

**RSYS TECHNOLOGIES LTD.**

**Financial Statements**

**December 31, 2020**

Audited

**RSYS TECHNOLOGIES LTD.**  
December 31, 2020

**CONTENTS**

	<u>Page</u>
<b>Financial Statements</b>	
Independent Auditor's Report	1 - 2
Balance Sheet	3
Statement of Deficit	4
Statement of Income	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 15

## 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, 2020 and December 31, 2019, and the statement of income, 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, 2020, 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, 2021

**RSYS TECHNOLOGIES LTD.**

**Balance Sheet**

**December 31, 2020**

Audited

		2020		2019	
	Note	CAD Dollars	Equivalent Rs (Unaudited)	CAD Dollars	Equivalent Rs (Unaudited)
<b>Assets</b>					
<b>Current Assets</b>					
Cash		817,499	47,006,193	103,430	5,647,278
Accounts receivable	6	1,200,612	69,035,189	479,346	26,172,292
Other current assets	7	61,304	3,524,980	54,943	2,999,888
Withholding taxes		-	-	30,488	1,664,645
<b>Total current assets</b>		<b>2,079,415</b>	<b>119,566,362</b>	<b>668,207</b>	<b>36,484,103</b>
Property, plant & equipment	3	34,581	1,988,408	10,668	582,473
Capital work in progress	4	-	-	21,832	1,192,027
Security deposit		8,588	493,810	9,645	526,617
<b>Total Assets</b>		<b>2,122,584</b>	<b>122,048,580</b>	<b>710,352</b>	<b>38,785,220</b>
<b>Liabilities and Equity</b>					
<b>Current Liabilities</b>					
Accounts payable & accrued liabilities	8	797,498	45,856,135	502,517	27,437,429
Taxes payable	9	115,960	6,667,700	45,263	2,471,360
<b>Total Current Liabilities</b>		<b>913,458</b>	<b>52,523,835</b>	<b>547,780</b>	<b>29,908,789</b>
<b>Long Term Liabilities</b>					
Long term debt	11	30,000	1,725,000	-	-
<b>Total Liabilities</b>		<b>943,458</b>	<b>54,248,835</b>	<b>-</b>	<b>-</b>
<b>Equity</b>					
Share capital	14	1,600,000	92,000,000	1,100,000	60,060,000
Deficit		(420,874)	(24,200,255)	(937,428)	(51,183,569)
<b>Total Equity</b>		<b>1,179,126</b>	<b>67,799,745</b>	<b>162,572</b>	<b>8,876,431</b>
<b>Total Liabilities &amp; Equity</b>		<b>2,122,584</b>	<b>122,048,580</b>	<b>710,352</b>	<b>38,785,220</b>
Exchange rate used for translation:		1	57.5000	1	54.6000

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, 2020**  
Audited

	2020		2019		
	Note	CAD Dollars	Equivalent Rs (Unaudited)	CAD Dollars	Equivalent Rs (Unaudited)
Deficit - beginning of the year		(937,428)	(53,902,110)	(935,209)	(51,062,411)
Profit / (Loss) for the year		516,554	29,701,855	(2,220)	(121,212)
<b>Deficit - end of the year</b>		<b>(420,874)</b>	<b>(24,200,255)</b>	<b>(937,428)</b>	<b>(51,183,623)</b>
Exchange rate used for translation:		1	57.5000	1	54.6000

