

# **CIGNITI TECHNOLOGIES INC**

## **REVIEWED FINANCIAL STATEMENTS**

**FOR THE TWELVE MONTHS ENDED MARCH 31, 2022 AND MARCH 31, 2021**

### **VBC & COMPANY**

Certified Public Accountants  
A Professional Corporation  
97, Cedar Grove Lane, Suite 202,  
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97 Cedar Grove Lane, Suite 202  
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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Stockholder and Board of Directors of,  
Cigniti Technologies Inc.,  
Irving, TX

We have reviewed the accompanying financial statements of Cigniti Technologies Inc, which comprise the balance sheets as of 31<sup>st</sup> March 2022 and 31<sup>st</sup> March 2021, and the related statements of income and retained earnings and cash flows for the twelve months then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

**Accountant's Responsibility**

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

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**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

**Other matter**

The supplementary information comprising of the supplementary schedule on cost of sales and general and administrative expenses for the twelve months ended March 31, 2022 and March 31, 2021, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information in relation to the accompanying reviewed financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.



**VBC & Company**  
Certified Public Accountants  
Somerset, New Jersey  
April 29, 2022

**CIGNITI TECHNOLOGIES INC**  
**BALANCE SHEETS**  
**AS OF MARCH 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 252,230	\$ 614,839
Accounts receivable, net	28,942,269	19,194,495
Other current assets	509,012	306,542
Due from affiliates	4,624,023	4,416,604
<b>Total current assets</b>	<b><u>34,327,534</u></b>	<b><u>24,532,480</u></b>
Property and equipment, net	285,635	123,869
Right of - Use Asset	560,133	-
<b>Other assets</b>		
Security deposits	36,488	37,888
Deferred tax asset	119,381	-
<b>Total other assets</b>	<b><u>155,869</u></b>	<b><u>37,888</u></b>
<b>Total assets</b>	<b><u>\$ 35,329,171</u></b>	<b><u>\$ 24,694,237</u></b>
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	7,638,005	4,894,767
Accrued payroll and payroll taxes	2,479,962	1,829,566
Accrued income taxes	1,213,281	2,369,748
Due to affiliates	7,646,163	9,143,961
Line of credit	2,956,919	-
Other current liabilities	539,920	346,997
Current portion of lease obligations	88,201	-
<b>Total current liabilities</b>	<b><u>22,562,449</u></b>	<b><u>18,585,041</u></b>
<b>Long term liabilities</b>		
Long term portion of lease obligations	471,932	-
<b>Total long term liabilities</b>	<b><u>471,932</u></b>	<b><u>-</u></b>
<b>Stockholder's equity</b>		
Common stock, \$1 par value, 1500 shares authorized, 1000 shares issued and outstanding		
Capital Stock	1,000	1,000
Additional paid in capital	402,045	402,045
Retained earnings	11,891,744	5,706,151
<b>Total stockholder's equity</b>	<b><u>12,294,789</u></b>	<b><u>6,109,196</u></b>
<b>Total liabilities and stockholder's equity</b>	<b><u>\$ 35,329,171</u></b>	<b><u>\$ 24,694,237</u></b>

(See independent accountant's review report and accompanying notes to financial statements)

**CIGNITI TECHNOLOGIES INC**  
**STATEMENTS OF INCOME**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>Revenue</b>		
Consulting income	\$ 135,640,071	\$ 100,135,066
Other income	57,404	300,475
<b>Total Revenue</b>	<b><u>135,697,475</u></b>	<b><u>100,435,540</u></b>
Cost of sales	106,238,580	75,683,654
<b>Gross profit</b>	<b><u>29,458,895</u></b>	<b><u>24,751,886</u></b>
General and administrative expenses	21,191,864	14,035,821
<b>Income before depreciation and tax</b>	<b><u>8,267,031</u></b>	<b><u>10,716,065</u></b>
Interest expense	58,172	129,982
Depreciation	126,022	71,692
<b>Income before income taxes</b>	<b><u>8,082,837</u></b>	<b><u>10,514,391</u></b>
Provision for income taxes	2,016,625	2,906,961
Deferred income tax/(credit)	(119,381)	-
Prior period taxes/(credit)	-	1,092,060
<b>Net income</b>	<b><u>\$ 6,185,593</u></b>	<b><u>\$ 6,515,370</u></b>
<b>Beginning retained earnings/(deficit)</b>	5,706,151	(809,219)
<b>Net income</b>	6,185,593	6,515,370
<b>Ending retained earnings</b>	<b><u>\$ 11,891,744</u></b>	<b><u>\$ 5,706,151</u></b>

