

**INDEPENDENT AUDITOR'S REPORT
To The Board of Directors of R SYSTEMS, INC.
Report on the Financial Statements**

Opinion

We have audited the accompanying financial statements of **R SYSTEMS, INC.** ("the Company"), which comprise the Statement of Financial Position as at December 31, 2019, and the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give a true and fair view in conformity with the with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), of the state of affairs of the Company as at December 31, 2019, its profit, total comprehensive income, its cash flows and changes in equity for the year ended on that date.

Basis for opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ("ICAI"). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. This responsibility also includes maintenance of adequate accounting records, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and 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 Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole is 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 a guarantee that an audit conducted in accordance with SAs 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 this Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We 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 our 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 the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

Materiality is the magnitude of misstatements in the Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the Statements of our work; and (ii) to evaluate the effect of any identified misstatements in the Financial Statements.



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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)



JITENDRA AGARWAL
Partner
(Membership No. 87104)
(UDIN: 20087104AAAABH8221)

Place: Noida
Date: February 09, 2020



R Systems, Inc.
Statement of financial position as at December 31, 2019

		(Amount in USD)	
Particulars	Notes	As at December 31, 2019	As at December 31, 2018
ASSETS			
A. Non-current assets			
(a) Property, plant and equipment	3a	593,827	323,771
(b) Right-of-use assets	3b	77,392	-
(c) Intangible assets	3c	-	-
(d) Financial assets			
(i) Investment	4	2,845,934	-
(ii) Other financial assets	5	720,000	249,000
(e) Deferred tax assets (net)	6	114,572	140,975
(f) Other non-current assets	7	6,126	30,568
Total non-current assets (A)		4,357,851	744,314
B. Current assets			
(a) Financial assets			
(i) Trade receivables	8	3,780,862	3,484,446
(ii) Cash and bank balances	9	4,631,422	6,526,478
(iii) Other financial assets	5	449,764	663,451
(b) Current tax assets (net)		41,670	18,913
(c) Other current assets	7	218,660	215,336
Total current assets (B)		9,122,378	10,908,624
Total assets (A+B)		13,480,229	11,652,938
EQUITY AND LIABILITIES			
A. Capital and reserve			
(a) Share capital	10	1,537,401	1,537,401
(b) Retained earnings	11	7,958,819	7,918,875
Total capital and reserve (A)		9,496,220	9,456,276
B. Non-current liabilities			
(a) Financial liabilities			
(i) Other financial liabilities	12	1,628,054	-
		1,628,054	-
C. Current liabilities			
(a) Financial liabilities			
(i) Trade payables	13	1,396,082	1,525,639
(ii) Other financial liabilities	12	59,771	7,988
(b) Provisions	14	655,712	551,890
(c) Current tax liability (net)		-	73,000
(e) Other current liabilities	15	244,390	38,145
Total current liabilities (B)		2,355,955	2,196,662
Total equity and liabilities (A+B)		13,480,229	11,652,938
Summary of significant accounting policies	2		

See accompanying notes to the financial statements

1-26

In terms of our report attached

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants

JITENDRA AGARWAL
Partner

Place: Noida
Date: February 09, 2020



For and on behalf of the Board of Directors of
R SYSTEMS, INC.

SATINDER SINGH REKHI
Director

Place: Frankfurt, Germany
Date: February 09, 2020

R Systems, Inc.

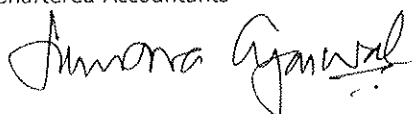
Statement of profit or loss and other comprehensive income for the year ended December 31, 2019

	Notes	For the year ended December 31, 2019	For the year ended December 31, 2018
Revenue from operations	16	24,001,433	23,544,151
Cost of revenues	20	(18,895,609)	(18,413,347)
Gross profit		5,105,824	5,130,804
Other income	17	176,901	132,089
Depreciation and amortisation expense	18	(261,275)	(128,628)
Finance costs	19	(164,123)	-
Selling general and administrative expenses	20	(4,655,146)	(4,337,803)
Profit before tax		202,181	796,462
Income tax expense	21	(152,405)	(431,818)
Profit after tax		49,776	364,644
Other comprehensive income		-	-
Total comprehensive income for the year		49,776	364,644
Summary of significant accounting policies	2		
See accompanying notes to the financial statements	1-20		

In terms of our report attached

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants



JITENDRA AGARWAL

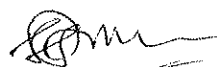
Partner

Place: Noida

Date: February 09, 2020



**For and on behalf of the Board of Directors of
R SYSTEMS, INC.**



SATINDER SINGH REKHI

Director

Place: Frankfurt, Germany

Date: February 09, 2020

R Systems, Inc.

Statement of Changes in Equity as at December 31, 2019

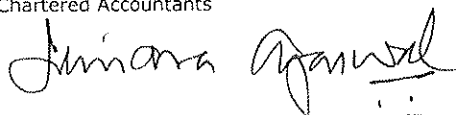
(Amount in USD)

Particulars	Share capital	Retained earning	Total
Balance at January 1 2018	1,537,401	7,554,231	9,091,632
Profit for the year		364,644	364,644
Balance at December 31, 2018	1,537,401	7,918,875	9,456,276
Impact of initial application of IFRS 16 (refer to Note 2p)	-	(9,832)	(9,832)
Revised balance as on January 1, 2019	1,537,401	7,909,043	9,446,444
Profit for the year		49,776	49,776
Balance at December 31, 2019	1,537,401	7,958,819	9,496,220

See accompanying notes to the financial statements
In terms of our report attached.

1-26

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants

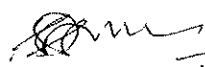


JITENDRA AGARWAL
Partner

Place: Noida
Date: February 09, 2020



For and on behalf of the Board of Directors of
R SYSTEMS, INC.



SATINDER SINGH REKHI
Director

Place: Frankfurt, Germany
Date: February 09, 2020

R Systems, Inc.

