

Jain Jindal & Co.

(Chartered Accountant)

Plot No. 45, Arjun Marg
DLF Phase-1, Gurgaon-122002
Board: +91 124 4252720

Certificate on Translation of foreign currency to INR for the year ended 31 March 2023

To,

The Board of Directors

Capillary Technologies LLC (formerly known as Pursuade Loyalty LLC)

Suite 2060, 333 South Seventh Street,
Minneapolis, Minnesota, 55402.

The Board of Directors

Capillary Technologies India Limited

#360, 15th cross road, Sector-4,
HSR Layout, Bengaluru-560102

Sub: Proposed initial public offering of equity shares of INR 2/- each (the “equity shares”) of Capillary Technologies India Limited (the “Company” and such offering, the “Issue”)

Dear Sirs,

We have verified translation of foreign currency to INR of the audited financial statements of **Capillary Technologies LLC (formerly known as Pursuade Loyalty LLC)** (the “Company”) for the year ended 31 March 2023. These financial statements have been translated by the Company in Indian Rupee in accordance with Ind AS 21, ‘The Effects of Changes in Foreign Exchange rates’. The work carried out by us is 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.

As required under Schedule VI Part A Item no. (11)(I)(A)(ii)(b) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“SEBI ICDR Regulation”), we have verified the translated financial information contained in **Annexure-A** attached to this certificate which is proposed to be uploaded on the website of **Capillary Technologies India Limited** in connection with its proposed initial public offering of equity shares of INR 2/- each (the “Offer”).

We did not audit the financial statements of Capillary Technologies LLC (formerly known as Pursuade Loyalty LLC). These financial statements have been audited by other audit firms, whose reports have been furnished to us by the Company. These translated financials should not in any way be construed as a reissuance or re-dating any of the previous audit reports, nor should these be construed as a new opinion on any of the audited financial statements referred to herein. These translated financials are intended solely for the use of management for uploading on website of Capillary Technologies India Limited in connection with its proposed initial public offering shares of INR 2/- each.

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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. We, however, hereby give consent for inclusion of our name and this information (in full or in part) in the Draft Red Herring Prospectus, Updated Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus proposed to be filed by Capillary Technologies India Limited with Securities and Exchange Board of India (“SEBI”), the stock exchanges where the Equity Shares of Capillary Technologies India Limited are proposed to be listed (the “Stock Exchange”) and of the Registrar of Companies (“ROC”) and any other material used in connection with Offer and submission of this certificate to SEBI, Stock Exchanges, or ROC in connection with the proposed Offers, as the case may be.

For Jain Jindal & Co.

Chartered Accountants

Firm Registration Number: 025817N



Dheeraj Kumar Dangri

Partner

Membership No: 501687

UDIN: 25501687BMKNKX4568

Place: Bengaluru

Date: 05 June 2025

Capillary Technologies LLC (formerly known as Pursuade Loyalty LLC)**Translated Version of Statement of Financial Position as at 31 March 2023 (USD to INR in millions)**

	Note	As at 31 March 2023 \$	As at 31 March 2023 INR in millions
Assets			
Current assets			
Cash and cash equivalents		1,02,591	8.44
Accounts receivable	3	20,58,547	169
Other receivables from related parties	10	3,74,828	30.83
Prepaid expenses		1,08,380	8.91
Other current assets		12,806	1.05
		26,57,152	219
Non-current assets			
Property and equipment, net	4	93,095	7.66
Intangible assets, net	5	31,000	2.55
Operating lease right-of-use assets	6	20,118	1.65
Advance paid for acquisition of business	12	84,83,308	697.76
Other non-current assets		8,516	0.70
		86,36,037	710.32
Total Assets		1,12,93,189	928.87
Liabilities and members' equity			
Current liabilities			
Accounts payable		1,21,470	9.99
Payables to related parties		2,00,035	16.45
Accrued employee costs		1,51,064	12.43
Contract liabilities	8	4,34,306	35.72
Borrowings	7		
- Line of credit		10,00,000	82.25
- Others		16,789	1.38
Operating lease liabilities, current	6	20,583	1.69
Other current liabilities		1,40,432	11.55
		20,84,679	171.47
Non-current liabilities			
Borrowings	7		
- Others		1,49,900	12.33
		1,49,900	12.33
Member's Equity			
Member's equity		10,37,939	68.21
Capital contribution		85,43,544	679.31
Accumulated deficit		(5,22,873)	(39.24)
Foreign currency translation reserve		-	36.81
Total member's equity		90,58,610	745.08
Total liabilities and member's equity		1,12,93,189	928.87

The accompanying notes are an integral part of these financial statements

For Jain Jindal & Co.