(See independent accountant's review report and accompanying notes to financial statements)

**CIGNITI TECHNOLOGIES INC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>Cash flow from operating activities</b>		
Net income after taxes	\$ 6,185,593	\$ 6,515,370
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	126,022	71,692
<b>Changes in operating assets and liabilities:</b>		
Trade and other receivables	(9,747,774)	(723,595)
Accounts payable, accrued expenses	2,743,237	650,584
Other current assets	(202,470)	(33,248)
Other assets	(117,981)	3,688
Dues from/(to) affiliates	(1,705,217)	1,606,863
Accrued payroll and related costs	650,395	(285,124)
Accrued income taxes	(1,156,467)	1,731,861
Other liabilities	192,922	153,938
<b>Net cash provided by/(used in) operating activities</b>	<b><u>(3,031,740)</u></b>	<b><u>9,692,031</u></b>
<b>Cash flow from investing activities</b>		
Purchase of assets	(287,787)	(45,878)
<b>Net cash provided by/(used in) investing activities</b>	<b><u>(287,787)</u></b>	<b><u>(45,878)</u></b>
<b>Cash flow from financing activities</b>		
Proceeds from Line of credit	2,956,919	(9,193,719)
<b>Net cash provided by/(used in) financing activities</b>	<b><u>2,956,919</u></b>	<b><u>(9,193,719)</u></b>
Increase/(decrease) in cash and cash equivalents	<b><u>\$ (362,608)</u></b>	<b><u>\$ 452,434</u></b>
<b>Cash and cash equivalents, beginning of period</b>	<b>614,839</b>	<b>162,405</b>
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 252,230</u></b>	<b><u>\$ 614,839</u></b>
<b>Interest paid</b>	<b>\$ 51,171</b>	<b>\$ 155,420</b>
<b>Taxes paid</b>	<b>\$ 3,173,092</b>	<b>\$ 2,287,591</b>

(See independent accountant's review report and accompanying notes to financial statements)

**CIGNITI TECHNOLOGIES INC**  
**STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2022 AND 2021**

	2022	2021
<b>Common stock and paid-in capital</b>		
Balance, beginning of period	\$ 1,000	\$ 1,000
Additional paid in capital	402,045	402,045
<b>Balance, end of period</b>	<u><b>\$ 403,045</b></u>	<u><b>\$ 403,045</b></u>
<b>Accumulated retained earnings/(deficit)</b>		
Balance, beginning of period	5,706,151	(809,219)
Net Income during the year	6,185,593	6,515,370
<b>Balance, end of period</b>	<u><b>\$ 11,891,744</b></u>	<u><b>\$ 5,706,151</b></u>
<b>Total stockholder's equity</b>	<u><b>\$ 12,294,789</b></u>	<u><b>\$ 6,109,196</b></u>

(See independent accountant's review report and accompanying notes to financial statements)



**CIGNITI TECHNOLOGIES INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2022 AND 2021**

**Note A - Summary of Significant Accounting Policies**

**Nature of Operations**

Cigniti Technologies Inc (the "Company") was formed effective June 11, 2014, as a Delaware Corporation. The Company provides software engineering and consulting services on both project and hourly basis. The market for the Company's services is characterized by rapidly changing technology, evolving industry standards, and new product introductions. The Company's market is intensely competitive. The Company's success will depend on its ability to enhance and market existing services and introduce new services to meet changing customer requirements and evolving standards.

**Accounting Policies**

These financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"); consequently, revenues are recognized when services are rendered and expenses reflected when cost are incurred. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard require a change in accounting policy hitherto in use.

**Concentration of Credit Risk**

The Company maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents. With respect to trade receivables, the Company generally does not require collateral because the majority of the Company's customers are well established companies operating in a variety of industries and geographic regions.

**Use of Estimates**

The Company's management makes estimates and assumptions in preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America. These estimates and assumptions may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and reported amounts of revenues and expenses during the respective reporting periods. Actual results could differ from those implicit in the estimates and assumptions.