Statement of Cash Flows for the year ended December 31, 2019

(Amount in USD)

Particulars	For the year ended December 31, 2019	For the year ended December 31, 2018
Cash flows from operating activities:		
Profit after tax	49,776	364,644
Adjustments for:		
Income tax expense	152,405	431,818
Depreciation and amortisation expense	150,713	128,628
Amortisation of right-of-use assets	110,562	-
Loss/(Profit) on sale of asset	111	(6,300)
Provision / (reversal) for doubtful debts and advances (net)	58,329	44,583
Liability no longer required written back	(44,146)	(23,050)
Interest expense on lease liability	8,848	-
Interest on fair value of contingent consideration	155,275	-
Interest income	(116,465)	(102,739)
Operating profit before working capital changes	525,408	837,584
Changes in operating assets and liabilities:		
(Increase) / Decrease in trade receivables	(354,745)	(295,471)
(Increase) / Decrease in other financial assets and other assets	115,504	291,355
Increase / (Decrease) in trade and other payables, other financial liabilities and other liabilities	86,533	512,380
Increase / (Decrease) in provisions	103,822	35,631
Cash generated from operations	476,522	1,381,479
Taxes paid, net of refunds	(217,941)	(117,908)
Net cash flows from operating activities	258,581	1,263,571
Cash flows from investing activities:		
Investment in bank deposits	(3,980,000)	(10,628,000)
Proceeds from bank deposits	5,168,000	8,185,000
Payment for acquisition of Innovizant LLC	(1,373,155)	-
Proceeds from loan to related party	114,560	33,103
Interest received on loan to related party	10,441	16,897
Interest received from bank deposits	110,765	49,336
Purchase of property, plant and equipment	(425,682)	(245,099)
Proceeds from sale of property, plant and equipment	4,802	6,300
Net cash used in investing activities	(370,269)	(2,582,463)
Cash flows from financing activities:		
Payment of lease liability	(124,368)	-
Net cash used in financing activities	(124,368)	-
Net increase / (decrease) in cash and bank balances	(236,056)	(1,318,892)
Cash and bank balances at the beginning of the year	1,358,478	2,677,370
Cash and bank balances at the end of the year (Refer to Note 9)	1,122,422	1,358,478

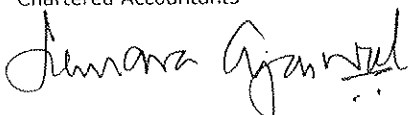
See accompanying notes to the financial statements

1-26

In terms of our report attached

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants



JITENDRA AGARWAL

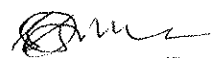
Partner

Place: Noida

Date: February 09, 2020



For and on behalf of the Board of Directors of
R SYSTEMS, INC.



SATINDER SINGH REKHI

Director

Place: Frankfurt, Germany

Date: February 09, 2020

1. General information

R Systems, Inc. (the 'Company') is a wholly owned subsidiary of R Systems International Limited (RSIL) a company incorporated in India. The Company was incorporated under the laws of the State of California on March 9, 1993.

The address of the registered office is 5000, Windplay Drive, Suite # 5, El Dorado Hills, Sacramento, California, USA, 95762.

The Company provides IT staffing and consulting services for customers primarily in USA geographies.

The financial statements were authorized for issuance by the Company's Board of Directors on February 9, 2020.

2. Summary of Significant Accounting Policies

a) Statement of compliance

The financial statements as at and for the year ended December 31, 2019 have been prepared in accordance with International Financial Reporting Standards and its interpretations ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

b) Basis of preparation

The financial statements have been prepared on an accrual and going concern basis.

The financial statements have been prepared on the historical cost basis except where otherwise described in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an assets or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16.

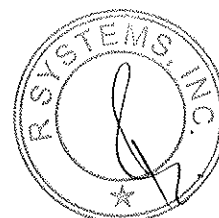
The principal accounting policies adopted by the Company are set out below.

c) Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Company satisfies a performance obligation by transferring a promised service to the customer, which is when the customer obtains control of the service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'unbilled revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Company has not adopted the terminology used in IFRS 15 to describe such balances.



The Company recognizes deferred revenue for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognizes either unbilled revenue or trade receivables in the statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

IT staffing and consultancy services

The Company recognizes revenue from IT staffing and consultancy services over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company. The output method recognizes revenue on the basis of direct measurements of the value to the customer of services transferred to date, relative to the remaining services promised under the contract.

d) Functional currency

The financial statements of the Company are presented in USD which is the currency of the primary economic environment in which the Company operates.

e) Foreign currencies

Transactions in currencies other than functional currency are recognised, on initial recognition, at exchange rates prevailing at the date of the transaction. At the balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss.

f) Taxation

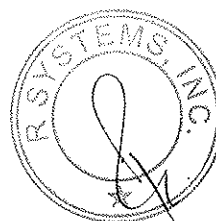
The tax expense comprises the sum of the tax currently payable by the Company and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

Current tax

Current taxes are based on the taxable profit for the year of the Company and are calculated according to local tax rules, using the tax rates that have been enacted or substantially enacted by the balance sheet date. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.



The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

g) Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Gains or losses, arising from derecognition of an item of property, plant and equipment, are measured as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the statement of profit and loss when the item is derecognised.

Assets which are under construction and cost of assets not ready to use before the year end, are disclosed as capital work-in-progress.

The Company depreciates property, plant and equipment on a straight-line basis over the useful lives as estimated by the management. The residual values and useful lives are reviewed at each financial year end or whenever there are indicators for review, and adjusted prospectively.

The useful lives estimated by the management are as follows:

Leasehold property improvements:	7 years or period of lease, whichever is less
Property, plant and equipment:	
- Electric installation	5 years
- Networking equipment's	5 years
- Furniture and fittings	7 years
- Computer hardware	3 years
- Vehicles	7 years
- Office equipment	5 years

h) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at each balance sheet date, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The carrying value of intangible assets is reviewed for impairment on an annual basis for events or changes in circumstances that indicate that the carrying value may not be recoverable.



Amortisation is calculated so as to write off the cost of intangible assets over their estimated useful lives, using the straight line method, on the following bases:

- Softwares Lower of license period or 3 years

i) Leases

Company as lessee

The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract or of part of contract, conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (1) the contract involves the use of an identified asset (2) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (3) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease. Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in profit or loss.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of the leases. Subsequent to the initial measurement, the liability will be reduced for payments made and increased for interest. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

j) Investment in subsidiary company

Investment in subsidiary company is measured at cost.

k) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

All financial instruments are recognised initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.



Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Cash and bank balances

Cash and bank balance comprise cash in hand and in banks and demand deposits with banks. For the purposes of the cash flow statement, cash and cash equivalents include cash in hand, in banks and demand deposits with banks with an original maturity of three months or less.

Loans and receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. Loans and other receivable with maturity greater than 12 months after the balance sheet date are classified as non-current assets. Loans and other receivables are subsequently carried at amortised cost using the effective interest method.

Interest income

Interest income is recognized on a time proportion basis taking into account the carrying amount and the effective interest rate. Interest income included under the head other income in the statement of profit & loss.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.



Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

1) Impairment

Financial assets

The Company recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables and accrued income. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

(ii) Definition of default

The Company considers that default has occurred when a financial asset is more than 120 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit impaired financial assets

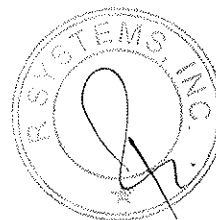
A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

(iv) Write off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.



