

RSYS TECHNOLOGIES LTD.

Financial Statements

December 31, 2021
(audited)

RSYS TECHNOLOGIES LTD.

December 31, 2021

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Independent Auditor's Report

To the Shareholders
RSYS TECHNOLOGIES LTD.

Opinion

I have audited the accompanying financial statements of RSYS TECHNOLOGIES LTD., which comprise the balance sheets as at December 31, 2021 and December 31, 2020, and the Statements of income, retained earnings 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, 2021, and the results of its financial operation and its cash flows for the years then ended in accordance with Canadian accounting standards for private enterprises.

Basis of 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 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 type 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 these 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 AND CO INC
Chartered Professional Accountant

Burnaby, BC
January 24, 2022

RSYS TECHNOLOGIES LTD.

Balance Sheet

December 31, 2021

Reported in Canadian dollars

(audited)

	Note	2021 \$	2020 \$
Assets			
Current Assets			
Cash		\$ 1,462,100	\$ 817,499
Accounts receivable	4.	1,417,824	1,200,612
Other current assets	5.	184,684	134,524
Total Current Assets		3,064,608	2,152,635
Property, plant and equipment	2.	27,682	34,581
Security deposit		10,044	8,588
Total Assets		\$ 3,102,334	\$ 2,195,804
Liabilities and Equity			
Current Liabilities			
Accounts payable & accrued liabilities	6.	\$ 1,208,776	\$ 870,718
Taxes payable	7.	129,490	115,960
Total Current Liabilities		1,338,266	986,678
Long term debt	9.	-	30,000
Total Liabilities		1,338,266	1,016,678
Equity			
Share capital	13.	1,600,000	1,600,000
Retained earnings / (deficit)		164,068	(420,874)
Total Equity		1,764,068	1,179,126
Total Liabilities and Equity		\$ 3,102,334	\$ 2,195,804

Approved on Behalf of the Board:

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

RSYS TECHNOLOGIES LTD.

Statement of Retained Earnings

For the Year Ended December 31, 2021

Reported in Canadian dollars

(audited)

	2021	2020
	\$	\$
Deficit - beginning	\$ (420,874)	\$ (937,428)
Income for the year	584,942	516,554
Retained earnings (deficit)- ending	\$ 164,068	\$ (420,874)

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

RSYS TECHNOLOGIES LTD.

Statement of Income

For the Year Ended December 31, 2021

Reported in Canadian dollars

(audited)

	Note	2021 \$	2020 \$
Revenue			
Sales		\$ 4,552,681	\$ 2,877,002
Sales to related parties		2,626,909	1,677,785
Other revenue		-	12,020
Government Subsidies		-	10,000
Total revenue		7,179,590	4,576,807
Operating expenses			
Subcontract expenses		3,568,658	1,734,414
Salaries and wages		2,739,258	1,968,221
Other operating expenses	11.	75,644	100,596
Rental		60,325	54,310
Professional fees		35,150	31,637
Travel expenses		28,650	30,838
Office expenses		21,514	22,127
Employee benefits		19,850	13,247
Advertising and promotion		11,142	6,440
Amortization of tangible assets		9,757	8,659
Interest and bank charges		1,432	2,942
		6,571,380	3,973,431
Income from operations		608,210	603,376
Other items			
Unrealized (gain)/ losses		(22)	40,633
Current Income taxes	10.	23,290	46,189
Net income		\$ 584,942	\$ 516,554

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

RSYS TECHNOLOGIES LTD.

Statement of Cash Flows

For the Year Ended December 31, 2021

Reported in Canadian dollars

(audited)

	Note	2021 \$	2020 \$
OPERATING ACTIVITIES:			
Net income		\$ 584,942	\$ 516,554
Items not affecting cash		-	-
Amortization of tangible assets		9,757	8,659
		594,699	525,213
Changes in non-cash working capital		-	-
Accounts receivable		(217,212)	(721,266)
Other current assets		(52,009)	(6,361)
Accounts payable and accrued liabilities		339,907	294,981
Tax payable		13,530	70,697
Security deposit		(1,456)	1,056
Withholding tax		-	30,488
		\$ 82,760	\$ (330,405)
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment		\$ (2,858)	\$ (10,739)
		\$ (2,858)	\$ (10,739)
FINANCING ACTIVITIES:			
Proceed from/(repayment to) long-term debt		\$ (30,000)	\$ 30,000
Proceeds from issuance of common stock		-	500,000
		\$ (30,000)	\$ 530,000
Increase (decreases) in cash		\$ 644,601	\$ 714,069
Cash and cash equivalents at beginning of period		817,499	103,430
Net cash at end of period		\$ 1,462,100	\$ 817,499

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, 2021

Audited

Reported in Canadian dollars

(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).

Basis of presentation

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

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.

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.
- Revenue from services is recognized when underlying services are rendered

b. Income taxes

The tax expense comprises the tax currently payable by the Company.

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.