**Cash and Cash Equivalents**

The Company considers cash and highly liquid debt instruments with original maturities of three months or less to be cash equivalents. The Company places its temporary cash and cash equivalents with high credit quality financial institutions.

**Financial Instruments**

The Company's financial instruments including cash and cash equivalents, accrued expenses, accounts receivable, accounts payable and lines of credit debt, all of which approximate fair value at the balance sheet dates.

**Accounts Receivable**

The Company routinely assesses the financial strength of its customers and does not require collateral or other security to support customer receivables. Credit losses are provided for in the financial statements based upon the age of the receivable and specific circumstances surrounding the collection of an invoice. Actual collection on accounts may differ from the Company's estimate of the amount collectible.

**Allowance for Doubtful Accounts**

The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the accounts receivable balance. The Company determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. The Provision for doubtful debts as of March 31, 2022 and March 31, 2021 was \$ 204,297 and \$ 134,180 respectively.

**Property and Equipment**

Property and equipment, consisting of computers, furniture and equipment, are stated at cost. Improvements which substantially increase the useful lives of assets are capitalized. Maintenance and repairs are expensed as incurred. Upon retirement or disposal, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss is recorded.

**CIGNITI TECHNOLOGIES INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2022 AND 2021**

**Depreciation/Amortization**

Depreciation on all property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from five to seven years. Depreciation expense for the twelve months ended March 31, 2022 and March 31, 2021 was \$ 126,022 and \$ 71,692 respectively.

**Revenue Recognition**

In May 2014, the FASB issued an update to ASC 606, Revenue from Contracts with Customers, further amended in July 2015. This update to ASC 606 provides a five-step process to determine when and how revenue is recognized. The core principle of the guidance is that a Company should recognize revenue upon transfer of promised goods or services to customers in an amount that reflects the expected consideration to be received in exchange for those goods or services. This update to ASC 606 will also result in enhanced disclosures about revenue, providing guidance for transactions that were not previously addressed comprehensively, and improving guidance for multiple-element arrangements. Effective Jan 01, 2019, the Company adopted Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers, using the modified retrospective method. The adoption allows companies to apply the new revenue standard to reporting periods beginning in the year the standard is first implemented, while prior periods continue to be reported in accordance with previous accounting guidance. Since the adoption of Accounting Standards Codification ("ASC") 606 did not have a significant impact on the recognition of revenue, the Company did not have an opening retained earnings adjustment.

The Company generates most of its revenues from Technology Staffing, and IT Services. Comprehensive revenue recognition model is designed to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenues are recognized as control of the promised service is transferred to customers, in an amount that reflects the consideration expected in exchange for the services. Revenues from contract assignments are recognized over time, based on hours worked by the Company's contract professionals. The performance of the requested service over time is the single performance obligation for assignment revenues. Revenues are recognized net of variable consideration to the extent that it is probable that a significant reversal of revenues will not occur in subsequent periods. The Company recognizes revenue for fixed-price contracts using percentage of completion method. Under this method of revenue recognition, the Company estimates the progress towards completion to determine the amount of revenue and profit to recognize on all significant contracts. The Company utilizes a cost-to-cost approach in applying the percentage-of-completion method, under which revenue is earned in proportion to total costs incurred, divided by total costs expected to be incurred. The recognition of profit is dependent upon the accuracy of a variety of estimates, including software development progress, achievement of milestones and other incentives, penalty provisions, labor productivity and cost estimates. Such estimates are based on various judgments that the Company makes with respect to those factors and are difficult to accurately determine until the project is significantly underway. Due to uncertainties, inherent in the estimation process, it is possible that actual completion costs may vary from estimates. If estimated total costs on any contract indicate a loss, the Company charges the entire estimated loss to operations in the period the loss first becomes known.

The Company recognizes most of its revenue on a gross basis when it acts as a principal in its transactions. The Company has direct contractual relationships with its customers, bears the risks and rewards of its arrangements, has the discretion to select the contract professionals and establish the price for the services to be provided. The Company primarily provides services through its employees and through subcontractors; the related costs are included in cost of sales. The Company includes billable expenses (out-of-pocket reimbursable expenses) in revenue and the associated expenses are included in cost of sales.