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

**RSYS TECHNOLOGIES LTD.****Statement of Income****For the Year Ended December 31, 2020**  
Audited

		2020		2019	
	Note	CAD Dollars	Equivalent Rs (Unaudited)	CAD Dollars	Equivalent Rs (Unaudited)
<b>Revenue</b>					
Sales		2,877,002	165,427,615	1,561,415	85,253,259
Sales to related parties	10	1,677,785	96,472,638	1,116,616	60,967,234
Subsidy and grant income		10,000	575,000	-	-
Other revenue		12,020	691,150	-	-
<b>Total Revenue</b>		<b>4,576,807</b>	<b>263,166,403</b>	<b>2,678,031</b>	<b>146,220,493</b>
<b>Operating expenses</b>					
Salaries and wages		1,968,221	113,172,708	1,052,267	57,453,778
Subcontract expenses		1,734,414	99,728,805	1,341,786	73,261,516
Operation and other expenses	13	100,596	5,784,270	67,056	3,661,258
Rental		54,310	3,122,825	55,363	3,022,820
Professional fees		31,637	1,819,127	30,800	1,681,681
Travel expenses		30,838	1,773,185	59,710	3,260,166
Office expenses		22,127	1,272,303	11,005	600,873
Employee benefits		13,247	761,703	11,836	646,246
Amortization of tangible assets		8,659	497,893	2,882	157,357
Advertising and promotion		6,440	370,300	10,148	554,081
Interest and bank charges		2,942	169,165	4,566	249,304
		<b>3,973,431</b>	<b>228,472,284</b>	<b>2,647,419</b>	<b>144,549,080</b>
<b>Income from operations</b>		<b>603,376</b>	<b>34,694,120</b>	<b>30,612</b>	<b>1,671,413</b>
Unrealized losses		40,633	2,336,398	32,832	1,792,627
Income taxes	12	46,189	2,655,868	-	-
<b>Net profit/ (loss)</b>		<b>516,554</b>	<b>29,701,855</b>	<b>(2,220)</b>	<b>(121,212)</b>
Exchange rate used for translation:		1	57.5000	1	54.6000

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

**RSYS TECHNOLOGIES LTD.****Statement of Cash Flow****For the Year Ended December 31, 2020**

Audited

	2020		2019	
	CAD Dollars	Equivalent Rs (Unaudited)	CAD Dollars	Equivalent Rs (Unaudited)
<b>Operating activities</b>				
Net income (loss)	516,554	29,701,855	(2,220)	(121,212)
<b>Items not affecting cash</b>				
Amortization	8,659	497,893	2,882	157,357
	<u>525,213</u>	<u>30,199,748</u>	<u>662</u>	<u>36,145</u>
<b>Changes in non-cash working capital</b>				
Accounts receivable	(721,266)	(41,472,794)	(250,922)	(13,700,342)
Other current assets	(6,361)	(365,758)	(43,756)	(2,389,078)
Accounts payable and accrued liabilities	294,981	16,961,408	332,633	18,161,762
Tax payable	70,697	4,065,078	32,747	1,787,986
Security deposit	1,056	60,720	(1,387)	(75,730)
Withholding taxes	30,488	1,753,060	(30,488)	(1,664,645)
	<u>(330,405)</u>	<u>(18,998,286)</u>	<u>38,827</u>	<u>2,119,953</u>
<b>Investing activities</b>				
Acquisition of property, plant and equipment	(10,739)	(617,493)	(23,789)	(1,298,879)
	<u>(10,739)</u>	<u>(617,493)</u>	<u>(23,789)</u>	<u>(1,298,879)</u>
<b>Financing activities</b>				
Proceeds from issuance of common stock	500,000	28,750,000	-	-
Proceeds from Long term debt	30,000	1,725,000	-	-
	<u>530,000</u>	<u>30,475,000</u>	<u>-</u>	<u>-</u>
<b>Increase (decrease) in cash</b>	<b>714,069</b>	<b>41,058,969</b>	<b>15,700</b>	<b>857,220</b>
Net cash, beginning of a year	103,430	5,947,224	87,730	4,790,058
<b>Net cash , end of a year</b>	<b>817,499</b>	<b>47,006,193</b>	<b>103,430</b>	<b>5,647,278</b>
Exchange rate used for translation:	1	57.5000	1	54.6000

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, 2020 Audited**

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, 2020 and 2019, 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, 2020 and 2019, the exchange rate to translate Canadian Dollars (CAD) into Indian Rupees was 57.50 and 54.60 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.

**RSYS TECHNOLOGIES LTD.**

**Notes to the Financial Statements  
For the Year Ended December 31, 2020  
Audited**

**1 Significant accounting policies (cont'd)**

**(c) Income taxes**

The tax expense comprises the sum of the tax currently payable by the Company and deferred tax.

**Current tax**

Current taxes are based on the taxable profit for the year of the Company and are calculated according to local tax rules. Taxable profit differs from 'profit before tax' as reported in the Statement of Income 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.

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.

**(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) Accounts receivable and allowance for doubtful accounts**

The company renders services in the normal course of its business. Because majority of clients are mid to large-sized organizations and vary geographically throughout North America, the credit risk from accounts receivable is expected to be relatively minimal.

