

EXPLEO SOLUTIONS INC.

**FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITOR'S REPORT**

MARCH 31, 2024 AND 2023

BALACHANDAR JAYARAMAN CPA LLC
Certified Public Accountant/Business Consultant
719 Inman Ave., Suite # 201, P.O. Box 117
Colonia, NJ 07067
Tel. (732) 943-7605 eFax. (732) 909-7122
Mobile (732) 539-0924
Email: bala@jayaramancpa.com
www.jayaramancpa.com

EXPLEO SOLUTIONS INC.

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www.jayaramancpa.com

Email: bala@jayaramancpa.com

732-943-7605 (Tel)

732-909-7122 (eFax)

732-539-0924 (Mobile)

732-669-7779 (Fax)

Licensed: NJ & IL

Member: AICPA

Member: NJSCPA

CPA & CGMA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
Expleo Solutions Inc

Opinion

We have audited the accompanying financial statements of Expleo Solutions Inc (a Delaware corporation), which comprise the balance sheets as of March 31, 2024 and 2023, and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Expleo Solutions Inc as of March 31, 2024 and 2023, 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 in accordance with auditing standards generally accepted in the United States of America. 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 Expleo Solutions Inc 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Expleo Solutions Inc's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT – (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Expleo Solutions Inc'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Expleo Solutions Inc'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.

To the Board of Directors and Stockholders of
Expleo Solutions Inc

INDEPENDENT AUDITOR’S REPORT – (Cont’d)

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of cost of sales and operating expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Balachandar Jayaraman CPA LLC

Colonia, New Jersey

May 15, 2024

EXPLEO SOLUTIONS INC
BALANCE SHEETS
March 31, 2024 and 2023

	2024	0	2023
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 2,756,305		\$ 1,430,914
Accounts Receivable - Affiliate/Others net of allowance for collection loss \$-0- and \$19,250	915,120		1,575,654
Unbilled Revenues (Contract Assets)	638,972		33,519
Loan Receivable from Affiliate	1,400,000		1,400,000
Interest Receivable from Affiliate	67,615		20,797
Loans & Advances	23,318		12,569
Prepaid Expenses	14,496		6,455
Total Current Assets	<u>5,815,826</u>		<u>4,479,908</u>
<u>Property, Plant and Equipment</u>			
Computer Equipment	2,796		4,961
Less: Accumulated Depreciation	<u>(1,235)</u>		<u>(4,961)</u>
Total Property, Plant and Equipment	<u>1,561</u>		<u>-</u>
<u>Other Assets</u>			
Contract Purchase net of Amortization	150,000		225,000
Deferred Tax Asset	51,582		26,539
Security Deposit	720		-
Total Other Assets	<u>202,302</u>		<u>251,539</u>
Total Assets	<u>\$ 6,019,689</u>		<u>\$ 4,731,447</u>
<u>Liabilities and Stockholder's Equity</u>			
<u>Current Liabilities</u>			
Accounts Payable	\$ 82,117		\$ 24,837
Accounts Payable - Expleo India / Affiliates	3,208,629		2,308,733
Unearned Revenues (Contract Liabilities)	39,682		95,920
Accrued Expenses	179,997		261,563
Accrued Income Taxes	40,379		21,874
Total Current Liabilities	<u>3,550,804</u>		<u>2,712,927</u>
<u>Stockholder's Equity</u>			
Common Stock - 0.01 Cent par value; 10,000 shares authorized and 3,000 shares issued	30		30
Additional Paid-in Capital	99,970		99,970
Retained Earnings	2,368,885		1,918,520
Total Stockholder's Equity	<u>2,468,885</u>		<u>2,018,520</u>
Total Liabilities and Stockholder's Equity	<u>\$ 6,019,689</u>		<u>\$ 4,731,447</u>

See independent auditor's report and accompanying notes to the financial statements