**Unbilled Revenues**

If any are classified as accounts receivables on the balance sheet, represents services rendered prior to being invoiced due to certain contractual restrictions. Unbilled revenue as of March 31, 2022 and March 31, 2021 was \$ 5,126,799 and \$ 1,691,248 respectively.

**CIGNITI TECHNOLOGIES INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2022 AND 2021**

**Cost of Revenues**

The costs of revenues are classified as cost of sales on the income statement, and consist primarily of employee costs and sub-contractors' costs, and other costs incurred in connection with the execution of assignments.

**Customer and Business Concentration**

Financial instruments that potentially subject the company to concentration of credit risk consist principally of cash and trade receivables. Credit risks associated with trade receivables is minimal due to the Company's large customer base and ongoing procedures, which monitor the credit worthiness of its customers. For the twelve months ended March 31, 2022 and 2021, sales to the top five customers was \$ 34,246,418 (25% of net revenue) and \$ 25,656,395 (26% of net revenue) respectively. For the twelve months ended March 31, 2022 and 2021, accounts receivable due from these customers was \$ 6,070,441 (21% of net receivables) and \$ 4,438,289 (23% of net receivables) respectively.

**Income Taxes**

The Company is taxed as a "C" corporation and as such accounts for income taxes pursuant to the provisions of Statement of Financial Statement Accounting Standards No. 109 "Accounting for Income Taxes." Under SFAS No. 109, deferred tax liabilities and assets are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their tax bases. Any deferred tax assets recognized for net operating loss carry-forwards and other items are reduced by a valuation allowance when it is more likely than not that the benefits may not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected. The Company recognizes deferred tax assets to the extent that it believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If the Company determines that it would be able to realize its deferred tax assets in the future in excess of their net recorded amount, the Company would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

**Impairment of Intangibles**

The Company assesses at each balance sheet date whether there is any indication that any intangible assets including goodwill may be impaired. If any such indication exists, the carrying value of such assets is reduced to its recoverable amount and the amount of such impairment loss is charged to the Income statement. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

**Provisions and Contingent Liabilities**

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires outflow of resources, which can be reliably estimated. Disclosures for a contingent liability is made, without a provision in books, when there is an obligation that may, but probably will not, require outflow of resources. Contingent assets are neither recognized nor disclosed in the financial statements.

**Note B - Advertising Costs**

Costs for producing and communicating advertising for the Company's brand and products are charged to general and administrative (G&A) expenses as they are incurred. Advertising expense for the twelve months ended March 31, 2022 and 2021 was Zero.

**Note C - Property and Equipment**

Property and Equipment consisted of:

**CIGNITI TECHNOLOGIES INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2022 AND 2021**

	As of March 31, 2022	As of March 31, 2021
Computer equipment and software	\$ 826,403	\$ 538,403
IT Hardware	9,387	9,387
Furniture & Fixtures	292,195	292,195
Leasehold Improvements	25,600	25,600
Vehicle	50,253	50,253
<b>Total assets</b>	<b>1,194,239</b>	<b>915,838</b>
Less: Accumulated depreciation	(908,604)	(791,969)
<b>Property and Equipment, net</b>	<b>\$ 285,635</b>	<b>\$ 123,869</b>

**Note D - Commitments and contingent liabilities**

The company adopted ASC 824 from January 1, 2022. The company has an operating lease agreement for office premises which expired on March 31, 2022 and was renewed for a period of 5 years effective April 1, 2022. The following table presents operating lease balances:

	March 31, 2022
Operating lease right-of-use assets	560,133
Operating lease liabilities – Current	88,201
Operating lease liabilities – Non-current	471,932

The weighted average lease term was 5.25 years as of March 31, 2022 and the weighted average discount rate was 5% (per annum) as of March 31, 2022.

The maturities of operating leases as of March 31, 2022 and March 31, 2021 are as follows:

Amount in USD	March 31, 2022	March 31, 2021
Within 1 year	90,801	248,078
1-2 years	124,254	2,477
2-3 years	127,440	
3-4 years	130,626	
4-5 Years	133,812	
>5 years	34,250	
<b>Total</b>	<b>641,183</b>	<b>250,055</b>

The rent expense for the twelve months ending March 31, 2021 and 2020 was \$ 326,894 and \$ 377,400 respectively.