Allowance for doubtful debts are recorded against accounts receivable that management believes are impaired. The Company records specific allowances against customer receivables based on knowledge of the financial condition of its customers. Management also considers the aging of customer receivables, customer and industry concentration, current business environment, and historical experience.

## RSYS TECHNOLOGIES LTD.

### Notes to the Financial Statements For the Year Ended December 31, 2020 Audited

#### 1 Significant accounting policies (cont'd)

##### (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
Network equipment	Straight Line	5 years
Furniture & Fixture	Straight Line	7 years

#### 2 Effects of COVID - 19

In March 2020, the World Health Organization declared a global pandemic due to COVID-19. The Company is a qualifying entity for Canada Emergency Business Account (CEBA). With the granted assistance programs, the management is fairly confident of maintaining operational cash flow for the foreseeable future.

While the Company is aware of the effects of COVID-19 pandemic on its operations and financial obligations, the Company believes that any disturbance may be temporary. However, as there is uncertainty about the length and potential impact of the disturbance, as on date of preparation of the financial statements, we are unable to reliably predict the longevity and severity of the consequences in long term.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the company will continue to operate in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Should the company be unable to continue as a going concern, the basis of reporting the carrying values of assets may be adjusted.

#### 3 Property, plant & equipment

			2020	2019
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Computers hardware	9,520	(6,262)	3,258	2,730
Network Equipment	30,306	(5,556)	24,750	-
Furniture & Fixtures	8,641	(2,469)	6,172	7,405
Office equipment	666	(266)	400	533
<b>Total</b>	<b>49,133</b>	<b>(14,552)</b>	<b>34,581</b>	<b>10,668</b>

**RSYS TECHNOLOGIES LTD.****Notes to the Financial Statements  
For the Year Ended December 31, 2020  
Audited****4 Capital work in progress**

During the year, the company capitalized capital work in progress to network equipment. In previous year advance of \$21,832 was shown as capital work in progress.

**5 Economic dependence**

During the year, the company provided 38% services to its associate company in USA (42% prior year) and has undertaken, under the terms of a contract.

**6 Accounts receivable**

	<b>2020</b>	<b>2019</b>
Trade accounts receivable	<b>883,443</b>	312,258
Trade accounts receivable from related parties	<b>317,169</b>	167,088
	<b>1,200,612</b>	479,346

**7 Other current assets**

	<b>2020</b>	<b>2019</b>
Unbilled revenue	<b>41,932</b>	30,000
Advance to employees	<b>14,195</b>	16,116
Prepaid expenses	<b>5,177</b>	8,827
<b>Total</b>	<b>61,304</b>	54,943

**8 Accounts payable and accrued liabilities:**

	<b>2020</b>	<b>2019</b>
Trade payables to related parties	<b>583,320</b>	399,441
Vacation payable	<b>94,279</b>	60,690
Trade accounts payable	<b>64,966</b>	22,268
Provision for outside job	<b>36,252</b>	-
Accrued liability	<b>18,681</b>	10,500
Payable to employees	-	9,618
<b>Total</b>	<b>797,498</b>	502,517

**RSYS TECHNOLOGIES LTD.****Notes to the Financial Statements  
For the Year Ended December 31, 2020  
Audited****9 Taxes payable**

	2020	2019
Payroll withholding taxes	58,253	33,812
GST/QST	57,707	11,363
Quebec taxes	-	88
<b>Total</b>	<b>115,960</b>	<b>45,263</b>

**10 Related party transactions****(a) R Systems Inc (USA), A fellow subsidiary company**

R Systems Inc. USA is wholly owned subsidiary of R Systems International Limited (RSIL India).

	2020	2019
Software Development Services income	885,225	484,410
Accounts Receivable	91,030	49,205
Travel Reimbursement paid	22,674	99,892
Accounts Payable	5,248	17,133
Travel Reimbursement Received	1,300	6,300

**(b) R Systems International Limited, a Branch incorporated in USA**

R Systems International Limited. USA. is a Branch of RSIL, India.

	2020	2019
Sales & Marketing Support Services	792,560	632,206
Accounts Receivable	226,139	112,798
Travel Reimbursement Received	16,010	78,406

**(c) R Systems International Limited incorporated in India**

RSYS Technologies Ltd. wholly owned subsidiary of R Systems International Limited India.

