

INTELLECT DESIGN ARENA INC.

FINANCIAL STATEMENTS
MARCH 31, 2024
(UNAUDITED)

INTELLECT DESIGN ARENA INC.

MARCH 31, 2024

Contents

	<u>Page</u>
Independent Practitioner's Review Engagement Report	1
Financial Statements	
Balance sheet	3
Statement of retained earnings	4
Statement of income	5
Statement of cash flow	6
Notes to financial statements	7



BIMAL SHAH PROFESSIONAL CORPORATION

Chartered Professional Accountant
Licensed Public Accountant

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Shareholders of
INTELLECT DESIGN ARENA INC.

We have reviewed the accompanying financial statements of INTELLECT DESIGN ARENA INC. that comprise of the balance sheet as at March 31, 2024, and the statements of income, retained earnings 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 these financial statements in accordance with Canadian accounting standards for private enterprises, 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 INTELLECT DESIGN ARENA INC. as at March 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.



Bimal Shah Professional Corporation
Chartered Professional Accountant
Licensed Public Accountant

Mississauga, Ontario
April 30, 2024

Authorized to practice public accounting by the Chartered Professional Accountants of Ontario.

RESOLUTION OF THE BOARD OF DIRECTORS

OF

INTELLECT DESIGN ARENA INC.
(the "Corporation")

1. APPROVAL OF FINANCIAL STATEMENTS

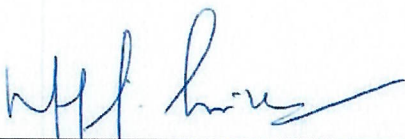
BE IT RESOLVED THAT, the financial statements of the Corporation for the year ended on March 31, 2024, which have been prepared by the accountant of the Corporation, consisting of the statements of income and retained earnings for the year ended March 31, 2024 and a balance sheet as of the end of such year, together with a draft of the accountant's comments thereon be and the same hereby approved, and the directors are hereby authorized to sign the balance sheet to evidence such approval, and be it further resolved that the said financial statements be submitted to the shareholders of the Corporation.

2. TRANSACTION OF ANNUAL BUSINESS

BE IT RESOLVED THAT, the shareholders of the Corporation be and hereby requested to transact the annual business of the Corporation.

EACH AND EVERY OF THE FORGOING RESOLUTIONS is hereby consented by the directors of the Corporation, as evidenced by their signature in accordance with the provisions of the Canada Business Corporations Act.

DATED the day of May, 2024



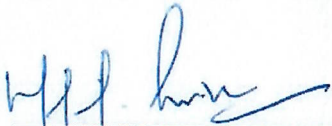
DIRECTOR

INTELLECT DESIGN ARENA INC.

BALANCE SHEET AS AT MARCH 31, 2024 (UNAUDITED)

	2024	2023
ASSETS		
Current Assets		
Cash and bank	359,679	776,532
Accounts receivable	1,301,370	3,712,547
Accrued receivable - note 3	3,171,103	5,986,572
Advance to non-resident related company - note 4	4,826,397	
Loan to non-resident related company - note 5	1,062,568	
Deposits and prepaid expenses	73,757	37,881
	10,794,874	10,513,532
Property and equipment - note 2 and 6	36,961	57,331
Investment in related company - note 7	1,218	1,218
	\$10,833,053	\$10,572,081
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	220,089	979,557
Accounts payable to related company		1,987,795
Deferred Revenue - note 3 and 9	1,818,509	2,472,419
Payroll liabilities	1,986,238	1,449,824
Sales tax payable	80,196	377,956
Income tax payable	232,724	442,756
	4,337,756	7,710,307
Deferred Revenue - note 9	2,487,606	714,286
	6,825,362	8,424,593
Shareholders' Equity		
Share capital - note 10	1,150,000	1,150,000
Retained earnings	2,857,691	997,488
	4,007,691	2,147,488
	\$10,833,053	\$10,572,081

Approved on behalf of the Board



Director

The accompanying notes are an integral part of this financial statement

INTELLECT DESIGN ARENA INC.