EXPLEO SOLUTIONS INC
STATEMENTS OF INCOME
For the Years Ended March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Operating Revenues</u>		
Sales Revenues - Contracts	\$ 4,544,122	\$ 3,736,855
Total Operating Revenues	<u>4,544,122</u>	<u>3,736,855</u>
Cost of Sales (Schedule I)	(3,367,683)	(2,710,001)
Gross Profit/(Loss)	<u>1,176,439</u>	<u>1,026,854</u>
Operating Expenses (Schedule II)	(660,324)	(600,379)
Income/(Loss) from Operations	<u>516,115</u>	<u>426,475</u>
<u>Other Non-Operating Income/Expenses</u>		
Interest Income	132,134	58,862
Interest Expense	-	-
Income/(Loss) before provision for Income Taxes	<u>648,249</u>	<u>485,337</u>
Income Tax Expense	<u>(197,884)</u>	<u>(133,217)</u>
Net Income/(Loss)	<u>\$ 450,365</u>	<u>\$ 352,120</u>

See independent auditor's report and accompanying notes to the financial statements

EXPLEO SOLUTIONS INC
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
For the Years Ended March 31, 2024 and 2023

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance at 04/01/2022	\$ 30	\$ 99,970	\$ 1,566,400	\$ 1,666,400
Contribution/Return of capital	-	-	-	-
Net Income/(Loss)	-	-	352,120	352,120
Balance at 03/31/2023	<u>30</u>	<u>99,970</u>	<u>1,918,520</u>	<u>2,018,520</u>
Contribution/Return of Capital	-	-		-
Net Income/(Loss)	<u>-</u>	<u>-</u>	<u>450,365</u>	<u>450,365</u>
Balance at 03/31/2024	<u>\$ 30</u>	<u>\$ 99,970</u>	<u>\$ 2,368,885</u>	<u>\$ 2,468,885</u>

See independent auditor's report and accompanying notes to the financial statements

EXPLEO SOLUTIONS INC
STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2024 and 2023

	2024	2023
<u>Cash Flows From Operating Activities</u>		
Net Income	\$ 450,365	\$ 352,120
Adjustment to Reconcile Changes in Net Income to Net Cash Provided by/(used in) Operating Activities:		
Depreciation/ Amortization Expense	75,550	75,000
<u>(Increase)/Decrease in:</u>		
Accounts Receivable-Expleo India	-	-
Accounts Receivable - Affiliate/ Others	660,534	(1,125,819)
Unbilled Revenues (Contract Assets)	(605,453)	(33,519)
Interest Receivable from Affiliate	(46,818)	(20,797)
Loans & Advances	(10,749)	(7,343)
Prepaid Expenses	(8,041)	3,446
Deferred Tax Asset	(25,043)	(23,442)
Security Deposit	(720)	235
<u>Increase/(Decrease) in:</u>		
Accounts Payable	57,280	24,837
Accounts Payable - Expleo India / Affiliates	899,896	1,937,530
Unearned Revenues (Contract Liabilities)	(56,238)	95,920
Accrued Expenses	(81,566)	186,660
Accrued Income Taxes	18,505	13,058
Net Cash Provided by/(used in) Operating Activities	<u>1,327,502</u>	<u>1,477,886</u>
<u>Cash Flows From Investing Activities</u>		
Contract Purchase	-	(300,000)
Fixed Asset Purchase	(2,111)	-
Net Cash Provided by/(used in) Investing Activities	<u>(2,111)</u>	<u>(300,000)</u>
<u>Cash Flows From Financing Activities</u>		
Loan Paid to Affiliate	-	(1,400,000)
Net Cash Provided by/(used in) Financing Activities	<u>-</u>	<u>(1,400,000)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	1,325,391	(222,114)
Cash and Cash Equivalents: Beginning of Year	<u>1,430,914</u>	<u>1,653,028</u>
Cash and Cash Equivalents: End of Year	<u>\$ 2,756,305</u>	<u>\$ 1,430,914</u>
<u>Supplemental Disclosure:</u>		
Cash paid for Interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for Income Taxes	<u><u>\$ 193,038</u></u>	<u><u>\$ 152,454</u></u>

See independent auditor's report and accompanying notes to the financial statements

EXPLEO SOLUTIONS INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 1. Organization

Expleo Solutions Inc. was incorporated on April 29, 2002 in the State of Delaware. Expleo Solutions Inc. (Expleo/ the Company) is a wholly owned subsidiary of Expleo Solutions Limited (Expleo India) a public limited corporation in India. Expleo is a software service firm that provides software validation and verification services to the Banking and Financial Services industry located throughout the United States.

