

Nisarg J Shah & Co.
Chartered Accountants

Office Address: 3SF Ratnam, C.G. Road,
Ahmedabad: 380006

Phone: 07926462476
Email: info@njshah.com

Certificate on translated version of material subsidiary audited financial statements

Date: August 04, 2025

To,
The Board of Directors,
Fractal Analytics Limited (the "Ultimate Holding Company")
Level 7, Commerz II, International Business Park,
Oberoi Garden City, Off. W. E. Highway,
Goregaon (E) Mumbai Mumbai City MH 400063 IN

Re: The translated financial statement for consolidation in Fractal Analytics Limited ("Ultimate Holding Company") financial Statement.

Dear Sirs,

We have verified the translated version of the audited standalone financial statements of **Cuddle.AI Inc.** (the "Company") for the year ended March 31, 2023. These financial statements have been translated by the Company in Indian Rupee in accordance with Ind As 21, 'The Effect of Changes in Foreign Currency Rates'. The work carried out by us in accordance with the Standard on Related Services (SRS) 4400, "Engagements to Perform Agreed-upon Procedures regarding Financial Information" issued by the Institute of Chartered Accountants of India.

We have verified the translated financial information contained in the Annexure attached to this certificate which have been prepared for the purpose of preparation of consolidated financial statement of Ultimate Holding Company.

These translated financials should not in any way be construed as a reissuance or re-dating of any of the previous audit reports, nor should these be construed as a new opinion on any of the audited standalone financial statements referred to herein.

Based on our examination, we confirm that the information in this certificate is true, fair, correct, accurate and there is no untrue statement or omission which would render the contents of this certificate misleading in its form or context.

Restriction on use

This certificate has been provided by Nisarg J Shah & Co, Chartered Accountants, at the request of Fractal Analytics Limited and solely for the consolidation purpose in Ultimate Holding Company. This certificate is not intended for general circulation or publication and is not to be reproduced or used for any other purpose without our prior consent in writing, other than for the purpose stated above.

Yours Sincerely,

For Nisarg J Shah & Co.

Chartered Accountants

ICAI Firm Registration Number: 128310W

N. J. Shah

Nisarg Shah

Partner

Membership Number: 126381

UDIN: 25126381BMOHIF9590

Place of Signature: Ahmedabad

Date: August 04, 2025



Cuddle.ai Inc**Translated version of Balance Sheet**

(All amount in 000's unless stated otherwise)

Particulars	Note	In USD	In INR
		As at March 31, 2023	As at March 31, 2023
ASSETS			
(A) Current assets			
(a) Financial assets			
(i) Trade receivables	(3)	8	653
(ii) Cash and cash equivalents	(4)	9	777
(b) Other current assets	(5)	6	476
Total current assets		23	1,906
Total assets		23	1,906
EQUITY AND LIABILITIES			
(A) EQUITY			
(a) Share capital*	(6.1)	0	6
(b) Other equity	(6.2)	(5,160)	(4,23,920)
Total equity		(5,160)	(4,23,914)
(B) LIABILITIES			
(I) Current liabilities			
(a) Financial liabilities			
(i) Borrowings	(7)	1,775	1,45,833
(ii) Trade payables	(8)	3,243	2,66,474
(iii) Other financial liabilities	(9)	84	6,898
(b) Other current liabilities	(10)	79	6,461
(c) Current tax liabilities (net)		2	154
Total current liabilities		5,183	4,25,820
Total equity and liabilities		23	1,906

* denotes amount less than USD 1000.

Significant Accounting policy**1-2**

The accompanying notes from 3 to 25 form an integral part of the translated 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: August 04, 2025

**By Fractal Analytics Limited**

For and on behalf of

Cuddle.ai Inc

Ashwath

Ashwath Bhat

Chief Financial Officer

New York, USA

Date: August 04, 2025

Cuddle.ai Inc**Translated version of Statement of Profit and Loss**

(All amount in 000's unless stated otherwise)