The Company does not have any material outstanding capital commitments and contingent Liabilities as on the date of the Balance Sheet.

**Contingent liabilities:** The Company is named in various claims and legal actions in the ordinary course of business. Based on the counsel and management's opinion, there are no pending significant legal proceedings to which the Company is a party, the ultimate outcome would have a material adverse effect on the Company's financial position.

**Note E – Line of Credit**

On February 4, 2019, the Company has executed \$ 15,000,000 Master revolving note with Comerica Bank. As per the credit agreement, amount unpaid as per the credit agreement shall not exceed at any time, the face amount of the note or 85% of company's eligible accounts (Eligible accounts as defined in the credit agreement), whichever is lesser. If at any time, the unpaid principal balance exceeds 85% of company's eligible account or the face amount, company will have to repay the excess within one business day without the necessity of notice or demand by bank. Interest is payable monthly, on the first business day of each month, from the date made until the same is paid in full. Daily adjusting LIBOR rate or the extent applicable, the prime referenced rate, will be used for computation of interest plus an

**CIGNITI TECHNOLOGIES INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2022 AND 2021**

applicable margin of 2.5% per annum. The loan is also subject to an unused commitment fee of 0.25% per annum on the unused portion of face amount of this debt. The maturity date of the note was February 4, 2021. The maturity date of the facility has been extended for two more years (February 4, 2023). The Company is subject to affirmative covenants as per the loan agreement and the financial covenants, as per the agreement are summarized below.

- a. Maintain Tangible effective net worth of not less than
  1. US\$ 1,500,000 as of March 31, 2021
  2. Commencing as of December 31, 2020 and as of the last day of each succeeding fiscal year thereafter, the minimum amount of consolidated tangible effective net worth to be maintained hereunder during each respective annual period commencing as of each such date shall be increased by 50% of net income of borrower for the respective annual period ending as of each such date, without deduction for losses or negative net income
- b. Maintain a consolidated senior debt to EBITDA of not more than the following:
  1. From the date of the agreement through September 30, 2019 3:1
  2. From and after December 31, 2019 2.5:1
- c. Maintain at all times, a consolidated interest coverage ratio of not less than 2:1

For year ended March 31, 2022 and March 31, 2021 company has paid interest of \$ 58,172 and \$ 129,982 respectively towards new line of credit. Principal balance outstanding as of March 31, 2022 and March 31, 2021 was \$ 2,956,919 and Zero respectively. Company has met the financial covenants as of the reporting date.

**Note F - Retirement Benefits**

The Company adopted a 401(k)-profit sharing plan for its employees effective August 12, 2014. There is no age or service period requirement for elective deferral eligibility. However, for non-elective contributions and matching contributions eligibility requirement, the employees are eligible to become participants following one year of employment, with at least 1000 hours of service and should have attained a minimum of 21 years of age. The amount of elective deferral allowed is up to 92% of contributing participant's compensation. The company can make matching contributions, based on its sole discretion as determined year to year. The company did not make any contributions during the twelve months ended March 31, 2022 and March 31, 2021.

**Note G - Income Taxes**

The components of the provision for income taxes for the twelve months ended March 31, 2022 and 2021 was as follows:

	<b>For the year ended March 31, 2022</b>	<b>For the year ended March 31, 2021</b>
<b>Current taxes</b>		
State	\$ 305,789	\$ 869,565
Federal	1,960,727	2,037,395
Prior period taxes/(credit)	(249,891)	1,092,060
<b>Total – current</b>	<b>\$ 2,016,625</b>	<b>\$ 3,999,021</b>
Deferred tax credit	(119,381)	-
Deferred tax expense	-	-
<b>Provision for income taxes</b>	<b>\$ 1,897,244</b>	<b>\$ 539,490</b>

**Outcome of IRS Audit:** IRS has completed the audit for 2015, 2016, 2017 and 2018. The taxable loss as of December 31, 2017 was offset against profits in 2015, 2016, 2017 and 2018. IRS has disallowed certain expenditure in the above years due to which company has paid US\$ 495,190 as federal tax and US\$ 596,870 as withholding tax against which no provision was made in 2019. This has been disclosed as prior period taxes in Statement of Income in the financial statement. Company has remitted US\$607,779 towards above tax liability due to which excess payment of US\$112,589 has been classified as "Advance tax" and the same is adjustable against future income taxes. The dividend withholding tax was paid subsequently. The unutilized carried forward net operating loss as on March 31, 2022 and March 31, 2021 was zero.