Note 2. Summary of Significant Accounting Policies

This summary of significant accounting policies of Expleo Solutions is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America and have been consistently applied in the preparation of the financial statements.

a) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. Accordingly, all significant receivables, payables, and other liabilities are recorded.

b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

c) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash is defined as unrestricted cash balances and investments with original maturities of three months or less. As of March 31, 2024 and 2023, there were no restricted cash balances and investments.

d) Concentrations of Credit Risk

Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents. Cash and cash equivalents are deposited with federally insured commercial banks in the United States.

EXPLEO SOLUTIONS INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 2. Summary of Significant Accounting Policies – (Cont'd)

e) Accounts Receivable

Trade accounts receivable are stated at net of allowance for doubtful accounts. The Company establishes an allowance for uncollectible trade accounts receivable based on historical collection experience and management's evaluation of collectability of outstanding accounts receivable. No collateral is required for securing accounts receivable.

f) Loans Receivable

Lons receivable are stated at unpaid principal balances net of allowance for loan losses. Interest Income is recorded on an accrual basis based on daily balances. Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote. Interest payments received on such loans are applied as a reduction of the loan principal balance. Interest income on other impaired loans is recognized only to the extent of interest payments received.

g) Property, Plant and Equipment

For financial reporting purposes, depreciation of property, plant and equipment is provided on the straight-line method. The estimated useful lives of the assets are as follows:

Computers	3 years
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All property, plant and equipment with acquisition costs of 5,000 INR, which is converted to US dollars (approximately equal to \$60 converted at the exchange rate of INR 83.339 per US Dollar as of March 31, 2024) according to the exchange rate applicable at the time of purchase and useful life of over one year, is capitalized. The cost of assets sold, retired, or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in statement of income and retained earnings. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of an asset are capitalized.

h) Revenue Recognition

The company generates revenue from professional services rendered. Revenue is recognized for the services performed while the corresponding costs of providing those services are reflected as cost of sales. Revenue represents services billed to Parent company. The Company invoices the parent company for onsite services rendered to customers in the United States at cost plus margin based on transfer pricing study.

EXPLEO SOLUTIONS INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 2. Summary of Significant Accounting Policies – (Cont'd)

h) Revenue Recognition (cont'd)

Unbilled revenues (contract assets) represent revenue for services performed but not yet billed until the subsequent period. Unearned revenues (contract liabilities) represent advances received prior to providing services which are recognized as revenue when services are performed.

The company also bills customers on behalf of the parent company, which in turn, bills the subsidiary for the same amount. These billing and charges are offset each other as per the company's transfer pricing study.

i) Cost of Sales

Costs of sales primarily consist of employee payroll costs, related payroll taxes and benefits, business travel expenses, amounts paid to Expleo India for support services rendered to the customers and professional services for consultants on the projects.

j) Operating Expenses

Operating expenses are general and administrative in nature, which include recruiting, marketing, rent etc., which are not directly related to any specific client project, but provide for the overall support and direction of Expleo Solutions Inc.

k) Income Taxes

The Company provides for income taxes on the basis of United States generally accepted accounting principles (as codified by Financial Accounting Standards Board) which requires recognition of deferred taxes based on the differences between the financial statement and the tax bases of assets and liabilities at enacted rates in effect in the years in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

l) Advertising

The Company expenses the costs of advertising, including promotional expenses, as incurred.

m) Subsequent Events

Management considered subsequent events through the date of issuance of this report (May 15, 2024).

EXPLEO SOLUTIONS INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 2. Summary of Significant Accounting Policies – (Cont'd)

n) New Accounting Pronouncements

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers: Topic 606. This ASU supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The Organization adopted this ASU on April 1, 2021 using a full retrospective method of application. As a result, no cumulative effect adjustment was recorded upon adoption.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue and therefore no change to the previously issued audited financial statements were required. The presentation and disclosure of revenues have been enhanced in accordance with the standard.