Particulars	Note	In USD	In INR
		Year ended March 31, 2023	Year ended March 31, 2023
(1) Income			
(a) Revenue from operations	(11)	28	2,207
Total income		28	2,207
(2) Expenses			
(a) Employee benefit expense	(12)	1,133	90,955
(b) Finance cost	(13)	84	6,738
(c) Other expenses	(14)	817	65,585
Total expenses		2,034	1,63,278
(3) (Loss)/Profit before exceptional items and tax (1-2)		(2,006)	(1,61,071)
(4) Exceptional items	(15)	3,285	2,63,629
(5) (Loss) before tax (3-4)		(5,291)	(4,24,700)
(6) Tax expense:			
(a) Current tax	(22)a		
- For the year		2	151
- Tax adjustment for earlier year		32	2,570
Total tax expense		34	2,721
(7) (Loss) for the year after tax (5-6)		(5,325)	(4,27,421)
(8) Other comprehensive income			
(a) Items that will be reclassified subsequently to profit and loss			
Foreign currency translation reserve		-	(9,089)
Total other comprehensive (loss) for the year (net of tax)		-	(9,089)
(9) Total comprehensive (loss) for the year (7+8)		(5,325)	(4,36,510)
Earnings per equity share:	(21)		
(i) Basic EPS		(5.33)	(427.42)
(ii) Diluted EPS		(5.33)	(427.42)

Significant Accounting policy**1-2**

The accompanying notes from 3 to 25 form an integral part of the translated 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: August 04, 2025

By Fractal Analytics Limited

For and on behalf of

Cuddle.ai Inc

Ashwath

Ashwath Bhat

Chief Financial Officer

New York, USA

Date: August 04, 2025

Cuddle.ai Inc**Translated version of Statement of Cash Flow**

(All amount in 000's unless stated otherwise)

Particulars	In USD	In INR
	Year ended March 31, 2023	Year ended March 31, 2023
(A) Cashflow from operating activities		
Loss before tax	(5,291)	(4,24,700)
Adjustment for:		
Impairment in value of recoverables from subsidiary	3,285	2,63,629
Employee stock option expense	16	1,324
Interest expenses	84	6,738
Operating cash flow before working capital changes	(1,906)	(1,53,009)
Adjustment for changes in working capital:		
Decrease in other current assets	32	2,368
(Increase) in trade receivables	(31)	(17,991)
Increase in trade payables	266	41,648
(Decrease) in other current liabilities	(129)	5,840
Cash (used in) operations	(1,768)	(1,21,144)
Tax paid (net of refunds)	(54)	(4,163)
Net cashflow (used in) operating activities	(1,822)	(1,25,307)
(B) Cashflow from financing activities		
Proceeds of short term borrowing	1,775	1,45,833
Net cashflow generated from financing activities	1,775	1,45,833
Net (decrease)/increase in cash and cash equivalents (A+B)	(47)	20,526
Effect of Exchange rate	-	(24,016)
Cash and cash equivalents at the beginning of the year	56	4,267
Cash and cash equivalents at the end of the year	9	777
Cash and cash equivalents comprise of:		
Balance with banks:		
In current accounts	9	777
Total cash and cash equivalents	9	777

Note: The standalone statement of cashflows has been prepared under the indirect method as set out in Indian Accounting standard (Ind AS 7) Statement of cash flows' as specified under section 133 of the Companies Act, 2013.

Significant Accounting policy**1-2**

The accompanying notes from 3 to 25 form an integral part of the translated financial statements

As per our report of even date attached.

For Nisarg J Shah & Co

Chartered Accountants

Firm's Registration Number: 128310W

N.J.S.K.L

Nisarg Shah

Partner

Membership Number: 126381

**By Fractal Analytics Limited**

For and on behalf of

Cuddle.ai Inc

Ashwath

Ashwath Bhat

Chief Financial Officer

Ahmedabad

Date: August 04, 2025

New York, USA

Date: August 04, 2025

Cuddle.ai Inc**Translated version of Statement of changes in equity**

(All amount in 000's unless stated otherwise)

(A) Equity share capital

Particulars	In USD	In INR
	Amount	Amount
Balance as at April 01, 2022*	0	6
Changes in equity share capital during the year	-	-
Balance as at March 31, 2023*	0	6

* denotes amount less than USD 1000.

(B) Other equity

Particulars	Reserves and Surplus		Items of other comprehensive income	Total equity
	Retained Earnings	Employee stock option reserve (ESOP)	Exchange differences on translating the financial statements of a foreign operation	
Balance as on April 1, 2022	121	28	-	149
Loss for the year	(5,325)	-	-	(5,325)
Employee stock compensation expense	-	16	-	16
Balance as on March 31, 2023	(5,204)	44	-	(5,160)

