

# **Cigniti Technologies Canada Inc.**

**For the year ended March 31, 2022**

*(Presented in Canadian dollars)*

# **Independent Practitioner's Review Engagement Report**

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To the Shareholder of Cigniti Technologies Canada Inc.:

## **Report on the Financial Statements**

We have reviewed the accompanying financial statements of Cigniti Technologies Canada Inc. (the "Company"), which comprise the statement of financial position as at March 31, 2022, and the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Practitioner's Responsibility**

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Cigniti Technologies Canada Inc. as at March 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Toronto, Ontario

April 29, 2022

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

# Cigniti Technologies Canada Inc.

Statement of Financial Position

As at March 31, 2022

(Presented in Canadian dollars)

	Note	March 31, 2022	March 31, 2021
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash		431,001	265,896
Accounts receivable	12, 13	2,392,262	1,936,064
Prepaid expenses and deposits		92,987	74,600
		<b>2,916,250</b>	2,276,560
Equipment	5	24,601	34,362
Right-of-use asset	6	28,028	76,075
<b>Total assets</b>		<b>2,968,879</b>	2,386,997
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	7, 12	1,331,115	727,538
Income taxes payable		148,940	172,674
Current portion of lease obligation	6	36,914	59,399
		<b>1,516,969</b>	959,611
Lease obligation	6	-	36,532
Due to related companies	8, 12	421,436	761,162
<b>Total liabilities</b>		<b>1,938,405</b>	1,757,305
<b>Shareholder's equity</b>			
Share capital	9	1	1
Equity		1,030,473	629,691
		<b>1,030,474</b>	629,692
<b>Total liabilities and shareholder's equity</b>		<b>2,968,879</b>	2,386,997

Significant Event (Note 15)

Approved on behalf of the Board

  
[Signed]

**Ventaka Subramanyam Chakkilam**  
Director

The accompanying notes are an integral part of these financial statements.

# Cigniti Technologies Canada Inc.

Statement of Income and Comprehensive Income

For the year ended March 31, 2022

(Presented in Canadian dollars)

	Note	March 31, 2022	March 31, 2021
		\$	\$
<b>Revenue</b>		<b>11,009,572</b>	10,586,015
<b>Operating expenses</b>			
Salaries and employee benefits	10	<b>4,996,001</b>	4,023,668
Consulting fees	10	<b>3,790,471</b>	3,514,665
Subcontractor fees	10	<b>999,132</b>	1,904,468
Insurance		<b>223,056</b>	222,517
Professional fees		<b>144,910</b>	121,901
Rent	6	<b>71,029</b>	71,953
Bad debt	13	<b>42,007</b>	-
Travel		<b>28,028</b>	5,559
Interest and bank charges		<b>15,932</b>	13,471
Telephone, fax and internet		<b>14,099</b>	12,524
Meals and entertainment		<b>4,961</b>	140
Office and general		<b>4,749</b>	3,830
Accretion	6	<b>3,836</b>	7,228
Foreign exchange (gain) loss		<b>45,649</b>	(28,704)
Depreciation	5,6	<b>73,663</b>	70,624
		<b>10,457,523</b>	9,943,844
<b>Income before income taxes</b>		<b>552,049</b>	642,171
Income tax expense	11	<b>151,267</b>	156,526
<b>Net income and comprehensive income</b>		<b>400,782</b>	485,645

The accompanying notes are an integral part of these financial statements.

# Cigniti Technologies Canada Inc.

Statement of Changes in Equity  
For the year ended March 31, 2022  
(Presented in Canadian dollars)

	Note	Number of common shares	Share capital	Accumulated equity	Total
			\$	\$	\$
Balance at March 31, 2020		100	1	144,046	144,047
Net income and comprehensive income for the year		-	-	485,645	485,645
<b>Balance at March 31, 2021</b>		<b>100</b>	<b>1</b>	<b>629,691</b>	<b>629,692</b>
<b>Net income and comprehensive income</b>		<b>-</b>	<b>-</b>	<b>400,782</b>	<b>400,782</b>
<b>Balance at March 31, 2022</b>		<b>100</b>	<b>1</b>	<b>1,030,473</b>	<b>1,030,474</b>

The accompanying notes are an integral part of these financial statements.