Accounting for Leases

On February 25, 2016, the FASB issued ASU 2016-02 (Topic 842), "Leases," which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

The FASB's new standard, Leases (ASC 842), represents the first comprehensive overhaul of lease accounting since FAS 13 was issued in 1976. There are elements of the new standard that could impact almost all entities to some extent, although lessees will likely see the most significant changes. The standard is effective for nonpublic business entities for fiscal years beginning after December 15, 2019.

In November 2019, a deferral was issued for nonpublic entities in recognition of the challenges encountered in the implementation of a major standard. The second deferral for nonpublic entities, in June 2020, was issued because of disruptions caused by the coronavirus pandemic. Private companies now have a deferral option to apply *ASU 2016-02 Leases (Topic 842)* to fiscal year beginning after December 15, 2021. The Company currently maintains month to month leases, which are not impacted by the changes required by this new pronouncement.

EXPLEO SOLUTIONS INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 2. Summary of Significant Accounting Policies – (Cont'd)

n) New Accounting Pronouncements (Cont'd)

Financial Instruments/ Credit Losses

In June 2016, the FASB issued ASU 2016-13 (Topic 326), “Financial Instruments/ Credit Losses,” which introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. The ASU also provides updated guidance regarding the impairment of available-for-sale debt securities and includes additional disclosure requirements.

The standard's main goal is to improve financial reporting by requiring earlier/timely recognition of credit losses on financing receivables and other financial assets in scope. The current expected credit loss standards (CECL) is effective for nonpublic business entities for fiscal years beginning after December 15, 2022.

Upon adoption, ASU 2016-13 provides for a modified retrospective transition by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is effective, except for debt securities for which an other-than-temporary impairment has previously been recognized. The Company already recorded collection losses for the year ended March 31, 2023, therefore, there was no further impact on the prior year financials, which are required by this new pronouncement.

Note 3. Cash and Cash Equivalents

For purposes of statements of cash flows, Expleo Solutions considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Company maintains its cash accounts at banks, which are guaranteed by the FDIC up to \$ 250,000. As of March 31, 2024 and 2023, the Company’s uninsured cash balances were as follows:

	<u>Mar. 31, 2024</u>	<u>Mar. 31, 2023</u>
Carrying Value	\$ 3,018,935	\$ 1,491,102
Portion insured by FDIC	<u>\$ 250,000</u>	<u>\$ 250,000</u>
Portion uninsured by FDIC	<u>\$ 2,768,935</u>	<u>\$ 1,241,102</u>

In books, cash amounted to \$2,756,305 and \$1,430,914 as of March 31, 2024 and 2023. The variance between bank balance as per book and as per bank represents outstanding checks as of March 31, 2024 and 2023.

EXPLEO SOLUTIONS INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 4. Accounts Receivable – Affiliate/ Others

Accounts Receivable – Affiliate/ Others represent amounts billed to customers for billing routed through Expleo. Such balances amounted to \$915,120 and \$1,575,654 as of March 31, 2024 and 2023, respectively. It also includes balances due from US subsidiaries of the ultimate parent company in the amounts of \$48,590 and \$154,799, as of March 31, 2024 and 2023, respectively. Allowance for Collection Loss amount to \$-0- and \$19,250 as of March 31, 2024 and 2023, respectively. Bad debt written off amounted to \$0 and \$19,250- respectively for the years ended March 31, 2024 and March 31, 2023.

Note 5. Unbilled Revenues (Contract Assets)

Unbilled Revenues (Contract Assets) represent revenue for services performed but not yet billed until the subsequent period. Such balances amounted to \$638,972 and \$33,519 as of March 31, 2024 and 2023, respectively.

Note 6. Loan/ Interest Receivable from Affiliate

Expleo provided loan of \$1,000,000 to Expleo Services SASU on June 6, 2022 at the rate Libor overnight rate plus 3.93% p.a., repayable on demand. The loan was increased to \$1,4000,000 on March 14, 2023. The total interest rate was 9.26% as of March 31, 2024 and the interest is calculated on a daily basis. Interest is payable quarterly. Interest Income earned during the years ended March 31, 2024 and 2023 were \$132,134 and \$58,862, respectively. Interest accrued as of March 31, 2024 and 2023 were \$67,615 and \$20,797, respectively. This loan is considered as unsecured. The loan terms are from April 1, 2022 to March 31, 2025.

