

# Nisarg J Shah & Co.

Chartered Accountants

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## INDEPENDENT AUDITOR'S REPORT

### To The Members of Cuddle Artificial Intelligence Private Limited Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Cuddle Artificial Intelligence Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2024, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of material accounting policies and other explanatory information (hereinafter referred to as the "financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2024, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

#### Basis for Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

#### Emphasis of Matter

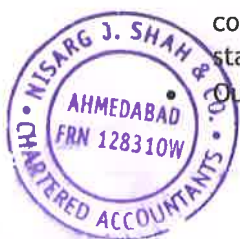
We draw attention to note 2.1 to the financial statements, which explains that in view of the resolution passed by the Board of Directors in their meeting held on April 26, 2023 to transfer the business of the Company to Fractal Analytics Limited (Holding Company), the Company has vide business transfer agreement dated June 01, 2023, transferred the assets, liabilities, regulatory approvals, employees, permits, contracts and employees of the Company on going concern basis to the Holding Company. Also, while the company explores business opportunities, the Company's Holding Company has approved plan for consolidation of its various subsidiaries including Cuddle Artificial Intelligence Private Limited for operational effectiveness and Group structure alignment. Pursuant to the above decisions, the Company will be merged into its fellow subsidiary on a going concern basis. Hence, no adjustments have been made to the carrying values of the assets and liabilities. The Company intends to cease operations of its wholly-owned subsidiary, Cuddle.ai Inc.

Our opinion is not qualified in respect of this matter.

#### Information Other than the Financial Statements and Auditor's Report Thereon

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Company's Board Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express



any form of assurance conclusion thereon.

- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

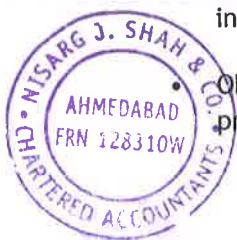
#### **Auditor's Responsibility for the Audit of the Financial Statements**

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 a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

• Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are



also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to the Financial Statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Other Matters**

The Comparative financial information of the Company for the year ended March 31, 2023, prepared in accordance with the Indian Accounting Standards, included in this Financial Statements, have been audited by B S R & Co. LLP, Chartered Accountant. The report of the auditors on the Comparative financial information dated July 19, 2023 expressed an unmodified opinion. In the current year, audit is conducted by Nisarg J Shah & Co.

#### **Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, based on our audit we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books except for the matters stated in the paragraph 1(i)(vi) below on reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 and that the back-up of the books of account and other relevant books and papers in electronic mode has not been kept on servers physically located in India.





- c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
- d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.
- e) On the basis of the written representations received from the directors as on March 31, 2024 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2024 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g) The modifications relating to the maintenance of accounts and other matters connected therewith are as stated in the paragraph 1(b) above on reporting under Section 143(3)(b) of the Act and paragraph 1(i)(vi) below on reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014.
- h) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, In our opinion and to the best of our information and according to the explanations given to us, the Company being a private company during and the year ended and as at March 31, 2024, section 197 of the Act related to the managerial remuneration is not applicable.
- i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company does not have any pending litigations which would impact its financial position;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
  - iv.
    - a) The management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested either from borrowed funds or share premium or any other sources or kind of funds by the Company to or in any other persons or entities, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
    - b) The management has represented that, to the best of its knowledge and belief, no funds have been received by the Company from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or



entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

c) Based on such audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.

v. No dividend has been declared or paid during the year by the Company.

vi. Based on our examination which included test checks, except for instances mentioned below, the Company has used accounting softwares for maintaining its books of accounts, which along with access management tool, as applicable, have a feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the respective softwares:

- i. the feature of recording audit trail (edit log) facility was not enabled for the accounting software which is used in maintaining the general ledger for the entire year ended March 31, 2024
- ii. the feature of recording audit trail (edit log) facility was not enabled for the accounting software used in maintaining the revenue transactions during the period April 2023 to August 2023 at application level and for the period April 2023 to June 2023 at database level
- iii. the independent auditors' report for the service organization that provide the accounting software used for payroll processing do not address compliance with audit trail requirements. Consequently, we are unable to comment whether the audit trail functionality for this software was enabled and functioned throughout the year for all relevant payroll transactions.

Further, where audit trail (edit log) facility was enabled and operated throughout the year, we did not come across any instance of audit trail feature being tampered with during our course of audit.

2. As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

**For Nisarg J Shah & Co.**

Chartered Accountants

ICAI Firm Registration Number: 128310W

*N. J. Shah*

per Nisarg Shah

Partner

Membership Number: 126381

UDIN: 24126381BKAMSM5704



Place of Signature: Ahmedabad

Date: June 14, 2024

**ANNEXURE A to the Independent Auditors' report**

**Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

In conjunction with our audit of the financial statements of the Company as of and for the year ended March 31, 2024, we have audited the internal financial controls over financial reporting of **Cuddle Artificial Intelligence Private Limited** ("the Company"), as of that date.

**MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS**

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria, with reference to financial statements established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

**AUDITORS' RESPONSIBILITY**

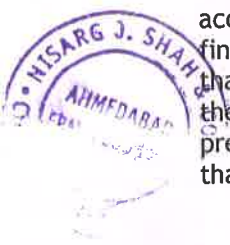
Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, both, issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting with reference to financial statements included obtaining an understanding of such internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls over financial reporting with reference to financial statements.

**MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING WITH REFERENCE TO FINANCIAL STATEMENTS**

A company's internal financial controls over financial reporting with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls over financial reporting with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations



of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING WITH REFERENCE TO FINANCIAL STATEMENTS**

Because of the inherent limitations of internal financial controls over financial reporting with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to financial statements to future periods are subject to the risk that the internal financial controls over financial reporting with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to Ind AS financial statements and such internal financial controls with reference to Ind AS financial statements were operating effectively as at March 31, 2024, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

**For Nisarg J Shah & Co.**  
**Chartered Accountants**

ICAI Firm Registration Number: 128310W

*N. J. Shah*

per Nisarg Shah  
Partner

Membership Number: 126381  
UDIN: 24126381BKAMSM5704



Place of Signature: Ahmedabad  
Date: June 14, 2024



**Annexure B referred to in paragraph (1) under Report on Other Legal and Regulatory Requirements of our audit report of even date**

**Re: Cuddle Artificial Intelligence Private Limited (the "Company")**

- (i) (a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment and relevant details of Right-of-use assets.  
  
(B) The Company has not capitalized any intangible assets in the books of the Company and accordingly, the requirement to report on clause 3(i)(a)(B) of the Order is not applicable to the Company.
- (b) Property, Plant and Equipment have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There is no immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee), held by the Company and accordingly, the requirement to report on clause 3(i)(c) of the Order is not applicable to the Company.
- (d) The Company has not revalued its Property, Plant and Equipment (including Right-of-use assets) or intangible assets or both during the year ended March 31, 2024.
- (e) There are no proceedings initiated or are pending against the Company for holding any benami property under the Prohibition of Benami Property Transactions Act, 1988 (45 of 1988) and rules made thereunder.
- (ii) (a) The Company's business does not require maintenance of inventories and, accordingly, the requirement to report on clause 3(ii)(a) of the Order is not applicable to the Company.
- (b) The Company has not been sanctioned working capital limits in excess of Rs. five crores in aggregate from banks or financial institutions during any point of time of the year on the basis of security of current assets. Accordingly, the requirement to report on clause 3(ii)(b) of the Order is not applicable to the Company.
- (iii) (a) During the year the Company has not provided loans, advances in the nature of loans, stood guarantee or provided security to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(a) of the Order is not applicable to the Company.
- (b) During the year the Company has not made investments, provided guarantees, provided security and granted loans and advances in the nature of loans to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(b) of the Order is not applicable to the Company.
- (c) The Company has not granted loans and advances in the nature of loans to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(c) of the Order is not applicable to the Company.
- (d) The Company has not granted loans or advances in the nature of loans to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(d) of the Order is not applicable to the Company.





- (e) There were no loans or advances in the nature of loan granted to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(e) of the Order is not applicable to the Company.
- (f) The Company has not granted any loans or advances in the nature of loans, either repayable on demand or without specifying any terms or period of repayment to companies, firms, Limited Liability Partnerships or any other parties. Accordingly, the requirement to report on clause 3(iii)(f) of the Order is not applicable to the Company.
- (iv) There are no loans, investments, guarantees, and security in respect of which provisions of sections 185 and 186 of the Companies Act, 2013 are applicable and accordingly, the requirement to report on clause 3(iv) of the Order is not applicable to the Company.
- (v) The Company has neither accepted any deposits from the public nor accepted any amounts which are deemed to be deposits within the meaning of sections 73 to 76 of the Act and the rules made thereunder, to the extent applicable. Accordingly, the requirement to report on clause 3(v) of the Order is not applicable to the Company.
- (vi) The Company is not in the business of sale of any goods or provision of such services as prescribed. Accordingly, the requirement to report on clause 3(vi) of the Order is not applicable to the Company.
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including goods and services tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other statutory dues applicable to it. According to the information and explanations given to us and based on audit procedures performed by us, no undisputed amounts payable in respect of these statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (b) There are no dues of goods and services tax, provident fund, employees' state insurance, income tax, sales-tax, service tax, customs duty, excise duty, value added tax, cess, and other statutory dues which have not been deposited on account of any dispute.
- (viii) The Company has not surrendered or disclosed any transaction, previously unrecorded in the books of account, in the tax assessments under the Income Tax Act, 1961 as income during the year. Accordingly, the requirement to report on clause 3(viii) of the Order is not applicable to the Company.
- (ix) (a) The Company did not have any outstanding loans or borrowings or interest thereon due to any lender during the year. Accordingly, the requirement to report on clause ix(a) of the Order is not applicable to the Company.
- (b) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.
- (c) The Company did not raise any funds during the year hence, the requirement to report on clause (ix)(d) of the Order is not applicable to the Company.
- (d) The Company did not raise any funds during the year hence, the requirement to report on clause (ix)(d) of the Order is not applicable to the Company.
- (e) On an overall examination of the financial statements of the Company, the Company has



not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures.

- (f) The Company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies. Hence, the requirement to report on clause (ix)(f) of the Order is not applicable to the Company.
- (x) (a) The Company has not raised any money during the year by way of initial public offer / further public offer (including debt instruments) hence, the requirement to report on clause 3(x)(a) of the Order is not applicable to the Company.
- (b) The Company has not made any preferential allotment or private placement of shares / fully or partially or optionally convertible debentures during the year under audit and hence, the requirement to report on clause 3(x)(b) of the Order is not applicable to the Company.
- (xi) (a) No fraud by the Company or no material fraud on the Company has been noticed or reported during the year.
- (b) During the year, no report under sub-section (12) of section 143 of the Act has been filed by the secretarial auditor or by us in Form ADT - 4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.
- (c) As represented to us by the management, there are no whistle blower complaints received by the Company during the year.
- (xii) (a) The Company is not a nidhi company as per the provisions of the Companies Act, 2013. Therefore, the requirement to report on clause 3(xii)(b) of the Order is not applicable to the Company.
- (xiii) Transactions with the related parties are in compliance with section 188 of the Act, where applicable, and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards. The provisions of section 177 are not applicable to the Company and accordingly the requirements to report under clause 3(xiii) of the Order insofar as it relates to section 177 of the Act is not applicable to the Company.
- (xiv) (a) The Company does not have an internal audit system and is not required to have an internal audit system under the provisions of Section 138 of the Companies Act, 2013. Therefore, the requirement to report under clause 3(xiv)(a) of the Order is not applicable to the Company.
- (b) The Company does not have an internal audit system and is not required to have an internal audit system under the provisions of Section 138 of the Companies Act, 2013. Therefore, the requirement to report under clause 3(xiv)(b) of the Order is not applicable to the Company.
- (xv) The Company has not entered into any non-cash transactions with its directors or persons connected with its directors and hence requirement to report on clause 3(xv) of the Order is not applicable to the Company.