For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Non-financial assets

The carrying amounts of the Company's non-financial assets, excluding deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or its cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

m) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

n) Employee benefits

a) Social security plans

Employer's Contributions payable to the social security plans, which are a defined contribution scheme, are charged to the statement of profit or loss in the year in which the employee renders services. The Company's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee.

b) Compensated absences

The employees of the Company are entitled for compensated absence. The employees can carry forward a portion of the unutilized accumulating compensated absence and utilize it in future years or receive cash at retirement or termination of employment.

The Company records an obligation for compensated absence in the year in which the employee renders the services that increases this entitlement. The Company measures the expected cost of compensated absence as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date. The Company recognizes accumulated compensated absence based on actuarial valuation. The Company recognizes actuarial gains and losses immediately in the statement of profit or loss. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.



o) Critical accounting judgments and key sources estimation uncertainty

The preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences, management expertise and other contributing factors, the results which form the basis of making judgments about the carrying value of assets and liabilities that may not be readily apparent from other sources. Actual results may differ from these estimates.

Critical accounting judgments:

Provision for tax

The Company's major tax jurisdiction is USA. Significant judgments are involved in determining the provision for income taxes. Also refer to note 20.

Impairment of investments

The Company reviews its carrying value of investments at each Balance Sheet date, or more frequently when there is an indication of impairment. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for.

Contingent consideration

Contingent consideration representing liability towards acquisition of business is reassessed at every reporting date. Any increase or decrease in the probability of achievement of financial targets would impact the measurement of the liability. Appropriate changes in estimates are made when the management becomes aware of the circumstances surrounding such estimates.

There are no other judgments that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

p) New and amended IFRS Standards that are effective for the current year

The Company applied IFRS 16 for the first time. The nature and effect of the changes as a result of the adopting of these new accounting standards are described below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases-Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Prior to the adoption of IFRS 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Company's accounting policy on leases after the adoption of IFRS 16 is as disclosed in Note 2(i) above.



R Systems, Inc.
Notes to the financial statements for the year ended December 31, 2019

On initial application of IFRS 16, the Company has elected to apply the following practical expedients:

- (i) For all contracts entered into before January 1, 2019 and that were previously identified as leases under IAS 17 *Lease* and IFRIC 4 *Determining whether an Arrangement contains a Leases*, the Company has not reassessed if such contracts contain leases under IFRS 16; and
- (ii) On a lease-by-lease basis, the Company has:
 - (a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
 - (b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
 - (c) accounted for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
 - (d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
 - (e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at January 1, 2019.

For leases previously classified as operating leases under IAS 17 on January 1, 2019, the Company has applied the following transition provisions:

- i. On a lease-by-lease basis, the Company chose to measure its ROU assets (except for ROU assets which meet the definition of investment property) at a carrying amount as if IFRS 16 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at January 1, 2019.
- ii. Recognised its lease liabilities by discounting the remaining lease payments as at January 1, 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.
- iii. The difference between the carrying amounts of the ROU assets and lease liabilities as at January 1, 2019 is adjusted directly to opening retained profits. Comparative information is not restated.

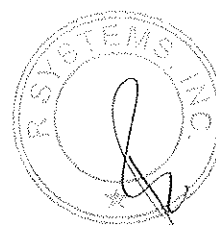
The effects of adoption of IFRS 16 on the Company's financial statements as at January 1, 2019 are as follows:

	Amount in USD
Right-of-use assets	187,954
Lease liabilities	201,604
Accumulated losses (net of deferred tax USD 3,818)	9,832

Further, the application of IFRS 16 has resulted in an increase in cash inflows from operating activities and an increase in cash outflows from financing activities on account of lease payments.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using the applicable incremental borrowing rates at January 1, 2019. The weighted-average rate applied is 6.37%.

The difference between the lease obligation disclosed as of December 31, 2018 under IAS 17 and the value of the lease liabilities as of January 1, 2019 is primarily on account of practical expedients exercised for low value assets and short term leases, inclusion of extension and termination options reasonably certain to be exercised, in measuring the lease liability in accordance with IFRS 16 and discounting the lease liabilities to the present value under IFRS 16.



q) **New and revised IFRS in issue but not yet effective**

The Company has not yet applied the following new and revised IFRS that have been issued but are not yet effective:

New and revised IFRSs

**Effective for
annual periods
beginning on or
after**

Amendments to IFRS 3: *Definition of a Business*

1 January 2020

On October 22, 2018, the International Accounting Standard Board has issued amendments to IFRS 3, 'Business Combinations', in connection with clarification of business definition, which help in determining whether an acquisition made is of a business or a group of assets. The amendment added a test that makes it easier to conclude that a Company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. These amendments are effective for annual reporting periods beginning on or after January 1, 2020, with early application permitted. The Company is currently evaluating the impact of amendment to IFRS 3 on the Company's consolidated financial statements.

Amendments to IAS 1 and IAS 8: *Definition of Material*

1 January 2020

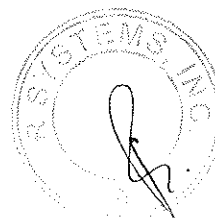
Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest Rate benchmark reform*

1 January 2020

Amendments to References to the Conceptual Framework in IFRS Standards

1 January 2020

Management anticipates that these new standards, interpretations and amendments will be adopted in the financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments should have no material impact on the financial statements of the Company in the year of initial application.

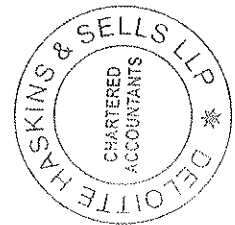


R Systems, Inc.
Notes to the financial statements for the year ended December 31, 2019

3a. Property, plant and equipment

(Amount in USD)

Particulars	Leasehold Improvements	Electric Installation	Networking Equipments	Furniture and fittings	Computer hardware	Vehicles	Office equipment	Total
At cost								
Gross carrying value								
As at January 1, 2018	121,084	26,820	398,756	154,418	412,114	223,239	52,677	1,389,108
Additions	-	-	152,672	-	72,706	-	19,721	245,099
Disposals	-	-	-	-	-	(55,000)	-	(55,000)
As at December 31, 2018	121,084	26,820	551,428	154,418	484,820	168,239	72,398	1,579,207
Additions	-	-	411,344	-	14,338	-	-	425,682
Disposals	-	(23,854)	(65,437)	-	(112,745)	-	(8,936)	(210,972)
As at December 31, 2019	121,084	2,966	897,335	154,418	386,413	168,239	63,462	1,793,917
Accumulated depreciation								
As at January 1, 2018	119,846	26,820	311,563	124,990	342,342	223,239	38,011	1,186,811
Charge for the year	527	-	45,987	12,575	53,483	-	11,053	123,625
Disposals	-	-	-	-	-	(55,000)	-	(55,000)
As at December 31, 2018	120,373	26,820	357,550	137,565	395,825	168,239	49,064	1,255,436
Charge for the year	535	-	76,225	12,396	53,174	-	8,383	150,713
Disposals	-	(23,854)	(65,437)	-	(107,832)	-	(8,936)	(206,059)
As at December 31, 2019	120,908	2,966	368,338	149,961	341,167	168,239	48,511	1,200,090
Net carrying value								
As at December 31, 2018	711	-	193,878	16,853	88,995	-	23,334	323,771
As at December 31, 2019	176	-	528,997	4,457	45,246	-	14,951	593,827