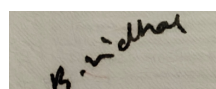
Chartered Accountants

Firm Registration Number: 025817N



Partner

Membership number: 501687

For and behalf of the Board of Directors


Governor

Place : Bengaluru

Date: June 05, 2025

Place: Minnesota, US

Date: June 05, 2025

Capillary Technologies LLC (formerly known as Pursuade Loyalty LLC)**Translated Version of Statement of Comprehensive Income for the year ended 31 March 2023 (USD to INR in millions)**

	Note	For the year ended 31 March 2023 \$	For the year ended 31 March 2023 INR in millions
Revenue from services	8	1,00,94,265	810.59
Service income from group Company		90,443	7.26
		1,01,84,708	817.86
Items of expense:			
Employee benefits expense		81,46,503	654.18
Professional and consultancy services		9,20,148	73.89
Depreciation and amortisation expense		1,40,237	11.26
Finance costs		59,887	4.81
Other expenses		16,29,898	130.88
		1,08,96,673	875.03
Net loss		(7,11,965)	(57.17)
Other comprehensive income			
Item that may not be reclassified subsequently to profit and loss			
Exchange difference on translation to presentation currency		-	36.81
Total comprehensive income/(loss) for the year		(7,11,965)	(20.37)

The accompanying notes are an integral part of these financial statements

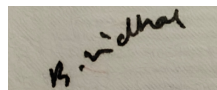
For Jain Jindal & Co.*Chartered Accountants*

Firm Registration Number: 025817N



Partner

Membership number: 501687

For and behalf of the Board of Directors


Governor

Place : Bengaluru

Date: June 05, 2025

Place: Minnesota, US

Date: June 05, 2025

Capillary Technologies LLC (formerly known as Pursuade Loyalty LLC)**Translated Version of Statement of Cashflow for the year ended 31 March 2023 (USD to INR in millions)**

	For the year ended 31 March 2023	For the year ended 31 March 2023
	\$	INR in millions
Cash flows from Operating activities		
Net loss	(7,11,965)	(57.17)
Adjustments to reconcile net loss to cash provided by:		
Depreciation and amortisation expenses	1,40,237	11.26
Stock based compensation expenses	1,83,430	14.73
Changes in operating assets and liabilities		
(Increase) in accounts receivable and other receivables	(6,70,782)	(54.00)
(Increase) in prepaid expenses and other assets	(55,724)	(3.41)
(Decrease) in accounts payable and other payables	(3,16,796)	(24.89)
Increase in contract liabilities and other current liabilities	1,31,712	11.49
Net cash used in operating activities	(12,99,888)	(101.99)
Cash Flows from Investing activities		
Purchase of property and equipment and intangible assets	(1,18,660)	(9.76)
Advance paid for acquisition of business	(84,83,308)	(697.76)
Net cash used in investing activities	(86,01,968)	(707.52)
Cash Flows from Financing activities		
Proceeds from contributed capital	82,50,000	678.57
Proceeds from borrowings	10,07,183	82.84
Buyback of stock based compensation expenses	(28,749)	(2.36)
Net cash generated from financing activities	92,28,434	759.05
Net (decrease) in cash and cash equivalents	(6,73,422)	(50.46)
Cash and cash equivalents, beginning of year (unaudited)	7,76,013	58.90
Cash and cash equivalents, end of year	1,02,591	8.44
Supplemental disclosures of cash flow information:		
Cash paid for interest	40,135	3.22

For Jain Jindal & Co.

Chartered Accountants

Firm Registration Number: 025817N



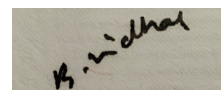
Dinesh Kumar Dangi

Partner

Membership number: 501687

Place : Bengaluru

Date: June 05, 2025

For and behalf of the Board of Directors


Shrihar Dhanani

Governor

Place: Minnesota, US

Date: June 05, 2025

Capillary Technologies LLC (formerly known as Pursuade Loyalty LLC)
Translated Version of Statement of changes in equity for the year ended 31 March 2023 (USD to INR in millions)