- (xvi) (a) The provisions of section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) are not applicable to the Company. Accordingly, the requirement to report on clause (xvi)(a) of the Order is not applicable to the Company.
- (b) The Company has not engaged in any Non-Banking Financial or Housing Finance activities. Accordingly, the requirement to report on clause 3(xvi)(b) of the Order is not applicable to the Company.
- (c) The Company is not a Core Investment Company as defined in the regulations made by Reserve Bank of India. Accordingly, the requirement to report on clause 3(xvi)(c) of the Order is not applicable to the Company.
- (d) There is no Core Investment Company as a part of the Group, hence, the requirement to report on clause 3(xvi)(d) of the Order is not applicable to the Company.
- (xvii) The Company has not incurred cash losses in the current financial year. In the immediately preceding financial year Company has incurred cash losses amounting to Rs. 28.39 Cr.
- (xviii) The previous statutory auditors of the Company have resigned during the year and we have taken into consideration the issues, objections or concerns raised by the outgoing auditors.
- (xix) On the basis of the financial ratios disclosed in note 27 to the financial statements, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.



- (xx) (a) The provisions of Section 135 to the Companies Act, 2013 in relation to Corporate Social Responsibility is not applicable to the Company. Accordingly, the requirement to report on clause 3(xx)(a) of the Order is not applicable to the Company.
- (b) The provisions of Section 135 to the Companies Act, 2013 in relation to Corporate Social Responsibility is not applicable to the Company during the current year. Accordingly, the requirement to report on clause 3(xx)(b) of the Order is not applicable to the Company.

**For Nisarg J Shah & Co.**  
**Chartered Accountants**

ICAI Firm Registration Number: 128310W

*N. J. Shah*

per Nisarg Shah  
Partner

Membership Number: 126381  
UDIN: 24126381BKAMSM5704



Place of Signature: Ahmedabad  
Date: June 14, 2024



**Cuddle Artificial Intelligence Private Limited****Balance Sheet as at March 31, 2024***All amounts in Rs'000, unless stated otherwise*

Particulars	Note	As at March 31, 2024	As at March 31, 2023
<b>ASSETS</b>			
<b>(A) Non-current assets</b>			
(a) Property, plant and equipment	(3)	-	482
(b) Other Intangible assets	(4)	-	98,425
(c) Intangible assets under development	(4.1)	-	-
(d) Financial assets			
(i) Investments	(5)	-	-
(e) Income tax assets (net)		18,607	1,332
<b>Total non-current assets</b>		<b>18,607</b>	<b>100,239</b>
<b>(B) Current assets</b>			
(a) Financial assets			
(i) Trade receivables	(6)	-	35,364
(ii) Cash and cash equivalents	(7)	3,835	4,041
(iii) Other financial assets	(8)	174	-
(b) Other current assets	(9)	1,023	10,230
<b>Total current assets</b>		<b>5,032</b>	<b>49,635</b>
<b>Total assets</b>		<b>23,639</b>	<b>149,874</b>
<b>EQUITY AND LIABILITIES</b>			
<b>(A) Equity</b>			
(a) Share capital	(10)	163,361	163,361
(b) Other equity	(11)	(157,253)	(953,883)
<b>Total equity</b>		<b>6,108</b>	<b>(790,522)</b>
<b>(B) Liabilities</b>			
<b>(I) Non-current liabilities</b>			
(a) Provisions	(16)	-	6,995
<b>Total non-current liabilities</b>		<b>-</b>	<b>6,995</b>
<b>(II) Current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	(12)	-	253,500
(ii) Trade payables	(13)		
- Total outstanding dues of micro enterprise and small enterprises		272	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises		253	632,156
(iii) Other financial liabilities	(14)	16,980	42,127
(b) Other current liabilities	(15)	26	5,437
(c) Provisions	(16)	-	181
<b>Total current liabilities</b>		<b>17,531</b>	<b>933,401</b>
<b>Total liabilities</b>		<b>17,531</b>	<b>940,396</b>
<b>Total Equity and Liabilities</b>		<b>23,639</b>	<b>149,874</b>

**Material accounting policies**

2

The accompanying notes from 1 to 39 form an integral part of the consolidated financial statements

As per our report of even date attached.

**For Nisarg J. Shah & Co***Chartered Accountants*

Firm's Registration Number: 128310W

*N. J. Shah***Nisarg Shah**

Partner

Membership Number: 126381

Ahmedabad

Date: June 14, 2024



For and on behalf of the Board of Directors of

**Cuddle Artificial Intelligence Private Limited**

CIN: U74999MH2016PTC283206

*Rajeshwari***Rajeshwari Aradhyula**

Director

DIN: 09337789

Place: Mumbai

Date: June 14, 2024

*Natwar Mall***Natwar Mall**

Director

DIN: 01995085

Place: Kenya

Date: June 14, 2024

*Somya Agarwal***Somya Agarwal**

Company Secretary

Membership number: A17336

Mumbai

Date: June 14, 2024

**Cuddle Artificial Intelligence Private Limited**  
**Statement of Profit and Loss for the year ended March 31, 2024**  
All amounts in Rs'000, unless stated otherwise

Particulars	Note	Year ended March 31, 2024	Year ended March 31, 2023
<b>(1) Income</b>			
(a) Revenue	(17)	7,671	73,749
(b) Other income	(18)	241	100
<b>Total Income</b>		<b>7,912</b>	<b>73,849</b>
<b>(2) Expenses</b>			
(a) Employee benefits expense	(19)	19,219	88,663
(b) Finance costs	(20)	3,023	17,457
(c) Depreciation and amortization expense	(21)	9,864	40,603
(d) Other expenses	(22)	8,229	248,204
<b>Total Expenses</b>		<b>40,335</b>	<b>394,927</b>
<b>(3) (Loss) before exceptional items and tax (1-2)</b>		<b>(32,423)</b>	<b>(321,078)</b>
(4) Exceptional items	(23)	827,686	(3,464)
<b>(5) Profit/(Loss) before tax (3-4)</b>		<b>795,263</b>	<b>(324,542)</b>
<b>(6) Tax expense</b>	(24)		
(a) Current Tax			
- For the year		-	-
- Tax adjustment for earlier year		-	(50)
(b) Deferred tax (credit) / charge		-	-
<b>Total tax expense charge / (credit)</b>		<b>-</b>	<b>(50)</b>
<b>(7) Profit/(loss) for the year (5-6)</b>		<b>795,263</b>	<b>(324,492)</b>
<b>(8) Other comprehensive income</b>			
(1) Items that will not be reclassified subsequently to profit or loss			
(a) Remeasurement of defined employee benefit plans		-	169
(2) Items that will be reclassified subsequently to profit or loss			
<b>Total other comprehensive income</b>		<b>-</b>	<b>169</b>
<b>(9) Total comprehensive income/(loss) for the year</b>		<b>795,263</b>	<b>(324,323)</b>
<b>Earnings per share (Rupees per share)</b>	(32)		
Face value of Rs 1 each			
(1) Basic EPS		4.87	(1.99)
(2) Diluted EPS		4.87	(1.99)

**Material accounting policies**

2

The accompanying notes from 1 to 39 form an integral part of the consolidated financial statements

As per our report of even date attached.

**For Nisarg J. Shah & Co**

Chartered Accountants

Firm's Registration Number: 128310W

For and on behalf of the Board of Directors of

**Cuddle Artificial Intelligence Private Limited**

CIN: U74999MH2016PTC283206

**Nisarg Shah**

Partner

Membership Number: 126381

Ahmedabad

Date: June 14, 2024



**Rajeshwari Aradhyula**

Director

DIN: 09337789

Place: Mumbai

Date: June 14, 2024

**Natwar Mall**

Director

DIN: 01995085

Place: Kenya

Date: June 14, 2024

**Somya Agarwal**

Company Secretary

Membership number: A17336

Mumbai

Date: June 14, 2024

**Cuddle Artificial Intelligence Private Limited**  
**Statement of Cash flows for the year ended March 31, 2024**  
*All amounts in Rs'000, unless stated otherwise*

Particulars	Year ended March 31, 2024	Year ended March 31, 2023
<b>(A) Cash flows from operating activities</b>		
(Loss)/profit before tax	795,263	(324,542)
<b>Adjustment for:</b>		
Depreciation and amortization	9,865	40,603
Interest on bank deposits	-	(44)
Employee stock option expense	1,367	414
Interest expense	2,066	16,061
Foreign exchange (gain)/loss	902	23,025
Impairment in value of investments	-	3,464
Profit on sale of assets (net)	-	(42)
Gain on transfer of business	(35)	-
Sundry Balances written back	(827,892)	(14)
<b>Operating cash flow before working capital changes</b>	<b>(17,564)</b>	<b>(240,172)</b>
<b>Adjustment for changes in working capital:</b>		
Decrease / (Increase) in trade receivables	25,954	(10,824)
Decrease in other current assets	2,802	4,725
Increase in trade payables	213	206,141
(Decrease) in other current financial liabilities	(6,026)	(1,029)
Increase in provisions	417	1,374
(Decrease) / Increase in other current liabilities	(5,411)	2,735
<b>Cash generated from operations</b>	<b>385</b>	<b>(37,050)</b>
Tax paid (net of refunds)	(294)	(507)
<b>Net cash flow (used in) / generated from operating activities</b>	<b>91</b>	<b>(37,557)</b>
<b>(B) Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	-	(29,784)
Proceeds from sale of property, plant and equipment	-	56
Interest received on fixed deposit	-	44
<b>Net cash flow used in investing activities</b>	<b>-</b>	<b>(29,684)</b>
<b>(C) Cash flow from financing activities</b>		
Proceeds from issue of equity shares	-	269
Interest paid during the year	(297)	-
Proceeds from inter corporate loan	-	155,000
Repayment from inter corporate loan	-	(87,500)
<b>Net cash flow generated from / (used in) financing activities</b>	<b>(297)</b>	<b>67,769</b>
<b>Net (used in) / generated from cash and cash equivalents (A+B+C)</b>	<b>(206)</b>	<b>528</b>
Cash and cash equivalents at the beginning of the year	4,041	3,513
Acquisition / (derecognition) / (sale) of subsidiary	-	-
Effect of exchange rate changes	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>3,835</b>	<b>4,041</b>
<b>Cash and cash equivalents comprise of:</b>		
Cash in hand	-	-
Balance with banks:		
In current accounts	3,835	4,041
<b>Total cash and cash equivalents</b>	<b>3,835</b>	<b>4,041</b>

- The above Consolidated Statement of Cash Flows has been prepared under the 'Indirect Method' as set out in Ind AS 7, 'Statement of Cash Flows'.
- Purchase of property, plant and equipment and intangibles are shown inclusive of movements in Intangible asset under development.

<b>3. Details of borrowings</b>		
Particulars	March 31, 2024	March 31, 2023
Balance at the beginning of the year	253,500	186,000
Loan taken during the year	-	155,000
Loan repaid during the year	-	(87,500)
Adjusted against business transfer consideration	(83,700)	-
Balance written back	(169,800)	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>253,500</b>

As per our report of even date attached.

**For Nisarg J. Shah & Co**  
Chartered Accountants  
Firm's Registration Number: 128310W

**Nisarg Shah**  
Partner  
Membership Number: 126381

Ahmedabad  
Date: June 14, 2024



For and on behalf of the Board of Directors of  
**Cuddle Artificial Intelligence Private Limited**

CIN: U74999MH2016PTC283206

**Rajeshwari Aradhyula**  
Director  
DIN: 09337789

Place: Mumbai  
Date: June 14, 2024

**Sonika Agarwal**  
Company Secretary  
Membership number: A17336

Mumbai  
Date: June 14, 2024

**Natwar Mall**  
Director  
DIN: 01995085

Place: Kenya  
Date: June 14, 2024

Cuddle Artificial Intelligence Private Limited  
Statement of Changes in equity for the year ended March 31, 2024  
All amounts in ₹'000, unless stated otherwise.