Particulars	Reserves and Surplus		Items of other comprehensive income	Total equity
	Retained Earnings	Employee stock option reserve (ESOP)	Exchange differences on translating the financial statements of a foreign operation	
Balance as on April 1, 2022	8,862	2,134	270	11,266
Loss for the year	(4,27,421)	-	-	(4,27,421)
Employee stock compensation expense	-	1,324	-	1,324
Other comprehensive income for the year	-	-	(9,089)	(9,089)
Balance as on March 31, 2023	(4,18,559)	3,458	(8,819)	(4,23,920)

Nature and purpose of reserves**(a) Retained earnings:** Retained earnings are the profits that the Company has earned till date net of appropriations.**(b) Employee stock option reserve (ESOP):** This relates to capital contribution from parent on account of stock options granted by the parent to employees of subsidiary company i.e. Cuddle.ai Inc under an Employee stock options plan.**(c) Exchange differences on translating the financial statements of a foreign operation :** Exchange differences relating to the translation of the results and net assets of the company foreign operations from their functional currencies to the Group's presentation currency i.e. Rs. are recognised directly in the other comprehensive income and accumulated in foreign currency translation reserve. Exchange difference previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

Note : There are no changes in accounting policy or prior period errors which are charged to retained earnings

Significant Accounting policy**1-2**

The accompanying notes from 3 to 25 form an integral part of the translated financial statements

As per our report of even date attached.

For Nisarg J Shah & Co

Chartered Accountants

Firm's Registration Number: 128310W

By Fractal Analytics Limited

For and on behalf of

Cuddle.ai Inc**Nisarg Shah**

Partner

Membership Number: 126381

Ahmedabad

Date: August 04, 2025

Ashwath Bhat

Chief Financial Officer

New York, USA

Date: August 04, 2025

Cuddle.AI Inc**Notes forming part of translated version of financial statements as at and for the year ended March 31, 2023****1. Corporate Information**

Cuddle.ai Inc. ("the Company") is a limited liability company, incorporated and domiciled in United States of America 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.

2. Significant Accounting Policies**2.1 Basis of Preparation**

The translated version of financial statements are prepared in accordance with Indian Accounting Standards ("Ind AS"), and as per the format prescribed under Division II of Schedule III of the Companies Act, 2013 ("the Companies Act") to the extent applicable. The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Rules, 2016.

These translated version of Ind AS financial statements have been translated from the functional currency of the subsidiary to INR, solely in connection with the proposed initial public offering of equity shares of Fractal Analytics Limited ("the ultimate holding company"). For this purpose, assets and liabilities have been translated using exchange rates prevailing on the balance sheet date. Statement of profit and loss has been translated using average exchange rates. Translation adjustments have been reported as foreign currency translation reserve in the statement of changes in equity.

The company has prepared its translated version of financial statements using the same accounting policies (including the format of the financial statements) as followed by the ultimate holding company considering that the purpose of these financial statements is solely to assist the ultimate holding company in preparing its consolidated financial statements.

Accounting policies have been applied consistently to all periods presented in this translated version of financial statements except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The translated version of financial statements have been prepared on an accrual basis under the historical cost basis, except certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments).

Statement of Compliance

The translated version of the financial statements comply in all material aspects with Ind AS as specified in Section 133 of the Act, pronouncements of regulatory bodies applicable to the Company and other provisions of the Act.

**2.2 Foreign Currency translation
Functional and Presentation currency**

The translated version of financial statements are converted from USD (functional currency) to INR which is ultimate holding Company's functional and presentation currency.

Transaction and balances

Assets and liabilities denominated in foreign currencies are translated to the functional currency at the closing rates at the date of the balance sheet.



Cuddle.AI Inc**Notes forming part of translated version of financial statements as at and for the year ended March 31, 2023**

Income and expenses are translated at the dates of the transactions or an average rate if the average rate if the average rate approximates the actual rate at the date of the transaction.

Exchange differences are recognised in the other comprehensive income and accumulated in equity.

2.3 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 (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.

Revenue from inter-company arrangement is recognised based on transaction price which is at cost plus mark-up at an arm's length price.

2.4 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 current expectations.

2.5 Employee benefits**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 recognised during the year when the employees render the service. These benefits include performance incentive and bonus which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

2.6 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.



Cuddle.AI Inc**Notes forming part of translated version of financial statements as at and for the year ended March 31, 2023****Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the translated version of financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised 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 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.

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.

2.7 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 amortised 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.

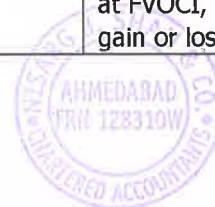
For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.