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3b. Right-of-use assets

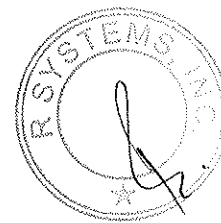
(Amount in USD)

Particulars	Office premises
At cost	
Gross carrying value	
As at January 1, 2019	187,954
Additions	-
As at December 31, 2019	187,954
Accumulated amortization	
As at January 1, 2019	-
Charge for the year	110,562
As at December 31, 2019	110,562
Net carrying value	
As at December 31, 2019	77,392

3c. Intangible assets

(Amount in USD)

Particulars	Softwares
At cost	
Gross carrying value	
As at January 1, 2018	288,113
Additions	-
Disposals	-
As at December 31, 2018	288,113
Additions	-
Disposals	(102,151)
As at December 31, 2019	185,962
Accumulated amortization	
As at January 1, 2018	283,110
Charge for the year	5,003
Disposals	-
As at December 31, 2018	288,113
Charge for the year	-
Disposals	(102,151)
As at December 31, 2019	185,962
Net carrying value	
As at December 31, 2018	-
As at December 31, 2019	-



R Systems, Inc.

Notes to the financial statements for the year ended December 31, 2019

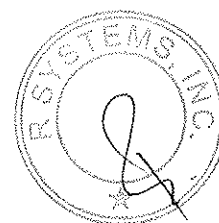
4. Investment

Particulars	(Amount in USD)	
	As at December 31, 2019	As at December 31, 2018
Investment in Innovizant LLC, USA 100% ownership interest (Previous year Nil)	2,845,934	-
Total Investment measured at cost	2,845,934	-
Non-current	2,845,934	-
Current	-	-
	2,845,934	-

The Company has completed the acquisition of 100% interest in Innovizant LLC, (Innovizant) effective January 1, 2019. Innovizant is engaged in providing IT Services focused on advanced analytics, data engineering, and digital connected systems. The management has assessed the fair value of investment at USD 2,845,934, out of which USD 1,373,156 is paid during the year and balance to be paid over the next three years on fulfillment of certain conditions.

5. Other financial assets (carried at amortised cost)

Particulars	(Amount in USD)	
	As at December 31, 2019	As at December 31, 2018
Advance to related parties (refer to Note 23)	142,634	92,960
Loan to related party (refer to Note 23)	196,277	310,837
Bank deposits (refer to Note 9)	720,000	249,000
Unbilled revenue	27,160	175,488
Staff advance	28,387	38,309
Security deposit	1,200	1,200
Interest accrued but not due	36,370	41,111
Others	17,736	3,546
	1,169,764	912,451
Non-current	720,000	249,000
Current	449,764	663,451
	1,169,764	912,451



R Systems, Inc.

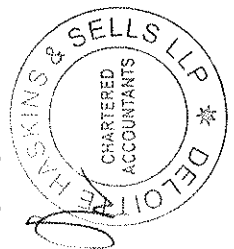
Notes to the financial statements for the year ended December 31, 2019

6 Deferred tax assets (net)

Particulars	(Amount in USD)	
	As at December 31, 2019	As at December 31, 2018
Deferred tax assets	215,556	178,786
Deferred tax liabilities	(100,984)	(37,811)
Deferred tax asset (net)	114,572	140,975

2019	Opening balance	Impact of initial application of IFRS 16 (refer to Note 2 p)	Revised opening balance	Credited / (charged) to profit or loss	Closing balance
Deferred tax asset / (liability) in relation to					
Provision for compensated absences	154,439	-	154,439	29,053	183,492
Lease liability under IFRS 16	-	3,818	3,818	(1,386)	2,432
Provision for doubtful debts	24,347	-	24,347	(11,686)	12,661
Brought forward business losses	-	-	-	16,971	16,971
Property, plant and equipment	(37,811)	-	(37,811)	(63,173)	(100,984)
Total	140,975	3,818	144,793	(30,221)	114,572

2018	Opening balance	Credited / (charged) to profit or loss	Closing balance
Deferred tax asset / (liability) in relation to			
Provision for compensated absences	205,626	(51,187)	154,439
Provision for doubtful debts	16,894	7,453	24,347
Brought forward business losses	53,449	(53,449)	-
Property, plant and equipment	133,867	(171,678)	(37,811)
Deferred tax asset (net)	409,836	(268,861)	140,975



7. Other current assets

Particulars	(Amount in USD)	
	As at December 31, 2019	As at December 31, 2018
Prepaid expenses	224,786	245,904
	224,786	245,904
Non-current	6,126	30,568
Current	218,660	215,336
	224,786	245,904

8. Trade receivables

Particulars	(Amount in USD)	
	As at December 31, 2019	As at December 31, 2018
Unsecured, considered good	3,780,862	3,484,446
Credit impaired	45,243	87,000
Less: Provision for doubtful debts	(45,243)	(87,000)
	3,780,862	3,484,446

Trade receivables are non-interest bearing and are generally on 30 to 60 days' terms. They are recognised at their original invoice amounts, which represents their fair values on initial recognition.

The Company assesses at the end of each reporting period whether there is objective evidence that trade receivables are impaired.

An allowance for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is recognised in the profit or loss.

Movement of provision for doubtful debts

	For the year ended December 31, 2019	For the year ended December 31, 2018
Balance at beginning of year	87,000	42,418
Amount written off against receivables	(100,086)	-
Provision for bad and doubtful debts (net)	58,329	44,582
Balance at end of the year	45,243	87,000

Age of impaired trade receivables

	As at December 31, 2019	As at December 31, 2018
91 to 180 days	395	2,832
181+ days	44,848	84,168
	45,243	87,000

Receivables that are past due but not impaired

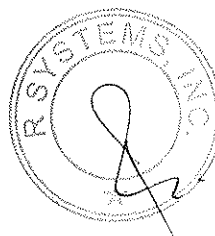
The Company have trade receivables amounting to USD 1,516,578 (previous year USD 1,449,628) respectively that is past due at the end of reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of reporting period is as follow:

	As at December 31, 2019	As at December 31, 2018
0-60 days	1,196,025	1,337,880
61-90 days	313,654	65,748
91 to 180 days	6,899	39,342
181+ days	-	6,658
	1,516,578	1,449,628

The Company uses a provision matrix to determine impairment loss on portfolio of its trade receivable. The provision matrix is based on its historically observed default rates over the expected life of the trade receivable and is adjusted for forward-looking estimates. At every reporting date, the historically observed default rates are updated and changes in forward-looking estimates are analysed. The Company estimates the following matrix at the reporting date.

