

**INDEPENDENT AUDITOR'S REPORT
To The Board of Directors of R SYSTEMS, INC.
Report on the Audit of 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, 2021, 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, 2021, 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 (SAs) 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 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") 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 IFRS as issued by the IASB.

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.

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.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.



Auditor's Responsibility for the audit of financial statements

Our 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 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 these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism 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 financial statements 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 results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We 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 we identify during our audit.



Deloitte Haskins & Sells LLP

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)



A handwritten signature in blue ink that reads "Jitendra Agarwal".

JITENDRA AGARWAL
Partner
(Membership No. 87104)
(UDIN: 22087104ADCNJO2415)

Place: New Delhi
Date: 18 February, 2022

R Systems, Inc.
Statement of Financial Position as at December 31, 2021


| Particulars | Notes | (Amount in USD) | |
|---|-------|----------------------------|----------------------------|
| | | As at December 31, 2021 | As at December 31, 2020 |
| ASSETS | | | |
| A. Non-current assets | | | |
| (a) Property, plant and equipment | 3a | 753,588 | 956,010 |
| (b) Right-of-use assets | 3b | 5,846 | 51,107 |
| (c) Goodwill | 3c | - | - |
| (d) Other intangible assets | 3d | 400,787 | 600,623 |
| (e) Financial assets | | | |
| (i) Other financial assets | 4 | 6,976 | 486,776 |
| (f) Deferred tax assets (net) | 5 | 423,399 | 441,669 |
| (g) Non-current tax assets | | 23,600 | - |
| (h) Other non-current assets | 6 | 32,971 | - |
| Total non-current assets (A) | | 1,647,167 | 2,536,185 |
| B. Current assets | | | |
| (a) Financial assets | | | |
| (i) Trade receivables | 7 | 5,211,463 | 3,514,518 |
| (ii) Cash and bank balances | 8 | 8,123,989 | 6,648,764 |
| (iii) Other financial assets | 4 | 248,113 | 381,583 |
| (b) Current tax assets (net) | | - | 261,851 |
| (c) Other current assets | 6 | 196,080 | 172,439 |
| Total current assets (B) | | 13,779,645 | 10,979,155 |
| Total assets (A+B) | | 15,426,812 | 13,515,340 |
| EQUITY AND LIABILITIES | | | |
| A. Capital and reserve | | | |
| (a) Share capital | 9 | 1,537,401 | 1,537,401 |
| (b) Retained earnings | 10 | 9,131,199 | 6,590,602 |
| Total capital and reserve (A) | | 10,668,600 | 8,128,003 |
| B. Non-current liabilities | | | |
| (a) Financial liabilities | | | |
| (i) Borrowings | 11 | - | 826,615 |
| (ii) Other financial liabilities | 12 | - | 612,215 |
| Total non-current liabilities (B) | | - | 1,438,830 |
| C. Current liabilities | | | |
| (a) Financial liabilities | | | |
| (i) Trade payables | 13 | 3,146,218 | 1,607,132 |
| (ii) Borrowings | 11 | - | 1,473,562 |
| (iii) Other financial liabilities | 12 | 823,466 | 112,691 |
| (b) Provisions | 14 | 712,276 | 730,971 |
| (c) Current tax liability (net) | | 48,800 | - |
| (c) Other current liabilities | 15 | 27,452 | 24,151 |
| Total current liabilities (C) | | 4,758,212 | 3,948,507 |
| Total equity and liabilities (A+B+C) | | 15,426,812 | 13,515,340 |


Notes forming integral part of the financial statements

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In terms of our report attached

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants


JITENDRA AGARWAL
Partner
Membership No. 87104
Place: New Delhi
Date : February 18, 2022



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


DR. SATINDER SINGH REKHI
Director

Place: Singapore
Date : February 18, 2022

R Systems, Inc.**Statement of Profit or Loss and Other Comprehensive Income for the year ended December 31, 2021**

