

Grant Thornton Bharat LLP

Unit 1603 & 1604, EcoCentre
Plot No 4, Street No 13,
EM Block, Sector V,
Bidhannagar,
Kolkata – 700 091
West Bengal, India

T +91 334 444 9300

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**Board of Directors****Capillary Technologies LLC****Opinion**

We have audited the consolidated financial statements of Capillary Technologies LLC (the “Company”) and subsidiaries (collectively the “Group”), which comprise the consolidated balance sheets as of March 31, 2026 and 2025, and the related consolidated statements of comprehensive income, changes in members’ equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of March 31, 2026 and 2025, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Group and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group’s ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton Bharat LLP



Kolkata, India
May 6, 2026

CAPILLARY TECHNOLOGIES LLC AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(All amounts are in USD, unless specified otherwise)

	As at March 31, 2026	As at March 31, 2025
Assets		
Current assets:		
Cash and cash equivalents	1,408,691	7,269,450
Accounts receivable, net	7,115,521	8,809,149
Other receivables from related party	3,251,841	3,131,352
Investments	11,269,275	-
Other current assets	2,720,276	3,277,076
Total current assets	25,765,604	22,487,027
Non-current assets:		
Property and equipment, net	138,643	43,354
Intangible assets, net	7,207,173	3,189,817
Goodwill	12,678,144	1,927,983
Operating lease right-of-use assets	579,107	317,877
Investments	1,253,515	-
Deferred tax assets	119,700	65,788
Other non-current assets	6,884,488	9,908,288
Total non-current assets	28,860,770	15,453,107
Total assets	54,626,374	37,940,134
Liabilities and Members' equity		
Current liabilities:		
Accounts payable	1,840,214	1,203,836
Payables to related parties	338,834	195,527
Accrued employee costs	646,770	578,768
Contract liabilities	3,115,723	2,821,003
Borrowings		
- Line of credit	-	5,500,000
- Others	-	8,400
Operating lease liabilities, current	271,320	110,523
Other current liabilities	717,071	515,871
Current tax liabilities	464,937	70,000
Total current liabilities	7,394,869	11,003,928
Non-current liabilities:		
Borrowings		
- Others	-	150,000
Operating lease liabilities, non current	363,257	240,152
Deferred tax liabilities	442,302	669,866
Total non-current liabilities	805,559	1,060,018
Members' equity:		
Members' equity	26,787,939	11,787,939
Capital contribution	12,258,116	11,633,413
Accumulated comprehensive income	7,379,891	2,454,836
Total members' equity	46,425,946	25,876,188
Total liabilities and members' equity	54,626,374	37,940,134

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



CAPILLARY TECHNOLOGIES LLC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(All amounts are in USD, unless specified otherwise)

	Year ended March 31, 2026	Year ended March 31, 2025
Revenue from services	49,586,808	40,389,464
Other income	3,107,747	333,808
Total income	52,694,555	40,723,272
Employee benefit expenses	20,403,436	17,823,863
Professional and consultancy services	15,538,309	12,885,176
Software and server charges	6,560,749	4,137,401
Depreciation and amortisation expenses	2,939,376	1,435,681
Finance costs	145,744	81,839
Other expenses	2,004,607	2,697,793
Total expenses	47,592,221	39,061,753
Net Income before income taxes	5,102,334	1,661,519
Tax expenses		
Current tax	463,000	(172,735)
Deferred tax	(281,473)	(261,348)
Total taxes	181,527	(434,083)
Income for the year from continuing operations	4,920,807	2,095,602
Income before tax from discontinued operations	-	10,998
Tax expense of discontinued operations	-	(2,310)
Income for the year	4,920,807	2,104,290
Other comprehensive income/(loss),net		
Change in Foreign Currency translation adjustments	4,248	-
Other comprehensive income for the year, net	4,248	-
Total comprehensive income	4,925,055	2,104,290

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



CAPILLARY TECHNOLOGIES LLC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
(All amounts are in USD, unless specified otherwise)

	Common stock (Number of stock)	Common stock	Capital contribution	Accumulated comprehensive income	Foreign Currency Translation reserve	Total members' equity
Balance as at March 31, 2024	2,424,694	11,787,939	11,504,654	350,546	-	23,643,139
Share based payment expenses	-	-	170,192	-	-	170,192
Re-purchase of employee stock options	-	-	(41,433)	-	-	(41,433)
Net Income	-	-	-	2,104,290	-	2,104,290
Balance as at March 31, 2025	2,424,694	11,787,939	11,633,413	2,454,836	-	25,876,188
Issue of shares during the year (Refer Note 13B(6))	-	15,000,000	-	-	-	15,000,000
Share based payment expenses	-	-	224,648	-	-	224,648
Other comprehensive income for the year	-	-	-	-	4,248	4,248
Capital contribution from Ultimate Holding Company	-	-	400,055	-	-	400,055
Re-purchase of employee stock options	-	-	-	-	-	-
Net Income	-	-	-	4,920,807	-	4,920,807
Balance as at March 31, 2026	2,424,694	26,787,939	12,258,116	7,375,643	4,248	46,425,946

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



CAPILLARY TECHNOLOGIES LLC AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(All amounts are in USD, unless specified otherwise)

