

RSYS TECHNOLOGIES LTD.

Financial Statements

December 31, 2019

Audited

RSYS TECHNOLOGIES LTD.
December 31, 2019

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Independent Auditor's Report

To the Shareholder
RSYS TECHNOLOGIES LTD.

Opinion

I have audited the accompanying financial statements of RSYS TECHNOLOGIES LTD., which comprise the balance sheets as at December 31, 2019 and December 31, 2018, and the statement of loss, deficit and cash flows for the years then ended, and notes to financial statement, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of RSYS TECHNOLOGIES LTD. as at December 31, 2019, and the result of its financial operations and its cash flows for the years then ended in accordance with Canadian accounting standards for private enterprises.

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 the ethical requirements that are relevant to our 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.

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 Canadian accounting standards for private enterprises, 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.

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.

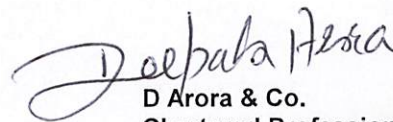
Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 audits.


D Arora & Co.
Chartered Professional Accountant

Burnaby
January 27, 2020



RSYS TECHNOLOGIES LTD.

Balance Sheet

December 31, 2019

Audited

		2019		2018	
	Note	CAD Dollars	Equivalent Rs (Unaudited)	CAD Dollars	Equivalent Rs (Unaudited)
Assets					
Current Assets					
Cash		103,430	5,647,278	87,730	4,495,285
Accounts receivable	5	479,346	26,172,292	228,424	11,704,446
Other current assets	6	54,943	2,999,888	11,187	573,222
Withholding taxes	14	30,488	1,664,645	-	-
Total current assets		668,207	36,484,103	327,341	16,772,953
Property, plant & equipment	2	10,668	582,473	11,594	594,077
Capital work in progress	3	21,832	1,192,027	-	-
Security deposit		9,645	526,617	8,258	423,140
Total Assets		710,352	38,785,220	347,193	17,790,170
Liabilities and Equity					
Current Liabilities					
Accounts payable & accrued liabilities	7	502,517	27,437,428	169,886	8,704,959
Taxes payable	9	45,263	2,471,360	12,516	641,320
Total Current Liabilities		547,780	29,908,788	182,402	9,346,279
Equity					
Share capital	12	1,100,000	60,060,000	1,100,000	56,364,000
Deficit		(937,428)	(51,183,568)	(935,209)	(47,920,109)
Total Equity		162,572	8,876,432	164,791	8,443,891
Total Liabilities & Equity		710,352	38,785,220	347,193	17,790,170
Exchange rate used for translation:		1	54.6000	1	51.2400

Approved on behalf of the Board:

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

RSYS TECHNOLOGIES LTD.

Statement of Deficit

For the Year Ended December 31, 2019
Audited

	2019		2018	
	CAD Dollars	Equivalent Rs (Unaudited)	CAD Dollars	Equivalent Rs (Unaudited)
Deficit - beginning of the year	(935,209)	(51,062,411)	(601,414)	(30,816,453)
Net Loss	<u>(2,219)</u>	<u>(121,157)</u>	<u>(333,795)</u>	<u>(17,103,656)</u>
Deficit - end of the year	<u>(937,428)</u>	<u>(51,183,568)</u>	<u>(935,209)</u>	<u>(47,920,109)</u>
Exchange rate used for translation:	1	54.6000	1	51.2400

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

RSYS TECHNOLOGIES LTD.

Statement of Loss

For the Year Ended December 31, 2019

Audited

		2019		2018	
	Note	CAD Dollars	Equivalent Rs (Unaudited)	CAD Dollars	Equivalent Rs (Unaudited)
Revenue					
Sales		1,561,415	85,253,259	464,499	23,800,929
Sales to related parties	8(a)(b)	1,116,616	60,967,234	368,562	18,885,117
		<u>2,678,031</u>	<u>146,220,493</u>	<u>833,061</u>	<u>42,686,046</u>
Operating expenses					
Subcontract expenses		1,341,786	73,261,516	297,722	15,255,275
Salaries and wages		1,052,267	57,453,778	590,645	30,264,650
Operation and other expenses	11	67,056	3,661,258	63,517	3,254,611
Travel expenses		59,710	3,260,167	84,775	4,343,871
Rental		55,363	3,022,820	48,269	2,473,304
Professional fees		30,800	1,681,680	17,814	912,790
Employee benefits		11,836	646,246	9,296	476,327
Office expenses		11,005	600,873	11,864	607,911
Advertising and promotion		10,147	554,026	4,020	205,985
Interest and bank charges		4,566	249,304	10,311	528,336
Amortization of tangible assets		2,882	157,357	1,381	70,762
		<u>2,647,418</u>	<u>144,549,025</u>	<u>1,139,614</u>	<u>58,393,822</u>
Income (loss) from operations		<u>30,613</u>	<u>1,671,470</u>	<u>(306,553)</u>	<u>(15,707,776)</u>
Unrealized losses		<u>32,832</u>	<u>1,792,627</u>	<u>27,242</u>	<u>1,395,880</u>
Net loss		<u>(2,219)</u>	<u>(121,157)</u>	<u>(333,795)</u>	<u>(17,103,656)</u>
Exchange rate used for translation:		1	54.6000	1	51.2400

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

RSYS TECHNOLOGIES LTD.