Ageing	Default rate*
Not due	0.01%
0-90 days	0.01%
90-180 days	0.25%
180-365 days	0.51%
More than 365 days	2.00%

*In case of probability of non-collection, default rate is 100%.



9. Cash and bank balances

For the purposes of statement of cash flow, cash and bank balances include cash on hand and in banks. Cash and bank balances at the end of the financial year as shown in the statement of cash flow can be reconciled to the related items in the statement of financial position as follows:

Particulars	(Amount in USD)	
	As at December 31, 2019	As at December 31, 2018
Balances with banks		
(i) In current accounts	1,122,422	1,358,478
(ii) In deposit accounts	4,229,000	5,417,000
	5,351,422	6,775,478
Less : Bank deposit with original maturity for more than 12 months (refer to Note 5)	(720,000)	(249,000)
Cash and bank balances	4,631,422	6,526,478
Less: Bank deposit with original maturity for more than 3 months but less than 12 months	(3,509,000)	(5,168,000)
Cash and bank balances for the purpose of cash flow	1,122,422	1,358,478

10. Share capital

Particulars	(Amount in USD)	
	As at December 31, 2019	As at December 31, 2018
Common stock		
Authorised		
5,000 (Previous year 5,000) common stock at "no par value"	-	-
	-	-
Issued, subscribed and fully paid up		
2,150 (Previous year 2,150) common stock at "no par value"	1,537,401	1,537,401
	1,537,401	1,537,401

Notes

The company has only one class of ordinary shares. Each holder of ordinary share is entitled to one vote per share and carry a right to dividends.

11. Retained earnings

Particulars	(Amount in USD)	
	As at December 31, 2019	As at December 31, 2018
Opening balance	7,918,875	7,554,231
Less: Impact of initial application of IFRS 16 (refer to Note 2p)	(9,832)	-
Add: Profit for the year	49,776	364,644
Total	7,958,819	7,918,875

Retained earnings comprises the Company's prior years' undistributed earnings after taxes.



R Systems, Inc.

Notes to the financial statements for the year ended December 31, 2019

12. Other financial liabilities

Particulars	(Amount in USD)	
	As at December 31, 2019	As at December 31, 2018
Payable to related parties (refer to Note 23)	28,737	7,988
Advance from Customer	31,034	-
Contingent consideration (refer to Note 22)	1,628,054	-
	1,687,825	7,988
Non-current	1,628,054	-
Current	59,771	7,988
	1,687,825	7,988

13. Trade and other payables

Particulars	(Amount in USD)	
	As at December 31, 2019	As at December 31, 2018
Trade and other payables	1,396,082	1,525,639
	1,396,082	1,525,639

Trade and other payables are non-interest bearing and trade payables are normally settled on 30 to 60 days' terms.

14. Provisions

Particulars	(Amount in USD)	
	As at December 31, 2019	As at December 31, 2018
Provision for compensated absences	655,712	551,890
	655,712	551,890
Non-current	-	-
Current	655,712	551,890
	655,712	551,890

15. Other liabilities

Particulars	(Amount in USD)	
	As at December 31, 2019	As at December 31, 2018
Statutory dues payable		
401K contribution payable	17,816	13,678
Sales tax payable	9,240	-
Lease liability	86,084	-
Deferred revenue	131,250	4,650
Other payable	-	19,817
	244,390	38,145
Non-current	-	-
Current	244,390	38,145
	244,390	38,145



16. Revenue

Particulars	(Amount in USD)	
	For the year ended December 31, 2019	For the year ended December 31, 2018
Rendering of services	24,001,433	23,544,151
	24,001,433	23,544,151

17. Other income

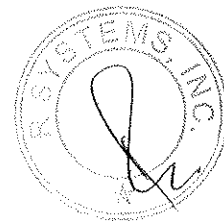
Particulars	(Amount in USD)	
	For the year ended December 31, 2019	For the year ended December 31, 2018
Interest income on financial assets at amortised cost		
- Bank deposit	106,024	85,842
- Others	10,441	16,897
Liability no longer required written back	44,146	23,050
Profit on sale of fixed assets	-	6,300
Miscellaneous income	16,290	-
	176,901	132,089

18. Depreciation and amortisation expense

Particulars	(Amount in USD)	
	For the year ended December 31, 2019	For the year ended December 31, 2018
Depreciation on property, plant and equipment	150,713	123,625
Amortisation of right-of-use assets	110,562	-
Amortization of intangible assets	-	5,003
	261,275	128,628

19. Finance costs

Particulars	(Amount in USD)	
	For the year ended December 31, 2019	For the year ended December 31, 2018
Interest expense on lease liability	8,848	-
Interest on fair value of contingent consideration	155,275	-
	164,123	-



20. Expenses by nature

Particulars	(Amount in USD)	
	For the year ended December 31, 2019	For the year ended December 31, 2018
Employee benefits (refer to Note 1 below)	14,171,840	13,165,128
Sub-contracting expenses (refer to Note 2 below)	6,996,901	7,158,969
Power and fuel	6,326	4,870
Rent - premises	21,203	154,263
Rent - equipments	5,910	7,908
Rates and taxes	31,240	45,858
Insurance	44,278	47,242
Repair and maintenance	137,911	132,387
Advertising and sales promotion	257,749	233,824
Travelling and conveyance	1,039,066	946,670
Communication costs	125,295	59,144
Printing and stationery	2,224	3,925
Legal and professional fees	548,341	594,797
Auditors' remuneration	17,984	18,202
Foreign exchange fluctuation (net)	-	2,335
Provision for bad and doubtful debts (net)	58,329	44,583
Recruitment and training expenses	53,800	68,812
Membership and subscription	17,498	43,238
Bank charges	14,035	17,172
Miscellaneous expenses	825	1,823
	23,550,755	22,751,150

Note 1: Employee benefits

Salaries and wages	13,025,831	11,799,770
Contribution towards 401K plan	42,325	35,022
Staff welfare expense	1,103,684	1,330,336
	14,171,840	13,165,128

The employee benefits are recognized in the following line items in the statement of profit or loss:

Cost of revenues	12,030,296	11,329,937
Selling, general and administrative expenses	2,141,544	1,835,191
	14,171,840	13,165,128

Note 2: Sub-contracting expenses

Outsourcing expenses third party	4,352,325	4,356,231
Outsourcing expenses from fellow subsidiary companies	2,252,040	2,420,346
Outsourcing expenses from subsidiary company	29,744	-
Outsourcing expenses from RSIL	362,792	382,392
	6,996,901	7,158,969