Cuddle.AI Inc**Notes forming part of translated version of financial statements as at and for the year ended March 31, 2023**

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 instruments	Classification	Rationale for classification	Initial measurement	Subsequent measurement
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 amortized cost recognised is 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	<p>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.</p> <p>Interest income, transaction cost and discount or premium on acquisition are recognized in the income statement (finance income) using effective interest rate method.</p> <p>On derecognition of the financial assets measured at FVOCI, the cumulative gain or loss previously</p>



Cuddle.AI Inc**Notes forming part of translated version of financial statements as at and for the year ended March 31, 2023**

				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. A gain and loss on a debt instrument that is 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 arise.	At fair value. Transaction costs of financial assets expensed to income statement	Change 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 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	At fair value plus transaction costs that are directly attributable to the acquisition of the financial asset	Change 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.



Cuddle.AI Inc**Notes forming part of translated version of financial statements as at and for the year ended March 31, 2023**

		is made on initial recognition and is irrevocable.		
	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	Change in fair value of such assets are recorded in income statement.

(ii) Impairment:

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 amortised 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.

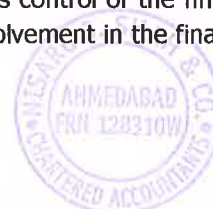
(iii) Derecognition of financial assets:

A financial asset is derecognised 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 derecognised. Where the company has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

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 derecognised 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 recognised to the extent of continuing involvement in the financial asset.



Cuddle.AI Inc**Notes forming part of translated version of financial statements as at and for the year ended March 31, 2023****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 its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

(b) Financial liabilities:**Initial recognition and measurement:**

Financial liabilities are initially recognised at fair value plus any transaction costs that are attributable to the acquisition of the 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 amortised cost
- at fair value through profit or loss (FVTPL)

(i) Financial liabilities at amortised cost:

The Company is classifying the following under amortised cost;

- Borrowings from banks
- Trade payables

Amortised cost for financial liabilities represents amount at which financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation 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, recognised in profit or loss. The net gain or loss recognised 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.



Cuddle.AI Inc**Notes forming part of translated version of financial statements as at and for the year ended March 31, 2023**

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 recognised in the Statement of Profit and Loss.

2.8 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.

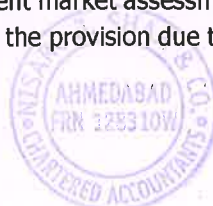
All assets and liabilities for which fair value is measured or disclosed in the translated version of financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — 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.

2.9 Provisions and Contingencies

Provisions are recognised 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 recognised 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 recognised as interest expense.



Cuddle.AI Inc**Notes forming part of translated version of financial statements as at and for the year ended March 31, 2023**

Contingent assets are not recognised. However, when the realisation of income is virtually certain, then the related asset is no longer a contingent asset, and is recognised as an asset. Information on contingent liabilities is disclosed in the notes to the translated version of 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.

2.10 Cash and cash equivalents:

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.

2.11 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.

2.12 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 common stock 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 common stock outstanding during the year are adjusted for the effects of all dilutive potential common stock.

2.13 Current/ Non-current classification:

An asset 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) it 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.



Cuddle.AI Inc**Notes forming part of translated version of financial statements as at and for the year ended March 31, 2023**

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.

2.14 Significant accounting estimates, judgements and assumptions:

The preparation of the Company's translated version of 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 translated version of financial statements were prepared. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognised 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 recognised in the translated version of 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 assumptions 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.



Cuddle.AI Inc

Notes forming part of translated version of financial statements as at and for the year ended March 31, 2023

- 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 20.
- 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.
- g. Revenue recognition:** The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how customer consumes benefits as services are rendered or who controls the asset as it is being created or existence of enforceable right to payment for performance to date and alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.

2.15 Recent accounting pronouncements

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. On March 31, 2023, MCA amended the Companies (Indian Accounting Standard) Amendment Rules, as below:

Ind AS 1, Presentation of Financial Statements – This amendment requires the entities to disclose their material accounting policies rather than their significant accounting policies. The effective date for adoption of this amendment is annual period beginning on or after April 1, 2023. The Company has evaluated the amendment, and the impact of the amendment is insignificant in the financial statements.

Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors – This amendment has introduced a definition of 'accounting estimates' and included an amendment to Ind AS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. The effective date for adoption of this amendment is annual periods beginning on or after April 1, 2023. The Company has evaluated the amendment and there is no impact on its financial statements.