(A) Equity share capital

Particulars	Note	Amount
Balance as at April 01, 2022		163,103
Changes in equity share capital during the year	(14)	258
Balance as at March 31, 2023		163,361
Balance as at April 01, 2023		163,361
Changes in equity share capital during the year	(14)	-
Balance as at March 31, 2024		163,361

(C) Other equity

Particulars	Reserve and Surplus				Share Application money pending allotment	Total equity
	Securities premium reserve	Employee stock option reserve	Retained earnings	Remeasurment of defined benefit plans		
Balance as at April 01, 2022	5,447	7,984	(644,318)	(454)	-	(631,341)
Issue of equity shares	11	-	-	-	(269)	(258)
Share based payment expense	-	1,770	-	-	-	1,770
Share application money received during the year	-	-	-	-	269	269
Transfer to securities premium on account of exercised ESOP	99	(99)	-	-	-	-
Transfer to retained earnings on account of vested ESOP	-	(47)	47	-	-	-
Remeasurement of defined employee benefits, net of tax Profit/(loss) for the year	-	-	(324,492)	169	-	169
Balance as at March 31, 2023	5,557	9,608	(968,763)	(285)	-	(953,883)
Balance as at April 01, 2023	5,557	9,608	(968,763)	(285)	-	(953,883)
Share based payment expense	-	1,367	-	-	-	1,367
Transfer to retained earnings on account of vested ESOP lapse	-	(10,975)	10,975	-	-	-
Profit/(loss) for the year	-	-	795,263	-	-	795,263
Balance as at March 31, 2024	5,557	-	(162,525)	(285)	-	(157,253)

Nature and purpose of reserves

(a) **Securities premium reserve:** The amount received in excess of face value of the equity shares is recognised in securities premium. It can be used only in accordance with provisions of Companies Act, 2013 for specified purposes.

(b) **Employee stock option reserve:** This relates to stock options granted by the Company to its employees under an Employee stock options plan.

(c) **Retained earnings:** Retained earnings are the profits that the Company has earned till date net of appropriations. It is available for distribution to shareholders.

The accompanying notes from 1 to 39 form an integral part of the consolidated financial statements

As per our report of even date attached.

For Nisarg J. Shah & Co  
Chartered Accountants  
Firm's Registration Number: 128310W

For and on behalf of the Board of Directors of  
Cuddle Artificial Intelligence Private Limited  
CIN: U74999MH2016PTC283206

N. J. Shah

Nisarg Shah  
Partner  
Membership Number: 126381

Ahmedabad  
Date: June 14, 2024

Rajeshwari

Rajeshwari Aradhyula  
Director  
DIN: 09337789

Place: Mumbai  
Date: June 14, 2024

Natwar Mall

Natwar Mall  
Director  
DIN: 01995085

Place: Kenya  
Date: June 14, 2024

Somya

Somya Agarwal  
Company Secretary  
Membership number: A17336

Mumbai  
Date: June 14, 2024





**1.-1 Corporate Information**

Cuddle Artificial Intelligence Private Limited ('the Company') is a private limited company, incorporated and domiciled in India and is an AI-based Business Intelligence platform that delivers relevant insights to users across any organization to make frictionless decisions immediately by enabling intuitive access to all of their available data. This provides quick, intelligent, actionable insight into their core business KPIs. The registered office of the Company is located at Level 7, Commerz II, International Business Park, Oberoi Garden City, Western Express Highway, Goregaon (E), Mumbai -400063.

**2 Material Accounting Policies****2.1 Basis of Preparation**

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013 ('the Act') and other relevant provisions of the Act as amended from time to time.

In the Board of Directors meeting held on June 14, 2024, the Board has approved to issue these Ind AS financial statement to shareholders of the Company.

In view of the resolution passed by the Board of Directors in their meeting held on April 26, 2023 to transfer the business of the Company to Fractal Analytics Limited (Holding Company), the Company has vide business transfer agreement dated June 01, 2023, transferred the assets, liabilities, regulatory approvals, employees, permits, contracts and employees of the Company on going concern basis to the Holding Company. Also, while the company explores business opportunities, the Company's Holding Company has approved plan for consolidation of its various subsidiaries including Cuddle Artificial Intelligence India Private Limited for operational effectiveness and Group structure alignment. Pursuant to the above decisions, the Company will be merged into its fellow subsidiary on a going concern basis. Hence, no adjustments have been made to the carrying values of the assets and liabilities. The Company intends to cease operations of its wholly-owned subsidiary, Cuddle.ai Inc.

**b. Functional and presentation currency**

The financial statements are presented in INR thousands, except when otherwise indicated.

**c. Basis of measurement**

These financial statements have been prepared on historical cost basis except for defined benefit plans which are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and the measurement date.

The statement of cash flows has been prepared under indirect method.

**2.2 Property, plant and equipment**

All items of property, plant and equipment (PPE) are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost includes its purchase price including non-refundable taxes and duties, directly attributable costs of bringing the asset to its present location and condition.



**Cuddle Artificial Intelligence Private Limited**  
**Notes to the Financial Statements as at and for the year ended March 31, 2024**

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The carrying amount of PPE is eliminated from the consolidated financial statements, either on disposal or when retired from active use. Losses/gains arising on derecognition of the PPE is recognised in the statement of profit or loss.

The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to statement of profit or loss during the reporting period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### **Depreciation**

Depreciation on property, plant and equipment is provided on straight line method, which is in line with the estimated useful life as specified in Schedule II of the Companies Act, 2013.

Depreciation commences when the assets are ready for their intended use.

The residual values and useful lives of property, plant and equipment are reviewed at each financial year end and changes, if any, are accounted in the line with revisions to accounting estimates.

Gains and losses on disposals are determined by comparing net disposal proceeds with carrying amount. These are included in the statement of profit and loss.

## **2.3 Intangible assets**

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the assets will flow to the Company and the cost of the asset can be measured reliably.

The intangible assets such as software and intellectual property are stated at cost less accumulated amortization and impairment losses if any. Cost comprises of the acquisition price, and any cost directly attributable and allocable on a reasonable basis to making the asset ready for its intended use.

Intangible assets under development includes intellectual property under development as at the balance sheet date. Product development costs are incurred on developing/upgrading the software products to launch new service modules and functionality to provide an enhanced suite of services. These development costs are capitalized and recognised as an intangible asset when the following can be demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its ability and intention to use or sell the asset;
- The availability of adequate resources to complete the development and to use or sell the asset.
- The ability to measure reliably the expenditure attributable to the intangible assets and probability of how the same will generate future economic benefits.

### **Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditures are recognized in profit or loss as incurred.

The amortisation period and the amortisation method for an intangible asset are reviewed at the end of each financial year. Changes in the expected useful life are considered to modify the amortisation period and are treated as changes in accounting estimates.



**Cuddle Artificial Intelligence Private Limited**  
**Notes to the Financial Statements as at and for the year ended March 31, 2024**

Intangible assets are amortised over their expected useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is recognised in the statement of profit or loss on a straight-line basis over the estimated useful lives of the intangible assets from the date that they are available for use.

**Amortization**

Amortization is recognized in profit or loss on a straight line basis over the estimated useful lives of the intangible assets from the date that they are available for use. The estimated useful lives are as follows:

Assets	Useful life (years)
Intellectual property rights	3
Computers and accessories	3

**2.4 Impairment of property, plant and equipment and intangible assets**

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's each class of the property, plant and equipment or intangible assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

**2.5 Foreign Currency translation**

**Functional and Presentation currency**

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Financial Statements are presented in Indian rupee (INR), which is Company's functional and presentation currency.

**Transaction and balances**

Transactions in foreign currencies are initially recognized using exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rates prevailing at the reporting date and foreign exchange gain or loss are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

**2.6 Revenue recognition**

Revenue is recognized when the Company satisfies performance obligations under the terms of its contracts, and control of the services is transferred to its customers in an amount that reflects the consideration the Company expects to receive from its customers in exchange for those services. This process involves identifying the customer contract, determining the performance obligations in the contract, determining the transaction price, allocating the transaction price to the distinct performance obligations in the contract, and recognizing revenue when the performance obligations have been satisfied. A performance obligation is considered distinct from other obligations in a contract when it



**Cuddle Artificial Intelligence Private Limited**  
**Notes to the Financial Statements as at and for the year ended March 31, 2024**

(a) provides a benefit to the customer either on its own or together with other resources that are readily available to the customer and (b) is separately identified in the contract. The Company considers a performance obligation satisfied once it has transferred control of a services to the customer, meaning the customer has the ability to use and obtain the benefit from the services rendered.

Subscription services revenues consist of fees from customers accessing Company's cloud based software solutions. Revenues are recognized when control of these services is transferred to customers, in an amount that reflects the consideration expected to be entitled to in exchange for those services. The Company's subscription arrangements are considered service contracts and the customer does not have the right to take possession of the software.

Revenue from inter-company arrangement is recognised based on transaction price which is at arm's length based on transfer pricing arrangement.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms. Unearned and deferred revenue ("contract liability") is recognised when there is billings in excess of revenues.

#### **Interest income**

Interest income is accrued on time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### **2.7 Share-based payments**

The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards is determined with the assistance of an external valuer and the fair value at the grant date is expensed on a proportionate basis over the vesting period based on the Company's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the current expectations.

The Company has followed 'push down' accounting whereby employee stock compensation expenses relatable to the options issued to subsidiary employees is recorded in the financials statements of the Company under 'Deemed investment in subsidiary' with corresponding credit being recorded in Employees stock options outstanding account under 'Reserves and Surplus - Employee stock option reserve'.

### **2.8 Employee benefits**

#### **Defined contribution plans**





**Cuddle Artificial Intelligence Private Limited**  
**Notes to the Financial Statements as at and for the year ended March 31, 2024**

The Company's contribution to Provident fund are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees.

**Defined benefit plans**

For defined benefit plans in the form of gratuity fund, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in retained earnings, through other comprehensive income in the statement of changes in equity and in the balance sheet and will not be reclassified to profit or loss.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service cost.

**Short-term employee benefits**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognized during the year when the employees render the service. These benefits include performance incentive which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

**2.9 Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

**Current tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Taxable profit differs from 'profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

**Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and the carry forward of unused tax losses can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.



The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore in case of history of recent losses, the Company recognises deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such setoff.

## **2.10 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### **A. Financial assets**

#### **(i) Classification, recognition and measurement**

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument.

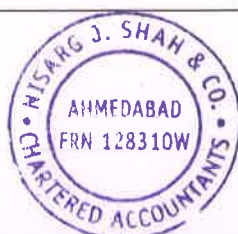
The company classifies its financial assets in the following measurement categories:

- a) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- b) those to be measured at Amortized cost.