The components of the deferred income tax assets and liabilities were as follows:

**CIGNITI TECHNOLOGIES INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2022 AND 2021**

	As of March 31, 2022	As of March 31, 2021
<u>Deferred income tax assets:</u>		
Provision for doubtful debts	53,117	28,178
Stock options	21,334	-
Leave encashment provision	53,994	-
Depreciation	(9,064)	15,902
Less: Valuation allowance	-	(44,080)
<b>Net deferred income tax assets</b>	<b>119,381</b>	<b>-</b>

**Uncertain tax positions:** As of the report date, the Company does not have any uncertain tax liabilities or benefits that could materially affect the effective tax rate. The tax years 2021, 2020 and 2019 were open as of date of report. Management regularly assesses the tax risk of the company's return filing positions for all open years.

**Note H – Employee Stock Options**

During twelve months ended March 31, 2022, the parent company granted stock-based compensation to employee of Cigniti Technologies Inc. The amount granted was charged to Cigniti Technologies Inc towards the employee stock option expenses. The tax benefits related to stock based compensation has been reflected under deferred tax asset as the amount will be tax deductible in the year the options are exercised. Stock-based compensation expense has been reflected under staff wages and benefits. For the twelve months ended March 31, 2022 and March 31, 2021, the amount of stock based expense was \$ 82,054 and Zero respectively.

**Note I – Related party transactions**

In the ordinary course of business, the company enters into transactions with its Parent Company – Cigniti Technologies Limited and its affiliates. During the twelve months ended March 31, 2021 and 2020 the offshore delivery expenses incurred was \$ 49,864,937 and \$ 33,371,978 respectively.

Remuneration and expenses paid to Directors, during the twelve months ended March 31, 2022 and March 31, 2021 was:

	Twelve months ended March 31, 2022	Twelve months ended March 31, 2021
Mr. Srikanth Chakkilam	\$ 590,000*	\$ 591,000*
Mr.Pradeep Govindasamy	-	581,888
Primentor Inc – Mr. Paneesh Murthy	300,000	300,000
Travel expenses (Mr.Srikanth Chakkilam)	-	12,225
Travel expenses (Mr.Pradeep Govindasamy)	-	557
Travel expenses (Primentor)	8,450	5,872

\* Includes Bonus of \$ 240,000 for April 2021 to March 31, 2022 and \$240,000 for April 2020 to March 2021

Balances payable to directors as of March 31, 2022 and March 31, 2021 is as follows:

	As of March 31, 2022	As of March 31, 2021
Mr. Srikanth Chakkilam	\$ 141,844	\$ 212,333
Mr.Pradeep Govindasamy	-	73,811
Primentor Inc – Mr. Paneesh Murthy	27,408	25,000

The balances due to/due from group companies are non-interest bearing and are receivable/repayable on demand. Balances outstanding to / from the parent company, affiliates, and Cigniti Technologies Inc as of March 31, 2022 and 2021 were:

	As of March 31, 2022	
	Due from Affiliates	Due to Affiliates
Cigniti Technologies Ltd – Parent Entity	-	\$ 7,570,346

**CIGNITI TECHNOLOGIES INC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2022 AND 2021**

Cigniti Technologies (SA) Ltd	\$ 2,076,034	-
Cigniti Technologies Canada Inc	90,329	-
Cigniti UK Ltd	-	71,472
Cigniti Technologies Ltd – Dubai branch		4,345
Cigniti Tech Australia Pty Ltd.	2,457,659	-
<b>Total</b>	<b>\$ 4,624,023</b>	<b>\$ 7,646,163</b>
	<b>As of March 31, 2021</b>	
	<b>Due from Affiliates</b>	<b>Due to Affiliates</b>
Cigniti Technologies Ltd – Parent Entity	-	\$ 8,594,183
Cigniti Technologies (SA) Ltd	2,823,683	-
Cigniti Technologies Canada Inc	-	58,065
Cigniti UK Ltd	-	491,713
Cigniti Tech Australia Pty Ltd.	1,593,921	-
<b>Total</b>	<b>\$ 4,416,604</b>	<b>\$ 9,143,961</b>

**Note J – Subsequent Events**

The Company has evaluated subsequent events through April 29, 2022 the date on which the financial statements were available to be issued. The company does not have any reportable events occurring after March 31, 2022.