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2024
(UNAUDITED)

	2024	2023
Retained earnings (deficit), beginning of year	997,488	(884,152)
Net income	<u>1,860,203</u>	<u>1,881,640</u>
Retained earnings, end of year	<u>\$2,857,691</u>	<u>\$997,488</u>

The accompanying notes are an integral part of this financial statement

INTELLECT DESIGN ARENA INC.

STATEMENT OF INCOME FOR THE YEAR ENDED MARCH 31, 2024 (UNAUDITED)

	2024	2023
Revenue		
Revenue (net of discounts) - note 2 and 13	25,210,557	25,512,401
Interest income	46,438	26,155
	<u>25,256,995</u>	<u>25,538,556</u>
Expenses		
Advertisement and promotion	294,515	93,914
Amortization	23,656	29,603
Bank charges	5,966	4,346
Consulting	381,162	741,679
Insurance	20,161	17,584
Occupancy cost	461,966	490,485
Office and general	17,404	18,923
Professional fees	19,118	66,391
Project expenses - note 8, 11 and 13	11,390,289	10,902,254
Repairs and maintenance	6,832	7,588
Salaries and wages	9,655,529	8,868,711
Software license	172,752	1,499,997
Telecommunication	53,504	63,185
Travel	202,061	195,915
	<u>22,704,915</u>	<u>23,000,575</u>
Income from operations	2,552,080	2,537,981
Foreign exchange (loss) gain	<u>(16,393)</u>	<u>10,760</u>
Income before income tax	2,535,687	2,548,741
Deferred income tax payable		(224,345)
Income tax - note 2 and 12	<u>(675,484)</u>	<u>(442,756)</u>
Net income	<u>\$1,860,203</u>	<u>\$1,881,640</u>

The accompanying notes are an integral part of this financial statement

INTELLECT DESIGN ARENA INC.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED MARCH 31, 2024 (UNAUDITED)

	2024	2023
Operating:		
Net income	1,860,203	1,881,640
Items not requiring an inflow or outlay of funds		
Amortization	23,656	29,603
Deferred income tax		224,345
	1,883,859	2,135,588
Changes in non-cash working capital		
Accounts receivable	2,411,177	(1,761,062)
Unbilled revenue	2,815,469	(4,935,149)
Deposit and prepaid expenses	(35,876)	1,614
Accounts payable and accrued liabilities	(2,747,263)	416,534
Deferred revenue	1,119,410	(517,604)
Payroll liabilities including deductions	536,414	147,157
Sales tax payable	(297,760)	291,279
Income tax payable	(210,032)	442,756
	5,475,398	(3,778,887)
Investing:		
Acquisition of property and equipment	(3,286)	(14,235)
	(3,286)	(14,235)
Financing:		
Advance to non-resident related company	(4,826,397)	
Loan (to) from non-resident related companies	(1,062,568)	1,856,554
	(5,888,965)	1,856,554
Increase (decrease) in cash	(416,853)	(1,936,568)
Cash, beginning of year	776,532	2,713,100
Cash, end of year	\$359,679	\$776,532

The accompanying notes are an integral part of this financial statement

INTELLECT DESIGN ARENA INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024
(UNAUDITED)

Note 1 – DESCRIPTION OF BUSINESS

The Company was incorporated under the Canada Business Corporations Act on March 2, 2015. The company's main business activity is developing, testing and selling specialized software to various industries.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises (ASPE) and include the following significant accounting policies:

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Estimates are included in the following accounts:

- Reported amounts of revenue and expenses during the current year;
- Reported amounts of assets and liabilities; and
- Disclosure of contingent assets and liabilities at the date of the financial statements.

Actual results could differ from those estimates.

Foreign currency transactions

The Company uses the temporal method to translate foreign currency transactions. Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Sales and expenses denominated in foreign currencies appearing in the current

INTELLECT DESIGN ARENA INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024
(UNAUDITED)

year's income statement are translated at the rate prevailing on the date of transaction. Exchange gains and losses are included in the income statement.

