned subsidiary of Moschip Technologies Limited (an Indian based company). Moschip Technologies Limited has given an advance to the Company for business purposes carrying no interest.

Sub lease: The Company has also taken the Ahmedabad office on sublease from Moschip Technologies Limited of around \$9,000 on a month-to-month basis.

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. The Company has entered into an agreement with Moschip Technologies USA dated April 1, 2024, wherein defined sales contracts have been transferred to Moschip Technologies USA by the Company. The Company will get commission income for the same.

Moschip Technologies USA	
Advance from Moschip Technologies USA	\$ 397,213
Sales income	2,154,806
Accounts Receivable	932,749
Commission income	\$ 134,856

Moschip Technologies Ltd	
Advance taken	\$ 1,389,419
Rent	\$ 27,426

NOTE 14 – 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, 2025.

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, 2025.

SOFTNAUTICS, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 15 – 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, 2025, consisted of the following:

<i>Total Taxes</i>	March 31, 2025
<i>Current Taxes</i>	
Domestic	
Federal	\$ 17,506
State	5,825
Foreign	
Total Current Taxes	\$ (9,326)
<i>Deferred Taxes</i>	
Domestic	
Federal	-
State	-
Foreign	-
Total Current Taxes	
Total Tax expense	\$ 14,005

NOTE 16 – STOCKHOLDER’S EQUITY

Common Stock:

The Company is authorized to issue 15,000,000 shares of \$0.00001 par value as of March 31, 2025. There were no new shares issued during the current period. As on March 31, 2025, 13,582,000 common stocks are issued and outstanding.

NOTE 17 – 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, 2025, 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.



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**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 year ended March 31, 2025, and our report thereon dated May 2, 2025, 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 2, 2025

SOFTNAUTICS INC. AND SUBSIDIARY
SCHEDULE A: CONSOLIDATED COST OF SERVICES
FOR THE YEAR ENDED MARCH 31, 2025

Consulting Fees	\$ 995,899
Consumption of material	2,780
Payroll expenses	3,022,783
Payroll Taxes	2,175
Employee Benefits	206,729
TOTAL COST OF SERVICES	<u><u>\$ 4,230,366</u></u>

SOFTNAUTICS INC. AND SUBSIDIARY
SCHEDULE B: CONSOLIDATED OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2025

Amortization	171,519
Bank charges	3,060
Commission	27,779
Depreciation	22,409
Electricity	20,064
Employee benefits program	8,146
Insurance	31,874
Interest	28,438
Lease amortization	138,063
Rent	34,974
Legal and professional fees	48,071
Meals expense	16,142
Payroll expenses	106,353
Payroll processing fees	1,968
Payroll tax expense	8,084
Repairs and maintenance	7,008
Printing & Stationery	35
Office Expenses and Supplies	9,315
Software tools cost	10,540
Telephone and internet	7,684
Travel	18,775
Taxes, Licenses & Fees	12,756
Recruitment	323
TOTAL OPERATING EXPENSES	<u>\$ 733,378</u>