Ind AS 12, Income Taxes – This amendment has narrowed the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. The effective date for adoption of this amendment is annual period beginning on or after April 1, 2023. The Company has evaluated the amendment and there is no impact on its financial statements.



Cuddle.ai Inc**Notes to translated version of financial statements**

(All amount in 000's unless stated otherwise)

Particulars	In USD As at March 31, 2023	In INR As at March 31, 2023
(3) Trade receivables		
Unsecured, considered good		
- Third party	8	653
- Related parties (Refer note 17)	3,285	269,865
Less : Allowance for expected credit loss	(3,285)	(269,865)
Total trade receivables	8	653

March 31, 2023

Particulars	Current but not due	Outstanding for following periods from due date of payment (In USD)					Total
		Less than 6 Months	6 months – 1 year	1-2 years	2-3 years	More than 3 years	
Trade receivables							
(i) Undisputed Trade receivables – considered good	-	8	-	-	-	-	8
(ii) Undisputed Trade receivables – credit impaired	-	30	2,080	1,175	-	-	3,285
Total	-	38	2,080	1,175	-	-	3,293
Less: Allowance for expected credit loss							(3,285)
Total							8

March 31, 2023

Particulars	Current but not due	Outstanding for following periods from due date of payment (In INR)					Total
		Less than 6 Months	6 months – 1 year	1-2 years	2-3 years	More than 3 years	
Trade receivables							
(i) Undisputed Trade receivables – considered good	-	653	-	-	-	-	653
(ii) Undisputed Trade receivables – credit impaired	-	2,456	170,854	96,555	-	-	269,865
Total	-	3,109	170,854	96,555	-	-	270,518
Less: Allowance for expected credit loss							(269,865)
Total							653

(4) Cash and cash equivalents

Balances with banks in current accounts

Total cash and cash equivalents

9	777
9	777

(5) Other current assets

Prepaid expenses

Total other current assets

6	476
6	476

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Cuddle.ai Inc**Notes to translated version of financial statements**

(All amount in 000's unless stated otherwise)

Particulars	In USD	In INR
	As at March 31, 2023	As at March 31, 2023
(6.1) Equity share capital		
Authorised		
1,000,000 common stock of US dollars 0.0001 each*	0	6
	0	6
Issued share capital		
1,000,000 common stock of US dollars 0.0001 each*	0	6
	0	6
Subscribed and fully paid-up		
1,000,000 common stock of US dollars 0.0001	0	6
	0	6

* denotes amount less than USD 1000.

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

Particulars	In USD		In INR	
	Number of shares	Amount	Number of shares	Amount
Equity Share Capital				
At the commencement of the year*	1,000,000	0	1,000,000	6
Shares issued during the year	-	-	-	-
At the end of the year*	1,000,000	0	1,000,000	6

* denotes amount less than USD 1000.

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

Particulars	As at March 31, 2023	
	% of total shares in the class	Number of shares
Common stock of US dollars 0.0001 each fully paid-up held by		
Cuddle Artificial Intelligence Private Limited	100%	1,000,000

(c) Shares held by Companies having significant influence

Particulars	As at March 31, 2023	
	% of total shares in the class	Number of shares
Equity shares of USD 0.0001 each fully paid-up held by		
Cuddle Artificial Intelligence Private Limited	100%	1,000,000

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

The Company has one class of stock having a par value of USD 0.0001 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) 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.

(f) No dividend is declared by the Company during the year ended March 31, 2023.

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Cuddle.ai Inc
Notes to translated version of financial statements
(All amount in 000's unless stated otherwise)

Particulars	In USD	In INR
	As at March 31, 2023	As at March 31, 2023
(6.2) Other equity		
Retained earnings	(5,204)	(418,559)
Other reserves	44	3,458
Other Comprehensive Income	-	(8,819)
Total other equity	(5,160)	(423,920)

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

(7) Borrowings

Current

Inter corporate loan (Refer note 17)

Total borrowings

1,775	145,833
1,775	145,833

Note: The Company has obtained unsecured intercorporate loan from Fractal Analytics Inc which is repayable on demand. This loan carries interest rate of range from 5.5% to 10% p.a.