| | | (Amount in USD) | |
|---|-------|---------------------------------|---------------------------------|
| | Notes | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Revenue from operations | 16 | 31,718,353 | 23,629,463 |
| Cost of revenues | 20 | (25,445,216) | (18,991,145) |
| Gross profit | | 6,273,137 | 4,638,318 |
| Other income | 17 | 2,321,411 | 131,515 |
| Depreciation and amortisation expense | 18 | (518,640) | (504,151) |
| Finance costs | 19 | (64,576) | (192,012) |
| Selling general and administrative expenses | 20 | (5,196,280) | (5,054,836) |
| Profit/(Loss) before tax and exceptional items (A) | | 2,815,052 | (981,166) |
| Exceptional items (net) (B) | 21 | - | 252,356 |
| Profit/(Loss) before tax [C = (A-B)] | | 2,815,052 | (1,233,522) |
| Income tax expense / (credit) (D) | 22 | 274,455 | (169,886) |
| Profit/(Loss) for the year (C-D) | | 2,540,597 | (1,063,636) |
| Other comprehensive income | | - | - |
| Total comprehensive profit / (loss) for the year | | 2,540,597 | (1,063,636) |

Notes forming integral part of the financial statements

1-27


In terms of our report attached

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

Jitendra Agarwal

JITENDRA AGARWAL
Partner
Membership No. 87104
Place: New Delhi
Date : February 18, 2022


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

Dr. Satinder Singh Rekhi

DR. SATINDER SINGH REKHI

Director

Place: Singapore

Date : February 18, 2022

R Systems, Inc.

Statement of Cash Flows for the year ended December 31, 2021

| Particulars | (Amount in USD) | |
|--|---------------------------------|---------------------------------|
| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Cash flows from operating activities: | | |
| Profit / Loss for the year | 2,540,597 | (1,063,636) |
| Adjustments for: | | |
| Forgiveness of PPP Loan (refer to Note 11) | (2,300,177) | - |
| Income tax expense / (credit) | 274,455 | (169,886) |
| Depreciation and amortisation expense | 518,640 | 504,151 |
| Provision for bad and doubtful debts (net) | 5,078 | 22,902 |
| Liability no longer required written back | (1,550) | (560) |
| Interest accrued on borrowings | - | 15,277 |
| Impairment of goodwill (refer to Note 21) | - | 1,443,597 |
| Other fair value gain on contingent consideration (refer to Note 21) | - | (1,191,241) |
| Interest expense on lease liabilities | 1,508 | 7,764 |
| Interest on fair value of contingent consideration | 63,068 | 168,971 |
| Interest income | (13,265) | (57,239) |
| Profit on cancellation of leases (net) | - | (31,467) |
| Operating profit/(loss) before working capital changes | 1,088,354 | (351,367) |
| Changes in operating assets and liabilities: | | |
| (Increase) / Decrease in trade receivables | (1,702,023) | 294,572 |
| (Increase) / Decrease in other financial assets and other assets | (66,414) | 35,506 |
| Increase / (Decrease) in trade and other payables, other financial liabilities and other liabilities | 1,627,889 | 58,004 |
| Increase / (Decrease) in provisions | (18,695) | 75,259 |
| Cash generated from operations | 929,111 | 111,974 |
| Taxes paid, net of refunds | 30,866 | (361,139) |
| Net cash generated/(used) from operating activities (A) | 959,977 | (249,165) |
| Cash flows from investing activities: | | |
| Proceeds from bank deposits (net) | 1,645,000 | 2,584,000 |
| Proceeds from loan receivable | 128,429 | 67,848 |
| Interest received on loan receivable | 3,068 | 7,152 |
| Interest received from bank deposits | 24,840 | 71,814 |
| Purchase on property, plant and equipment | (71,121) | (517,841) |
| Net cash generated from investing activities (B) | 1,730,216 | 2,212,973 |
| Cash flows from/(used) in financing activities: | | |
| Proceeds from long-term borrowings | - | 2,284,900 |
| Payment of lease liabilities | (49,968) | (119,332) |
| Net cash generated/(used) in financing activities (C) | (49,968) | 2,165,568 |
| Net increase in cash and bank balances (A+B+C) | 2,640,225 | 4,129,376 |
| Cash and bank balances at the beginning of the year | 5,483,764 | 1,354,388 |
| Cash and bank balances at the end of the year (refer to Note 8) | 8,123,989 | 5,483,764 |

Notes forming integral part of the financial statements 1-27

In terms of our report attached

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


JITENDRA AGARWAL
Partner
Membership No. 87104
Place: New Delhi
Date : February 18, 2022



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


DR. SATINDER SINGH REKHI
Director

Place: Singapore
Date : February 18, 2022

R Systems, Inc.