	Year ended March 31, 2026	Year ended March 31, 2025
Cash flows from operating activities		
Net Income from continued operations	4,920,807	2,095,602
Net Income from discontinued operations	-	10,998
Adjustments to reconcile net income to cash provided by:		
Depreciation and amortisation expenses	2,693,820	1,388,934
Share based payments expenses	224,648	170,192
Interest on Investments	(121,383)	-
Amortisation of operating ROU assets	245,557	46,747
Liabilities no longer required, written back	(78,378)	-
Deferred tax benefit	(281,473)	(261,348)
(Reversal)/ allowance for expected credit loss	(883,762)	688,850
Changes in operating assets and liabilities		
Decrease/(increase) in accounts receivable and other receivables	2,456,901	(2,933,649)
Decrease/(increase) in prepaid expenses and other assets	3,484,446	(426,506)
Increase/(decrease) in account payable and other payables	779,685	(2,330,774)
Increase in lease liabilities	283,902	350,674
(Decrease) in contract liabilities and other current liabilities	753,332	(8,106,752)
Net cash generated from/(used in) operating activities	14,478,102	(9,307,032)
Cash flows from investing activities		
Purchase of property and equipment and intangible assets	(159,797)	(19,952)
Payment towards advance for acquisition of business	-	(1,020,556)
Payment towards investment in RF engage	(1,253,515)	-
Payment towards purchase consideration of acquisition, net of cash acquired	(17,402,176)	-
Purchase of Investments	(41,019,820)	-
Redemption of Investments	29,750,546	-
Net cash (used in) investing activities	(30,084,762)	(1,040,508)
Cash flows from financing activities		
Proceeds from contributed capital	15,000,000	-
Proceeds from borrowings	-	5,491,612
Repayments of borrowings	(5,658,400)	-
Contribution received from ultimate holding company	400,055	-
Re-purchase of employee stock options	-	(41,433)
Net cash generated from financing activities	9,741,655	5,450,179
Net change in cash and cash equivalents	(5,865,005)	(4,897,361)
Increase in cash and cash equivalents on account of business combination	-	-
Cash and cash equivalents, beginning of year	7,269,450	12,166,811
Effect of exchange differences on cash and cash equivalents held in foreign currency	4,246	-
Cash and cash equivalents, end of year	1,408,691	7,269,450
Supplemental disclosures of cash flow information:		
Cash paid for interest	43,104	21,565
Cash paid for Income tax	68,063	47,572
Supplemental disclosures on non-cash investing and financing activities:		
Issuance of warrants of Ultimate Holding Company	1,250,000	-

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



CAPILLARY TECHNOLOGIES LLC AND ITS SUBSIDIARIES
Notes to accounts and summary of significant accounting policies
(All amounts are in USD, unless specified otherwise)

1 Nature of business organisation

Capillary Technologies LLC ('Capillary' or the 'Group'), is a limited liability Group registered in the State of Minnesota. The Group 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 Group.

On March 31, 2025, Capillary Technologies LLC (a subsidiary of Capillary Pte. Ltd.) entered into agreements with Loyalty Solutions Holdings US Inc. (LSI) to acquire 100% equity in Kognitiv Solutions Inc., along with related intellectual property, and certain customer contracts, relationships, and receivables from Kognitiv US LLC. These transactions are collectively accounted for as a business combination under ASC 805, effective May 1, 2025. (Refer Note-15)

The Group along with its subsidiaries (hereinafter collectively referred to as "the Group") are primarily engaged in the business of providing cloud based intelligent customer engagement software solutions.

2 Summary of significant accounting policies

a) Basis of presentation and consolidation of financial statements

The accompanying Consolidated Financial Statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The consolidated financial statements include the account of the Group and its subsidiaries, all of which are wholly owned. All significant intergroup balances and transactions have been eliminated.

Following are the subsidiaries considered for the preparation of consolidated financial statements:

Name of entity	Country of incorporation
Capillary Brierley Inc.	United States of America
Capillary Technologies Inc.	United States of America
Kognitiv Solutions Inc.	Canada

b) Use of estimates

The preparation of Consolidated 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 Consolidated financial statements. Actual results could differ from those estimates. The significant estimates and assumptions that affect the consolidated financial statements include, but are not limited to assumptions used to calculate stock-based compensation expense, useful lives of assets, discount rates for recognising fair value of assets and liabilities, estimates of the fair value of the identifiable intangible assets, purchase price allocation, estimation impairment of goodwill, long-lived assets and 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 consolidated financial statements are prudent and reasonable.

c) 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 Group expects to be entitled to in exchange of those services.

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



CAPILLARY TECHNOLOGIES LLC AND ITS SUBSIDIARIES
Notes to accounts and summary of significant accounting policies
(All amounts are in USD, unless specified otherwise)

c) Revenue recognition (cont'd)

Retainership services

Under Loyalty platform related SaaS revenues, the Group'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 Group continually provides access to, and fulfil the obligation over the subscription term. Revenue is recognized over the period as and when services are rendered in accordance with the arrangement with the customers.

Professional services

Under Professional services, the Group 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 Group satisfies its performance obligations. For Professional services, revenue is recognised by measuring progress towards the complete satisfaction of the Group'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 Group's assessment of 'Principal vs. agent considerations'. The Group 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 Group'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 Group evaluates the facts and circumstances associated with the negotiation of those contracts. Where the contracts are negotiated as a package, the Group will account for them as a single arrangement and allocates the consideration for the combined contracts among the performance obligations accordingly.