	(in \$)				
	Common stock (Number of stock)	Common stock	Capital Contribution	Accumulated deficit	Foreign currency translation reserve
					Total
			\$		
Balance as at 01 April 2022 (Unaudited)	24,24,694	10,37,939	1,38,863	1,89,092	-
Capital contribution received from Intermediate Holding Company*	-	-	82,50,000	-	-
Stock based compensation expenses of Holding Company	-	-	1,83,430	-	-
Buy back of stock based compensation expenses of Holding Company	-	-	(28,749)	-	-
Net loss	-	-	-	(7,11,965)	-
Balance as at 31 March 2023	24,24,694	10,37,939	85,43,544	(5,22,873)	-

	(in INR millions)				
	Common stock (Number of stock)	Common stock	Capital Contribution	Accumulated deficit	Foreign currency translation reserve
					Total
			INR in millions		
Balance as at 01 April 2022	24,24,694.00	68.21	10.34	17.93	-
Capital contribution received from Intermediate Holding Company*	-	-	656.54	-	-
Stock based compensation expenses of Holding Company	-	-	14.73	-	-
Buy back of stock based compensation expenses of Holding Company	-	-	(2.31)	-	-
Net loss	-	-	-	(57.17)	36.81
Balance as at 31 March 2023	24,24,694.00	68.21	679.31	(39.24)	36.81

*During the year, the Intermediate Holding Company has invested amount \$ 8,250,000 (INR 656.54 millions) in the Company for further acquisition of business by the Company.

The accompanying notes are an integral part of these financial statements

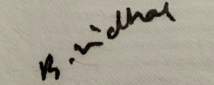
For Jain Jindal & Co.
Chartered Accountants
Firm Registration Number: 025817N



Partner
Membership number: 501687

Place : Bengaluru
Date: June 05, 2025

For and behalf of the Board of Directors



Governor

Place: Minnesota, US
Date: June 05, 2025

Capillary Technologies LLC (formerly known as Persuade Loyalty LLC)
Notes forming part of translated version of Financial Statements

1. Corporate Information

Capillary Technologies LLC ('Capillary' or the 'Company') is a limited liability company registered in the State of Minnesota. The Company is engaged in software development services and provides digital, loyalty and analytical services. The Company primarily operates in the United States of America and derives its revenues from customers in a variety of industries. Capillary Pte. Ltd, Singapore ('Intermediate Holding Company') is the single member owner of the Company.

The accompanying translated financial statements for the year ended March 31, 2023, was approved and authorized for issue by the Board of Directors on 05 June 2025 respectively.

2. Summary of significant accounting policies

2.1 Basis of preparation

These translated versions of financial statements have been prepared from the financial statements audited by other auditor to comply with ICDR regulations for the purpose of the proposed Initial Public Offer (IPO) of the Holding Company Capillary Technologies India Limited (formerly known as Capillary Technologies India Private Limited) in accordance with SRS 4400, "Engagements to perform agreed upon procedures regarding financial information".

For this purpose, assets and liabilities have been translated using exchange rates prevailing as on the balance sheet date. Statement of profit and loss has been translated using monthly average exchange rates. Translation adjustments have been reported as foreign currency translation reserve in the statement of changes in equity.

2.2 Statement of compliance

The audited financial statements have been prepared in compliance with accounting principles generally accepted in the United States of America ("US GAAP").

2.3 Summary of Significant accounting policies

a. Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amount 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. The significant estimates and assumptions that affect the financial statements include but are not limited to assumptions used to calculate stock-based compensation expense, depreciation and amortization periods, recoverability of long-lived assets, intangibles and standalone selling price for each distinct performance obligation included in customer contracts with multiple performance obligations. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable.

b. Revenue recognition

Revenue is primarily derived from retainership service and professional services. Revenues are recognized when delivery of these services are completed, in an amount that reflects the consideration that the Company expects to be entitled to in exchange of those services.

The Company determines revenue recognition through the following steps:

- ❖ Identifying the contract with a customer
- ❖ Identifying the underlying performance obligations
- ❖ Determining the transaction price
- ❖ Allocation of the transaction price to these performance obligations; and
- ❖ Recognition of revenue when, or as, performance obligation is satisfied.

The Company accounts for a customer contract when both parties have approved the contract and are committed to perform their respective obligations, each party's rights can be identified, payment terms can be identified, the contract has commercial substance, and it is probable the Company will collect substantially all of the consideration to which it is entitled. Revenue is recognized when, or as, performance obligations are satisfied by transferring control of a promised service to a customer. The contracts are generally non-cancellable except in the event of a material breach of the contract terms or on mutual agreement.