Revenue recognition

The Company earns substantially all of its revenue from the software development, maintenance, testing and support services to its customers. Revenue is recognized when earned, specifically when all of the following conditions are met:

- Services are provided to its customers.
- There is clear evidence that an arrangement exists.
- Amounts are fixed or can be determined.
- Company's ability to collect is reasonably assured.
- No significant obligation for future performance remains.

The Company records payment received in advance including upfront non-refundable payments as deferred revenues until the services to customers are provided or delivered.

License revenue is recognized upfront at full amount, based on the customer contract and proof of delivery of license to the customer.

Property and equipment

Property and equipment are recorded at cost. Amortization is provided annually at rates calculated to write off the assets over their useful lives as follows, except in the year of acquisition when amortization is prorated from the date of purchase of the asset.

	<u>Rate</u>	<u>Method</u>
Computer equipment	6 years	straight-line
Computer accessories	6 years	straight-line
Office equipment	6 years	straight-line
Furniture and fixtures	10 years	straight-line
Leasehold improvements	6 years	straight-line

INTELLECT DESIGN ARENA INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024
(UNAUDITED)

Impairment of long lived assets

Long lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the discounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long lived asset exceeds its fair value.

Income taxes

The Company uses the income tax payable method of accounting for income taxes. Under this method, income tax payable at actual for the year are recorded.

Financial instruments

The enterprise initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The enterprise subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, accounts receivable, prepaid expenses, deposit and advance to related companies.

Financial liabilities measured at cost include accounts payable and accrued liabilities, payroll liabilities, due to government agencies and amounts due to related parties.

The Company has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The principal risks assumed by the Company are credit risk and currency risk.

INTELLECT DESIGN ARENA INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024
(UNAUDITED)

Credit risk

The Company is exposed to credit risk through its account receivable. There is no concentration of risk with respect to any of our customers. The Company maintains a policy of credit review for all of its customers and establishes an allowance for doubtful debts when amounts are not collectible.

Currency risk

The Company is exposed to currency risk due to a portion of its sales and expenses is incurred in U.S. dollars and Indian rupees, resulting in accounts receivable and payable in foreign currencies subject to gains or losses due to exchange rate fluctuations.

Comparative figures

Certain figures for previous year may have been re-classified to make their presentation identical to that adopted in current year.

Note 3 – ACCRUED RECEIVABLE

Accrued receivable comprises of (1) fixed bid projects and (2) time and material projects.

Revenue accrual for fixed bid projects is carried out based on percentage of completion (POC) approved by the quality team. The quality team tracks and considers various elements such as number of associates, efforts, number of days, etc. They also prepare multiple internal milestones and plot the POC for each milestone, thereby ascertaining the averages to arrive at the final POC, based on which the finance team will provide for revenue accrual.

Revenue accrual for time and material projects are recognized based on the (1) time spent by the resources and (2) the rates as agreed with the customer based on the signed contract and the statement of work. Time spent by the resources is measured by the internal metrics maintained by the delivery and quality department. Time and material revenue accrued at the end of the month is invoiced at the beginning of the next month.

INTELLECT DESIGN ARENA INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024
(UNAUDITED)

Note 4 – ADVANCE TO NON-RESIDENT RELATED COMPANY

Payments are made to non-resident related company for technical and software development services on a monthly basis. Excess payment in the last quarter has resulted into temporary advance which is expected to be offset in the first quarter of the following year. The advance is interest free.

Note 5 – LOAN TO NON-RESIDENT RELATED COMPANY

Short term loan has been given to non-resident related company with the following terms:

Security	Unsecured
Repayment	Full repayment including accrued interest on May 23, 2024
Rate of Interest	3.25% p.a.