Contract modification:

The Group may modify contracts to offer customers additional products or services. The additional products and services will generally be considered distinct from those products or services transferred to the customer before the modification and will generally be accounted for as a separate contract. The Group evaluates whether the price for the additional products and services reflects the standalone selling price adjusted as appropriate for facts and circumstances applicable to that contract. In determining whether an adjustment is appropriate, the Group evaluates whether the incremental consideration is consistent with the prices previously paid by the customer or similar customers.

Revenue for each of the Performance Obligation is recognized when (or as) the Group satisfies the performance obligation by transferring the control.

Unbilled receivables:

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

Contract asset:

A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets primarily relate to unbilled amounts on fixed-price contracts. Contract assets are recorded when services have been provided but the Company does not have an unconditional right to receive consideration. The Group evaluates, at each reporting date, whether there are any events or circumstances indicating impairment of contract assets and recognises impairment losses, where required.

Contract acquisition cost:

Contract acquisition costs are amortized over the period of contract however the contract acquisition costs are charged to statement of comprehensive income when the life of contract is less than one year.

Contract liability:

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



CAPILLARY TECHNOLOGIES LLC AND ITS SUBSIDIARIES
Notes to accounts and summary of significant accounting policies
(All amounts are in USD, unless specified otherwise)

d) Accounts receivable and allowance for expected credit losses

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. The Group maintains an allowance for doubtful accounts for estimated losses inherent in its account receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take in account current market conditions and customers financial conditions, the amount of receivables in dispute, and the current receivables ageing and current payment patterns. The Group reviews its allowance for doubtful accounts monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectability. Account balances are charged off against the allowances after all means of collection have been exhausted and the potential for recovery is considered remote.

e) Foreign currency transactions and translations

The functional currency of each entity consolidated in it's respective local country currency which is also the currency of the primary economic environment in which it operates. 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 Consolidated Statements of comprehensive income.

f) Cash and cash equivalents

For purposes of the consolidated 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.

g) Property and equipment

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

Depreciation and amortization are 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.

h) Leases

The Group's lease asset primarily consist of lease on office premises. The Group 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 Group 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 Group's leases is not easily determinable, the Group's applicable incremental borrowing rate is used in calculating the present value of the sum of the lease payments.

Lease term includes assessment for the effects of options to extend or terminate the lease. The Group 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.

Upon termination of a lease, the company decrease the carrying amount of the Right of Use assets on a basis proportionate to the full or partial termination. Any difference between the reduction in lease liabilities and proportionate reduction in Right of Use asset is recognised as a gain or loss at the modification's effective date.



CAPILLARY TECHNOLOGIES LLC AND ITS SUBSIDIARIES
Notes to accounts and summary of significant accounting policies
(All amounts are in USD, unless specified otherwise)

i) Income taxes

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

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 likely hood of being realized. Changes in recognition or measurement are reflected in the period in which a change in judgment occurs. The Group has determined that it has no uncertain tax positions that require recognition in the consolidated financial statements.

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 to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or the entire deferred tax asset will not be realized.

j) Retirement plans

Defined contribution plans

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

Eligible employees of the Group 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 Group can make optional contributions up to the maximum allowable limit under the Code. The Group 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 Group'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 Group has no further obligation under defined contribution plans beyond its monthly contribution. During the year ended March 31, 2026 and 2025 the Group has contributed USD 1,328,205 and USD 1,457,379 to defined contribution plans.

k) 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 Group 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, 2026 and 2025 and upon the short-term nature of the assets and liabilities.

Financials assets and liabilities measured at fair value - recurring fair value measurements

	Level 1	Level 2	Level 3	Total
As at March 31, 2026				
Financial Assets				
Investments	-	11,269,275	1,253,515	12,522,790
As at March 31, 2025				
Financial Assets				
Investments	-	-	-	-



CAPILLARY TECHNOLOGIES LLC AND ITS SUBSIDIARIES
Notes to accounts and summary of significant accounting policies
(All amounts are in USD, unless specified otherwise)

k) Financial instruments and concentration of credit risk (cont'd)

Concentration of credit risk

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents, time deposits and accounts receivable. Accounts at each US based institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$ 250,000. As of March 31, 2026 and 2025 the Company had \$1,408,691 and \$7,269,450 in excess of the FDIC insured limit. By their nature, all such financial instruments involve risks including the credit risks of non-performance by counterparties. Pursuant to the Group'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 Group 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 Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes.

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

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

For the year ended 31 March 2026 the Group has 55% of revenue from 5 customers who accounted for more than 10% of total revenue individually. And receivable balances for the aforementioned customers accounted for 48% of the total receivables as at 31 March 2026.

l) Investment

The Group's investment in mutual funds are invested in United States of America. These investments are accounted for in accordance with the fair value option under ASC Topic 825, Financial Instruments. The fair value is represented by original cost on the acquisition date and the net asset value ("NAV") as quoted, at each reporting period and any changes in fair value are included in other income/(expense), net. Gain or loss on the disposal of these investments is calculated using the FIFO method and is included in other income/(expense), net.

m) 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.

n) Stock based compensation

Certain employees of the Group are granted options to purchase equity shares of the Holding Company. The expense related to these awards to Group employees has been pushed down from the Holding Company and reflected in these consolidated 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 Group 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.