	2020	2019
Subcontract Expenses	1,208,540	1,036,014
Accounts Receivable	-	5,085
Accounts Payable	578,072	382,308
Travel Reimbursement paid	23,918	6,883
Travel Reimbursement Received	5,560	18,235

**RSYS TECHNOLOGIES LTD.****Notes to the Financial Statements  
For the Year Ended December 31, 2020  
Audited****11 Long term debt**

Canada Emergency Business Account (CEBA) is Government of Canada interest-free Loan of \$40,000 provided to Canadian businesses. The loan has a forgivable portion of \$10,000 to help businesses in pandemic and is shown as subsidy income. Loan is payable in full by Dec 31, 2022. Current year: \$30,000 (Prior year: \$0)

**12 Income Tax expense****(a) Provision for current tax**

	<b>2020</b>	<b>2019</b>
Profit / (Loss) for the year	<b>562,743</b>	(2,220)
Expenses disallowed in Income tax	<b>(2,966)</b>	(470)
	<b>559,777</b>	(2,690)
Income under sec (110.5)	-	136,020
<b>Net income for tax purposes</b>	<b>559,777</b>	136,020
<b>Net Federal and provincial tax</b>	<b>148,615</b>	46,189
<b>Deductions:</b>		
Foreign tax credits	-	(30,488)
Deferred tax due to loss in prior year	<b>(148,615)</b>	-
<b>Corporation tax</b>	-	15,701
<b>Provisions</b>		
(Over)/under provision in respect of prior year	<b>46,189</b>	-
<b>Break up of effective tax rate:</b>		
	<b>2020</b>	<b>2019</b>
	<b>%</b>	<b>%</b>
Net Federal tax rate	<b>15.00</b>	15.00
Average Provincial tax rate (approx.)	<b>11.50</b>	11.50
<b>Effective income tax rate</b>	<b>26.50</b>	26.50

**RSYS TECHNOLOGIES LTD.****Notes to the Financial Statements  
For the Year Ended December 31, 2020  
Audited****12 Income Tax expense (cont'd)****(b) (Over)/under provision in respect of prior year**

RSYS Technologies Ltd. entered into an agreement with a customer in Barbados to provide IT services. The customer deducted 5% withholding tax amounting to CAD 30,488 as RSYS Technologies Ltd. had incurred losses for the year ending December 31, 2019, the company didn't have taxable profits to utilize the withholding taxes deducted in Barbados. Consequently, the company used Section 110.5 of Canadian Income Tax Act, which deals with the issue of unused tax credit, to convert withholding taxes into non-capital loss which can be used against any income. As a result, company was permitted to add to CAD 138,710 as non-capital losses which can be applied against future taxable income. Further, Company's taxable income was subject to provincial income tax of CAD 15,701.

**(c) Non-Capital Loss Carryforward**

The company has following non-capital losses for the tax year ending December 31, 2020, 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.

<b>Tax Year</b>	<b>2020</b>
2017	<b>41,964</b>
2018	<b>334,526</b>
2019	<b>138,710</b>
	<b>515,200</b>

**13 Operation and other expenses**

	<b>2020</b>	<b>2019</b>
Visa arrangement expense	<b>66,862</b>	24,471
Employee relocation expenses	<b>29,569</b>	41,076
Insurance	<b>3,902</b>	1,509
Fees others	<b>263</b>	-
	<b>100,596</b>	67,056

**RSYS TECHNOLOGIES LTD.**

**Notes to the Financial Statements  
For the Year Ended December 31, 2020  
Audited**

**14 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**

	2020	2019 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
Class "B" Preferred shares ( Issued during the year) ( 125 shares @\$4000 per share)	500,000	-
<b>Total</b>	<b>1,600,000</b>	<b>1,100,000</b>

**15 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, 2020.

**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 38% of the companies' revenue are in US dollars and, consequently, Accounts Receivables & Advance Payable in US dollars are exposed to foreign exchange fluctuations.



**RSYS TECHNOLOGIES LTD.**

**Notes to the Financial Statements  
For the Year Ended December 31, 2020  
Audited**

**15 Financial instruments (cont'd)**

**Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from customers. In order to reduce its credit risk, Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers credit performance. For certain receivables the Company also enters into an arrangement to pass 100% of the project value to R Systems International Limited, its parent company, thereby transferring the risk of default. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The company has a significant number of customers which minimizes concentration of credit risk.

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

**16 Comparative figures**

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