Note 7. Loans & Advances

The Company provides advances to employees to meet their expenses during relocation or temporary assignments away from their home location. These advances are adjusted when the employee's expense bills are submitted or salary advances are repaid by the employees. Advances also include fees paid to government for immigration matters and tax overpayments. As of March 31, 2024 and 2023, loans & advances amounted to \$23,318 and \$12,569, respectively. These advances bear no interest.

Note 8. Prepaid Expenses

Prepaid expenses included amounts paid in advance for insurance, dues and subscription. As of March 31, 2024 and 2023, prepaid expenses amounted to \$14,496 and \$6,455, respectively.

EXPLEO SOLUTIONS INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 9. Property and Equipment

Property and equipment included computer equipment purchased for business purposes at a cost of \$2,796 and \$4,961 as of March 31, 2024 and 2023, respectively. The accumulated depreciation as of March 31, 2024 and 2023 amounted to \$1,235 and \$4,961, respectively. The depreciation expense for the years ended March 31, 2024 and 2023 amounted to \$550 and \$-0- respectively. Dispositions amounted to \$4,277 and \$685 respectively, for the years ended March 31, 2024 and 2023, respectively.

Note 10. Contract Purchase net of Amortization

Expleo Solutions Inc has entered into a Master Assignment Agreement with Lucid Technologies and Solutions LLC, through which Expleo acquired Lucid's commercial contracts, effective April 1, 2022. These customer agreements are intangible assets with finite life. The acquisition costs amounted to \$300,000. The cost is amortized over 48 months on a straight-line basis. During the fiscal years ended March 31, 2024 and 2023, amortization expense amounted to \$75,000 and \$75,000 respectively. The accumulated amortization amount were \$150,000 and \$75,000 as of March 31, 2024 and 2023. The net book value were \$150,000 and \$225,000 as of March 31, 2024 and 2023.

Lucid is engaged in the activity of Data Governance, Data Security and analytics led by their IP driven accelerators, capabilities. Lucid partners with leading data governance platform vendors. They have marquee clients in the US delivering value through their proprietary tools, assets and Agile, CMMi and PSP methodologies.

Note 11. Deferred Tax Asset

Deferred tax asset balance amounted to \$51,582 and \$26,539 as of March 31, 2024 and 2023, respectively. The calculation of deferred tax asset is explained in more detail under income tax note.

Note 12. Security Deposits

The Company has security deposit of \$720 and \$-0- as of March 31, 2024 and 2023, respectively.

Note 13. Accounts Payable

Accounts payable includes outstanding invoices due to vendors. As of March 31, 2024 and 2023, the balances amounted to \$82,117 and \$24,837 respectively.

Note 14. Accounts Payable – Expleo India/Affiliates

Accounts payable includes outstanding invoices due to Expleo India and Affiliates. As of March 31, 2024 and 2023, the balances amounted to \$3,208,629 and \$2,308,733 respectively.

EXPLEO SOLUTIONS INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 15. Unearned Revenues (Contract Liabilities)

Unearned Revenues (Contract Liabilities) amounted to \$39,682 and \$95,920 as of March 31, 2024 and 2023 respectively.

Note 16. Accrued Expenses

Accrued expenses include sales and marketing expenses, professional fees for services rendered, travel and immigration related expenses incurred during the reporting period. As of March 31, 2024 and 2023, accrued expenses amounted to \$179,997 and \$261,563 respectively.

Note 17. Accrued Income Taxes

Accrued income taxes consist of federal and state corporate income taxes owed by the Company less the amount of estimated tax payments made during the fiscal year. As of March 31, 2024 and 2023, they amounted to \$40,379 and \$21,874 respectively.

Note 18. Stockholder's Equity

During the years ended March 31, 2024 and 2023, parent Company Expleo India did not contribute any additional funds to Equity.

Note 19. Foreign Operations

Expleo India, the parent company, provides professional services to the customers in the USA. Expleo Solutions Inc bills Expleo India for its revenues at cost plus margin basis for onsite services in accordance with transfer pricing study.

Note 20. Related Party Transactions

Expleo India, the parent company of Expleo Solutions, undertakes full responsibility for project execution, provides operational and management direction, technical literatures, and training for implementation of projects. The company entered into various related party transactions as noted below and all transactions are executed at arm's length with supporting documents.