(8) Trade payables

Current trade payables

- Others

- Related party (Refer note 17)

Total trade payables

27	2,282
3,216	264,192
3,243	266,474

Ageing of Trade payables

March 31, 2023

Particulars	Current but not due	Outstanding for following periods from due date of payment (In USD)				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) Total outstanding dues of creditors	32	1,021	2,150	20	-	3,223
Accrued expenses	32	1,021	2,150	20	-	3,223
Total						3,243

March 31, 2023

Particulars	Current but not due	Outstanding for following periods from due date of payment (In INR)				Total
		Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) Total outstanding dues of creditors	2,664	83,846	176,631	1,643	-	264,784
Accrued expenses	2,664	83,846	176,631	1,643	-	264,784
Total						266,474

(9) Other financial liabilities

Current financial liabilities

Interest accrued and due on borrowings

-Related parties (Refer note 17)

Total other financial liabilities

84	6,898
84	6,898

(10) Other current liabilities

Employee related obligation

Statutory dues payable#

Total other current liabilities

#Includes liability towards tax deducted at source

68	5,499
11	962
79	6,461



Cuddle.ai Inc

Notes to translated version of financial statements

(All amount in 000's unless stated otherwise)

	In USD	In INR
Particulars	Year ended March 31, 2023	Year ended March 31, 2023
(11) Revenue from operations		
Rendering of services (Refer note 16)		
- Third party	28	2,207
Total revenue from operations	28	2,207
(12) Employee benefit expense		
Salaries, wages and bonus	1,074	86,174
Employee stock option expense (Refer Note 20)	16	1,324
Staff welfare expenses	43	3,457
Total employee benefits expense	1,133	90,955
(13) Finance cost		
Interest expense on:		
- intercorporate loan (Refer Note 17)	84	6,738
Total finance costs	84	6,738
(14) Other expenses		
Legal and professional fees	409	32,859
Software maintenance charges	194	15,564
Travelling and conveyance	21	1,690
Communication expenses	5	409
Cost of delivery (Refer note 17)	28	2,207
Membership and subscription charges	59	4,696
Marketing expenses	33	2,665
Recruitment expenses	48	3,849
Miscellaneous expenses	20	1,646
Total other expenses	817	65,585
(15) Exceptional items		
Allowances for doubtful debts	3,285	263,629
Total exceptional items	3,285	263,629



Cuddle.ai Inc**Notes to translated version of financial statements***(All amount in 000's unless stated otherwise)***(16) Revenue from Contracts with Customers**

The billing schedules agreed with customers include periodic performance-based payments and / or milestone based progress payments. Invoices are payable within contractually agreed credit period.

Revenue disaggregation by nature of services is as follows:

Particulars	In USD	In INR
	Year ended March 31, 2023	Year ended March 31, 2023
Analytics/Consulting services		
- Third party	28	2,207
	28	2,207

The Company disaggregates revenue from contracts with customers by nature of services.

While disclosing the aggregate amount of transaction price yet to be recognised as revenue towards unsatisfied (or partially satisfied) performance obligations, along with the broad time range for the expected time to recognise those revenues, the Company has applied the practical expedient in Ind AS 115. Accordingly, the Company has not disclosed the aggregate transaction price allocated to unsatisfied (or partially satisfied) performance obligations which pertain to contracts where revenue recognized corresponds to the value transferred to customer typically involving time and material, outcome based and event based contracts.

The Company has applied practical expedient as per paragraph 121 of Ind AS 115 and does not disclose information about remaining performance obligations

Only 1 client individually accounted for more than 10% of the third party revenue for the year ended March 31, 2023.

Reconciliation of revenue recognised with the contracted price is as follows:

Particulars	In USD	In INR
	Year ended March 31, 2023	Year ended March 31, 2023
Contracted price	28	2,207
Less: Reductions towards variable consideration components	-	-
Revenue recognised as per statement of profit and loss	28	2,207



Cuddle.ai Inc

Notes to translated version of financial statements

(All amount in 000's unless stated otherwise)

(17) Related party transactions

(a) Related parties

Sr. No	Name of the party	Nature of relationship
1	Fractal Analytics Private Limited, India	Ultimate Holding company
2	Cuddle Artificial Intelligence Private Limited	Holding 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*	Director
3	Ms. Kathy Leake	Director
4	Ms. Rajeshwari Aradhyula*	Director

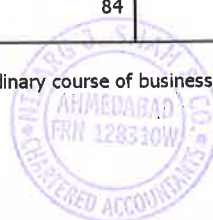
* Do not draw remuneration from the Company

(c) Details of transactions with related parties :