The Sub-contracting expenses are recognized in the following line items in the statement of profit or loss:

Cost of revenues	6,685,309	6,847,377
Selling, general and administrative expenses	311,592	311,592
	6,996,901	7,158,969

Note 3: Travelling and conveyance**Travelling and conveyance expenses are recognized in the following line items in the statement of profit or loss:**

Cost of revenues	180,004	236,033
Selling, general and administrative expenses	859,062	710,637
	1,039,066	946,670

Note 4: Break up of expenses**Cost of revenues (A)**

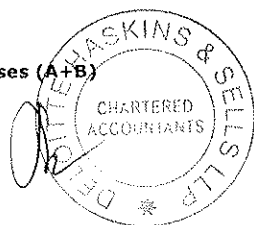
Employee benefits	12,030,296	11,329,937
Sub-contracting expenses	6,685,309	6,847,377
Travelling and conveyance	180,004	236,033
	18,895,609	18,413,347

Selling, general and administrative expenses (B)

Employee benefits	2,141,544	1,835,191
Sub-contracting expenses	311,592	311,592
Travelling and conveyance	859,062	710,637
Others	1,342,948	1,480,383
	4,655,146	4,337,803

Total expenses (A+B)

	23,550,755	22,751,150
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R Systems, Inc.

Notes to the financial statements for the year ended December 31, 2019

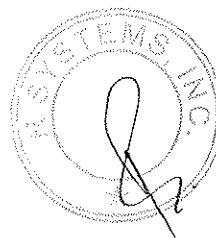
21. Taxation

The provision for income taxes for the years ended December 31, 2019 and 2018 consisted of the following:

Particulars	(Amount in USD)	
	For the year ended December 31, 2019	For the year ended December 31, 2018
Components of income tax expense		
Current income tax expense		
In respect of the current year	115,200	138,000
In respect of the prior periods	6,984	24,957
Deferred tax		
In respect of the current year	21,109	219,978
In respect of the prior periods	9,112	48,883
Income tax expense reported in income statement	152,405	431,818
Reconciliation of income tax charge to accounting profit:		
Profit before tax	202,181	796,462
Effective income tax rate in USA	27.98%	27.98%
Expected tax expense	56,570	222,850
Adjustment of current tax of prior periods	6,984	24,957
Expenses that are not deductible in determining taxable income	6,733	4,617
Impact of reduction in federal income tax rate on deferred tax assets	-	96,770
Provision for prior years for deferred tax	9,112	48,883
Tax provision due to state filings (refer Note 1 below)	93,990	17,556
Others (net)	(20,984)	16,185
	152,405	431,818
Break up of effective tax rate:		
Particulars	For the year ended December 31, 2019	For the year ended December 31, 2018
Federal statutory rate	21.00%	21.00%
State tax rate, net of federal benefit	6.98%	6.98%
Effective income tax rate	27.98%	27.98%

Note:

1. For certain state, the Company files tax return along with RSIL, its subsidiary company Innovizant LLC, USA and fellow subsidiary company R Systems Technologies Ltd., USA, under the unitary methodology. The provision in such states have been computed using consolidated profit of RSIL and allocated to the Company based on its share from the respective state.
2. The Company files consolidated tax return along with its wholly owned subsidiary Innovizant LLC ("Innovizant") for federal income tax purposes.



R Systems, Inc.
Notes to the financial statements for the year ended December 31, 2019

22. Financial instruments and risk management

a) Categories of financial instruments

The Company has the following categories of financial instruments, measured at amortised cost, at the balance sheet date:

	Basis of measurement	As at December 31,		Fair Value hierarchy
		2019	2018	
Financial assets				
Investments	At cost	2,845,934	-	
Trade receivables	Amortised cost	3,780,862	3,484,446	
Cash and bank balances	Amortised cost	4,631,422	6,526,478	
Other financial assets	Amortised cost	1,169,764	912,451	
		12,427,982	10,923,375	
Financial liabilities				
Trade and other payables	Amortised cost	1,396,082	1,525,639	
Contingent consideration	Fair value	1,628,054	-	Level 3
Other financial liabilities	Amortised cost	1,687,825	7,988	
		4,711,961	1,533,627	

Fair value hierarchy:

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consists of the following three levels:

- Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
 - Level 2 - Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
 - Level 3 - Inputs are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.
- There have been no transfers among Level 1, Level 2 and Level 3 during the year.

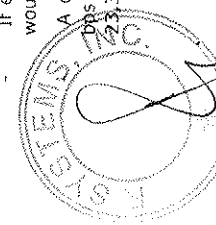
b) Fair value measurement using significant Unobservable Inputs (Level 3)

The following table presents the changes in level 3 items for the year ended December 31, 2019:

Contingent consideration for business acquisition	Amount in USD
As at December 31, 2018	-
Acquisition of Innovizant LLC (refer to Note 4)	1,472,778
Interest on Fair value of contingent consideration	155,275
As at December 31, 2019	1,628,053

c) Valuation inputs and relationships to fair value

Particulars	Fair value as at December 31,		Significant unobservable inputs	Probability-weighted range as at December 31,		Sensitivity
	2019	2018		2019	2018	
Contingent consideration on Innovizant LLC acquisition (refer to Note 4)	1,628,053	-	Expected cash outflows	1,905,000	-	If expected cash flows were 10% lower, the FV would decrease by USD 162,805
			Discount rate	10.40%		A decrease / increase in discount rate by 100 bps would increase / decrease the FV by USD 22,756 / USD 22,756, respectively



22. Financial instruments and risk management (Contd.)**d) Capital risk management**

The Company aims to manage its overall capital so as to ensure the Company continues to operate as a going concern, whilst providing an adequate return to shareholders. The Company's overall strategy remains unchanged for 2019 and it is not subject to externally imposed capital requirements. The Company's capital structure represents the equity attributable to shareholders of the company together with cash and bank balances as follows:

	(Amount in USD)	
	As at December 31, 2019	As at December 31, 2018
Cash and Bank Balances	4,631,422	6,526,478
	4,631,422	6,526,478
Equity	9,496,220	9,456,276
	9,496,220	9,456,276
Capital and net funds	4,864,798	2,929,798

e) Risk management objectives

The Board of Directors of the Company charged with the overall responsibility of establishing and monitoring the Company's risk management policies and processes. The Company's risk management policies and processes are determined in order to identify, analyse and monitor the risks that are faced by the Company.

The principal risks to which the Company is exposed are market risk including currency risk, price risk and interest rate risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Such changes in the values of financial instruments may result from changes in the foreign currency exchange rate, prices and interest rates.

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies. The Company has limited exposure to movements in foreign currency exchange rates arising from normal trading transactions. Therefore, the risk associated with the movement of foreign exchange rates has no significant impact on the Company.