Nature of services and type of contracts:

The Company categories its business into retainership services i.e. Loyalty platform related (Software-as-a-Service) SaaS revenues and professional services

Capillary Technologies LLC (formerly known as Persuade Loyalty LLC)
Notes forming part of translated version of Financial Statements

2.3 Summary of Significant accounting policies (continued)

b. Revenue recognition (continued)

Retainership services

Under Loyalty platform related SaaS revenues, the Company's SaaS arrangements which generally do not provide customers with the right to take possession of the software and are considered as subscription revenues. Access to this platform represents a series of distinct services as the Company continually provides access to, and fulfils the obligation over the subscription term.

Professional services

Under Professional services, the Company derives revenue primarily from implementation services, data migration services and training, installation service. Professional services do not significantly modify or alter the nature of software or solution. These are majorly configuration, integration and data migration services which help customers use the product effectively and in an integrated manner with their other systems. Majority of the professional services revenues are from fixed fee arrangements. The obligation to provide professional services is generally satisfied over time, with the customer simultaneously receiving and consuming benefits as the Company satisfies its performance obligations. For Professional services, revenue is recognised by measuring progress towards the complete satisfaction of the Company's obligation. Progress for services that are contracted for a fixed price is generally measured based on hours incurred as a portion of the total estimated hours. Where the arrangement is on a time and material basis, revenues are recognised based on the contractually agreed upon rates and the time spent. Invoicing for professional services is generally based on achievement of milestones

Revenue from arrangements involving subcontracting, either in part or whole of the assigned work are recognized after the Company's assessment of 'Principal vs. agent considerations'. The Company evaluates whether it is in control of the services before the same is being transferred to the customer to assess whether it is principal or agent in the arrangement

Contracts with multiple performance obligations:

Some of the Company's contracts with customers contain multiple performance obligations. A performance obligation is considered distinct if it is (i) separately identifiable from each of the other promises; (ii) capable of being distinct and having a standalone value. A description of each of the performance obligations and identification criteria is explained in the nature of products and services section above.

When two or more contracts are entered into at or near the same time with the same customer, the Company evaluates the facts and circumstances associated with the negotiation of those contracts. Where the contracts are negotiated as a package, the Company will account for them as a single arrangement and allocates the consideration for the combined contracts among the performance obligations accordingly.

Service income from Holding Company:

Capillary Technologies India Limited ("Holding Company") is the owner of the Capillary Loyalty Platform and has appointed the Company as the Limited Risk Distributor to sell, use and offer to sell, display and market the Platform in the United States territory. The Holding Company has agreed to maintain an agreed upon profitability in the Company for the revenues derived from the Capillary Loyalty Platform.

Unbilled receivables:

Unbilled receivables are contract assets related to provision of services for which the related billings will occur in a future period.

Contract liability:

Contract liability is primarily related to billings or payments received in advance for services to be provided and the Company has a future performance obligation against such consideration. Contract liability is recognized as the performance obligations are satisfied

Capillary Technologies LLC (formerly known as Persuade Loyalty LLC)
Notes forming part of translated version of Financial Statements

2.3 Summary of Significant accounting policies (continued)

c. Accounts receivable

Accounts receivable are stated net of allowances for doubtful accounts. Allowances for doubtful accounts are established through the evaluation of the accounts receivable ageing and prior collection experience, current market conditions, client's financial condition and the amount of receivables in dispute to ascertain the ultimate collectability of these receivables.

d. Foreign currency transactions and translations

Functional currency for the Company is U.S Dollars. Transactions in foreign currencies are initially recorded in functional currency at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-measured into functional currency at the rates of exchange prevailing at the balance sheet date. All transactional foreign exchange gains and losses are recorded in the accompanying Statement of Income

e. Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of highly liquid instruments, such as certificates of deposit, time deposits, and other money market instruments, which have original maturities of less than three months.

f. Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and amortization.

Depreciation and amortization is provided under the straight line method based upon the estimated useful lives. Assets under capital lease and leasehold improvements are amortized lower of their estimated useful lives and the terms of the lease.

Expenditure for maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed off, the cost of the asset and related accumulated depreciation and amortization are eliminated from the financial records. Any gains or loss on disposal is credited or charged to the Statement of Comprehensive Income.

g. Leases

Effective January 1, 2021, the Company adopted ASC 842 using the optional transition method under which financial results reported in prior periods were not adjusted.

The Company elected the practical expedient permitted under the transition guidance under Topic 842, which amongst other matters, allowed the Company

- (i) not to apply the recognition requirements to short-term leases (leases with a lease term of 12 months or less),
- (ii) not to reassess whether any expired or existing contracts are or contain leases,
- (iii) not to reassess the lease classification for any expired or existing leases, and
- (iv) not to reassess initial direct costs for any existing leases.