(This space has been intentionally left blank)



CAPILLARY TECHNOLOGIES LLC AND ITS SUBSIDIARIES
Notes to accounts and summary of significant accounting policies
(All amounts are in USD, unless specified otherwise)

o) Business Combination, Goodwill and Other Intangible assets

ASC Topic 805, "Business Combinations" (ASC Topic 805), requires that the purchase method of accounting be used for all business combinations. The guidance specifies criteria as to intangible assets acquired in a business combination that must be recognized and reported separately from goodwill. Under ASC Topic 350, "Intangibles—Goodwill and Other" (ASC Topic 350), all assets and liabilities of the acquired businesses, including goodwill, are assigned to reporting units.

Goodwill reflects the cost of an acquisition in excess of the fair values assigned to identifiable net assets acquired. The ASC Topic 350 allows the Group to elect to perform impairment testing at a reporting unit level or at an entity level. The Group has elected to perform the impairment testing at an entity level.

Goodwill is tested for impairment if triggering events occur. The Group first assesses qualitative factors to determine whether it is more likely than not that the fair value of the entity is less than its carrying value as a basis for determining whether it needs to perform a quantitative goodwill impairment test. Only if the Group determines, based on its qualitative assessment that it is more likely than not that the entity's fair value is less than its carrying value will it be required to perform a quantitative test. The quantitative test involves a comparison of the estimated fair value of the entity to its carrying value amount, including goodwill. An impairment loss, if any, is measured as the amount by which the carrying amount of an entity, including goodwill, exceeds its fair value. No impairment of goodwill was identified during the year ended March 31, 2026. Refer Note-8 of Goodwill.

p) Impairment of Long Lived Assets

The Group reviews long-lived assets, including the property and equipment and intangibles assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the asset may not be fully recoverable. An impairment loss is recognized when estimated undiscounted future cash flows expected to result from use of the asset and its eventual disposition are less than the carrying amount. Impairment, if any, is assessed using discounted cash flows. Management has completed its impairment review for the year ended March 31, 2026 and believes that Group's long lived assets are not impaired.

q) Subsequent events

The Group 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.

r) Reclassification

Certain prior year amounts have been reclassified to conform with current year presentation. These changes did not have any effect on net loss, member's equity, the Consolidated Statement of Comprehensive income or the net change in cash and cash equivalents in the Consolidated Statement of Cashflows.

s) Recent Accounting pronouncements

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. The standard will be effective for non-public companies for fiscal years beginning after December 15, 2025. The Group is currently evaluating the potential impact of adoption of this ASU on its consolidated financial statements.

In July 2025, the FASB issued ASU No. 2025-05, Financial Instruments—Credit Losses ("ASC Topic 326"): Measurement of Credit Losses for Accounts Receivable and Contract Assets. This ASU provides a practical expedient when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under ASC Topic 606. The ASU will be effective for annual reporting periods beginning after December 15, 2025, including interim periods within those years, with early adoption permitted. The Company is currently evaluating the impact of this ASU and does not expect it to have a material effect on the consolidated financial statements.

(This space has been intentionally left blank)



CAPILLARY TECHNOLOGIES LLC AND ITS SUBSIDIARIES
Notes to consolidated financial statements
(All amounts are in USD, unless specified otherwise)

3. Accounts receivable, net

Accounts receivable comprises of the following:

	As at March 31, 2026	As at March 31, 2025
Accounts receivable	6,583,767	8,689,861
Unbilled receivables	678,747	1,150,043
	<u>7,262,514</u>	<u>9,839,904</u>
Less : Addition on account of business combination	-	-
Less : Allowances for uncollectible amounts	<u>(146,993)</u>	<u>(1,030,755)</u>
	<u>(146,993)</u>	<u>(1,030,755)</u>
	<u>7,115,521</u>	<u>8,809,149</u>

4. Other receivables from related party

Amount due from related parties

	As at March 31, 2026	As at March 31, 2025
	3,251,841	3,131,352
	<u>3,251,841</u>	<u>3,131,352</u>

5. Other assets

Current

	As at March 31, 2026	As at March 31, 2025
Prepaid expenses	262,905	347,821
Advance to Vendors	3,609	1,573,437
Security deposits - others	22,836	14,500
Deferred contract cost	94,137	97,024
Contractual customer asset ²	2,180,422	1,244,294
Balance with statutory / government authorities	156,367	-
	<u>2,720,276</u>	<u>3,277,076</u>

Non-Current

	As at March 31, 2026	As at March 31, 2025
Deposits	64,657	15,455
Prepaid expenses	19,872	39,745
Deferred contract cost	156,062	50,745
Advance paid for acquisition of business ¹	46,860	1,020,556
Contractual customer asset ²	6,597,037	8,781,787
	<u>6,884,488</u>	<u>9,908,288</u>

¹As of March 31, 2026 an amount of \$46,860 is towards for the purchase of shares and on March 31, 2025, the Company had paid an amount of \$894,646 and \$125,910 as security deposit for bid submission towards proposed acquisition of Entity/Assets of a conglomerate and towards the purchase of shares, respectively.

²Contractual customer asset includes cost incurred to obtain a customer contract.