Interest rate risk

The Company has very limited exposure to interest rate risk as it has no interest bearing borrowings/ investments.

Credit risk

Credit risk is the risk that a counter-party will cause a financial loss to the Company by failing to discharge its obligation to the Company. The Company trades only with recognised, credit worthy customers. All customers who wish to trade on credit are subject to credit verification reviews. Customer balances are reviewed regularly to ensure that the risk of exposure to bad debts is minimised. The maximum exposure to credit risk for trade and other receivables, bank balances and other financial assets is represented by their carrying amount.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment.

The following table gives details in respect of revenues generated from top customer and top 5 customers:

Particulars	(Amount in USD)	
	For the year ended December 31, 2019	For the year ended December 31, 2018
Revenue from top customer	2,878,498	3,156,036
Revenue from top 5 customers	7,803,159	7,824,334

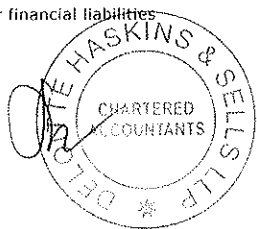
One customer accounted for more than 10% of the revenue during year ended December 31, 2019 and December 31, 2018. One customer accounted for more than 10% of the receivables for the year ended December 31, 2019 and December 31, 2018.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company has given responsibility of liquidity risk management to the Board of Directors who have formulated liquidity management tools to service this requirement. Management of liquidity risk is achieved by monitoring budgets and forecasts and actual cash flows. In addition, the Company benefits from strong cash flow from its normal trading activities. At the balance sheet date, the Company had no bank loans and borrowings.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

Particulars	(Amount in USD)	
	As at December 31, 2019	As at December 31, 2018
Less than 1 year		
Trade and other payables	1,396,082	1,525,639
Other financial liabilities	59,771	7,988
	1,455,853	1,533,627



23. Related party disclosures

i) Names of related parties

Parent entity

R Systems International Limited, India

Fellow subsidiaries

Following are the subsidiaries of R Systems International Limited, India

R Systems (Singapore) Pte Ltd, Singapore
R Systems Technologies Limited, USA
ECnet Ltd, Singapore
Computaris International Limited, U.K.
RSYS Technologies Limited, Canada
IBIZ Consultancy Services India Private Limited, India *

Following is the subsidiary of R Systems Inc., USA

- Innovizant LLC, USA (100% membership interest held by R Systems Inc. USA effective January 1, 2019)

Following are the subsidiaries of ECnet Ltd, Singapore

- ECnet (M) Sdn Bhd, Malaysia
- ECnet Systems (Thailand) Co. Ltd., Thailand
- ECnet (Shanghai) Co. Ltd., People's Republic of China
- ECnet (Hong Kong) Ltd., Hong Kong
- ECnet, Inc., USA (liquidated on January 28, 2019)
- ECnet Kabushiki Kaisha, Japan

Following are the subsidiaries of Computaris International Limited, U.K.

- Computaris Romania Srl, Romania
- Computaris Polska sp z o.o., Poland
- ICS Computaris International Srl, Moldova
- Computaris Malaysia Sdn. Bhd., Malaysia
- Computaris USA, Inc., USA (liquidated on October 22, 2018)
- Computaris Philippines Pte. Ltd. Inc., Philippines
- Computaris Suisse Sarl (incorporated on April 27, 2018)

Following are the subsidiaries of R Systems (Singapore) Pte Ltd, Singapore

IBIZ Consulting Pte. Ltd., Singapore with the following step down subsidiaries:

- IBIZ Consulting Services Pte Ltd, Singapore
- IBIZ Consulting Services Sdn. Bhd., Malaysia
- PT. IBIZCS Indonesia., Indonesia
- IBIZ Consulting (Thailand) Co. Ltd., Thailand (with effect from June 21, 2019)
- IBIZ Consulting Services Limited, Hong Kong (IBIZ HK)
- IBIZ Consulting Services (Shanghai) Co. Ltd., People's Republic of China (wholly owned subsidiary of IBIZ HK)

Names of other related parties with whom transactions have taken place during the year:

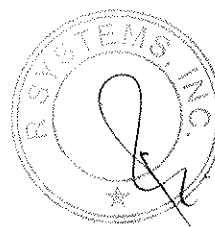
Key management personnel

Satinder Singh Rekhi, Director
Harpreet Rekhi, Director
Sartaj Singh Rekhi, Director
Vinay Narjit Singh Behl, Director
Ruchika Gupta, Director

Relatives of key management personnel

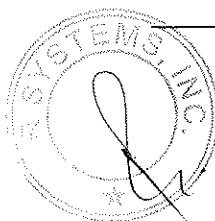
Ramneet Singh Rekhi, Vice President (related to Satinder Singh Rekhi)

* During the year, the R Systems International Limited has acquired shares of its step down subsidiary IBIZ Consultancy Services India Private Limited. Consequent to the acquisition, IBIZ Consultancy Services India Private Limited has become a direct subsidiary of the R Systems International Limited.



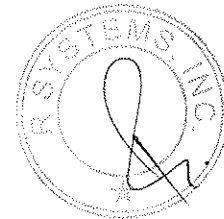
ii) Details of transactions with related parties for the year ended December 31, 2019 and December 31, 2018:

Particulars	(Amount in USD)	
	For the year ended December 31, 2019	For the year ended December 31, 2018
Information technology services rendered to		
Computaris International Limited, U.K.	822,332	1,044,595
Computaris Romania Srl, Romania	828,490	-
Innovizant LLC, USA	112,447	-
PT. IBIZCS Indonesia., Indonesia	12,605	-
Computaris USA, Inc., USA	-	360,097
Total	1,775,874	1,404,692
Information technology services received from		
R Systems Technologies Ltd., USA	1,888,274	2,378,739
RSYS Technologies Ltd., Canada	363,766	41,607
R Systems International Limited, India	51,200	70,800
Innovizant LLC, USA	29,744	-
Total	2,332,984	2,491,146
Off-shore support services received from		
R Systems International Limited, India	338,688	338,688
Total	338,688	338,688
Loan repaid by		
R Systems Technologies Ltd., USA	114,560	33,103
Total	114,560	33,103
Interest income		
R Systems Technologies Ltd., USA	10,441	16,897
Total	10,441	16,897
Purchase of assets		
Computaris USA, Inc., USA	-	11,350
Total	-	11,350
Transfer of assets		
Computaris Romania Srl, Romania	4,802	-
Total	4,802	-
Travel & other expenses reimbursed by the company to		
RSYS Technologies Ltd., Canada	6,571	50,074
R Systems Technologies Ltd., USA	9,193	-
R Systems International Limited, India	57,959	228,869
Innovizant LLC	29,103	-
ECnet Ltd, Singapore	22,988	26,040
Total	125,814	304,983
Travel & other expenses reimbursed to the company by		
R Systems Technologies Ltd., USA	30,871	33,895
R Systems International Limited, India	674,731	552,404
Computaris International Limited, U.K.	31,809	19,516
Computaris Romania Srl, Romania	36,090	-
Innovizant LLC	24,812	-
ECnet Ltd, Singapore	3,466	-
Computaris USA, Inc., USA	-	11,138
Total	801,779	616,953
Other services		
Vinay Narjit Singh Behl	58,455	101,192
Total	58,455	101,192
Remuneration to key management personnel		
Short term employee benefit	338,575	300,714
Other long term employee benefit	264	(1,776)
Total	338,839	298,938
Rent		
Satinder Singh Rekhi	79,200	79,200
Total	79,200	79,200



iii) Details of balances of related parties as at December 31, 2019 and December 31, 2018:

Particulars	(Amount in USD)	
	As at December 31, 2019	As at December 31, 2018
Trade receivable		
Computaris Romania Srl, Romania	179,619	-
PT. IBIZCS Indonesia., Indonesia	3,123	-
Computaris International Limited, U.K.	48,369	118,528
Total	231,111	118,528
Trade payable		
RSYS Technologies Ltd., Canada	33,707	5,918
R Systems International Limited, India	4,200	4,000
R Systems Technologies Ltd., USA.	121,427	176,202
Innovizant LLC, USA	29,744	-
Vinay Narjit Singh Behl	-	55,549
Total	189,078	241,669
Loan given to		
R Systems Technologies Ltd., USA*	196,277	310,837
Total	196,277	310,837
*The loan bears interest at 5% per annum and is repayable on demand. The maximum amount outstanding during 2019 and 2018 was USD 310,837 and USD 356,999 respectively.		
Other receivables		
RSYS Technologies Ltd., Canada	8,961	712
R Systems International Limited, India	114,358	82,166
Computaris Romania Srl, Romania	3,632	-
Computaris International Limited, U.K.	7,984	1,298
R Systems Technologies Ltd., USA.	7,559	8,784
Innovizant LLC, USA	140	-
Total	142,634	92,960
Other financial liabilities		
Innovizant LLC, USA	17,273	-
ECNet Ltd., Singapore	11,464	7,988
Total	28,737	7,988



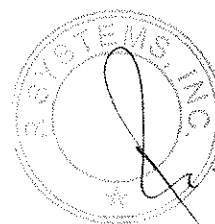
24. Operating lease commitments (under IAS 17 for year ended December 31, 2018)

The Company has entered into commercial leases on office & apartment premises and equipment rental. These leases have an average life of between 1 and 5 years with no renewal option or contingent rent provision included in the contracts. There are no restriction placed upon the Company by entering into these leases.

Future minimum lease payments payable under non-cancellable leases as at year-end are as follows:

	(Amount in USD)
	For the year ended December 31, 2018
Not later than 1 year	49,968
Later than 1 year and not longer than 5 years	31,267
Future minimum lease payments	81,235

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25. Employee Benefit

The Company has calculated the benefits provided to employees as under:

A. Defined contribution plans

The Company contributes to a defined contribution retirement scheme, qualified under Section 401(k) of the Internal Revenue Code, for certain eligible employees. Pursuant to the scheme, eligible employees may contribute a portion of their compensation, subject to a maximum amount per year as specified by law. The Company provides a matching contribution based on specified percentages of amounts contributed by participants. In addition to the matching contributions, the Company, at its discretion, can provide profit-sharing contributions. During the years ended December 31, 2019 and 2018 there were no discretionary contributions made.

During the year the Company has recognised the following amounts in the statement of profit and loss:

Particulars	(Amount in USD)	
	For the year ended December 31, 2019	For the year ended December 31, 2018
401(k) contribution	42,325	35,022

B. Compensated absences

Compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

Particulars	As at December 31, 2019	As at December 31, 2018
Discount rate(s)*	2.11%	3.65%
Rate of increase in compensation level	3.50%	3.50%
Average Expected Future Working life (Years)	3.92	3.93

***Discount rate**

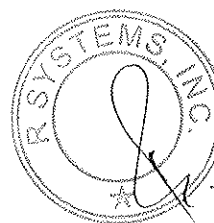
Under IAS 19 R the discount rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds (or, in countries where there is no deep market in such bonds, government bonds) of a currency and term consistent with the currency and term of the post-employment benefit obligations.

Components of expenses recognised in the statement of profit or loss in respect of:

Particulars	(Amount in USD)	
	For the year ended December 31, 2019	For the year ended December 31, 2018
Current service cost	217,185	200,588
Past service cost	-	-
Loss/(gain) on settlement	-	-
Net interest cost/(income) on the net defined benefit liability/(asset)	17,420	9,876
Immediate Recognition of (Gains)/ Losses - Other Long Term Benefits	(48,519)	(135,233)
Expenses recognised in profit and loss	186,086	75,231

The amount included in the balance sheet arising from the entity's obligation in respect of compensated absence is as follows:

Particulars	(Amount in USD)	
	As at December 31, 2019	As at December 31, 2018
Present value of obligation	655,712	551,890
Fair value of plan assets	-	-
Deficit/ (Surplus)	655,712	551,890
Effects of asset ceiling, if any	-	-
Net liability / (asset)	655,712	551,890



Movement in the present value of obligation for accumulated compensated absences is as follows:

Particulars	(Amount in USD)	
	For the year ended December 31, 2019	For the year ended December 31, 2018
Present value of obligation as at the beginnig	551,890	516,259
Current service cost	217,185	200,588
Interest expense or cost	17,420	9,876
Re-measurement (or actuarial) (gain) / loss arising from:		
- change in financial assumptions	32,056	(26,575)
- experience variance	(80,574)	(108,658)
Benefits paid	(82,265)	(39,600)
Present value of obligation as at the end	655,712	551,890

Significant actuarial assumption for the determination of defined obligation are discount rate and expected salary increase. The sensitivity analysis below have ben determined based on reasonably possible changes in respective assumption occurring at the end of reporting period, while holding all other assumptions constant.

Sensitivity analysis

The sensitivity analysis presented below may not be repretative of the actual change in the obligation for compensated absence as it unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Particulars	(Amount in USD)	
	As at December 31, 2019	As at December 31, 2018
Discount rate		
a. Discount rate - 50 basis points	666,918	560,739
b. Discount rate + 50 basis points	644,918	543,352
Salary increase rate		
a. Rate - 50 basis points	645,013	543,299
b. Rate + 50 basis points	666,235	560,236

26. Subsequent events

The Company evaluated subsequent events for potential recognition and disclosure through February 09, 2020, the date the financial statements were issued.



For and on behalf of the Board of Directors
R SYSTEMS, INC.

SATINDER SINGH REKHI
Director

Place: Frankfurt, Germany
Date: February 09, 2020