The classification depends on the company's business model for managing the financial assets and whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

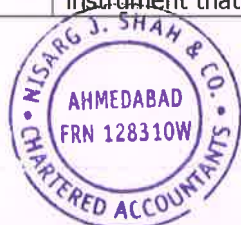
Type of instrument	Classification	Rationale for classification	Initial measurement	Subsequent measurement



**Cuddle Artificial Intelligence Private Limited**

**Notes to the Financial Statements as at and for the year ended March 31, 2024**

Debt instruments	Amortized cost	Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on principal amount outstanding are measured at amortised cost.	At fair value plus transaction costs that are directly attributable to the acquisition of the financial asset	Amortized cost is calculated using Effective Interest Rate (EIR) method, taking into account interest income, transaction cost and discount or premium on acquisition. EIR amortization is included in finance Income. Any gain or loss on derecognition of the financial instrument measured at amortised cost is recognised in profit and loss account.
	Fair value through other comprehensive income (FVOCI)	Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest on principal amount outstanding, are measured at FVOCI.	At fair value plus transaction costs that are directly attributable to the acquisition of the financial asset	Changes in carrying value of such instruments are recorded in OCI except for impairment losses, interest income (including transaction cost and discounts or premium on amortization) and foreign exchange gain/loss which is recognized in income statement.  Interest income, transaction cost and discount or premium on acquisition are recognized in the income statement (finance income) using effective interest rate method.  On derecognition of the financial assets measured at FVOCI, the cumulative gain or loss previously recognized in OCI is classified from Equity to Profit and Loss account in other gain and loss head.
	Fair value through profit or loss (FVTPL)	Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Any gain or loss on a debt instrument that is	At fair value.  Transaction costs of financial assets expensed to	Changes in fair value of such assets are recorded in income statement as other gains/ (losses) in the period in which it arises.  Interest income from these financial assets is



**Cuddle Artificial Intelligence Private Limited**  
**Notes to the Financial Statements as at and for the year ended March 31, 2024**

		subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss in the period in which it arises.	income statement	included in the finance income.
Equity instruments	FVOCI	The Company's management has made an irrevocable election at the time of initial recognition to account for the equity investment (on an instrument by instrument basis) at fair value through other comprehensive income. This election is not permitted if the equity investment is held for trading. The classification is made on initial recognition and is irrevocable.	At fair value plus transaction costs that are directly attributable to the acquisition of the financial asset	Changes in fair value of such instrument are recorded in OCI.  On disposal of such instruments, no amount is reclassified to income statement.  Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.  Dividend income from such instruments are however recorded in income statement.
	FVTPL	When no such election is made, the equity instruments are measured at FVTPL	At fair value.  Transaction costs of financial assets expensed to income statement	Changes in fair value of such assets are recorded in income statement.

All financial assets are recognised initially at fair value and for those instruments that are not subsequently measured at FVTPL, plus/minus transaction costs that are attributable to the acquisition of the financial assets.

Investments in equity instruments of subsidiaries are measured at cost less impairment allowance in case of permanent diminution, if any.

**(ii) Impairment**





**Cuddle Artificial Intelligence Private Limited**  
**Notes to the Financial Statements as at and for the year ended March 31, 2024**

In accordance with Ind AS 109, the Company applies Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a) Financial assets that are debt instruments, and are measured at Amortized cost e.g., loans, deposits, and bank balance.
- b) Trade receivables.

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables which do not contain a significant financing component.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

**(iii) De-recognition of financial assets**

A financial asset is derecognized only when

- (a) the company has transferred the rights to receive cash flows from the financial asset or
- (b) retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the company has transferred an asset, the company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. Where the company has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognized.

Where the company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the company has not retained control of the financial asset. Where the company retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the financial asset.

**B. Financial liabilities and equity instruments**

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**Classification, recognition and measurement**

**(a) Equity Instruments:**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognized at the proceeds received, net of direct issue costs.

**(b) Financial liabilities:**

**Initial recognition and measurement:**



Financial liabilities are initially recognized at fair value plus any transaction costs that are attributable to the issue of financial liabilities except financial liabilities at FVTPL which are initially measured at fair value.

**Subsequent measurement:**

The financial liabilities are classified for subsequent measurement into following categories:

- at Amortized cost
- at fair value through profit or loss (FVTPL)

**(i) Financial liabilities at Amortized cost:**

The company is classifying the following under Amortized cost;

- Borrowings from banks
- Borrowings from others
- Trade payables

Amortized cost for financial liabilities represents amount at which financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative Amortization using the effective interest method of any difference between that initial amount and the maturity amount.

**(ii) Financial liabilities at fair value through profit or loss:**

Financial liabilities held for trading are measured at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on remeasurement, Recognized in profit or loss. The net gain or loss Recognized in profit or loss incorporates any interest paid on the financial liability.

**Derecognition:**

A financial liability is removed from the balance sheet when the obligation is discharged, or is cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Statement of Profit and Loss.

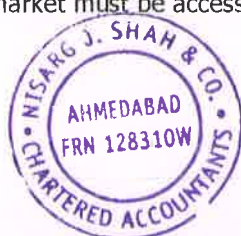
**2.11 Fair value measurement**

The Company measures financial instruments, such as, certain investments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the company.



The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

## **2.12 Provisions and Contingencies**

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made. Contingent liabilities are disclosed in the notes.

Contingent assets are not recognized. However, when the realisation of income is virtually certain, then the related asset is no longer a contingent asset, and is recognized as an asset. Information on contingent liabilities is disclosed in the notes to the Financial Statements, unless the possibility of an outflow of resources embodying economic benefits is remote. The same applies to contingent assets where an inflow of economic benefits is probable.

## **2.13 Earnings per share:**

The basic Earnings per Share ("EPS") is computed by dividing the net profit / (loss) after tax for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, net profit / (loss) after tax for the year attributable to the equity shareholders and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

## **2.14 Cash and cash equivalents**



**Cuddle Artificial Intelligence Private Limited**  
**Notes to the Financial Statements as at and for the year ended March 31, 2024**

Cash and cash equivalents in the balance sheet comprises cash at bank and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

**2.15 Current/ Non-current classification:**

An assets is classified as current if:

- (a) it is expected to be realised or sold or consumed in the Company's normal operating cycle;
- (b) it is held primarily for the purpose of trading;
- (c) it is expected to be realised within twelve months after the reporting period; or
- (d) it is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current if:

- (a) it is expected to be settled in normal operating cycle;
- (b) it is held primarily for the purpose of trading;
- (c) it is expected to be settled within twelve months after the reporting period;
- (d) the Company has no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

The operating cycle is the time between acquisition of assets for processing and their realisation in cash and cash equivalents. The Company's normal operating cycle is twelve months.

**2.16 Segment reporting**

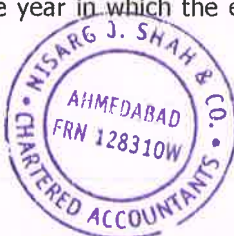
An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the company's chief operating decision maker to make decisions for which discrete financial information is available. Based on the management approach as defined in Ind AS 108, the chief operating decision maker evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments.

**2.17 Dividend distribution to equity shareholders**

Dividend distributed to Equity shareholders is recognised as distribution to owners of capital in the Statement of Changes in Equity, in the period in which it is paid/payable.

**2.18 Significant accounting estimates, judgements and assumptions**

The preparation of the Company's Financial Statements in conformity with Ind AS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances existing when the Financial Statements were prepared. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognized in the year in which the estimates are revised and in any future year affected.





In the process of applying the Company's accounting policies, management has made the following judgements which have significant effect on the amounts Recognized in the Financial Statements:

- a. Useful lives of property, plant and equipment and intangible assets:** The Company reviews the useful life lives of property, plant and equipment and intangibles at the end of each reporting period. This reassessment may result in change in depreciation/ amortisation expense in future periods.
- b. Defined benefit plan:** The cost of the defined benefit gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.
- c. Allowances for uncollected accounts receivable and advances:** Trade receivables do not carry interest and are stated at their normal value as reduced by appropriate allowances for estimated irrecoverable amounts. Individual trade receivables are written off when management deems them not collectable. Impairment is made on the expected credit loss model, which are the present value of the cash shortfall over the expected life of the financial assets. The impairment provisions for financial assets are based on assumption about the risk of default and expected loss rates. Judgement in making these assumption and selecting the inputs to the impairment calculation are based on past history, existing market condition as well as forward looking estimates at the end of each reporting period.
- d. Contingencies:** Management judgement is required for estimating the possible outflow of resources, if any, in respect of contingencies/ claim/ litigation against company as it is not possible to predict the outcome of pending matters with accuracy.
- e. Share-based payments:** The Company measures the cost of equity-settled transactions with employees using Black-Scholes model to determine the fair value of the liability incurred on the grant date. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 2.
- f. Provision for income tax and deferred tax assets:** The Company uses estimates and judgements based on the relevant rulings in the areas of allocation of revenue, costs, allowances and disallowances which is exercised while determining the provision for income tax. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. Accordingly, the Company exercises its judgement to reassess the carrying amount of deferred tax assets at the end of each reporting period.

## **2.19 Recent pronouncements**



**Cuddle Artificial Intelligence Private Limited**

**Notes to the Financial Statements as at and for the year ended March 31, 2024**

Ministry of Corporate Affairs ("MCA") notifies new standards or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. For the year ended March 31, 2024, MCA has not notified any new standards or amendments to the existing standards applicable to the Company.



## Cuddle Artificial Intelligence Private Limited

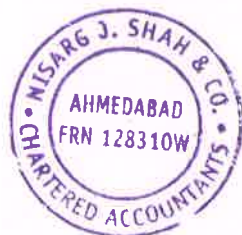
Notes to financial statements as at and for the year ended March 31, 2024

All amounts in Rs'000, unless stated otherwise

### (3) Property, plant and equipment

Particulars	Computers and accessories	Total
<b>Gross carrying amount</b>		
As at April 01, 2023	2,387	2,387
Additions	-	-
Disposals (Refer note 31)	(2,387)	(2,387)
<b>As at March 31, 2024</b>	<b>-</b>	<b>-</b>
<b>Accumulated depreciation</b>		
As at April 01, 2023	1,905	1,905
Charge for the year	79	79
On disposals (Refer note 31)	(1,984)	(1,984)
<b>As at March 31, 2024</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount as at March 31, 2024</b>	<b>-</b>	<b>-</b>
<b>Gross carrying amount</b>		
As at April 01, 2022	2,080	2,080
Additions	490	490
Disposals	(183)	(183)
<b>As at March 31, 2023</b>	<b>2,387</b>	<b>2,387</b>
<b>Accumulated depreciation</b>		
As at April 01, 2022	1,615	1,615
Charge for the year	459	459
On disposals	(169)	(169)
<b>As at March 31, 2023</b>	<b>1,905</b>	<b>1,905</b>
<b>Net carrying amount as at March 31, 2023</b>	<b>482</b>	<b>482</b>

Note : The entity does not hold any immovable properties.