**Impact of COVID-19 Pandemic:** The COVID-19 outbreak in early 2020 has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. The management is continuously monitoring the impact of the pandemic on its financial statements. As of the date of this report, the Company has not faced any material impact to its business.

The Management is not aware of any other matter or circumstance, other than those which are disclosed above or not otherwise dealt with in the Financial Statements that has significantly or may significantly affect the operations of the company in the subsequent years the financial effects of which has not been provided for as of the March 31, 2022.

**Note K – Common Stock**

The Company is authorized to issue 1500 shares at \$ 1 par value. As of March 31, 2022, the company had 1000 shares of common stock, issued and outstanding. The entire issued and outstanding common stock is currently held by Cigniti Technologies Ltd.

**Note L – Segment Revenues**

The Company's operations comprise only of software testing, engineering and consulting services on both project and hourly basis and the financial statements reflect the performance for the segment as such. Segments are identified taking into account the nature of the business, the differing risks and returns, the organization structure and internal reporting system. Accordingly, the Company has considered only one business segment as the primary segment. The Company presently caters to the domestic market and hence there are no reportable Geographic segments.

**Note M – Risks and Uncertainties of Doing Business**

A few of the Company's engagements involve projects that are critical to the operations of its customers' businesses. Any failure in a customer's system could impact the operations of the customer and result in a claim for substantial damages against the Company. However, the Company limits contractually its liability for damages arising from errors, mistakes or omissions in rendering its information technology services, which is enforceable in most instances or would otherwise protect the Company from liability for damages. Further, Company is of the opinion that these risks are adequately covered by insurance and this will not have a material effect on the Company's business, financial condition and results of operations.

**Note N – Comparative statements**

Certain comparative figures have been reclassified as needed to confirm to current year's presentation.

**CIGNITI TECHNOLOGIES INC**  
**SUPPLEMENTARY SCHEDULES**  
**FOR THE TWELVE MONTHS ENDED MARCH 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>Other Income</b>		
Foreign exchange gains	\$ -	\$ -
Provision no longer required	-	173,461
Miscellaneous income	57,404	127,014
<b>Total Other Income</b>	<b>\$ 57,404</b>	<b>\$ 300,475</b>
<b>Cost of sales</b>		
Offshore delivery expenses	49,864,937	33,371,978
Outside services	25,281,942	14,954,905
Immigration expense	653,088	233,134
Staff wages and benefits	30,115,279	26,968,923
Travel expenses	323,334	154,715
<b>Total cost of sales</b>	<b>\$ 106,238,580</b>	<b>\$ 75,683,654</b>
<b>General &amp; administrative expenses</b>		
Bad debts	1,950	33,445
Bank service charges	50,141	50,126
Provision for Doubtful Debts	70,117	-
Business promotion expenses	4,222,832	2,036,425
Computer and Internet	7,953	12,075
Discounts	469,996	306,130
Dues and subscriptions	471,179	380,917
Forex movement	1,276	120,354
Insurance	170,758	150,953
Legal and professional fees	2,147,414	1,681,115
Meals and entertainment	641	-
Office expenses	70,675	55,475
Payroll processing fees	52,779	35,413
Penalty	26,711	22,686
Postage and delivery	104,150	36,443
Printing & Stationary	4,889	7,048
Recruitment Expenses	325,791	658,095
Rent	326,894	377,400
Sales and marketing	1,274,549	1,255,246
Software Licensing Cost	1,515,996	878,376
Staff wages and benefits - support	9,044,739	5,551,270
Tax & License	185,793	98,444
Telephone	105,650	124,989
Travel	504,976	126,505
Donations	29,789	-
Utilities	4,228	36,890
<b>Total general &amp; administrative expenses</b>	<b>\$ 21,191,864</b>	<b>\$ 14,035,821</b>

(See accountant's review report and accompanying notes to financial statements)