Sr. No	Nature of Transaction	In USD	In INR
		Year ended March 31, 2023	Year ended March 31, 2023
1	Managerial remuneration Ms. Kathy Leake	266	21,369
2	Reimbursement of expenses incurred on behalf of the Company Fractal Analytics Inc, USA Cuddle Artificial Intelligence Private Limited	229 30	10,815 2,408
3	Cost of Delivery Cuddle Artificial Intelligence Private Limited	28	2,207
4	Intercompany loan received during the year Fractal Analytics Inc, USA	1,775	142,463
5	Interest on inter-company Loan Fractal Analytics Inc, USA	84	6,738
6	Deemed Capital Contribution Cuddle Artificial Intelligence Private Limited	17	1,324
7	Provision for doubtful receivables Cuddle Artificial Intelligence Private Limited	3,285	263,629

Sr. No	Closing Balances	As at March 31, 2023	As at March 31, 2023
1	Trade payables (including provisions) Cuddle Artificial Intelligence Private Limited Fractal Analytics Inc, USA	66 3,150	5,381 258,811
2	Trade receivables Cuddle Artificial Intelligence Private Limited	3,285	269,865
3	Provision for doubtful receivables Cuddle Artificial Intelligence Private Limited	3,285	269,865
4	Inter company Loan Fractal Analytics Inc, USA	1,775	145,833
5	Interest accrued and due Fractal Analytics Inc, USA	84	6,898

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.



Cuddle.ai Inc

Notes to translated version of financial statements

(All amount in 000's unless stated otherwise)

(18) 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, other bank balances, trade receivables, other financial assets, trade payables and other financial liabilities.

	In USD	In INR
	As at	As at
Amortised cost	March 31, 2023	March 31, 2023
Assets		
Trade receivables	8	653
Cash and cash equivalents	9	777
Total assets	17	1,430
Liabilities		
Borrowings	1,775	145,833
Trade payables	3,243	266,474
Other financial liabilities	84	6,898
Total liabilities	5,102	419,205

Note: Carrying amounts of cash and cash equivalents, bank balances, trade receivables, borrowings, trade payables and other financial liabilities as at March 31, 2023 approximate the fair value. Difference between carrying amounts and fair values of bank deposits, other financial assets and other financial liabilities subsequently measured at amortised cost is not significant in each of the periods presented.

Note:

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



Cuddle.ai Inc

Notes to translated version of financial statements

All amounts in '000, unless stated otherwise

(19) 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. Additionally, the Board for each Company entity is responsible for developing and monitoring the 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 each 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.

Financial instruments that are subject to concentration of credit risk principally consist of trade receivables, investments, cash and cash equivalents and other balances with banks. None of the financial instruments of the Company result in material concentration of credit risk.

Cash and cash equivalents

Credit risk on cash and cash equivalents and other deposits with banks is limited as the Company generally invest in 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 entity operates and other macro-economic factors.

Credit quality of a customer is assessed based on its credit worthiness. 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.

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. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due.



Cuddle.ai Inc

Notes to translated version of financial statements

All amounts in '000, unless stated otherwise

(19) Financial risk management framework (Continued)

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	(In USD)	
		Undiscounted amounts	
		<12months	>12months
March 31, 2023			
Non Derivative financial instruments			
Borrowings	1,775	1,775	-
Trade payables	3,243	3,243	-
Other financial liabilities	84	84	-

Particulars	Carrying amount	(In INR)	
		Undiscounted amounts	
		<12months	>12months
March 31, 2023			
Non Derivative financial instruments			
Borrowings	145,833	145,833	-
Trade payables	266,474	266,474	-
Other financial liabilities	6,898	6,898	-

(c) Market risk

Market risk is the risk arising from changes in market prices – such as foreign exchange rates and interest rates – that will 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 long term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of the investments. Thus, the exposure to market risk is a function of investing and borrowing activities and 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. The Company ensures that the net exposure is kept to an acceptable level.

Exposure to currency risk

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



Cuddle.ai Inc

Notes to translated version of financial statements

All amounts in '000, unless stated otherwise

(19) Financial risk management framework (Continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

Exposure to interest rate risk

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

The Company is exposed to interest rate risk on the borrowing outstanding in the books as at March 31, 2023 pursuant to movement in LIBOR. The interest reset period or the amortization schedule is not fixed under this credit facility and hence the same has not been hedged.

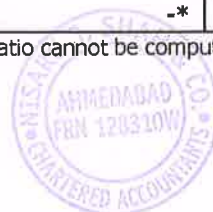
(iii) Capital risk management

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 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 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	In USD	In INR
	As at March 31, 2023	As at March 31, 2023
Borrowings	1,775	145,833
Less : Cash and cash equivalents	(9)	(777)
Net Debt (A)	1,766	145,056
Total Equity (B)	(5,160)	(423,914)
Net Gearing Ratio (A/B)	-*	-*

* The Company has negative net worth as at March 31, 2023. Hence net gearing ratio cannot be computed.