# Cuddle Artificial Intelligence Private Limited

Notes to financial statements as at and for the year ended March 31, 2024

All amounts in Rs'000, unless stated otherwise

## (4) Intangible assets

Particulars	Internally generated intangible assets	Total
<b>Gross carrying amount</b>		
As at April 01, 2023	249,206	249,206
Additions	-	-
Disposals (Refer note 31)	(249,206)	(249,206)
<b>As at March 31, 2024</b>	-	-
<b>Accumulated amortization</b>		
As at April 01, 2023	150,781	150,781
Charge for the year	9,785	9,785
On disposals (Refer note 31)	(160,566)	(160,566)
<b>As at March 31, 2024</b>	-	-
<b>Net carrying amount as at March 31, 2024</b>	-	-
<b>Gross carrying amount</b>		
As at April 01, 2022	161,220	161,220
Additions	87,986	87,986
Disposals	-	-
<b>As at March 31, 2023</b>	<b>249,206</b>	<b>249,206</b>
<b>Accumulated amortization</b>		
As at April 01, 2022	110,637	110,637
Charge for the year	40,144	40,144
On disposals	-	-
<b>As at March 31, 2023</b>	<b>150,781</b>	<b>150,781</b>
<b>Net carrying amount as at March 31, 2023</b>	<b>98,425</b>	<b>98,425</b>

## (4.1) Intangible Assets Under Development (IAUD)\*

Particulars	Amount
<b>Gross carrying amount</b>	
As at April 01, 2023	-
Additions	-
Disposals	-
<b>As at March 31, 2024</b>	-
<b>Gross carrying amount</b>	
As at April 01, 2022	<b>58,692</b>
Additions	29,294
Less: Capitalisation	(87,986)
Disposals	-
<b>As at March 31, 2023</b>	-

\* Intellectual Property Rights





**Cuddle Artificial Intelligence Private Limited****Notes to financial statements as at and for the year ended March 31, 2024***All amounts in Rs'000, unless stated otherwise***(5) Investments**

Particulars	As at March 31, 2024	As at March 31, 2023
<b>Investments (Non-current)</b>		
<b>(A) Investments in equity instruments in subsidiary (at cost) - Unquoted equity shares</b>		
Cuddle.ai Inc, USA	6	6
1,000,000 shares ( March 31, 2023 : 1,000,000 shares) of US dollars 0.0001 each fully paid up		
Less : Provision for impairment (Refer note 23)	(6)	(6)
<b>(B) Deemed investment in subsidiary</b>		
Cuddle.ai Inc, USA (Refer note 26)	-	3,458
Less : Provision for impairment (Refer note 23)	-	(3,458)
<b>Total (non-current)</b>	-	-
(a) Aggregate carrying amount of unquoted investments	-	-
(b) Aggregate amount of impairment in value of investments	6	3,464



(6) Trade receivables

Particulars	As at March 31, 2024	As at March 31, 2023
<b>Trade receivables</b>		
- Unsecured, considered good	-	-
- Related parties (Refer note 26)	-	-
- Unsecured, considered doubtful	-	33,105
- Unbilled revenue	-	2,259
<b>Sub Total</b>	-	<b>35,364</b>
Allowance for doubtful debts (credit impaired)	-	-
<b>Current trade receivables</b>	<b>-</b>	<b>35,364</b>

March 31, 2024

Particulars	Current but not due	Outstanding for following periods from due date of payment					Total
		Less than 6 Months	6 months – 1 year	1-2 years	2-3 years	More than 3 years	
<b>Trade receivables</b>							
(i) Undisputed Trade receivables – considered good	-	-	-	-	-	-	-
Unbilled	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-

As at March 31, 2023

Particulars	Current but not due	Outstanding for following periods from due date of payment					Total
		Less than 6 Months	6 months – 1 year	1-2 years	2-3 years	More than 3 years	
<b>Trade receivables</b>							
(i) Undisputed Trade receivables – considered good	-	31,544	1,561	-	-	-	33,105
(ii) Undisputed Trade Receivables – which have significant increase in credit risk	-	-	-	-	-	-	-
(ii) Undisputed Trade Receivables – credit impaired	-	-	-	-	-	-	-
Unbilled	-	31,544	1,561	-	-	-	33,105
<b>Total</b>	-	<b>31,544</b>	<b>1,561</b>	-	-	-	<b>33,105</b>
Unbilled	-	-	-	-	-	-	2,259
<b>Total</b>	-	-	-	-	-	-	<b>35,364</b>

(7) Cash and cash equivalents

Particulars	As at March 31, 2024	As at March 31, 2023
<b>Balance with banks</b>		
In current accounts	3,835	4,041
<b>Total cash and cash equivalents</b>	<b>3,835</b>	<b>4,041</b>

(8) Other financial assets

Particulars	As at March 31, 2024	As at March 31, 2023
Receivables from Parent entity (Refer note 26)	174	-
<b>Total current financial assets</b>	<b>174</b>	<b>-</b>

(9) Other assets

Particulars	As at March 31, 2024	As at March 31, 2023
<b>Current assets</b>		
Prepaid expenses	-	659
Advances to vendors and others	-	156
Balance with government authorities	1,023	9,415
<b>Total current assets</b>	<b>1,023</b>	<b>10,230</b>

(10) Equity share capital

Particulars	As at March 31, 2024	As at March 31, 2023
<b>Authorised</b>		
300,000,000 equity shares of Rs. 1 each (March 31, 2023: 300,000,000 equity shares of Rs. 1 each)	300,000	300,000
<b>Issued share capital</b>		
163,360,913 equity shares of face value of Rs. 1 each fully paid up (March 31, 2023: 163,360,913 equity shares of face value of Rs. 1 each fully paid up.)	163,361	163,361
<b>Subscribed and fully paid-up</b>		
163,360,913 equity shares of face value of Rs. 1 each fully paid up (March 31, 2023: 163,360,913 equity shares of face value of Rs. 1 each fully paid up.)	163,361	163,361
	<b>163,361</b>	<b>163,361</b>

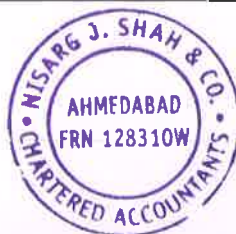
(a) Reconciliation of shares outstanding at the beginning and at the end of the year

Particulars	As at March 31, 2024		As at March 31, 2023	
	Number of shares	Amount	Number of shares	Amount
<b>Equity shares</b>				
At the commencement of the year	163,360,814	163,361	163,102,533	163,103
Add :- Shares issued during the year under	-	-	258,281	258
<b>At the end of the year</b>	<b>163,360,814</b>	<b>163,361</b>	<b>163,360,814</b>	<b>163,361</b>

During the year ended March 31, 2024: Nil (March 31, 2023: 258,281) number of equity shares of face value Rs 1 were issued at various price towards exercise of employee stock options.

(b) Particulars of shareholders holding more than 5% shares of a class of shares

Particulars	As at March 31, 2024		As at March 31, 2023	
	% of total shares in the class	Number of shares	% of total shares in the class	Number of shares
<b>(a) Equity shares of Rs. 1 each fully paid-up held by</b>				
Fractal Analytics Limited (including nominee) (formerly known as Fractal Analytics Private Limited)	100.00%	163,360,913	98.15%	160,344,828



(c) Shares held by Companies having significant influence/Control

Particulars	As at March 31, 2024		As at March 31, 2023	
	% of total shares in the class	Number of shares	% of total shares in the class	Number of shares
Equity shares of Rs. 1 each fully paid-up held by Fractal Analytics Limited (including nominee) (formerly known as Fractal Analytics Private Limited)	100.00%	163,360,913	98.15%	160,344,828

(d) Rights, preferences and restrictions attached to equity shares

The Company has one class of equity shares having a par value of Rs 1 per share. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

(e) Shares reserved for issued under options

Particulars	March 31, 2024		March 31, 2023	
	No. of shares	Amount	No. of shares	Amount
Equity shares of Rs. 1 each reserved for issue under employee stock option scheme (refer note 29)	-	-	41,958,235	9,608

(f) There were no shares allotted pursuant to contract without payment being received in cash or as fully paid up by way of bonus shares or any shares bought back.

(g) No dividend is declared by the Company during the years ended March 31, 2024 and March 31, 2023.

Particulars	As at March 31, 2024		As at March 31, 2023	
Securities premium reserve		5,557		5,557
Employee stock option reserve		-		9,608
Other comprehensive income		(285)		(285)
Retained earnings		(162,525)		(968,763)
<b>Total other equity</b>		<b>(157,253)</b>		<b>(953,883)</b>

Note: For movement during the year, refer Statement of changes in equity.

Particulars	As at March 31, 2024		As at March 31, 2023	
(11) Other equity				
Securities premium reserve		5,557		5,557
Employee stock option reserve		-		9,608
Other comprehensive income		(285)		(285)
Retained earnings		(162,525)		(968,763)
<b>Total other equity</b>		<b>(157,253)</b>		<b>(953,883)</b>

Note: For movement during the year, refer Statement of changes in equity.

(12) Borrowings

<b>Current borrowings</b>		
Secured		
Inter Company Borrowing (Refer note 26)	-	253,500
<b>Total current borrowings</b>	-	<b>253,500</b>

Note :

The Company had obtained unsecured intercorporate loan from Fractal Analytics Private Limited, holding company which is repayable on demand. This loan carries interest rate of 7%.

(13) Trade payables

<b>Trade payables</b>		
- Total outstanding dues of micro enterprise and small enterprises	272	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises	253	632,156
<b>Total trade payables</b>	<b>525</b>	<b>632,156</b>

**Dues of micro and small enterprises**

Under the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED') which came into force from 2 October 2006, certain disclosures are required related to MSME. On the basis of the information and records available with the Company, following are the details of dues:

- the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier at the end of each accounting year;
- the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;
- the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;
- the amount of interest accrued and remaining unpaid at the end of each accounting year; and
- the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.

**Total**

**Ageing of Trade payables**

As at March 31, 2024

Particulars	Not due	Outstanding for following periods from due date of payment				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) Total outstanding dues of micro enterprises and small enterprises	272	-	-	-	-	272
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	253	-	-	-	-	253
(iii) Disputed dues of micro enterprises and small enterprises	-	-	-	-	-	-
(iv) Disputed dues of creditors other than micro enterprises and small enterprises	-	-	-	-	-	-
<b>Total</b>	<b>525</b>	-	-	-	-	<b>525</b>

As at March 31, 2023

Particulars	Not due	Outstanding for following periods from due date of payment				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) Total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	166,427	10,319	207,510	50,881	197,019	632,156
(iii) Disputed dues of micro enterprises and small enterprises	-	-	-	-	-	-
(iv) Disputed dues of creditors other than micro enterprises and small enterprises	-	-	-	-	-	-
<b>Total</b>	<b>166,427</b>	<b>10,319</b>	<b>207,510</b>	<b>50,881</b>	<b>197,019</b>	<b>632,156</b>



Particulars	As at March 31, 2024	As at March 31, 2023
<b>(14) Other financial liabilities</b>		
Current financial liabilities		
Employee related expenses payable	-	10,540
Interest accrued and Not Due	-	31,587
Other payable to parent entity (Refer note 26)	16,980	-
<b>Total current financial liabilities</b>	<b>16,980</b>	<b>42,127</b>
<b>(15) Other liabilities</b>		
Current liabilities		
Statutory dues payable**	26	5,437
<b>Total current liabilities</b>	<b>26</b>	<b>5,437</b>
**Includes tax deducted at sources, provident fund payable and professional fees.		
<b>(16) Provisions</b>		
Non-current provisions		
Gratuity (Refer note 25)	-	6,995
<b>Total non-current provisions</b>	<b>-</b>	<b>6,995</b>
Current provisions		
Gratuity (Refer note 25)	-	181
<b>Total current provisions</b>	<b>-</b>	<b>181</b>