Balance outstanding includes loan amount of USD 750,000 (C\$ 1,016,250) and accrued interest USD 34,183 (C\$ 46,318)

Note 6 – PROPERTY AND EQUIPMENT

	Cost	Accum. Amorti- zation	2024 Net Book Value	2023 Net Book Value
Computer equipment	128,282	107,554	20,728	28,835
Computer accessories	32,988	28,227	4,761	6,912
Office equipment	31,895	30,147	1,748	5,407
Furniture and fixtures	43,944	34,276	9,668	14,074
Leasehold improvements	12,250	12,194	56	2,103
Total	249,359	212,398	36,961	57,331

INTELLECT DESIGN ARENA INC.

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024
(UNAUDITED)

Note 7 – INVESTMENT IN RELATED COMPANY

Investment in Intellect Design Arena Chile Limitada, is recorded at cost. The investment represents 11% in the limited liability partnership.

Note 8 – RELATED PARTY TRANSACTIONS AND BALANCES

Related parties consist of affiliated companies controlled by the same management. During the year, the balances and transactions with the related parties are as follows:

	2024	2023
Consulting, Outsourcing and Software development expenses:		
Intellect Design Arena Limited, India	\$ 11,390,289	\$ 10,902,254
Interest received on loan:		
Intellect Design Arena Inc., USA	\$ 45,798	\$ 26,155
Investment in related company:		
Intellect Design Chile Limitada	\$ 1,218	\$ 1,218
Loan given to related company:		
Intellect Design Arena Inc., USA	\$ 1,067,548	
Current account balance receivable:		
Intellect Design Arena Limited, India	\$ 1,724,576	\$ 1,646,422
Trade payables to:		
Intellect Design Arena Limited, India (net)		\$ 3,634,217

INTELLECT DESIGN ARENA INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024
(UNAUDITED)

Trade receivable from:

Intellect Design Arena Limited, India (net) \$ 3,101,821

All of the above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Note 9 – DEFERRED REVENUE

Deferred revenue or billing in excess of revenue represents the difference between revenue invoiced to customers based on milestones and revenue recognized based on the percentage of completion.

Hosting service is provided whereby the license is installed on our server and not on the customer's server. License revenue on hosting services will be pro-ratably recognized over the period of contract as below:

Revenue recognition in next 12 months	1,818,509
Revenue recognition between 13 to 60 months	<u>2,487,606</u>
Total	<u>\$ 4,306,115</u>

Note 10 – SHARE CAPITAL

Authorized:

Unlimited number of Class A voting shares without par value
Unlimited number of Class B non-voting shares without par value

Issued:

	2024	2023
1,150,000 Class A shares	1,150,000	1,150,000

INTELLECT DESIGN ARENA INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024
(UNAUDITED)

Note 11 – PROJECT EXPENSES

Project expenses include back to back outsourcing charges. In consequent to the transfer pricing study done three years ago by Ernest and Young, India, the management has decided to keep a profit before tax at 10.06% (previous year 9.99%) this fiscal year.

Note 12 – INCOME TAX PAYABLE

Reconciliation of the income tax expense related to income for the year and the dollar amount of income tax using the statutory rate:

	2024	2023
Income before income taxes	\$ 2,535,687	\$ 2,548,741
Applicable tax rate	26.50%	26.50%
Expected income tax expense	671,957	675,416
Effect on income tax expense of:		
Carried forward losses		(234,829)
Amortization difference between accounting and tax purpose	<u>3,527</u>	<u>2,169</u>
Income tax expense	<u>675,484</u>	<u>442,756</u>

The company also has \$47,746 (previous year \$47,746) of accumulated capital loss.

Note 13 – ECONOMIC DEPENDENCE

The Company is dependent on parent company for support relating to software development, license and support services.

The company has earned its revenue from seven (previous year – six) customers only. 80.19% (previous year 77.86%) revenue is earned from four major customers.

INTELLECT DESIGN ARENA INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024
(UNAUDITED)

Note 14 – CONTRACTUAL OBLIGATIONS

The company has signed a lease for its office premises in Toronto, which expires on March 31, 2025. The annual commitment for the remaining twelve months of the lease is \$411,214, which does not include applicable sales tax.