# Cigniti Technologies Canada Inc.

## Statement of Cash Flows

For the year ended March 31, 2022

(Presented in Canadian dollars)

	Note	For the year ended March 31, 2022	March 31, 2021
		\$	\$
<b>Cash flows used in operating activities:</b>			
Net income and comprehensive income		400,782	485,645
Depreciation		73,665	70,624
Accretion		3,836	7,228
		<b>478,283</b>	563,497
Changes in non-cash operating working capital:			
Accounts receivable		(456,198)	(141,390)
Prepaid expenses and deposits		(18,387)	(17,598)
Accounts payable and accrued liabilities		603,577	(204,499)
Income taxes payable		(23,734)	144,969
		<b>583,541</b>	344,979
<b>Cash flows from financing activities:</b>			
Repayment of lease obligations	6	(62,853)	(61,897)
Repayments to related parties	8	(339,726)	(301,447)
		<b>(402,579)</b>	(363,344)
<b>Cash flows from investing activities:</b>			
Purchase of equipment		(15,857)	-
<b>Change in cash</b>			
Cash, beginning of year		265,896	284,261
<b>Cash, end of year</b>		<b>431,001</b>	265,896

The accompanying notes are an integral part of these financial statements.

# Cigniti Technologies Canada Inc.

Notes to the Financial Statements  
For the year ended March 31, 2022  
(Presented in Canadian dollars)

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## 1. Nature of operations

Cigniti Technologies Canada Inc. (the “Company”) was incorporated on February 6, 2013 under the laws of the Province of British Columbia. The Company provides software testing services.

The address of the Company’s registered office is 302-2000 Argentia Road, Plaza 4, Mississauga, Ontario, L5N 1W1.

These financial statements were approved for issuance by the Company’s Board of Directors on April 29, 2022.

## 2. Statement of compliance and basis of presentation

### Statement of compliance

These financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

### Basis of presentation

These financial statements are presented in Canadian dollars, which is the Company’s functional and presentational currency. These financial statements were prepared on a going concern basis, under the historical cost convention except for fair value through profit and loss financial assets and available for sale financial assets, which are measured at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

## 3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below:

### Revenue recognition

Revenue is billed at the end of each month and is recognized based on the hours incurred at customer approved rates when persuasive evidence of an arrangement exists and the Company is reasonably assured of collection.

### Foreign Currency Translation

Transactions in foreign currencies are initially recorded at the exchange rate in effect at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the reporting date.

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.

Differences arising on settlement or translation of monetary items are recognized in the statement of income and comprehensive income.

# Cigniti Technologies Canada Inc.

Notes to the Financial Statements  
For the year ended March 31, 2022  
(Presented in Canadian dollars)

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## 3. Summary of significant accounting policies *(continued from previous page)*

### Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

The right-of-use assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

### Income taxes

Income tax expense is comprised of current and deferred tax. Income tax is recognized in the statement of income and comprehensive income. Current income tax expense represents the amount of income taxes payable based on tax law that is enacted or substantially enacted at the reporting date and is adjusted for changes in estimates of tax expense recognized in prior periods. A current tax liability or asset is recognized for income tax payable or paid but recoverable in respect of all periods to date.

The Company uses the deferred tax method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the quarter in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the statement of income and comprehensive income in the period in which the enactment or substantive enactment occurs. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available to utilize such amounts. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is no longer probable that the related tax benefits will be realized. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and the Company intends to settle its deferred tax assets and liabilities on a net basis.