Statement of Cash Flow

For the Year Ended December 31, 2019
Audited

	2019		2018	
	CAD Dollars	Equivalent Rs (Unaudited)	CAD Dollars	Equivalent Rs (Unaudited)
Operating activities				
Net loss	(2,219)	(121,157)	(333,795)	(17,103,656)
Items not affecting cash				
Amortization	2,882	157,357	1,381	70,763
	663	36,200	(332,414)	(17,032,893)
Changes in non-cash working capital				
Accounts receivable	(250,922)	(13,700,340)	(185,129)	(9,486,010)
Other current assets	(43,756)	(2,389,078)	8,672	444,353
Accounts payable and accrued liabilities	332,632	18,161,707	(471,386)	(24,153,819)
Tax payable	32,747	1,787,986	7,117	364,675
Security deposit	(1,387)	(75,730)	(1,658)	(84,956)
Withholding taxes	(30,488)	(1,664,645)	-	-
	38,826	2,119,900	(642,384)	(32,915,757)
Investing activities				
Acquisition of property, plant and equipment	(1,957)	(106,852)	(11,286)	(578,295)
Capital work in progress	(21,832)	(1,192,027)	-	-
	(23,789)	(1,298,879)	(11,286)	(578,295)
Financing activities				
Proceeds from issuance of common stock	-	-	1,000,000	(51,240,000)
Increase (decrease) in cash	15,700	857,220	13,916	713,056
Net cash, beginning of a year	87,730	4,790,058	73,814	3,782,229
Net cash, end of a year	103,430	5,647,278	87,730	4,495,285
Exchange rate used for translation:	1	54.6000	1	51.2400

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

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2019

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RSYS TECHNOLOGIES LTD., specializes in providing IT solutions and business process outsourcing services to individuals, businesses, and communities. This company is a subsidiary of R Systems International Limited (a publicly listed Indian Corporation).

Disclaimer - Convenience Translation

The Company provided the translations for the Canadian Dollar (CAD) amounts into Indian Rupees (INR) at the closing rate at December 31, 2019 and 2018, respectively. The translations should not be considered as a representation that such Canadian Dollar (CAD) amounts have been, could have been or could be converted into Indian Rupees at any particular rate, the rate stated above, or all. Accordingly, the translated values are not in accordance with Canadian GAAP. As on December 31, 2019 and 2018, the exchange rate to translate Canadian Dollars (CAD) into Indian Rupees was 54.6000 and 51.2400 respectively.

Basis of presentation

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

1 Significant accounting policies

(a) Revenue recognition

The Company recognizes revenue when earned, specifically when all the following conditions are met:

- Services are provided to customers.
- There is clear evidence that an arrangement exists.
- Amounts are fixed or can be determined.
- The ability to collect is reasonably assured.
- There is no significant obligation for future performance.

(b) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have financial impact on future periods. Significant areas of estimation include accounts, estimated useful lives of property, plant and equipment, accrued liabilities and employee future benefits.

(c) Income taxes

The Company uses the taxes payable method to record income taxes. Only current income taxes are recorded based on the determination of the income taxes for the current year, plus any income tax recoveries as a result of carrying back losses to a previous year.

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2019

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1 Significant accounting policies (cont'd)

(d) Related parties

Parties are considered related to the company if the company has the ability to, directly or indirectly, control the party or exercise significant influence over the party in making financial and operating decisions or vice versa, or where the company and the party are subject to common control or common significant influence. Related parties may be other entities or individuals. Related party transactions are unsecured, non-interest bearing and without terms of repayment. Related party transactions occurred during the normal course of business and are measured at the exchange amount, which is the amount of consideration agreed by the related parties.

(e) Property, plant and equipment

Property, plant and equipment is recorded at cost, or deemed cost, less accumulated amortization. Amortization is provided annually at rates and methods over their estimated useful lives as follows. The estimates of useful lives of the assets are reviewed annually and, if needed, adjusted on a prospective basis.