Cuddle.ai Inc**Notes to translated version of financial statements**

All amounts in 000's, unless stated otherwise

(20) Employee Stock Options Scheme (ESOP)

The holding 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.

- (a) The holding Company had granted stock options under the 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.

For the year ended

Particulars	2022-23
No. of options granted	40,000
Exercise Price (in USD)	0.01
Fair Value on Date of Grant of option (in USD)	0.005

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

Particulars	As at March 31, 2023	
	Nos	WAEP
Options outstanding at the beginning of the year	1,987,586	0.01
Options granted during the year	40,000	0.01
Options lapsed during the year	(120,000)	0.01
Options settled/cancelled during the year	-	0.00
Transfer from other entity to Cuddle.ai Inc	183,523	0.01
Options exercised during the year	-	-
Options outstanding at the end of the year	2,091,109	0.01

The weighted average fair values of the options granted during the year ended March 31, 2023- USD 0.005

The weighted average stock price of the options granted during year ended March 31, 2023- USD 0.01

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, 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%

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Cuddle.ai Inc

Notes to translated version of financial statements

All amounts in 000's, unless stated otherwise

(20) Employee Stock Options Scheme (ESOP) (Continued)**(b) Employee Stock Option Plan - Management incentive plan**

The holding 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 period ended

Particulars	2022-23	2022-23
	Time based	Milestone Based
No. of Options granted	Nil	Nil
Exercise Price	NA	NA
Fair Value on Date of Grant of option (in Rs.)	NA	NA

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

Particulars	Cuddle ESOP 2021	
	As at March 31, 2023	
	No. of options	WAEP
Options outstanding at the beginning of the year	18,300,000	0.01
Options granted during the year	-	-
Options lapsed during the year	(9,150,000)	0.01
Options settled/cancelled during the year	-	-
Options outstanding at the end of	9,150,000	0.01

The weighted average fair values of the options granted during the year ended March 31, 2023- USD 0.005

The weighted average stock price of the options granted during year ended March 31, 2023- USD 0.01

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, 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.

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

Particulars	In USD	In INR
	Year ended March 31, 2023	Year ended March 31, 2023
Expense arising from equity-settled share-based payment transactions	16	1,324
Total	16	1,324

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Cuddle.ai Inc

Notes to translated version of financial statements
(All amount in 000's unless stated otherwise)

(21) Earnings per share

Particulars	In USD	In INR
	Year ended March 31, 2023	Year ended March 31, 2023
Loss attributable to the common stock holders of the company	(5,325)	(4,27,421)
Weighted average number of common stock (nos)	10,00,000	10,00,000
Earnings per share		
- Basic	(5.33)	(427.42)
- Diluted	(5.33)	(427.42)
Face value per common stock (USD)	0.0001	0.0001

(22) Income tax expense**(a) Income tax expense is as follows:**

Particulars	In USD	In INR
	Year ended March 31, 2023	Year ended March 31, 2023
(a) Recognised in profit and loss		
Current tax		
- For the year	2	151
- Adjustment for earlier year	32	2,570
Total tax expense	34	2,721

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

Particulars	In USD	In INR
	Year ended March 31, 2023	Year ended March 31, 2023
Loss before tax	(5,291)	(4,24,700)
Tax rate	21%	21%
Computed tax expense	(1,111)	(89,187)
Deferred tax asset not recognised on unabsorbed losses	441	35,389
Deferred tax not recognised on other expenses	670	53,790
Expenses not deductible for tax purpose*	0	8
Impact of different tax rate	2	151
Tax expense for previous year	32	2,570
Tax expense	34	2,721

* denotes amount less than USD 1000.

(23) 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 providing services to Cuddle Artificial Intelligence Private Limited, holding company, 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 USA and hence there are no reportable geographical segments.

(24) Commitments and contingent liabilities

There are no commitments and contingent liabilities as on March 31, 2023.

(25) The company has evaluated subsequent events from the balance sheet date to the date at which the financial statements were available to be issued and determined that there are no other material items to disclose.

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: August 04, 2025

**By Fractal Analytics Limited**

For and on behalf of

Cuddle.ai Inc

Ashwath

Ashwath Bhat

Chief Financial Officer

New York, USA

Date: August 04, 2025