# Cuddle Artificial Intelligence Private Limited

Notes to financial statements as at and for the year ended March 31, 2024

All amounts in Rs'000, unless stated otherwise

Particulars	As at March 31, 2024	As at March 31, 2023
<b>(17) Revenue from operations</b>		
Sale of services (Refer note 26)	7,671	73,749
<b>Total Revenue from operations</b>	<b>7,671</b>	<b>73,749</b>
<b>(18) Other income</b>		
Interest on :		
- bank deposits	-	44
Gain on sale from property, plant and equipment	-	42
Miscellaneous income*	241	14
<b>Total other income</b>	<b>241</b>	<b>100</b>
*includes gain on transfer of business. Refer note 31.		
<b>(19) Employee benefits expense</b>		
Salaries, wages and bonus	16,659	82,188
Contribution to provident funds (Refer note 25)	461	2,494
Gratuity (Refer note 25)	416	1,993
Employee stock option expense (Refer note 29)	1,367	414
Staff welfare expense	316	1,574
<b>Total employee benefits expense</b>	<b>19,219</b>	<b>88,663</b>
<b>(20) Finance costs</b>		
Interest on :		
- others	57	493
Interest on intercompany deposit (Refer note 26)	2,966	16,964
<b>Total finance costs</b>	<b>3,023</b>	<b>17,457</b>
<b>(21) Depreciation and amortization expense</b>		
Depreciation on property, plant and equipment (Refer note 3)	79	459
Amortisation on :		
- Intangible assets (Refer note 4)	9,785	40,144
<b>Total depreciation and amortization expense</b>	<b>9,864</b>	<b>40,603</b>
<b>(22) Other expenses</b>		
Legal and professional fees	826	12,081
Software maintenance charges	146	788
Communication	5,756	37,083
Travelling and conveyance	8	2,553
Recruitment expenses	-	204
Contractor expenses	119	5,333
Staff training and development expense	-	3
Foreign exchange loss, net	906	23,291
Advertising and publicity expense	-	185
Repairs and maintenance - Others	15	291
Cost of delivery expense - intercompany (Refer note 26)	-	162,019
Rent, rates and taxes	56	2,770
Payment to Auditors (Refer note 22.1 below)	263	902
Membership and subscription charges	2	102
Miscellaneous expenses	132	599
<b>Total other expenses</b>	<b>8,229</b>	<b>248,204</b>
<b>(22.1) Payment to auditors :</b>		
For statutory audit	263	900
Out of pocket expense (OPE)	-	2
<b>Total payment to auditors</b>	<b>263</b>	<b>902</b>
<b>(23) Exceptional Items</b>		
Impairments in value of investments (Refer note 26)	-	3,464
Reversal of impairment provision of investment (Refer note 26)	(3,458)	-
Payable and loan taken balances of parent and subsidiary written back (Refer note 26)	(827,686)	-
Deemed investment in subsidiary written off (Refer note 26)	3,458	-
<b>Total exceptional amount</b>	<b>(827,686)</b>	<b>3,464</b>



**(24) Income tax expense**

- This note provides analysis of company's income tax expense, amounts that are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates in relation to the Company's tax position.

Income tax expense is as follows:

Particulars	As at March 31, 2024	As at March 31, 2023
<b>(a) Profit and loss</b>		
Current tax for the year	-	-
Tax expense relating to prior years	-	(50)
<b>Total tax expense</b>	-	<b>(50)</b>

**(b) Reconciliation of tax expense and the accounting profit computed by applying income tax rate:**

Particulars	As at March 31, 2024	As at March 31, 2023
<b>(Loss) / Profit before tax</b>	<b>795,263</b>	<b>(324,542)</b>
Tax rate	25.17%	25.17%
<b>Computed tax expense</b>	<b>200,152</b>	<b>(81,681)</b>
<b>Adjustments:</b>		
Current year losses for which deferred tax asset is not recognised	-	81,450
Utilisation of carry forward losses against which deferred tax asset was not recognised earlier	(200,927)	-
Expenses not deductible for tax purpose	19	231
Tax adjustment for previous year	-	(50)
Others	756	-
<b>Tax expense</b>	<b>-</b>	<b>(50)</b>

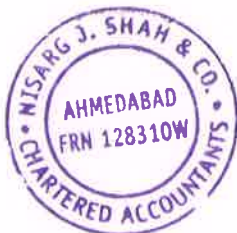
The Company has not recognised deferred tax asset as at March 31, 2024 based on the assessment that there will be no sufficient profits available in near future, against which the Company can utilize unused tax losses.

**(c) Significant components of unrecognised deferred tax assets and liabilities**

Particulars	As at March 31, 2024	As at March 31, 2023
Carry forward unabsorbed business loss	2,725	204,290
Provision for gratuity	-	1,806
Difference between tax and book value of property, plant and equipment and intangible assets	-	8,634
Others	-	-
<b>Deferred tax assets(net)</b>	<b>2,725</b>	<b>214,730</b>

**(d) The Company has not recognised deferred tax asset in respect of carried forward unabsorbed business loss. The aforeside tax losses will lapse in subsequent years as follows:**

Particulars	As at March 31, 2024	As at March 31, 2023
0 - 5 years	-	89,098
From 5 - 8 years	-	603,200
Beyond 8 years	-	-
Indefinite	10,829	119,406



**(25) Employee benefits**

The Company contributes to the following post-employment defined contribution plan and defined benefit plans in India.

**(a) Defined contribution plan**

The Company has a defined contribution plan in respect of provident fund. Contributions are made to provident fund in India for employees as per regulations. The contributions are made to registered provident fund administered by the Government of India. The obligation of the Company is limited to the amount contributed and it has no further contractual nor any constructive obligation.

(In Rupees thousands)		
Particulars	As at March 31, 2024	As at March 31, 2023
Employer's contribution to provident fund	461	2,494

Included in 'Contribution to provident funds' under employee benefits expense (Refer Note 19)

**(b) Defined benefit plans**

**Gratuity:**

The Company provides for gratuity for employees as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service.

Key assumptions used for actuarial valuation by an Independent actuary under the Projected Unit Cost Method are as under:

Particulars	March 31, 2024	March 31, 2023
Discount rate	-	7.50%
Future salary increases	-	10.00%
<b>Attrition rate</b>		
<u>Based on Completed Years of service</u>		
Up to 2 years	-	23.00%
3 - 4 years	-	5.00%
Above 4 years	-	2.00%
		Indian Assured Lives
		Mortality (2012-14)
Mortality Rate	-	Ultimate -100%

**Notes:**

- Discount rate: The discount rate is based on the prevailing market yields of Indian government securities for the estimated term of the obligations.
- Salary escalation rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.
- Assumptions regarding future mortality experience are set in accordance with the statistics published by the Life Insurance Corporation of India.

**a.**

**The amounts recognised in the balance sheet and movements in the net defined benefit obligation (DBO) are as follows :**

(In Rupees thousands)		
Change in the present value of obligation	March 31, 2024	March 31, 2023
<b>Present value of obligation at the beginning of the year</b>	7,176	5,971
Interest cost	-	433
Past service cost	-	-
Current service cost	416	1,560
Benefits paid	-	(619)
Transfer to Parent entity under business transfer (Refer note 31)	(7,592)	-
<b>Remeasurement due to</b>		
Actuarial loss/(gain) arising from change in financial assumptions	-	197
Actuarial loss/(gain) arising on account of experience changes	-	144
Actuarial (gain)/loss arising on account of demographical assumptions	-	(510)
<b>Present value of obligation at the end of the year</b>	-	7,176
- obligation with funded plan	-	-
- obligation with unfunded plan	-	-



Reconciliation of present value of defined benefit obligation and the fair value of assets	March 31, 2024	March 31, 2023
Present value of funded obligation at the end of the year	-	7,176
Fair value of plan assets as at the end of the period	-	-
<b>Net deficit</b>	<b>-</b>	<b>7,176</b>

Amount recognised in the statement of profit and loss	March 31, 2024	March 31, 2023
Current service cost	416	1,560
Past service cost	-	-
Interest cost	-	433
<b>Total expense recognized in the statement of profit and loss</b>	<b>416</b>	<b>1,993</b>

Amount recognised in other comprehensive income	March 31, 2024	March 31, 2023
<b>Remeasurements during the year due to</b>		
Changes in financial assumptions	-	197
Changes in demographic assumptions	-	(510)
Experience adjustments	-	144
<b>Amount recognised in other comprehensive income during the year</b>	<b>-</b>	<b>(169)</b>

**c. Sensitivity of the defined benefit obligation to changes in weighted principal assumptions is:**

Particulars	March 31, 2024	March 31, 2023
Discount rate +100 basis points	-	(6,054)
Discount rate -100 basis points	-	8,590
Salary increase rate +100 basis points	-	7,637
Salary increase rate -100 basis points	-	(6,706)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice it is unlikely to occur, and changes in some of the assumptions may be correlated. The methods and types of assumption used in preparing the sensitivity analysis did not change compared to previous period.

**d. Weighted average duration of defined benefit plan :**

Particulars	As at March 31, 2024	As at March 31, 2023
Gratuity Plan	NA	18 years

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice it is unlikely to occur, and changes in some of the assumptions may be correlated. The methods and types of assumption used in preparing the sensitivity analysis did not change compared to previous period.

**e. Expected future benefit payments on undiscounted basis**

Expected cash flows for following year	March 31, 2024	March 31, 2023
Expected total benefit payments in next		
1 year	-	181
Year 2 - 5 years	-	950
6 - 10 years	-	1,574
More than 10 years	-	32,574





**Cuddle Artificial Intelligence Private Limited****Notes to financial statements as at and for the year ended March 31, 2024**

All amounts in Rs'000, unless stated otherwise

**(26) Related party transactions****(a) Related parties**

Sr. No	Name of the party	Nature of relationship
1	Fractal Analytics Limited, India (formerly known as Fractal Analytics Private Limited)	Holding company
2	Cuddle.ai Inc, USA	Subsidiary Company
3	Fractal Analytics Inc, USA	Fellow Subsidiary

**(b) Key managerial personnel**

Sr. No	Particulars	Nature of relationship
1	Mr. Natwar Mall	Director
2	Mr. Srikanth Velamakanni* (Resigned on April 25, 2023)	Director
3	Ms. Kathy Leake* (Resigned on April 03, 2023)	Director and Chief Executive Officer
4	Ms. Rajeshwari Aradhyula (w.e.f April 20, 2023)	Director

**(c) Transactions and balances**

Sr. No	Nature of Transaction	March 31, 2024	March 31, 2023
<b>A</b>	<b>Transactions</b>		
<b>1</b>	<b>Reimbursement of expenses incurred on behalf of the Company</b>		
	Fractal Analytics Limited, India	-	10,034
	Cuddle.ai Inc, USA	-	2,477
<b>2</b>	<b>Marketing support services availed from</b>		
	Cuddle.ai Inc, USA	-	162,019
<b>3</b>	<b>Interest on inter-corporate Loan</b>		
	Fractal Analytics Limited, India	2,966	16,964
<b>4</b>	<b>Revenue from operations</b>		
	Fractal Analytics Inc, USA	6,498	60,746
	Fractal Analytics Limited, India	1,173	10,744
	Cuddle.ai Inc, USA	-	2,259
<b>5</b>	<b>Allocation of shared expenses incurred by the holding company</b>		
	Fractal Analytics Limited, India	-	8,085
<b>6</b>	<b>Intercompany loan received during the year</b>		
	Fractal Analytics Limited, India	-	155,000
<b>7</b>	<b>Intercompany loan repaid during the year</b>		
	Fractal Analytics Limited, India	-	87,500
<b>8</b>	<b>Deemed Investment in subsidiary company</b>		
	Cuddle.ai Inc, USA	-	1,356
<b>9</b>	<b>Reimbursement of expenses incurred by the Company (including unbilled)</b>		
	Fractal Analytics Limited, India	1,769	-
<b>10</b>	<b>Consideration paid on account of Business transfer</b>		
	Fractal Analytics Limited, India (Refer note 31)	83,700	-
<b>11</b>	<b>Impairment provision for investment and deemed investment in subsidiaries</b>		
	Cuddle.ai Inc, USA	-	3,464
<b>11</b>	<b>Reversal of impairment provision for deemed investment in subsidiaries</b>		
	Cuddle.ai Inc, USA	3,458	-
<b>12</b>	<b>Write off deemed investment</b>		
	Cuddle.ai Inc, USA	3,458	-
<b>13</b>	<b>Write back intercompany loans taken</b>		
	Fractal Analytics Limited, India	169,800	-



**Related party transactions (continued)**

Sr. No	Nature of Transaction	March 31, 2024	March 31, 2023
<b>14</b>	<b>Write back interest payable on loan</b> Fractal Analytics Limited, India	34,256	-
<b>15</b>	<b>Write back intercompany trade payable</b> Fractal Analytics Limited, India Fractal Analytics Inc, USA Cuddle.ai Inc, USA	155,769 35,149 432,712	- - -

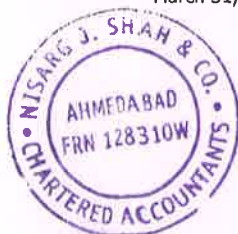
Sr. No	Closing Balances	March 31, 2024	March 31, 2023
<b>1</b>	<b>Trade and other payables</b> Cuddle.ai Inc, USA Fractal Analytics Limited, India Fractal Analytics Inc, USA	- 16,980 -	431,884 156,947 35,042
<b>2</b>	<b>Trade receivables</b> Fractal Analytics Inc, USA Cuddle.ai Inc, USA	- -	29,983 3,122
<b>3</b>	<b>Unbilled Revenue</b> Fractal Analytics Limited, India Cuddle.ai Inc, USA	- -	- 2,259
<b>4</b>	<b>Other receivables</b> Fractal Analytics Limited, India	174	-
<b>5</b>	<b>Inter corporate Loan</b> Fractal Analytics Limited, India	-	253,500
<b>6</b>	<b>Interest accrued and due</b> Fractal Analytics Limited, India	-	31,587
<b>7</b>	<b>Deemed Investment in subsidiaries</b> Cuddle.ai Inc, USA	-	3,458

Key managerial personnel who are under the employment of the Company are entitled to post employment benefits recognized as per Ind AS 19 - 'Employee Benefits' in the financial statements. As these employee benefits are amounts provided on the basis of actuarial valuation, the same is not included above. Gratuity has been computed for the Company as a whole and hence not included as part of managerial remuneration.