6. Property and equipment, net

	Estimated useful life	As at March 31, 2026	As at March 31, 2025
Computers	3 years	283,088	231,464
Lease hold Improvements	3 years	86,464	-
		<u>369,552</u>	<u>231,464</u>
Less: Accumulated depreciation		<u>230,909</u>	<u>188,110</u>
		<u>138,643</u>	<u>43,354</u>

7. Intangible assets, net

	Estimated useful life	As at March 31, 2026	As at March 31, 2025
Computers software	3 years	-	-
Customer relationship	5 years	9,284,261	4,670,251
LOD Platform	3 years	555,000	555,000
Trademarks	3 years	608,000	608,000
Intellectual Property rights	4 years	2,038,004	-
		<u>12,485,265</u>	<u>5,833,251</u>
Less: Accumulated amortisation		<u>5,278,092</u>	<u>2,643,434</u>
		<u>7,207,173</u>	<u>3,189,817</u>

Expected amortization expense over the remaining intangible lives is as follows:

For the year ended 31 March 2025	-	-
For the year ended 31 March 2026	-	1,321,717
For the year ended 31 March 2027	2,366,353	934,050
For the year ended 31 March 2028	2,366,353	934,050
For the year ended 31 March 2029	1,432,303	-
For the year ended 31 March 2030	965,260	-
For the year ended 31 March 2030	76,903	-



CAPILLARY TECHNOLOGIES LLC AND ITS SUBSIDIARIES

Notes to consolidated financial statements

(All amounts are in USD, unless specified otherwise)

	As at March 31, 2026	As at March 31, 2025
8. Goodwill	12,678,144	1,927,983
	12,678,144	1,927,983

The Company performs its annual goodwill impairment assessment during the fourth quarter, to determine whether events or circumstances exist that may lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Based on such assessment, the Company concluded that there was no impairment on goodwill as of March 31, 2026 and 2025.

9. Leases

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

The Group used a single discount rate to discount remaining lease payments using applicable borrowing rate for measuring the lease liability at commencement date.

The Group 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 Group recorded leases with an initial term of 12 months or less as expenditure and did not record on the balance sheets.

The Group 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 Group have entered into operating lease agreements for facilities for a period of 39 months. As at March 31, 2026, total operating lease ROU assets and liabilities are as follows:

	As at March 31, 2026	As at March 31, 2025
Rights of use assets		
Operating lease right of use assets	579,107	317,877
Lease liabilities		
Operating lease liabilities, current	271,320	110,523
Operating lease liabilities, non current	363,257	240,152

The Group used commercially available borrowing rates (discount rates) to account for lease assets and liabilities. The weighted average discount rate for 2026 was 8.54%.

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

	As at March 31, 2026	As at March 31, 2025
Cash outflows for operating leases	274,151	22,270

As at March 31, 2026 and 2025, the Group did not have any significant leases that have not yet commenced but that create significant rights and obligations for the Group.

10. Borrowings

Line of credit:

Group had taken credit facility from Bank of America for general business purposes vide a Master Credit Agreement dated April 27, 2022 for USD 1 millions at an interest rate of Bloomberg Short-term Bank Yield Index Rate ("BSBY") Daily Floating Rate plus 2.15 percentage points, which is payable monthly. The credit facility was secured against the Group Company accounts; chattel paper; deposit accounts; Documents; general intangibles; goods, including equipment; instruments; inventory; investment property; letters of credit and letter-of-credit rights; money and other assets of such Group that now or later come into the possession, custody, or control of the Bank; all negotiable and non-negotiable documents of title covering any of the foregoing; 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; all books and records relating to the foregoing whether in the form of a writing, photograph, microfilm or electronic media, including but not limited to any computer-readable memory and any computer software necessary to process such memory; and 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. The outstanding balance was settled during the year ended March 31, 2024. During the previous year, the Group entered into an amended agreement dated November 27, 2024, wherein the sanctioned credit limit was enhanced to USD 4 millions and interest rate term amended to Secured Overnight Financing Rate (SOFR) Daily Floating Rate plus 2.13 percentage points. As on March 31, 2026, the outstanding balance is USD Nil (March 31, 2025 : USD 4 Million). The security against the credit facility remained the same.

Group had taken a revolving demand note facility from HSBC Bank, USA, National Association dated March 28, 2025 for USD 3 million at an interest rate of SOFR plus 190 basis points per annum. The Group grants to Bank a continuing lien on and security interest in any and all deposits and any cash, securities, instruments or other property of the Group in the possession of Bank. During the year, the entire loan was repaid and there is USD Nil Outstanding as at the year ended 31,2026 (March 31, 2025 :USD 1.5 Million).

Others:

US Dollar term loan from Body Corporate -SBA in relation to a subsidiary is closed and outstanding balance is Nil as at March 31,2026 (March 31,2025 USD 0.15 million) which carries interest of 3.75% per annum and is payable on a monthly basis, beginning 12 months from the date of promissory note. Further, the start of repayment of loan has been deferred to December 1, 2022 vide Small Bank Administration (SBA) release number: 22-19 | March 15, 2022. On 25 March 2026, the loan was repaid entirely. These loans are secured by hypothecation of property that the subsidiary now owns or shall acquire or create immediately upon the acquisition or creation thereof: 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 subsidiary 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.