### Financial instruments

Financial instruments are initially recognized at fair value when the Company becomes a party to a contract, plus or minus transaction costs for instruments subsequently measured at amortized cost. Subsequent accounting is described below:

#### Financial Assets

On initial recognition, the measurement category is determined, based on both the business model under which the asset is held and the contractual cash flow characteristics of the instrument.



# Cigniti Technologies Canada Inc.

Notes to the Financial Statements  
For the year ended March 31, 2022  
(Presented in Canadian dollars)

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### 3. Summary of significant accounting policies (continued from previous page)

Financial assets are measured as either:

*Fair value through profit and loss (FVTPL)* – which is required for instruments that are held for trading and derivative assets.

*Amortized cost* – if the instrument is held within a business model whose objective is to collect contractual cash flows and the cash flows represent Solely Payments of Principal and Interest (SPPI).

*Fair value through other comprehensive income (FVOCI)* – which is required for debt instruments held in a dual-purpose business model, to collect contractual cash flows and to sell the instruments and can be irrevocably elected at initial recognition provided they have not been designated as FVTPL and are not held for trading.

*Designated as FVTPL* – available on initial recognition provided certain criteria are met.

The Company's financial assets, which consist of cash and accounts receivable, are accounted for at amortized cost.

#### Impairment of financial assets

Financial assets measured at amortized cost are assessed for impairment at each reporting date using an Expected Credit Loss (ECL) model. The ECL model uses a three-stage impairment approach based on changes in the credit risk of the commitment or receivable since initial recognition.

The Company's financial assets are short-term in nature and contain no financing component. The Company uses the simplified approach to calculate their ECL.

#### Financial Liabilities

Financial liabilities are measured as either:

*FVTPL* – which is required for any financial instrument liability held for trading and for derivative liabilities.

*Designated as FVTPL* – available on initial recognition if either: the instrument includes one or more embedded derivatives and the host contract is not a financial asset; or if the instrument meets certain criteria.

*Designated as at fair value* – in certain circumstances a financial liability can be irrevocably designated at initial recognition as at fair value, with changes in fair value related to changes in the entity's own credit risk recognized in other comprehensive income and all other changes in fair value recognized in net income.

*Amortized cost* – which is the default category and is also used for any host contract that is a financial instrument liability.

The Company's financial liabilities, which consist of accounts payable and accrued liabilities, lease obligation and due to related companies are measured at amortized cost using the effective interest method.

# Cigniti Technologies Canada Inc.

Notes to the Financial Statements  
For the year ended March 31, 2022  
(Presented in Canadian dollars)

## 4. Significant accounting judgements, estimates and assumptions

### Critical accounting estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. Critical accounting estimates are as follows:

(i) Expected credit losses:

The Company is exposed to credit risk associated with its trade receivables. Management reviews the trade receivables at each reporting date and assesses and estimates an expected credit loss based on forward looking probabilities of default. The expected recovery amounts could vary from the actual cash received.

(ii) Depreciation:

The amount of depreciation expense recognized is affected by estimates of the useful lives of assets and their residual amounts. These estimates may change as more experience is obtained.

## 5. Equipment

	Equipment
	\$
<b>Cost</b>	
Balance, March 31, 2021	67,738
Additions	15,855
<b>Balance, March 31, 2022</b>	<b>83,593</b>
<b>Accumulated depreciation</b>	
Balance, March 31, 2021	33,376
Depreciation	25,616
<b>Balance, March 31, 2022</b>	<b>58,992</b>
<b>Net book value</b>	
March 31, 2021	34,362
<b>March 31, 2022</b>	<b>24,601</b>

# Cigniti Technologies Canada Inc.

Notes to the Financial Statements  
For the year ended March 31, 2022  
(Presented in Canadian dollars)

## 6. Right-of-use asset and lease liability

The Company leases its office premises and has recognized a right-of-use asset and corresponding lease liability in respect of this lease. The following schedule shows the movement in the Company's right-of-use asset during the year:

	Office premises
	\$
<b>Cost</b>	
Balance, March 31, 2021	172,171
Additions	-
<b>Balance, March 31, 2022</b>	<b>172,171</b>
<b>Accumulated depreciation</b>	
Balance, March 31, 2021	96,096
Depreciation	48,047
<b>Balance, March 31, 2022</b>	<b>144,143</b>
<b>Net book value</b>	
March 31, 2021	76,075
<b>March 31, 2022</b>	<b>28,028</b>

The right-of-use asset is being depreciated on a straight-line basis over the remaining lease term, due to expire on November 1, 2022. The expense relating to variable lease payments not included in the measurement of lease liabilities totaled \$71,029 in 2022 (2021 - \$71,953), presented as 'rent' in the statement of income and comprehensive income.

The following schedule shows the movement in the Group's lease liability during the year:

	\$
<b>Balance, March 31, 2021</b>	95,931
Accretion expense	3,836
Lease payments	(62,853)
<b>Balance, March 31, 2022</b>	<b>36,914</b>

A reconciliation of the current and non-current components of the lease liability at March 31, 2022 follows:

	\$
<b>Current</b>	<b>36,914</b>
<b>Non-current</b>	-
<b>Balance, March 31, 2022</b>	<b>36,914</b>

# Cigniti Technologies Canada Inc.

Notes to the Financial Statements  
For the year ended March 31, 2022  
(Presented in Canadian dollars)

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## 6. Right-of-use asset and lease liability (continued from previous page)

Future minimum lease payments related to the lease obligation are as follows:

	\$
2023	37,444
Less: future accretion	(530)
<b>Total</b>	<b>36,914</b>

## 7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities includes harmonized sales taxes payable of \$89,468 (2021 - \$97,428).

## 8. Due to related companies

	<b>March 31, 2022</b>	March 31, 2021
	<b>\$</b>	<b>\$</b>
Cigniti Technologies Limited	<b>308,260</b>	834,336
Cigniti Technologies Inc., USA	<b>113,176</b>	(73,174)
	<b>421,436</b>	761,162

The amounts owed to Cigniti Technologies Limited, the Company's parent, are unsecured, non-interest bearing and have no fixed terms of repayment. The related party has agreed not to demand repayment during the twelve-month period ending March 31, 2023.

The amounts owed to Cigniti Technologies Inc., USA, a company under common control, are unsecured, non-interest bearing and have no fixed terms of repayment. The related party has agreed not to demand repayment during the twelve-month period ending March 31, 2023.

## 9. Share capital

Issued common shares:

	<b>March 31, 2022</b>	March 31, 2021
	<b>\$</b>	<b>\$</b>
Common shares		
100 Common shares	<b>1</b>	1

The entire issued and outstanding common shares are held by Cigniti Technologies Limited, the parent Company.

# Cigniti Technologies Canada Inc.

Notes to the Financial Statements  
For the year ended March 31, 2022  
(Presented in Canadian dollars)

## 10. Related party transactions

During the year ended March 31, 2022, the Company had the following transactions with related parties:

	<b>March 31, 2022</b>	March 31, 2021
	\$	\$
<b>Cigniti Technologies Inc., USA</b>		
Consulting fees (income)	(736,720)	-
Salaries and employee benefits fees (income)	(383,862)	-
Consulting fees	-	192,997
<b>Cigniti Technologies Limited</b>		
Subcontractor fees	<b>999,132</b>	1,904,468

The Company's executive function is outsourced to Cigniti Technologies Limited. Expense related to this is included in subcontractor fees.