The Cost of employee stock options granted to Ms Kathy Leake for the year ended March 31, 2024 is Rs. Nil (March 31, 2023: Rs. 1297 ('000)).

The transactions with related parties are made on terms equivalent to those that prevail in ordinary course of business. Outstanding balances at the year-end are unsecured and settlement occurs in cash.

Management believes that Company's international transaction with related parties post March 31, 2023 continue to be at arm's length and that the transfer pricing legislation will not have any impact on the financial statements, particularly on the amount of provision of taxation for the year ended March 31, 2024.



## Cuddle Artificial Intelligence Private Limited

Notes to financial statements as at and for the year ended March 31, 2024

All amounts in Rs'000, unless stated otherwise

### (27) Fair value measurement

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consists of the following three levels:

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 are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities if the carrying amount is a reasonable approximation of fair value - those include cash and cash equivalents, trade receivables, and trade payables.

Amortised cost	March 31, 2024	March 31, 2023
<b>Assets</b>		
Trade receivables	-	35,364
Other financial assets	174	-
Cash and cash equivalents	3,835	4,041
<b>Total assets</b>	<b>4,009</b>	<b>39,405</b>
<b>Liabilities</b>		
Trade payables	525	632,156
Inter corporate loan (Refer note 26)	-	253,500
Other financial liabilities	16,980	42,127
<b>Total liabilities</b>	<b>17,505</b>	<b>927,783</b>

Note: Carrying amounts of cash and cash equivalents, trade receivables, trade payables and borrowings as at March 31, 2024 and March 31, 2023 approximate the fair value on account of their short-term maturities.

**Note:**

There are no transfers between any of these levels during the current and previous year.



# Cuddle Artificial Intelligence Private Limited

Notes to financial statements as at and for the year ended March 31, 2024

All amounts in Rs'000, unless stated otherwise

## (28) Financial risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies. The Board holds regular meetings on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

### a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

#### Cash and cash equivalents

Credit risk on cash and cash equivalents is limited as the Company generally deposits with banks with high credit ratings assigned by external credit rating agencies, accordingly the Company considers that the related credit risk is low.

#### Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

A default on a financial asset is when the counterparty fails to make contractual payments when they fall due. This definition of default is determined by considering the business environment in which Company operates and other macro-economic factors.

Credit quality of a customer is assessed based on its credit worthiness and historical dealings with the Company, market intelligence and goodwill. Outstanding customer receivables are regularly monitored.

The management uses a simplified approach for the purpose of computation of expected credit loss for trade receivables and other receivables.

### Investments

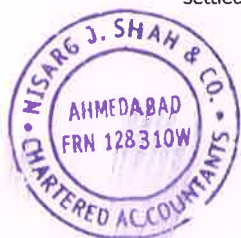
Investments primarily include investment in liquid mutual fund units with high credit ratings assigned by external credit rating agencies, accordingly the Company considers that the related credit risk is low.

Summary of the Company's exposure to credit risk by age of the outstanding from various customers is as follows:

Trade Receivables	March 31, 2024	March 31, 2023
Not past due	-	2,259
past due but not impaired	-	33,105
<b>Total</b>	<b>-</b>	<b>35,364</b>

### b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Also, refer note 2.1.





## Cuddle Artificial Intelligence Private Limited

Notes to financial statements as at and for the year ended March 31, 2024

All amounts in Rs'000, unless stated otherwise

### Maturities of financial liabilities

The below table analyses the Company's financial liabilities into relevant maturity based on their contractual maturities. The amounts disclosed in the table are contractual undiscounted cash flows.

Particulars	Carrying amount	Undiscounted amounts	
		<12months	>12months
<b>March 31, 2024</b>			
Trade payables	525	525	-
<b>March 31, 2023</b>			
Trade payables	632,156	632,156	-
Other financial liabilities	42,127	42,127	-
Borrowings	253,500	253,500	-

### (c) Market risk

Market risk is the risk arising from changes in market prices – such as foreign exchange rates and interest rates – which could affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and debt. The Company is exposed to market risk primarily related to foreign exchange rate risk. Thus, the exposure to market risk is a function of revenue generating and operating activities in foreign currency.

#### (i) Currency risk

The Company is exposed to currency risk on account of foreign currency transactions including recognized assets and liabilities denominated in a currency that is not the Company's functional currency (₹), primarily in respect of United States Dollar(\$). The Company ensures that the net exposure is kept to an acceptable level.

#### Exposure to currency risk:

##### As at March 31, 2024

The Company has Nil exposure to foreign currency risk at the end of the current reporting period.

##### As at March 31, 2023

Particulars	USD	Total
<b>Financial assets</b>		
Trade receivables (Including Unbilled)	35,364	35,364
<b>Net exposure to foreign currency (assets)</b>	<b>35,364</b>	<b>35,364</b>
<b>Financial liabilities</b>		
Trade payables	466,926	466,926
<b>Net exposure to foreign currency (liabilities)</b>	<b>466,926</b>	<b>466,926</b>
<b>Net exposure to foreign currency</b>	<b>(431,562)</b>	<b>(431,562)</b>



## Cuddle Artificial Intelligence Private Limited

Notes to financial statements as at and for the year ended March 31, 2024

All amounts in Rs'000, unless stated otherwise

### Sensitivity analysis

A reasonably possible strengthening (weakening) of the Indian Rupee against all other currencies would have affected the measurement of financial instruments denominated in a foreign currency profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Particulars	Impact on profit after tax and equity
	March 31, 2023
<b>USD</b>	
- Increase by 5%	(16,147)
- Decrease by 5%	16,147

### (ii) Interest rate risk

Interest rate risk can be either fair value interest rate risk or cash flow interest rate risk. Fair value interest rate risk is the risk of changes in fair values of fixed interest bearing investments because of fluctuations in the interest rates. Cash flow interest rate risk is the risk that the future cash flows of floating interest bearing investments will fluctuate because of fluctuations in the interest rates.

#### Exposure to interest rate risk

The Company's deposits/loans are all at fixed rate and are carried at amortized cost. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Company has assessed no exposure to fluctuating change of market interest rates.

### (iii). Capital risk management

The Company aims to manage its capital efficiently so as to safeguard its ability to continue as a going concern and to optimise returns to its shareholders. The capital structure of the Company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. The Company consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business.

**Net gearing ratio at the end of the reporting period is as follows:**

Particulars	As at March 31, 2024	As at March 31, 2023
Borrowings	-	253,500
Less : Cash and cash equivalents	(3,835)	(4,041)
<b>Net Debt (A)</b>	<b>(3,835)</b>	<b>249,459</b>
<b>Total Equity (B)</b>	<b>6,108</b>	<b>(790,522)</b>
<b>Net Gearing Ratio (A/B)</b>	<b>(0.63)</b>	<b>(0.32)</b>



**Cuddle Artificial Intelligence Private Limited****Notes to financial statements as at and for the year ended March 31, 2024***All amounts in Rs'000, unless stated otherwise***(29) Employee Stock Options Scheme (ESOP)**

The Company has cancelled Employees Stock Option Scheme 2021 ("ESOP 2021") options outstanding by passing Board resolution dated April 26, 2023 passed at the meeting of Board of directors and subsequently approved on May 15, 2023 by shareholders at extraordinary general meeting without payment of any additional compensation or consideration to the existing option holders in lieu of the existing option(s) grants, including in relation to the cancellation of any vested or unvested options granted prior to the date of such termination. Also, it is further clarified that pursuant to the termination of the Cuddle ESOP Plan, no further grant of options to any employees of the Company shall occur under the Cuddle ESOP Plan.

The Company had granted stock options under the Employees Stock Option Scheme 2018 ("ESOP 2018") and Employees Stock Option Scheme 2021 ("ESOP 2021") to its employees which is approved by its Board and Shareholders and further amended in line with the provisions of Companies Act, 2013. These options vest during 1 to 4 years from the grant date and are exercisable within 6 to 10 years from vesting date. In the case of resignation of the employee, the grants lapse (if not exercised) after one month from the date of resignation from service. Vesting of options is subject to continued employment with the Company. The plan is an equity settled plan. The employee compensation expense for the year has been determined on fair value basis as on grant date.

**(a)****For the year ended March 31, 2024**

Particulars	2023-2024	2022-2023
No. of options granted	Nil	480,000
Exercise Price (in Rupees)	NA	1.16
Fair Value on Date of Grant of option (in Rs.)	NA	0.4

**Movement of Options Granted with Weighted Average Exercise Price (WAEP)**

	As at March 31, 2024		As at March 31, 2023	
	Nos	WAEP	Nos	WAEP
<b>Options outstanding at the beginning of the year</b>	<b>16,837,571</b>	<b>1.03</b>	<b>18,247,117</b>	<b>1.03</b>
Options granted during the year	-	-	480,000	1.16
Options lapsed during the year	-	-	(1,631,165)	1.10
Options settled/cancelled during the year	(16,837,571)	1.03	-	0.00
Options exercised during the year	-	-	(258,381)	1.04
<b>Options outstanding at the end of the year</b>	<b>-</b>	<b>-</b>	<b>16,837,571</b>	<b>1.03</b>

The weighted average fair values of the options granted during the year was Rs. Nil (March 31, 2023: Rs 0.40).

The weighted average stock price of the options granted during the year ended March 31, 2024 is Rs. Nil (March 31, 2023 : Rs 1.16).

The fair valuation of options has been done by an independent firm of Chartered Accountants on the date of grant using the Black-Scholes Model.

The key assumptions in the Black-Scholes Model for calculating fair value as on the date of grant:

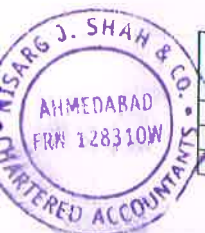
Particulars	As at March 31, 2024	As at March 31, 2023
Risk Free Rate		5.76% - 8.11%
Option Life (Based on Simplified Average Method)		5 - 7 Years
Expected Volatility		14.87% - 28.30%
Expected Growth in Dividend		0.000000

**(b) Employee Stock Option Plan - Management incentive plan**

The Company had granted stock options under the Cuddle Employees Stock Option Plan ("Cuddle ESOP 2021 Plan") to its employees which are Time Based and Milestone Based and was approved by its Board and Shareholders and further amended in line with the provisions of Companies Act, 2013. Pursuant to the Plan, the Company had issued grants to its employees during Financial year 2021-22. These options vest over 3 years from the grant date and are exercisable within 10 years from grant date. In the case of termination of the employment of the management personnel, the vested grants lapses (if not exercised) after 60 days from the date of resignation from service. Vesting of options is subject to continued employment with the Company. The plan is an equity settled plan. The management personnel compensation expense for the year has been determined on fair value basis.