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

March 31, 2024	NA	NA
March 31, 2025	NA	NA
March 31, 2026	-	8,772
March 31, 2027	-	8,772
March 31, 2027 and onwards	-	140,856



CAPILLARY TECHNOLOGIES LLC AND ITS SUBSIDIARIES
Notes to consolidated financial statements
(All amounts are in USD, unless specified otherwise)
11. Revenue
A. Disaggregation of revenue

The Group 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 cash flows are affected by the nature of service provided.

a) Revenue based on services

	Year ended March 31, 2026	Year ended March 31, 2025
Loyalty platform related SaaS revenues	45,084,124	26,999,932
Professional services	4,398,921	13,389,532
	<u>49,483,045</u>	<u>40,389,464</u>

b) Revenue based on contract type

Over the period of time	49,483,045	40,389,464
	<u>49,483,045</u>	<u>40,389,464</u>

c) Balances of unbilled receivables and contract liabilities

Unbilled receivables*	678,747	1,150,043
Contract liabilities	3,115,723	2,821,007

*this amount includes contract assets of \$473,748 as at March 31, 2026 and \$668,125 as at March 31, 2025.

(i): Movement in Contract liabilities

Opening balance	2,821,007	10,374,345
Add: Revenue to be recognised from performance obligations to be satisfied in succeeding year	3,115,723	2,821,007
Less: Revenue recognised that was included in contract liability at the beginning of the year	(2,821,007)	(10,374,345)
Closing balance	<u>3,115,723</u>	<u>2,821,007</u>

12. Income tax
The components of income/(loss) before taxes consisted of the following:

	As at March 31, 2026	As at March 31, 2025
Domestic	5,102,334	1,661,519
Foreign	-	-
Total	<u>5,102,334</u>	<u>1,661,519</u>

Provision/(benefit) for income taxes for the years ended March 31, 2026, and March 31, 2025, consists of the following:

	As at March 31, 2026	As at March 31, 2025
Current tax		
Domestic	463,000	(175,044)
Foreign	-	-
Total (A)	<u>463,000</u>	<u>(175,044)</u>

Deferred tax

	As at March 31, 2026	As at March 31, 2025
Domestic	(281,473)	(261,348)
Foreign	-	-
Total (B)	<u>(281,473)</u>	<u>(261,348)</u>

Total income tax expense (A+B)	181,527	(436,392)
--------------------------------	---------	-----------

Deferred income taxes result from significant temporary differences between income for financial reporting purposes and taxable income. Deferred tax assets and liability as of March 31, 2026, and 2025 consisted of the following:

	As at March 31, 2026	As at March 31, 2025
Deferred tax assets:		
Employee stock option plan	119,700	65,788
Deferred tax assets:	<u>119,700</u>	<u>65,788</u>

Deferred tax liability:

	As at March 31, 2026	As at March 31, 2025
Acquired intangibles	442,302	669,866
Deferred tax liability:	<u>442,302</u>	<u>669,866</u>

Net Deferred tax liability	322,602	604,078
----------------------------	---------	---------

The reported income tax expense differs from that computed by multiplying the income before income tax expense by the expected U.S. federal corporate income tax rates of 21% for the years ended March 31, 2026 and 2025 due to the following items: (1) foreign tax rates being other than the expected U.S. federal corporate income tax rates for the respective years, (2) state income taxes and (3) certain expenses that are not deductible for income tax purposes.

As at March 31, 2026, the Company has US\$ NIL [2025: US\$ 513,880] in US Federal Net Operating Loss ("NOL") carryovers, which can be carried forward for future utilization within 20 years from the year in which such losses are generated subject to certain limitations under US tax laws.

As of March 31, 2026 and March 31, 2025, the Company has no uncertain tax positions.



CAPILLARY TECHNOLOGIES LLC AND ITS SUBSIDIARIES
Notes to consolidated financial statements
(All amounts are in USD, unless specified otherwise)
13. Stock based compensation
A. Capillary Employees Stock Option Scheme' - 2021 ('CESP')

The shareholders of Holding Company on October 29, 2021 had approved the 'Capillary Employees Stock Option Scheme' - 2021 (CESP). The plan provides for the issue of 7,175,000 options to eligible employees and eligible directors of the Capillary Group. Capillary Group shall mean the Holding Company, its wholly owned subsidiary and step-subsidaries, either existing or as may be incorporated from time to time and its Ultimate Holding Company.

The plan is administered by a Board of Directors of the Holding Company / nomination and remuneration committee constituted by the Board (as the case may be) (Administrator). Under CESP, all employees of the Group 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 seven (7) to ten (10) years from the date of grant of such options. Vesting of options would be subject to continued employment with the Group and the options would vest on a quarterly/yearly basis. The option grantee may exercise the vested options as per the scheme.

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

	As at March 31, 2026	As at March 31, 2025
Dividend yield (%)	-	-
Expected volatility (%)	31.21%- 31.82%	61.90%
Risk-free interest rate (% p.a.)	6.28%-6.48%	6.60%
Expected life of option (years)	6.75- 9.00	5.5

The following table summarizes the activity for stock options:

Particulars	As at March 31, 2026		As at March 31, 2025	
	Number of options	WAEP	Number of options	WAEP
Options outstanding at the beginning	142,103	0.02	112,077	0.02
Granted during the year	57,949	0.02	130,249	0.02
Forfeited / lapsed during the year	(28,838)	0.02	(82,901)	0.02
Exercised during the year	(4,168)	0.02	-	-
Re-purchase during the year	-	-	(17,322)	0.02
Options outstanding at the end	167,046	0.02	142,103	0.02

The weighted average remaining contractual life of vested option as at March 31, 2026 is 7.50 years (March 31, 2025 - 8.11 years) and 9.18 years (March 31, 2025 - 9.08 years) for unvested options. The unrecognised compensation cost related to these unvested options amounted to \$45,527 as of March 31, 2026 and \$101,066 as of March 31, 2025 - \$101,066.