The Company's lease asset primarily consist of lease on office premises. The Company assesses whether a contract contains a lease, at inception of a contract. The assessment is based on whether:

- (i) the contract involves the use of a distinct identified asset,
- (ii) obtains the right to substantially all the economic benefits from the use of the asset throughout the term of the contract, and
- (iii) has the right to direct the use of the asset.

The Company records right-of-use ("ROU") assets and lease liabilities for its operating leases, which are initially recognized based on the discounted future lease payments over the term of the lease. As the rate implicit in the Company's leases is not easily determinable, the Company's applicable incremental borrowing rate is used in calculating the present value of the sum of the lease payments.

Capillary Technologies LLC (formerly known as Persuade Loyalty LLC)
Notes forming part of translated version of Financial Statements

2.3 Summary of Significant accounting policies (continued)

g. Leases (continued)

Lease term includes assessment for the effects of options to extend or terminate the lease. The Company considers the extension option as part of its lease term for those lease arrangements where it is reasonably certain that it will exercise that option.

h. Income taxes

The Company is a limited liability company treated as a partnership for federal and state income tax purposes with all income tax liabilities and/or benefits of the Company being passed through to the member. As such, no recognition of federal or state income taxes for the Company has been provided for in the accompanying financial statements. Any uncertain tax position taken by the member is not an uncertain position of the Company.

FASB ASC Topic 740, "Accounting for Income Taxes", on the accounting for uncertainty in income taxes recognized in an enterprise's financial statements, prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Recognized income tax positions are measured at the largest amount that has a greater than 50 percent likelihood of being realized. Changes in recognition or measurement are reflected in the period in which a change in judgment occurs. The Company has determined that it has no uncertain tax positions that require recognition in the financial statements.

i. Retirement plans

Defined contribution plans

Contributions to defined contribution plans are charged to Statements of Income in the year in which they accrue.

Eligible employees of the Company in the United States participate in a savings plan (the "Plan") under Section 401(k) of the United States Internal Revenue Code (the "Code"). The Plan allows employees to defer a portion of their annual earnings on a pre-tax basis through voluntary contributions to the Plan. The Plan provides that the Company can make optional contributions up to the maximum allowable limit under the Code. The Company has a 401(k) plan that provides defined contribution retirement benefits for all the employees in the United States. Participants may contribute a portion of their compensation to the plan, subject to the limitations under the Internal Revenue Code. The Company's contributions to the plan are at the discretion of the Board and expense is recorded in the year to which such contributions pertain.

The Company has no further obligation under defined contribution plans beyond its monthly contribution. During the year ended March 31, 2023, the Company has contributed \$628,723 to defined contribution plans.

j. Financial instruments and concentration of credit risk

Fair value of financial instruments

ASC 825-10 requires certain disclosures regarding the fair value of financial instruments. Fair value is defined as 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. A three-level fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets and liabilities

Level 2 – Quoted prices in active markets for similar assets and liabilities, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use unobservable inputs.

The Company considers the recorded value of its financial assets and liabilities, which consist primarily of cash and cash equivalents, receivables, accounts payable, accrued expenses, borrowings and contract liability to approximate the fair value of the respective assets and liabilities as at March 31, 2023 and upon the short-term nature of the assets and liabilities.

Capillary Technologies LLC (formerly known as Persuade Loyalty LLC)
Notes forming part of translated version of Financial Statements

2.3 Summary of Significant accounting policies (continued)

j. Financial instruments and concentration of credit risk (continued)

Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, time deposits and accounts receivable. By their nature, all such financial instruments involve risks including the credit risks of non-performance by counterparties. Pursuant to the Company's investment policy, its surplus funds are maintained as cash or cash equivalents and are placed with highly rated financial institutions to reduce its exposure to market risk with regard to these funds. Credit risk is affected by conditions or occurrences within the economy. To mitigate this risk, the Company evaluates the creditworthiness of its clients in conjunction with its revenue recognition processes as well as through its ongoing collectability assessment processes for accounts receivable. The Company does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

The Company's cash equivalents are invested with banks with high investment grade credit ratings.