**For the year ended March 31, 2024**

Particulars	2023 - 2024	2023 - 2024	2022-2023	2022-2023
	Time based	Milestone based	Time based	Milestone based
No. of Options granted	Nil	Nil	Nil	Nil
Exercise Price	NA	NA	NA	NA
Fair Value on Date of Grant of option (in Rs.)	NA	NA	NA	NA



**Cuddle Artificial Intelligence Private Limited****Notes to financial statements as at and for the year ended March 31, 2024***All amounts in Rs'000, unless stated otherwise***Movement of Options Granted with Weighted Average Exercise Price (WAEP)**

Particulars	Cuddle ESOP 2021 As at March 31, 2024		Cuddle ESOP 2021 As at March 31, 2023	
	No. of options	WAEP	No. of options	WAEP
Options outstanding at the beginning of the year	9,150,000	1.10	18,300,000	1.10
Options granted during the year	-	-	-	-
Options lapsed during the year	-	-	(9,150,000)	1.10
Options settled/cancelled during the year	(9,150,000)	1.10	-	-
Options exercised during the year	-	-	-	-
Options outstanding at the end of the year	-	-	9,150,000	1.10

The weighted average fair values of the options granted during the year was Nil (March 31, 2023: Rs Nil).

The weighted average stock price of the options granted during the year ended March 31, 2024 was nil (March 31, 2023 : Rs Nil).

Note : Milestone based Stock Option Plan issued to employee is fully lapsed as on March 31, 2023 since conditions as stipulated under the vesting schedule of grant certificate is not expected to meet on future date.

The fair valuation of option has been done by an independent firm of Chartered Accountants on the date of grant using the Binomial Model.

The key assumptions for Binomial Model for calculating fair value as on the date of grant:

Particulars	As at March 31, 2024	As at March 31, 2023
Risk Free Rate	-	5.61%
Option Life (Based on Simplified Average Method)	-	5 Years
Expected Volatility	-	35.44%
Expected Growth in Dividend	-	0%

As per Ind AS 102, the entity could derive an estimate of expected volatility the entity could consider the historical or implied volatility of similar listed entities. In the absence of comparable listed companies, volatility has been calculated by considering volatility of an Nifty IT index for the life of option.

Note : Total ESOP expenses incurred for Financial year 2023-24 is Rs. Nil of which None are transferred to Cuddle US as it pertains to options given to employees of Cuddle US. Hence, net charge to P&L for FY 23 is Rs. Nil.

**(c) The expense recognised for employee services received during the year is shown in the following table:**

Particulars	Year ended March 31, 2024	Year ended March 31, 2023
Expense arising from equity-settled share-based payment transactions	-	414
<b>Total</b>	<b>-</b>	<b>414</b>





## Cuddle Artificial Intelligence Private Limited

Notes to financial statements as at and for the year ended March 31, 2024

All amounts in Rs'000, unless stated otherwise

### (30) Ratio Analysis

Ratio	Numerator	Denominator	As at March 31, 2024	As at March 31, 2023	% change	Reason for variance
Current ratio	Current Assets	Current Liabilities	0.29	0.05	439.80%	Note 1
Debt- Equity Ratio	Total Debt	Shareholder's Equity	-	(0.32)	-100.00%	Note 2
Debt Service Coverage ratio	Earnings for debt service = Net profit after taxes + Non-cash operating expenses	Debt service = Interest & Lease Payments + Principal Repayments	(65.88)	(3.01)	2091.98%	Note 3
Return on Equity ratio	Net Profits after taxes – Preference Dividend	Average Shareholder's Equity	NA	NA	-	Note 4
Trade Receivable Turnover Ratio	Net credit sales = Gross credit sales - sales return	Average Trade Receivable	0.43	1.87	-76.75%	Note 5
Trade Payable Turnover Ratio	Net credit purchases = Gross credit purchases - purchase return	Average Trade Payables	0.02	0.43	-94.57%	Note 6
Net Capital Turnover Ratio	Net sales = Total sales - sales return	Working capital = Current assets – Current liabilities	(0.61)	(0.08)	635.51%	Note 7
Net Profit ratio	Net Profit	Net sales = Total sales - sales return	103.67	(4.40)	-2456.10%	Note 8
Return on Capital Employed	Earnings before interest and taxes	Capital Employed = Tangible Net Worth + Total Debt + Deferred Tax Liability	(4.82)	0.57	-951.70%	Note 9

Note 1: Decrease in ratio is mainly due to decrease in current liability resulting from adjustment of intercompany loan and intercompany payable.

Note 2: Decrease in ratio is due to settlement of intercompany borrowing.

Note 3: Decrease is mainly due to settlement of intercompany borrowing.

Note 4: As the Net-worth is negative as on March 31, 2024 and as on March 31, 2023, hence Return on Equity ratio is not applicable.

Note 5: Change in ratio is due to Revenue recognition for only 2 months.

Note 6: Change in ratio is due to cost recognition for only 2 months.

Note 7: Decrease is mainly due to revenue recognition for only 2 months, however significant proportion of increase in working capital as compare to revenue recognised in current year.

Note 8: Increase in Net profit is mainly due to write back of amount payable to Intercompany.

Note 9: Decrease in ratio is due to settlement of intercompany borrowing.



**Cuddle Artificial Intelligence Private Limited**  
**Notes to financial statements as at and for the year ended March 31, 2024**  
*All amounts in Rs'000, unless stated otherwise*

**(31) Business Transfer**

During the year, the Company's Board of Directors, on April 26, 2023, has approved the transfer of assets, liabilities, employees, patents, patent applications, trade names, trademarks, trademark registrations, service marks, service mark registrations, copyrights, trade secrets and similar intellectual property rights, regulatory approvals, permits, contracts and as may be identified by the Company by means of a business transfer from the Company to Fractal Analytics Private Limited ('Holding Company', 'FAPL'), by way of slump sale on a going concern basis. Accordingly, the Company vide business transfer agreement dated June 1, 2023, has transferred the below net assets on a going concern basis to FAPL.

**(a) The assets and liabilities transferred as part of the slump sale transaction are as below:**

Particulars	As at June 01, 2023
<b>Assets transferred</b>	
Computers	404
Intellectual Property	88,639
Trade receivables	8,333
Other current assets	6,404
<b>Total Assets (A)</b>	<b>103,780</b>
<b>Liabilities transferred</b>	
Provision for Gratuity	7,592
Trade Payables	8,008
Other Financial Liabilities - Current	4,515
<b>Total Liabilities (B)</b>	<b>20,115</b>
<b>Net Assets transferred (A-B)</b>	<b>83,665</b>
Consideration received	83,700
Gain on transfer of net assets under slump sale	35

Further, since the slump sale has happened effective June 01, 2023, the Company continued its business operations from April 01, 2023 to June 01, 2023. Accordingly, the below table represents the statement of profit and loss bifurcated into two periods, i.e., pre-slump sale date and post-slump sale date.

**(b)**

Particulars	April 01, 2023 to June 01, 2023	June 02, 2023 to March 31, 2024	As at March 31, 2024
<b>(1) Income</b>			
(a) Revenue	7,671	-	7,671
(b) Other income	359,021	468,000	827,021
<b>Total Income</b>	<b>366,692</b>	<b>468,000</b>	<b>834,692</b>
<b>(2) Expenses</b>			
(a) Employee benefits expense	17,853	1,367	19,220
(b) Finance costs	2,987	35	3,022
(c) Depreciation and amortization expense	9,865	-	9,865
(d) Other expenses	6,434	888	7,322
<b>Total expenses</b>	<b>37,139</b>	<b>2,290</b>	<b>39,429</b>
<b>(3) Profit for the period (1-2)</b>	<b>329,553</b>	<b>465,710</b>	<b>795,263</b>
(4) Tax expense	-	-	-
<b>(5) Profit after tax (3-4)</b>	<b>329,553</b>	<b>465,710</b>	<b>795,263</b>
(6) Other comprehensive income	-	-	-
<b>(7) Total comprehensive income (5-6)</b>	<b>329,553</b>	<b>465,710</b>	<b>795,263</b>



## Cuddle Artificial Intelligence Private Limited

Notes to financial statements as at and for the year ended March 31, 2024

All amounts in Rs'000, unless stated otherwise

### (32) Earnings per share

Particulars	As at March 31, 2024	As at March 31, 2023
Profit/(Loss) attributable to the equity holders of the Parent Company (In Rupees thousands)	795,263	(324,492)
Weighted average number of equity shares (no's)	163,360,913	163,255,371
Adjustment for calculation of diluted EPS (in nos)	-	-
Weighted average number of equity shares for Diluted EPS (In nos)	163,360,913	163,255,371
<b>Earnings per share (in Rupees):</b>		
- Basic	4.87	(1.99)
- Diluted	4.87	(1.99)
Face value per equity share (Rs.)	1.00	1.00

Options granted to employees under the stock option plan are considered to be potential equity shares. The options have not been included in the determination of diluted earnings per share. Details relating to the options are set out in Note 29. In view of losses during the current and previous year, the options are anti-dilutive in nature. Accordingly, the basic and dilutive earning per share is the same.

### (33) Commitments and contingent liabilities

There are no contingent liabilities and commitments as of March 31, 2024 (March 31, 2023 - Nil)

### (34) Other Statutory Information

- (1) The Company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall:
- (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or
- (b) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries
- (ii) The Company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the Company shall:
- (a) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
- (b) provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries

### (35) Segment reporting

Operating segments are defined as components of an enterprise for which discrete financial information is available that is evaluated regularly by the chief operating decision maker for assessing the Company's performance and allocating the resources based on an analysis of various performance indicators. The Company is engaged into business of AI based Business Intelligence platform which is single reportable business segment. Hence the Company's financial statements reflect the position for a reportable segment and no separate disclosure is required. The Company operates in India and hence there are no reportable geographical segments.

- (36) The Company has evaluated subsequent events from the balance sheet date to June 14, 2024, the date at which the financial statements were available to be issued and determined that there are no other material items to disclose except for as mentioned in Note 2.1.
- (37) The financial statements were authorised for issue by the Company's Board of directors on June 14, 2024.
- (38) Previous year figures have been regrouped to confirm to current year presentation.
- (39) The figures of previous year were audited by a firm of chartered accountants other than Nisarg J. Shah & Co.

As per our report of even date attached.

**For Nisarg J. Shah & Co**

Chartered Accountants

Firm's Registration Number: 128310W

N. J. Shah

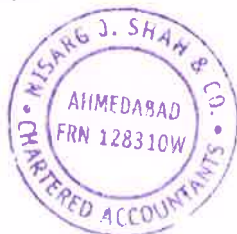
**Nisarg Shah**

Partner

Membership Number: 126381

Ahmedabad

Date: June 14, 2024



For and on behalf of the Board of Directors of  
**Cuddle Artificial Intelligence Private Limited**

CIN: U74999MH2016PTC283206

Rajeshwari

**Rajeshwari Aradhyula**

Director

DIN: 09337789

Place: Mumbai

Date: June 14, 2024

Natwar Mall

**Natwar Mall**

Director

DIN: 01995085

Place: Kenya

Date: June 14, 2024

Somya Agarwal

**Somya Agarwal**

Company Secretary

Membership number: A17336

Mumbai

Date: June 14, 2024