B. Effective July 1, 2025, the Group has amended its existing CESP plan, whereby the options granted to employees shall vest only upon the achievement of market linked condition of share price and continued employment with the Group at any time during the vesting period with a maximum period of ten (10) years. The options are granted at an exercise price of 20% discount on the fair market value of share price at the grant date of options other than USA employees wherein those are granted at an exercise price of fair market value of share price. The option grantee may exercise the vested options as per the scheme.

Measurement of fair values

The Fair Value of the Options has been calculated using the 'Black-Scholes Option Pricing' methodology and combination of 'Binomial model' & 'Monte Carlo Simulation' methodology.

The following table lists the inputs to the models used for the year ended March 31, 2026:

	For the year ended 31 March 2026
Dividend yield (%)	0%
Expected volatility (%)	31.17%- 31.41%
Risk-free interest rate (% p.a.)	6.46%-6.74%
Expected life of option (years)	8.70- 9.00 years
Weighted average share price	5.30

The expected life of the share options is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Movements during the year

The following table illustrates the number and Weighted Average Exercise Price (WAEP) of, and movements in, CESP plan during the year:

Particulars	As at March 31, 2026	
	Number of options	WAEP
Options outstanding at the beginning	-	-
Granted during the year	123,359	5.30
Forfeited / lapsed during the year	(15,928)	5.30
Options outstanding at the end	107,431	5.30

As of March 31, 2026, the weighted average remaining contractual life of unvested stock options was 9.46 years. The unrecognised compensation cost related to these unvested options amounted to \$138,293 as of that date.



CAPILLARY TECHNOLOGIES LLC AND ITS SUBSIDIARIES
Notes to consolidated financial statements
(All amounts are in USD, unless specified otherwise)

14. Related party transactions

1) List of related parties and relationships

A. Name of related party	Nature of relationship
a) Capillary Technologies International Pte. Ltd, Singapore	Ultimate Holding Company (until November 21, 2025)
b) Capillary Technologies India Limited, India	Holding Company
c) Capillary Pte. Ltd, Singapore	Intermediate Holding Company
d) Capillary Technologies, DMCC	Fellow subsidiary
e) Capillary Technologies Europe Limited	Fellow subsidiary

B. Related party transactions

	Year ended March 31, 2026	Year ended March 31, 2025
1) Expenditure incurred by related entities on the Group		
Capillary Pte Ltd., Singapore	2,227,271	512,969
Capillary Technologies India Limited	4,283,900	2,604,126
Capillary Technology Europe Limited	599,272	471,109
Capillary Technologies, DMCC	414,851	28,162
Capillary Technologies (Malaysia) Sdn Bhd	24,763	
2) Expenditure incurred by the Group towards related entities		
Capillary Pte Ltd., Singapore	271,359	1,433,490
Capillary Technologies India Limited	2,760,850	2,471,080
Capillary Technology Europe Limited	186,433	-
Capillary Technologies, DMCC	12,600	124,335
3) Professional and consultancy services		
Capillary Pte Ltd., Singapore	6,683,191	7,321,711
4) Capital contribution		
Capillary Technologies India Limited	117,912	91,836
Capillary Technologies International Pte. Ltd.	400,055	-
5) Re-purchase of stock based options		
Capillary Technologies India Limited	-	41,433
6) Investment made by Capillary Pte Ltd., Singapore		
Investment in Capillary Technologies LLC *	15,000,000	-
C. Outstanding balances at year end:	As at March 31, 2026	As at March 31, 2025
1) Other receivables from related party		
Capillary Pte Ltd., Singapore	2,326,160	2,255,211
Capillary Technologies Europe Limited	405,074	4,423
Capillary Technologies India Limited	490,028	841,138
Capillary Technologies International Pte. Ltd.	30,579	30,579
2) Payables to related parties		
Capillary Technologies India Limited	12,014	88,977
Capillary Technologies DMCC	246,931	3,950
Capillary Pte Ltd., Singapore	74,782	102,598
Capillary Technologies (Malaysia) Sdn Bhd	5,106	-
3) Capital contribution from Group		
Capillary Technologies International Pte. Ltd.	11,531,040	11,130,985

* This refers to Investment in Capillary Technologies LLC from Capillary PTE limited for the acquisition made during the year (Refer Note-16)

(This space has been intentionally left blank)



15. Contingencies and commitments

Contingencies:

The Group evaluates contingencies as per its assessments of probable, reasonably possible and remote, as per ASC 450 "Contingencies". It is subject to legal claims in the normal course of business. However, based on its evaluation, management believes that there are no claims or contingencies, potential outcomes of which could be material to the financial condition or results of operations of the Group.