Trade receivables (primarily denominated in US\$) are typically unsecured and are derived from revenues earned from large multinational customers. The Company monitors the credit worthiness of its customers to which it grants credit terms in the normal course of the business.

k. Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with such liabilities are expensed as incurred.

l. Subsequent events

The Company evaluates events and transactions that occur subsequent to the balance sheet date but prior to issuance of the financial statements to determine the necessity for recognition and/or reporting of any of these events and transactions in the financial statements.

m. Stock based compensation

Certain employees of the Company are granted options to purchase equity shares of the Holding Company. The expense related to these awards to Company employees has been pushed down from the Holding Company and reflected in these financial statements, with a corresponding contribution from Holding Company. Compensation expense related to these awards is measured based on the fair value of the award at the date of grant. The Company recognizes stock-based compensation over the award's requisite service period, which is generally the vesting period of the award, less actual forfeitures. No compensation expense is recognized for awards for which participants do not render the requisite services.

n. Recent accounting pronouncements

In October 2021, FASB ("Financial Accounting Standard Board") issued ASU No. 2021-08, Business Combinations ("ASC Topic 805"): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. This ASU provides guidance in ASC Topic 805 to require the acquirer entity to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC Topic 606, as if it had originated the contracts. Generally, this should result in an acquirer recognizing and measuring the acquired contract assets and contract liabilities consistent with how they were recognized and measured in the acquiree's financial statements, if the acquiree prepared financial statements in accordance with U.S. GAAP. The ASU is effective for fiscal years beginning after December 15, 2022. An entity may early adopt the ASU including adoption in an interim period, with retrospective application to all business combinations within the fiscal year that includes such interim period. The management is evaluating the effect of this ASU on the translated financial statements.

Capillary Technologies LLC (formerly known as Persuade Loyalty LLC)
Notes forming part of translated version of financial statements

3. Accounts receivable

Accounts receivable comprise of the following:

Accounts receivable
 Unbilled receivables

As at 31 March 2023	As at 31 March 2023
\$	INR in millions
19,91,775	163.83
66,772	5.49
20,58,547	169.32

4. Property and equipment, net

Computers
 Furniture
 Less: Accumulated depreciation

Estimated useful life
 3 years
 5 years

As at 31 March 2023	As at 31 March 2023
\$	INR in millions
2,63,502	21.67
16,783	1.38
2,80,285	23.05
1,87,190	15.40
93,095	7.66

Depreciation expense is \$101,774 (INR 8.17 million) for the year ended March 31, 2023

5. Intangible assets, net

Computers software
 Less: Accumulated depreciation

Estimated useful life
 3 years

As at 31 March 2023	As at 31 March 2023
\$	INR in millions
1,15,388	9.49
1,15,388	9.49
84,388	6.94
31,000	2.55

Amortisation expense is \$38,463 (INR 3.09 million) for the year ended March 31, 2023

6. Leases

Effective April 01, 2021, the Company adopted ASC 842 using the optional transition method under which financial results reported in prior periods were not adjusted.

The Company elected the following practical expedients permitted under the New Lease Standard:

- The Company used a single discount rate to discount remaining lease payments using applicable borrowing rate for measuring the lease liability at commencement date.
- The Company did not reassess prior conclusions about lease identification, lease classification or initial direct costs, and did not use hindsight for leases existing at adoption date. Consequently, the adoption did not result in prior period adjustments, nor did it have an impact on the statements of income and cash flows.
- The Company recorded leases with an initial term of 12 months or less as expenditure and did not record on the balance sheets.

The Company records leases on the balance sheets as operating lease ROU assets, records the current portion of operating lease liabilities within other current liabilities and separately records long-term operating lease liabilities within other liabilities.

The Company have entered into operating lease agreements for facilities for a period of 2 years. As at March 31, 2023, total operating lease ROU assets and liabilities are as follows:

	As at 31 March 2023	As at 31 March 2023
	\$	INR in millions
Right-of-use assets:		
Operating lease right-of-use assets	20,118	1.65
Lease liabilities:		
Operating lease liabilities, current	20,583	1.69

The Company used commercially available borrowing rates (discount rates) to account for lease assets and liabilities. The weighted average discount rate for 2023 was 3.75%.

Cash flow and other information related to leases are as follows:

	As at 31 March 2023	As at 31 March 2023
	\$	INR in millions
Cash outflows for operating leases	62,034	4.98

As at March 31, 2023, the Company did not have any significant leases that have not yet commenced but that create significant rights and obligations for the Company.