Assets	Basis of resources used per year	
Computer Hardware	Straight Line	3 Years
Office equipment	Straight Line	5 years
Furniture & Fixture	Straight Line	7 years

2 Property, plant & equipment

			2019	2018
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Computers hardware	7,255	(4,527)	2,728	2,288
Furniture & Fixtures	8,640	(1,234)	7,406	8,640
Office equipment	666	(133)	533	666
Total	16,561	(5,893)	10,668	11,594

3 Capital work in progress

The company has a contract of \$ 45,200 for networking equipment. During year, cost paid is \$21,832 and the balance is payable.. Contract is expected to be completed on 2020 and shown as capital work in progress

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2019

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4 Economic dependence

During the year, the company provided 58% services to its associate company in USA (38% prior year) and has undertaken, under the terms of a contract.

5 Accounts receivable

Accounts receivable represents the amount due from customers for the services provided during normal course of business and collectable within normal business terms and conditions.

	2019	2018
Trade accounts receivable	312,258	137,871
Trade accounts receivable from related parties	167,088	90,553
	479,346	228,424

6 Other current assets

	2019	2018
Unbilled revenue	30,000	468
Advance to employees	16,115	2,500
Prepaid expenses	8,828	4,197
Advance to suppliers	-	4,022
Total	54,943	11,187

7 Accounts payable and accrued liabilities:

	2019	2018
Vacation payable	60,690	35,564
Payable to employees	9,618	753
Accrued liability	10,500	10,000
Trade accounts payable	22,268	46,941
Trade payables to related parties	399,441	76,628
Total	502,517	169,886

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Notes to the Financial Statements

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8 Related party transactions

Related party transactions are under:

(a) R Systems Inc (USA), an associated company incorporated in USA

R Systems Inc. USA is wholly owned subsidiary of R Systems International India. Transaction in the current year ended December 31, 2019 are as follows:.

	2019	2018
Accounts Receivable	49,205	8,929
Software Development Services	484,410	54,120
Accounts Payable	17,133	1,844

(b) R System International USA Br., a Branch incorporated in USA

R Systems International USA Br. is a Branch of RSIL, India.. Transaction in the current year ended December 31, 2019 are as follows:

	2019	2018
Sales & Marketing Support Services	632,206	314,442
Accounts Receivable	112,798	80,319

(c) R System International , Noida incorporated in India

RSYS Technologies Ltd. wholly owned subsidiary of R Systems International India. Transaction in the current year ended December 31, 2019 are as follows:

	2019	2018
Accounts Payable	382,308	74,784
Accounts Receivable	5,085	1,304
Subcontract Expenses	1,036,014	152,347

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

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9 Taxes payable

	2019	2018
GST/QST	11,364	(1,073)
Quebec taxes	87	175
Payroll Liability	33,812	13,414
Total	45,263	12,516

10 Income taxes

The company has following non-capital losses for the tax year ending December 31, 2019, that can be used to set off future taxable income. The tax benefits of these losses are not recognized in these financial statements. These non-capital losses will expire 20 years from the respective tax years in which they are incurred. Corporate tax returns are subject to audit and reassessment by the Canada Revenue Agency. The results of any assessments will be accounted for in the year in which they are determined.

Tax Year	Loss
2012	9,838
2013	12,357
2014	42,926
2015	83,953
2016	187,432
2017	265,203
2018	334,526
2019	2,690
Total	938,925

11 Operation and other expenses

	2019	2018
Employee relocation expenses	41,076	14,790
Visa arrangement expense	24,470	43,607
Insurance	1,510	968
Export tax	-	3,505
Fees others	-	647
	67,056	63,517

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

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12 Share Capital

Authorized shares

Class "A" voting common shares, no maximum, without par value, voting and participating

Class "B" preferred shares, no maximum, without par value, voting and participating

Issued shares

	2019	2018 N
Class "A" Common shares (200 shares @\$1 per share)	200	200
Class "B" Preferred shares (25 shares @\$3992 per share)	99,800	99,800
Class "B" Preferred shares (250 shares @\$4000 per share)	1,000,000	1,000,000
Total	1,100,000	1,100,000

13 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 company's financial instruments consist of cash, receivables, payables and accrued liabilities. The following analysis provides information about the company's risk exposure and concentration as at December 31, 2019.

Market risk

Market risk is the risk that financial instrument fair values will fluctuate due to changes in market prices. The significant market risks to which the company is exposed are foreign exchange risks and price risks

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. Liquidity risk is dependent on receipt of funds from sales and continued access to sufficient credit facilities to be able to pay liabilities as they become due

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Approximately 58% of the companies' revenue are in US dollars and, consequently, Accounts Receivables & Advance Payable in US dollars are exposed to foreign exchange fluctuations.

Unless otherwise noted, management is of the opinion that the company is not exposed to significant other price risks arising from these financial instruments.

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Notes to the Financial Statements

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14 Withholding taxes

In 2019, a client of the company based out of Barbados, city of Caribbean Island has deducted the withholding taxes of \$30,488 on payment for the services rendered by the company. The management of the company has assessed that this withholding tax can be claimed as foreign tax credit under the provision of Canadian tax law and Double Taxation Avoidance Agreement between Barbados and Canada.

15 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statements presentation.