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2021

Audited

Reported in Canadian dollars

(audited)

1. Significant Accounting Policies (cont'd)

c. 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.

d. 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.

e. Property, plant and equipment

Property, plant and equipment is recorded at 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

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2021

Audited

Reported in Canadian dollars

(audited)

2. Property, plant & equipment

Property, plant and equipment consist of the following

			2021	2020
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Computers hardware	\$ 12,378	\$ (8,590)	\$ 3,788	\$ 3,258
Network Equipment	30,306	(11,617)	18,689	24,750
Furniture & Fixtures	8,641	(3,703)	4,938	6,173
Office equipment	666	(400)	266	400
Total	\$ 51,991	\$ (24,309)	\$ 27,682	\$ 34,581

3. Economic dependence

During the year, the company provided 37% services to its associate company in USA (37% prior year) and has undertaken, under the terms of a contract.

4. Accounts receivable

	2021	2020
Trade accounts receivable	\$ 827,235	\$ 883,443
Trade accounts receivable from related parties	587,007	317,169
Other accounts receivable from related parties	3,582	-
	\$ 1,417,824	\$ 1,200,612

5. Other current assets

	2021	2020
Unbilled revenue	\$ 102,638	\$ 41,932
Advance to employees	1,953	14,195
Prepaid expenses	8,722	5,177
Deferred expenses	71,371	73,220
Total	\$ 184,684	\$ 134,524

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2021

Audited

Reported in Canadian dollars

(audited)

6. Accounts payable and accrued liabilities:

	2021	2020
Trade payables to related parties	\$ 654,339	\$ 583,320
Vacation payable	108,918	94,279
Trade accounts payable	117,478	64,966
Provision for outside job	171,246	36,252
Accrued liability	19,114	18,681
Employee benefit payable	66,310	-
Deferred revenue	71,371	73,220
Total	\$ 1,208,776	\$ 870,718

7. Taxes payable

	2021	2020
Payroll withholding taxes	\$ 34,171	\$ 58,253
GST/QST	72,029	57,707
Corporate taxes	23,290	-
Total	\$ 129,490	\$ 115,960

8. 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).

	2021	2020
Software Development Services income	\$ 1,489,593	\$ 885,225
Accounts Receivable-AR	208,338	91,030
Travel Reimbursement paid	2,379	22,674
Sales & Support Services	68,900	-
Accounts Payable	-	5,248
Accounts Receivable	69,038	-
Travel Reimbursement Received	\$ 2,896	\$ 1,300

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2021

Audited

Reported in Canadian dollars

(audited)

8. Related party transactions (cont'd)

b. R Systems International Limited, a Branch incorporated in USA

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

	2021	2020
Sales & Support Services	\$ 1,068,416	\$ 792,560
Accounts Receivable	309,631	226,139
Travel Reimbursement Received	\$ -	\$ 16,010

c. R Systems International Limited incorporated in India

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

	2021	2020
Subcontract Expenses	\$ 2,256,572	\$ 1,208,540
Accounts Receivable	3,582	-
Accounts Payable	654,339	578,072
Travel Reimbursement paid	4,557	23,918
Travel Reimbursement Received	\$ 3,620	\$ 5,560

9. Long term debt

	2021	2020
	\$	\$
CEBA Government of Canada Loan amount \$40,000. The loan is interest free until December 31, 2023 and then 5% interest per annum thereafter. If the loan remains outstanding after December 31, 2023 only interest payments are required until full principal amount is due on December 31, 2025. If the loan is repaid prior to December 31, 2023, twenty five percent (25%) up to \$10,000 of the loan is forgivable. The forgivable portion of the loan was recognized as Income in 2020. This loan has been repaid in current year.	\$ -	\$ 30,000

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2021

Audited

Reported in Canadian dollars

(audited)

10. Income Tax expense

Provision for current tax	2021	2020
Income for the year	\$ 584,942	\$ 516,554
Current Income taxes	23,290	46,189
Disallowed portion of amortization	(5,707)	(2,966)
Net income for tax purposes before losses	602,525	559,777
Losses for prior years	(515,168)	(559,777)
Net income for tax purpose	87,357	-
Net Federal and provincial tax	43,382	-
Deductions:		
Federal tax abatement and other deductions	(20,092)	-
Corporation tax	\$ 23,290	\$ -

Break up of effective tax rate:

	2021 (%)	2020 (%)
Net Federal tax rate	\$ 15	\$ 15
Average Provincial tax rate (approx.)	12	12
Effective income tax rate	\$ 27	\$ 27

11. Other operating expenses

	2021	2020
Visa arrangement expense	\$ 53,755	\$ 66,862
Repair & maintenance	2,297	-
Training	417	-
Employee relocation expenses	11,820	29,569
Insurance	5,463	3,902
Fees others	1,123	263
Rates and taxes	769	-
	\$ 75,644	\$ 100,596

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2021

Audited

Reported in Canadian dollars

(audited)

12. 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, 2021.

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.

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.

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2021

Audited

Reported in Canadian dollars

(audited)

13. 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

	2021	2020
	\$	\$
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 (375 shares @4000 per share)	1,500,000	1,500,000
Total	\$ 1,600,000	\$ 1,600,000

14. Comparative figures

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