Weighted remaining lease term
 Operating leases

As at 31 March 2023
62,034

Capillary Technologies LLC (formerly known as Persuade Loyalty LLC)
Notes forming part of translated version of financial statements

7. Borrowings

Line of credit:

Line of credit is availed from Bank of America to the extent of \$1,000,000 carrying interest rate of BSBY Daily Floating rate plus 2.15 percentage points (7.04%as at March 31, 2023). The Company has provided a continuing security interest in the following described property now owned which includes all (a) accounts; (b) chattel paper; (c) deposit accounts; (d)documents; (e) general intangibles; (f) goods, including equipment; (g) instruments; (h) inventory; (i) investment property; (j) letters of credit and letter-of-credit rights; (k)money and other assets of such obligor that now or later come into the possession; (l) all negotiable and non negotiable documents of title covering any of the foregoing; (m)all accessions, attachments and other additions to, or substitutions and replacements for, the foregoing, and all tools, parts and equipment used in connection with the foregoing; (n)all books and records relating to the foregoing whether in the form of a writing, photograph, micro film or electronic media, including but not limited to any computer- readable memory and any computer software necessary to process such memory; and (o) all proceeds (as such term is defined in the uniform commercial code), all cash or non-cash proceeds (including insurance proceeds), products, rents and profits of the foregoing, and all income, benefits and property receivable on account of the foregoing, and all Supporting Obligations covering any of the foregoing (all such proceeds, collectively,“Proceeds”). The balance outstanding under line of credit as at March 31, 2023 is \$1,000,000 (INR 82.25 million).

Others:

US Dollar term loan from Body Corporate- SBA of \$150,000 (INR 12.34 million) is outstanding as at March 31,2022 was taken during the financial year 2019–20 and carries interest of 3.75%per annum. The loan is repayable in 30 years in monthly installments of \$769 (INR 0.06 million) each along with interest, beginning 12 months from the date of the term loan. Further the repayments schedule has been deferred to December 01, 2022 vide Small Bank Administration (SBA) release number 22-19 | March 15, 2022. The loans are secured by all tangible and intangible personal property, including, but not limited to: (a) inventory, (b) equipment, (c) instruments, including promissory notes (d) chattel paper, including tangible chattel paper and electronic chattel paper, (e)documents, (f) letter of credit rights, (g) accounts, including health-care insurance receivables and credit card receivables, (h) deposit accounts, (i) commercial tort claims, (j)general intangibles, including payment intangibles and software and (k)as- extracted collateral as such terms may from time to time be defined in the Uniform Commercial Code. The security interest Borrower grants includes all accessions, attachments, accessories, parts, supplies and replacements for the Collateral, all products, proceeds and collections thereof and all records and data relating thereto. The principal and interest outstanding at March 31, 2023 is \$149,900 (INR 12.33 million) and \$16,789 (INR 1.38 million) respectively

Maturities of US Dollar term loan over the next five years are as follows :

	As at 31 March 2023 \$	As at 31 March 2023 INR in millions
March 31, 2024	8,820	0.73
March 31, 2025	8,820	0.73
March 31, 2026	8,820	0.73
March 31, 2027	8,820	0.73
March 31, 2027 and onwards	1,14,720	9.44

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Capillary Technologies LLC (formerly known as Pursuade Loyalty LLC)
Notes forming part of translated version of financial statements

8. Revenue

A. Disaggregation of revenue

The Company disaggregates revenue from contracts with customers based on the business segment and contract type, as the management believes that it best depicts how the nature, amount, timing and uncertainty of revenues and cashflows are affected by the nature of service provided.

	For the year ended 31 March 2023	For the year ended 31 March 2023
	\$	INR in millions
a) Revenue based on services		
Loyalty platform related SaaS revenues	51,03,200	409.80
Professional services	49,91,065	400.79
	1,00,94,265	810.59
b) Revenue based on contract type		
Over the period of time	1,00,94,265	810.59
	1,00,94,265	810.59
c) Balances of unbilled receivables and contract liabilities		
	As at 31 March 2023	As at 31 March 2023
	\$	INR in millions
Unbilled receivables	66,772	5.49
Contract liabilities	4,34,306	35.72

9. Stock based compensation

The employees of the Company are eligible to participate in Employee Stock Option Plan (ESOPs) of the Holding Company (Capillary Technologies India Limited, India) as per terms and conditions as specified in the plan.

The shareholders of Holding Company have approved the 'Capillary Employees Stock Option Scheme' - 2021 (CESP). The plan provides for the issue of options to eligible employees and eligible directors of the Capillary Group. Capillary Group shall mean the Holding Company and its wholly owned subsidiaries, either existing or as may be incorporated from time to time and its Ultimate Holding Company and any successor company thereof.

