

HFCL CANADA INC.
Financial Statements
Year Ended March 31, 2025

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Year Ended March 31, 2025

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Pathak Professional Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of HFCL Canada Inc.

Opinion

I have audited the financial statements of HFCL Canada Inc. (the "company"), which comprise the balance sheet as at March 31, 2025, and the statements of income, retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2025, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises (ASPE).

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the company in accordance with ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matter

The financial statements for the year ended March 31, 2024 were prepared by another practitioner and are unaudited.

Emphasis of Matter - Comparative Information

I draw attention to Note 3 to the financial statements which describes that HFCL Canada Inc. adopted ASPE on April 1, 2024 with a transition date of October 26, 2023. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at March 31, 2024 and October 26, 2023, and the statements of income, retained earnings and cash flows for the year ended March 31, 2024 and related disclosures. My opinion is not modified in respect of this matter.

I was not engaged to report on the comparative information, and as such, it is unaudited.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPE, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. 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.
- 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Pathak Professional Corporation

Mississauga, Ontario
May 17, 2025

CHARTERED PROFESSIONAL ACCOUNTANT
Authorized to practise public accounting by
the Chartered Professional Accountants of
Ontario

HFCL CANADA INC.

Balance Sheet

As at March 31, 2025

	2025	2024 (Unaudited)
ASSETS		
Cash	\$ 72,978	\$ 1
Accounts receivable (Note 6)	690,015	-
Harmonized sales tax recoverable	3,275	-
	\$ 766,268	\$ 1
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable (Note 6)	\$ 732,830	\$ -
Income taxes payable	2,459	-
Due to related parties (Note 5)	24,157	-
	759,446	-
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	1	1
Retained earnings	6,821	-
	6,822	1
	\$ 766,268	\$ 1

ON BEHALF OF THE BOARD

 Director

Director

See notes to financial statements

HFCL CANADA INC.
Statement of Income
For the Year Ended March 31, 2025

	2025	2024 (Unaudited)
SALES (Note 6)	\$ 743,396	\$ -
COST OF SALES		
Purchases (Note 6)	683,642	-
Supplies	14,112	-
Freight	6,095	-
	703,849	-
GROSS PROFIT	39,547	-
EXPENSES		
Professional fees	11,000	-
Interest and bank charges	912	-
Realized (gain)/loss on foreign exchange	18,355	-
	30,267	-
INCOME BEFORE INCOME TAXES	9,280	-
INCOME TAXES (Note 8)	2,459	-
NET INCOME	\$ 6,821	\$ -

See notes to financial statements

HFCL CANADA INC.
Statement of Retained Earnings
For the Year Ended March 31, 2025

	2025	2024 <i>(Unaudited)</i>
RETAINED EARNINGS - BEGINNING OF YEAR	\$ -	\$ -
NET INCOME	6,821	-
RETAINED EARNINGS - END OF YEAR	\$ 6,821	\$ -

See notes to financial statements

HFCL CANADA INC.
Statement of Cash Flows
Year Ended March 31, 2025

	2025	2024 <i>(Unaudited)</i>
OPERATING ACTIVITIES		
Net income	\$ 6,821	\$ -
Changes in non-cash working capital:		
Accounts receivable	(690,015)	-
Accounts payable	732,830	-
Income taxes payable	2,459	-
Harmonized sales tax payable	(3,275)	-
	41,999	-
Cash flow from operating activities	48,820	-
INVESTING ACTIVITY		
Advances from shareholder	-	1
FINANCING ACTIVITY		
Advances from related parties	24,157	-
INCREASE IN CASH FLOW	72,977	1
Cash - beginning of year	1	-
CASH - END OF YEAR	\$ 72,978	\$ 1
CASH CONSISTS OF:		
Cash	\$ 72,978	\$ 1

See notes to financial statements

HFCL CANADA INC.
Notes to Financial Statements
Year Ended March 31, 2025

1. DESCRIPTION OF BUSINESS

HFCL Canada Inc. (the "company") is incorporated federally under the Canada Business Corporations Act on October 26, 2023. The company's principal business activities are the trading of optical fibre cables and the provision of technical and marketing services in the telecommunications sector.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises (ASPE).

3. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR PRIVATE ENTERPRISES

During the year the company adopted Canadian accounting standards for private enterprises (ASPE). These financial statements are the first prepared in accordance with these standards. The adoption of ASPE had no impact on retained earnings as at October 26, 2023 or income or cash flows for the period ended March 31, 2024 as previously reported in accordance with pre-changeover Canadian generally accepted accounting principles.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Sales

Revenue from the sale of inventory is recognized upon receipt by the customer, when the significant risks and rewards of ownership have transferred and there are no significant obligations remaining, the sales price is fixed and determinable, persuasive evidence of an arrangement exists and collectability is reasonably assured.

Going concern

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom, and to continue to obtain borrowings from third parties sufficient to meet current and future obligations and/or restructure the existing debt and payables. These financial statements do not reflect the adjustments or reclassification of assets and liabilities, which would be necessary if the company were unable to continue its operations.

Income taxes

The company uses the income taxes payable method of accounting for income taxes. Under this method, the company reports as an expense (income) of the period only the cost (benefit) of current income taxes determined in accordance with the rules established by taxation authorities.

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HFCL CANADA INC.
Notes to Financial Statements
Year Ended March 31, 2025

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealised gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date.

The Company's financial assets consist of cash, accounts receivable, and other receivable. The Company's financial liabilities consist of accounts payable and due to related parties. The Company has elected to measure all financial instruments at cost or amortized cost, less any provision for impairment.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income. Financial assets measured at amortized cost were cash, accounts receivable. The financial liabilities measured at amortized cost were due to shareholder, long term debt, and accounts payable and accrued liabilities.

Transactions costs

Transaction costs relating to financial assets and liabilities that will be subsequently measured at fair value are expensed as incurred. Transaction costs that are directly attributable to acquisition of financial assets and liabilities that will not be measured at the fair values are capitalized to the cost to those financial assets and liabilities. No transaction costs incurred during the year.

HFCL CANADA INC.
Notes to Financial Statements
Year Ended March 31, 2025

5. DUE TO RELATED PARTIES

	2025	2024 <i>(Unaudited)</i>
HFCL BV	\$ 295	\$ -
HFCL Inc.	23,862	-
	\$ 24,157	\$ -

Advances from a related company are non-interest bearing, unsecured and payable on demand. The parties are related because they are subject to common control and transactions are in the normal course of business operations

6. RELATED PARTY TRANSACTIONS

The following is a summary of the company's related party transactions:

	2025	2024 <i>(Unaudited)</i>
HFCL Inc <i>(Common control)</i>		
Sales	\$ 659,668	\$ -
Accounts receivable	678,685	-
HFCL BV <i>(Common control)</i>		
Purchase	\$ 634,833	\$ -
Accounts payable	668,702	-

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

7. SHARE CAPITAL

	2025	2024 <i>(Unaudited)</i>
Issued:		
1 Common share	\$ 1	\$ 1

HFCL CANADA INC.
Notes to Financial Statements
Year Ended March 31, 2025

8. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 26.50% (2024 - -%) to the income for the year and is reconciled as follows:

	2025	2024 (Unaudited)
Income before taxes	\$ 9,280	\$ -
Income tax expense at the combined basic federal and provincial tax rate:	\$ 2,459	\$ -
Increase (decrease) resulting from:		
Effective tax expense	\$ 2,459	\$ -

9. ECONOMIC DEPENDENCE

The company buys 93% (2024: Nil) of its inventory of optical fiber goods from one vendor. It has a large amount 2025: 93% of trade payable (2024: Nil) due to that company and is totally dependent on that company in order to carry on its business in Canada.

HFCL Canada Inc. sells approximately 89% of its products to one customer. Should this customer substantially change its dealings with the company, management is of the opinion that continued viable operations would be doubtful.

10. FINANCIAL INSTRUMENTS

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of March 31, 2025.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from customers. In order to reduce its credit risk, the company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. Amount due from one customers constitute 98% (2024: Nil) of the total accounts receivables. There is an increase in risk as compared with previous year as the accounts receivable balance has increased this year.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company's main liquidity risk is on account of meeting its operating expense and payment of accounts payable. There is change in the risk assessment from prior year as accounts payable balance has increased from the prior year.

(c) Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The company is not subject to currency risk.

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HFCL CANADA INC.
Notes to Financial Statements
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10. FINANCIAL INSTRUMENTS *(continued)*

(d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the company manages exposure through its normal operating and financing activities. The company is not subject to significant interest rate risk.

(e) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is not subject to significant equity and other price risk.