Commitments:

As at March 31, 2026, future minimum payments under non-cancellable leases are as follows for the year ending:

Year	Future Minimum Lease Payments
March 31, 2027	313,225
March 31, 2028	314,671
March 31, 2029	65,824

16. Acquisitions during the year:

(a) Business Combination

On March 31, 2025, Capillary Technologies LLC, a subsidiary of Capillary Pte. Ltd. (which is wholly owned by the Parent Company), entered into a Sale and Purchase Agreement with Loyalty Solutions Holdings US Inc. (LSI) to acquire 100% equity interest in Kognitiv Solutions Inc., a company incorporated in Ontario, Canada which is a wholly owned subsidiary of LSI and to purchase the rights, title and interest of the Intellectual property.

As part of the transaction, Capillary Technologies LLC also entered into a separate Asset Purchase Agreement with Kognitiv US LLC (another wholly owned subsidiary of LSI) to acquire customer contracts, customer relationships, and associated receivables. These agreements jointly constitute a business combination in accordance with the principles of ASC 805 w.e.f. May 1, 2025 for a consideration of Canadian dollar 23.44 million (net of net working capital amounting to Canadian dollar 0.56 million). This strategic acquisition is expected to enhance the Company's loyalty business operations in the United States and establish a presence in the Canada location.

Assets acquired

The fair value of identifiable assets and liabilities of the group i.e. Kognitiv Solutions Inc are shown below:

	Balance recognised on acquisition
Purchase consideration paid in cash	17,021,113
Add: Consideration paid for settlement of debt and debt like items	86,756
Add: Liabilities paid off on the date of acquisition*	294,307
	<u>17,402,176</u>
Less: Identified intangible assets acquired	
- Customer relationship	4,614,010
- Intellectual property rights	2,038,004
Goodwill	<u>10,750,162</u>

*Represents net liabilities after offsetting trade receivables and prepaid expenses against trade payables and other liabilities.

All other disclosures as required under ASC 805 are as follows -

(i) The primary reason for the acquisition is the enhancement of Loyalty business in the United States of America (USA).

(ii) No contingent liabilities have been recognised.

(iii) There are no such transactions that are recognized separately from the acquisition of assets and assumption of liabilities in the business combination.

The excess of the purchase consideration paid over the fair value of assets acquired has been attributed to goodwill. The primary items that generated this goodwill are the value of the acquired assembled workforce and estimated synergies, neither of which qualify as an intangible asset.

Transaction costs that the Company incurs in connection with a business combination such as legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred. The transaction costs of 0.18 million USD related to the acquisition have been included under Professional and consultancy expenses in the Consolidated Statement of Comprehensive for the year ended March 31, 2026.

The Company received CAD 3.88 million (USD 2.8 million) from the sellers of Kognitiv pursuant to the churn indemnity clause in the Purchase and Sale Agreement. The amount pertains to post-acquisition customer contract terminations and has been recognised as Other Income. This refund does not adjust goodwill or acquisition accounting as the related churn events occurred subsequent to the acquisition date.

(This space has been intentionally left blank)



CAPILLARY TECHNOLOGIES LLC AND ITS SUBSIDIARIES**Notes to consolidated financial statements***(All amounts are in USD, unless specified otherwise)***17. Discontinued Operations**

The Group vide its Board resolution dated March 12, 2025, decided to discontinue its operations in the Digital business effective from March 31, 2025. The e-commerce business of the Group comprised of operations and cashflow that was clearly distinguished from the operations of the rest of the Group.

Accordingly, the demerged cash generating unit and the attributable unallocated assets and liabilities represent discontinued operations and has been accounted for in accordance with the stipulations of ASC 360-10 and ASC 205-20 - Non-current assets held for sale and discontinued operations. The comparative periods have also been adjusted in line with the requirements of the standard.

The Income from the Discontinued Operations for the years are as mentioned below:

	Year ended March 31, 2026	Year ended March 31, 2025
I. Revenue from operations	-	3,193,597
II. Other income	-	-
III. Total income (I+II)	-	3,193,597
IV. Total expenses	-	3,182,599
V. Income/(loss) before tax (III-IV)	-	10,998
VI. Tax expense (net) from discontinued operations	-	2,310
VII. Income for the year from discontinued operations (V-VI)	-	8,688

Net cashflow attributable to the cash generating unit is as follows:

Cashflow from/ (used in) Operating activities	-	189,128
Cashflow from/ (used in) Investing activities	-	-
Cashflow from / (used in) Financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	-	189,128

18. Cash and cash equivalents

Cash and cash equivalents include cash balances that are restricted in nature, amounting to \$681,575 as at March 31, 2026.

19. Changes in Accounting Estimates and Errors

The Group had issued share warrants to its customer during FY 2023-24 as part of a revenue contract with a customer. The Group considered such warrants cost as a non-cash consideration paid to acquire a contract with the customer and recognised such warrants cost as unbilled receivable, which will be amortised as a reduction in revenue over the anticipated future cash inflow over the contract period. However, the aforementioned assets is in the nature of prepayments and accordingly, the Group has reclassified such assets of USD 10.03 million from unbilled receivable to other current assets amounting to USD 1.24 million and other non-current assets amounting to USD 8.79 million.

20. Subsequent events

In accordance with ASC 855 – Subsequent Events, the Group evaluated subsequent events through May 06, 2026, the date these consolidated financial statements were made available for issuance. The Group is not aware of any additional subsequent events that would require recognition or additional disclosure in these consolidated financial statements.