The plan is administered by a Board of Directors of the Holding Company/compensation committee/ nomination and remuneration committee constituted by the Board (as the case may be) (Administrator). Under CESP all employees are entitled to a grant of options once they have been in service and eligible based on conditions determined by the Administrator. The exercise price shall be as may be determined by the Administrator at the time of grant of options provided that the exercise price shall not be more than the fair market value of the shares as on the date of grant of options.

There shall be a minimum period of one (1) year between the grant of options and vesting of options, with a maximum period of ten (10) years from the date of grant of such options. Vesting of options would be subject to continued employment with the Company and the options would vest on a quarterly basis. The option grantee may exercise the vested options (whether granted pre-listing or post-listing) within (a) 10 (ten) years from the date of vesting of options, or (b) 12 (twelve) years from the date of listing, whichever is later.

The assumptions used in calculating the fair value of stock options granted are as follows:

	As at 31 March 2023
Dividend yield (%)	-
Expected volatility (%)	61.44%
Risk-free interest rate (% p.a.)	7.28%
Expected life of option (years)	5.5-7

The weighted-average fair value of options granted during the year ended March 31,2023 was \$ 4.33 (INR 347.71). The Company recognized compensation expense related to stock options of approximately \$183,430 (INR 14.74 million) for the year ended March 31, 2023.

The following table summarizes the activity for stock options:

	As on and for the year ended 31 March 2023	
	No. of Shares	WAEP
Option outstanding at the beginning	86,829	\$0.02 ; INR 1.61
Granted during the period	-	-
Forfeited/ lapsed during the period	29,136	\$0.02 ; INR 1.61
Exercised during the period	-	-
Expired during the period	-	-
Options outstanding at the end of the year	57,693	1.82

Capillary Technologies LLC (formerly known as Pursuade Loyalty LLC)
Notes forming part of translated version of financial statements

10. Related Party Transactions

1) List of related parties and relationship

A. Name of the Party	Nature of Relationship
a) Capillary Technologies International Pte. Ltd	Ultimate Holding
b) Capillary Technologies India Limited, India	Holding Company
c) Capillary Pte. Ltd, Singapore	Intermediate Holding Company
d) Capillary Technologies DMCC	Fellow subsidiary

B. Related party transactions

	For the year ended 31 March 2023	For the year ended 31 March 2023
	\$	INR in millions
1) Expenditure incurred by Group company on behalf of the Company		
Capillary Pte. Ltd, Singapore	98,144	7.88
Capillary Technologies India Limited	92,722	7.45
Capillary Technologies DMCC	2,313	0.19
2) Expenditure incurred by the Company on behalf of Group Company		
Capillary Pte. Ltd, Singapore	91,143	7.32
3) Service income from Group Company		
Capillary Technologies India Limited	90,443	7.26
4) Capital contribution		
Capillary Pte. Ltd, Singapore	82,50,000	656.54
Capillary Technologies India Limited	1,83,430	14.73
5) Buyback of stock based compensation		
Capillary Technologies India Limited	28,749	2.31
C. Outstanding balances at year end:		
	As at 31 March 2023	As at 31 March 2023
	\$	INR in millions
1) Other receivables from related party		
Capillary Pte. Ltd, Singapore	3,74,828	30.83
2) Payables to related parties		
Capillary Technologies India Limited	92,722	7.63
Capillary Technologies DMCC	1,07,313	8.83

11. Contingencies and commitments

Contingencies:

The Company is currently not involved in any significant lawsuits, claims, investigations and proceedings, including patent and commercial matters, which arises in the ordinary course of business other than disclosed above. There are no such pending matters that are expected to have material effect on these financial statements.

Commitments:

The Company leases office spaces under lease agreements expire at July, 2023.

As at March 31, 2023, future minimum payments under non-cancellable leases are as follows for the year ending:

	Future Minimum Lease Payments	
Year	\$	INR in millions
March 31, 2024	20,678	1.66

12. Subsequent events

In accordance with ASC 855-Subsequent Events, the Company evaluated subsequent events through August 25, 2023, the date these financial statements were made available for issuance. The Company and the Intermediate Holding Company entered into a stock purchase agreement dated March 30, 2023 to acquire 100% stake in Brierley & Partners Inc., and Brierley Europe Limited respectively (collectively referred to as "Brierley Group") for a total consideration of \$10,662,661 (INR 826.30 million) consisting primarily of cash. Brierley Group provides customer relationship management and loyalty products and services, including technology, marketing and strategy to global Companies. The Company obtained control on April 1, 2023 upon satisfaction of customary closing conditions. Other than those mentioned, the Company is not aware of any additional subsequent events that would require recognition or additional disclosure in these financial statements.

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