Expleo billed \$4,544,122 and \$3,736,855 for costs of consultants provided for onsite/offshore services to Expleo India for the years ended March 31, 2024 and 2023, respectively. Such billing is based on transfer pricing study, which uses cost plus margin basis for onsite services.

Expleo Solutions billed customers for onsite and offshore services on behalf of the parent company \$ 11,179,665 and \$ 9,384,857 for the years ended March 31, 2024 and 2023, respectively. These amounts are offset by Expleo India's billing to Expleo Solutions of the equal amounts, as per the Company's transfer pricing study and methodology recommended in the study.

EXPLEO SOLUTIONS INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 20. Related Party Transactions (Cont'd)

Accounts Receivable due from Expleo India as of March 31, 2024 and 2023 were \$-0- and \$-0-, respectively. Accounts Payable to related parent and other affiliated companies amounted to \$3,208,629 and \$2,308,733 as of March 31, 2024 and 2023, respectively. These amounts included \$3,184,022 and \$2,290,748 towards balances due to Expleo India as of the same period. The March 31, 2024 and 2023 balance due included \$-0- and \$4,700 for Expleo Technology USA, Inc; and \$33,416 and \$13,285 for SC Expleo Romania SRL as of same year ends. The amounts due to/ from are settled with the parent and affiliated companies periodically in the ordinary course of business.

Expleo Solutions raised debit note in the amount of \$211,629 and \$56,140 to Expleo India for marketing cost during the fiscal years ended March 31, 2024 and 2023, respectively. During the years ended March 31, 2024 and 2023, Expleo Solutions received \$-0- and \$ 511,849 respectively, from the customers of Expleo India. Expleo Solutions did not provide any services to those customers and all services were provided and billed by Expleo India.

Billings to Expleo Technology USA Inc amounted to \$384,929 and \$846,029 for the years ended March 31, 2024 and 2023, respectively. Expleo Technology USA Inc owed \$48,590 and \$154,799 as of the same period.

Expleo provided loan of \$1,000,000 to Expleo Services SASU on June 6, 2022 at the rate Libor overnight rate plus 3.93% p.a., repayable on demand. The loan was increased to \$1,4000,000 on March 14, 2023. The total interest rate was 9.26% as of March 31, 2024 and the interest is calculated on a daily basis. Interest is payable quarterly. Interest Income earned during the years ended March 31, 2024 and 2023 were \$132,134 and \$58,862, respectively. Interest accrued as of March 31, 2024 and 2023 were \$67,615 and \$20,797, respectively. This loan is considered as unsecured. The loan terms are from April 1, 2022 to March 31, 2025.

Note 21. Income Taxes

The Company files income tax returns in the U.S. federal and various state jurisdictions. During the years ended March 31, 2024 and 2023, the Company's federal and state tax expense / (benefit) amounted to \$197,884 and \$133,217, respectively. Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Corporation's assets and liabilities. Differences are primarily attributable to allowances for doubtful debts, variable pay and sales incentive accrual, leave encashment accrual, and book and tax depreciation/amortization amounts.

EXPLEO SOLUTIONS INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 21. Income Taxes (Cont'd)

For the years ended March 31, 2024 and 2023, the effective tax rate approximated the combined federal and state statutory rate of 30.88% and 28.51%, respectively. The deferred income taxes recognized in the balance sheets at March 31, 2024 and 2023, were \$54,974 and \$26,539 respectively. Management has determined that no valuation allowance related to deferred tax assets is necessary at March 31, 2024 and 2023. The Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years ended before March 31, 2021. No significant interests and penalties related to taxes were incurred or accrued. Current and Deferred taxes are as follows:

	Mar. 31, 2024	Mar.31, 2023
State Tax Current	\$ 90,254	\$ 52,884
Federal Tax Current	132,673	103,775
State Tax Deferred	(9,513)	(6,456)
Federal Tax Deferred	(15,530)	(16,986)
Total Tax	<u>\$ 197,884</u>	<u>\$ 133,217</u>

Note 22. Operating Lease

The Company leases a virtual office in Iselin, NJ. The lease expires on April 30, 2025. Rental expenses incurred for the years ended March 31, 2024 and 2023 amounted to \$10,296 and \$2,674 respectively. The future minimum lease payments for the NJ lease are as follows:

Fiscal Year Ending: March 31, 2025	\$ 2,784
Fiscal Year Ending: March 31, 2026 (till April 30, 2025)	\$ 232

Note 23. Concentration

100 % of the sales revenue is based on billing the parent company for onsite services rendered in the USA to various customers, at cost plus margin as per transfer pricing study. Sales to a related party Expleo Technology USA Inc amounted to 3% and 10 % respectively during the years ended March 31, 2024 and 2023. Similarly, accounts receivable from the related parties accounted for 5% and 10%, respectively as of the same periods.

Billing to one unrelated customer on behalf of the parent company accounted for 47 % and 38 % of the total billings during the years ended March 31, 2024 and 2023, respectively. Similarly, two unrelated customers accounted for 59% and 57% and three unrelated customers accounted for 67% and 68% of the total billings during the same periods. Accounts Receivable from one unrelated customer accounted for 27% and 23% as of March 31, 2024 and 2023, respectively.

EXPLEO SOLUTIONS INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND 2023

Note 23. Concentration (Cont'd)

Accounts receivable from two unrelated customers accounted for 51% and 43% and three unrelated customers accounted for 64% and 60 %, respectively as of the same periods. The Company does not require collateral or other security to support accounts receivable. To reduce credit risk, management performs ongoing credit evaluations of its customers' financial condition. The Company maintains allowances for potential credit losses.

The Company maintains its cash in a bank deposit account located in New York, which, at times, may exceed federally insured limit of \$ 250,000. The Company has not experienced any losses in the account. As of March 31, 2024, and 2023, the uninsured cash balances were \$ 2,768,935 and \$ 1,180,914 respectively (Note 3).

Note 24. Sources and Timing of Revenue Recognition

The Company provided software services to customers during the fiscal years ended March 31, 2024 and 2023, as shown below:

	<u>Mar. 31, 2024</u>	<u>Mar. 31, 2023</u>
<u>Segments</u>		
Services Transferred Over Time	4,544,122	3,736,855
Total	<u><u>\$ 4,544,122</u></u>	<u><u>\$ 3,736,855</u></u>

	<u>Mar. 31, 2024</u>	<u>Mar. 31, 2023</u>
<u>Geographic Markets</u>		
North America	4,544,122	3,736,855
Total	<u><u>\$ 4,544,122</u></u>	<u><u>\$ 3,736,855</u></u>

Note 25. Risks and Uncertainties

The company has sufficient capital and retained earnings to avoid any potential going concern issues within the one year period after the date the financial statements are available to be issued.

Note 26. Subsequent Events

No Significant subsequent events were identified by management.

EXPLEO SOLUTIONS INC
SCHEDULES OF COST OF SALES
For the Years Ended March 31, 2024 and 2023

Costs of Sales	2024	2023
Payroll Expenses	\$ 869,005	\$ 446,727
Payroll Taxes & Benefits	131,234	53,514
Project Consultant Cost	2,265,884	2,160,849
Project Implementation Costs	<u>101,560</u>	<u>48,911</u>
Total Cost of Sales	<u><u>\$ 3,367,683</u></u>	<u><u>\$ 2,710,001</u></u>

See independent auditor's report and accompanying notes to the financial statements

EXPLEO SOLUTIONS INC
SCHEDULES OF OPERATING EXPENSES
For the Years Ended March 31, 2024 and 2023

Operating Expenses	2024	2023
Salaries & Wages	\$ 383,004	\$ 332,861
Travel & Immigration Expenses	24,401	8,466
Marketing Expenses	43,406	72,871
Payroll Taxes & Benefits	56,070	61,101
Professional Fees	22,812	43,165
Allowance for Collection Loss	-	19,250
Insurance	2,599	14,045
Recruitment and Training Expenses	18,000	(37,500)
Rent	10,296	2,674
Office Expense/ Miscellaneous	22,228	7,486
Telecommunication	1,958	960
Depreciation/ Amortization	75,550	75,000
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Total Operating Expenses	\$ 660,324	\$ 600,379
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See independent auditor's report and accompanying notes to the financial statements