## 11. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate to the effective rate is as follows:

	<b>March 31, 2022</b>	March 31, 2021
	\$	\$
Income before income taxes	<b>552,049</b>	642,171
Statutory income tax rate	<b>26.50%</b>	26.50%
Expected recovery at statutory income tax rate	<b>146,293</b>	170,175
Reconciling items:		
Impact of difference between amortization for accounting purposes and CCA taken in the period	<b>15,241</b>	16,908
Other temporary differences	<b>(11,498)</b>	(30,653)
Non-deductible expenses	<b>1,231</b>	96
	<b>151,267</b>	156,526

# Cigniti Technologies Canada Inc.

Notes to the Financial Statements  
For the year ended March 31, 2022  
(Presented in Canadian dollars)

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## 12. Financial instruments

The Company is exposed to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Management is charged with responsibility for establishing controls and procedures to ensure that financial risks are mitigated with appropriate policies.

### **Concentration of credit risk and economic dependence**

The Company is exposed to credit risk with respect to the collectability of its customer accounts receivable. Credit risk is concentrated as three customers represented 70% (2021 - three customers represented 70%) of the Company's accounts receivable balance as at March 31, 2022. Contracts with three customers accounted for 77% of revenue for the year ended March 31, 2022 (2021 - three customers accounted for 69% of revenue).

The Company performs regular credit assessments of its customers' accounts receivable where appropriate and provides allowances for potentially uncollectable accounts receivable balance.

	<b>March 31, 2022</b>	March 31, 2021
	\$	\$
Accounts receivable not past due	<b>1,633,832</b>	1,504,070
Accounts receivable past due and not impaired		
1 to 30 days	<b>556,173</b>	193,137
31 to 60 days	<b>160,250</b>	195,577
61 to 90 days	-	34,820
Over 90 days	<b>42,007</b>	8,460
	<b>2,392,262</b>	1,936,064

### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. Liquidity risk is also measured by reviewing the Company's future net cash flows for the possibility of a negative cash flow. The Company manages liquidity risk resulting from accounts payable and accrued liabilities, lease obligation, and due to related companies by ensuring sufficient cash is on hand from cash flows from operating activities.

# Cigniti Technologies Canada Inc.

Notes to the Financial Statements  
For the year ended March 31, 2022  
(Presented in Canadian dollars)

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## 12. Financial instruments (continued from previous page)

The following are the contractual maturities of financial liabilities and other commitments as at March 31, 2022:

Maturity	< 1 year	> 1 year	Total
	\$	\$	\$
Accounts payable and accrued liabilities	1,331,115	-	1,331,115
Due to related companies	-	421,436	421,436

### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Company is exposed to interest rate risk through the impact of changes in market interest rates on the fair value of its financial instruments. The exposure to interest rate risk relates to the Company's due to related companies and lease obligation balances as they are non-interest bearing. Other financial instruments are not exposed to significant interest rate risk.

## 13. Accounts receivable

	March 31, 2022	March 31, 2021
	\$	\$
Accounts receivable	2,392,262	1,936,064
Less: Expected credit loss	(42,007)	-
	2,350,255	1,936,064

Given the Company has no history of bad debts, estimated expected credit losses as at March 31, 2022 were \$42,007 (2021 - \$nil).

## 14. Capital risk management

Capital is comprised of the Company's shareholder's equity and any debt it may issue. As of March 31, 2022, the Company's shareholders' equity was \$1,030,473 (2021 - \$629,691). The Company's objective is to maintain a capital structure that supports its long-term growth strategy, maintains creditor and customer confidence, and maximizes shareholder value. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. No changes were made in the objectives, policies, or processes of capital management during the year ended March 31, 2022.

The Company is dependent on cash flows generated from its operations and from related party financing to funds its activities. The Company is not subject to any externally imposed capital requirements.

# Cigniti Technologies Canada Inc.

Notes to the Financial Statements

For the year ended March 31, 2022

*(Presented in Canadian dollars)*

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## **15. Significant event**

In March 2020, there was a global outbreak of COVID-19 (coronavirus) pandemic, which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. These uncertainties arise from the inability to predict the duration of the outbreak, including business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. The impact of the COVID-19 outbreak has not had any significant impact to the Company. Further, management believes the ongoing impact of COVID-19 for the Company will not be significant.