Statement of Changes in Equity as at December 31, 2021

| Particulars | (Amount in USD) | | |
|---|------------------|------------------|-------------------|
| | Share capital | Retained earning | Total |
| Balance as at January 1 2020 | 1,537,401 | 7,958,819 | 9,496,220 |
| Impact of merger of Innovizant LLC (refer to Note 26) | - | (304,581) | (304,581) |
| Loss for the year | - | (1,063,636) | (1,063,636) |
| Balance as at December 31, 2020 | 1,537,401 | 6,590,602 | 8,128,003 |
| Profit for the year | - | 2,540,597 | 2,540,597 |
| Balance as at December 31, 2021 | 1,537,401 | 9,131,199 | 10,668,600 |

Notes forming integral part of the financial statements
In terms of our report attached.


1-27

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants


JITENDRA AGARWAL
Partner
Membership No. 87104
Place: New Delhi
Date : February 18, 2022



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


DR. SATINDER SINGH REKHI
Director
Place: Singapore
Date : February 18, 2022

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 of the Company 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 18, 2022.

2. Summary of Significant Accounting Policies

a) Statement of compliance

The financial statements as at and for the year ended December 31, 2021 have been prepared in accordance with International Financial Reporting Standards and its interpretations ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The Company has consistently applied accounting policies to all periods.

b) Basis of preparation

The financial statements of the Company have been prepared on an accrual 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.

Based on the nature of activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

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

c) Business combination, Goodwill and Intangible assets

Business combinations are accounted for using the purchase (acquisition) method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. The cost of acquisition also includes the fair value of any contingent consideration. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value on the date of acquisition.



Transaction costs incurred in connection with a business combination are expensed as incurred.

a. Goodwill

The excess of the cost of acquisition over the Company's share in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the excess is negative, a bargain purchase gain is recognised in capital reserve.

b. Intangible assets

IFRS 3 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the value of contingent consideration and intangible assets. These valuations are conducted by independent valuation experts.

Business combinations arising from transfers of interest in entities that are under the control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented.

d) 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 'unearned 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.

e) 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.

f) 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 the statement of profit or loss.

g) Taxation

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, 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 tax base of assets and liabilities and their carrying amounts. 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.

h) 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 |

i) Intangible assets

Intangible assets acquired separately

Intangible assets 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:

| | |
|---------------|------------------------------------|
| - Software | Lower of license period or 3 years |
| - Non-compete | Over the non-compete period |

j) 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 the statement of 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 statement of financial position and lease payments have been classified as financing activity under cash flow statement.

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 the statement of 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 the statement of 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 the statement of 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.

I) 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 the statement of 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 the statement of 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) Government grant

Grants and subsidies from the government are recognised when there is reasonable assurance that the grant / subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is deducted in reporting the related expenses over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate. Grant or subsidy relating to expenses already incurred in previous years is recognised under other income.

p) Critical accounting estimates and judgments

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.

a. 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 22.

b. Business Combination and Intangible Assets

Business combinations are accounted for using IFRS 3 - 'Business Combinations'. IFRS 3 requires the identifiable intangible assets and contingent consideration to be fair valued in order to ascertain the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree. Significant estimates are required to be made in determining the fair value of contingent consideration and intangible assets.



c. *Estimation of uncertainties relating to the global health pandemic from COVID-19*

In assessing the recoverability of receivables including unbilled receivables, contract assets and contract costs and intangible assets, the Company has considered internal and external information upto the date of approval of these financial statements including credit reports and economic forecasts. The Company has performed sensitivity analysis on the assumption used and based on certain indicators of future economic conditions, the Company expects to recover the carrying amounts of these assets. The impact of the global health pandemic may be different from that estimated as at the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

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:

| <u>New and revised IFRSs</u> | <u>Effective for annual periods beginning on or after</u> |
|--|--|
| Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use | 1 January 2022 |
| Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41) | 1 January 2022 |
| Amendments to IAS 1 Presentation of Financial Statements which clarify the criteria used to determine whether liabilities are classified as current or non-current | 1 January 2023 |

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.

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R Systems, Inc.

Notes to the Financial Statements for the year ended December 31, 2021

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, 2020 | 121,084 | 2,966 | 940,486 | 154,418 | 386,413 | 168,240 | 63,462 | 1,837,069 |
| Additions | - | - | 488,771 | - | 18,444 | - | - | 507,215 |
| Deletions | - | - | - | - | - | - | - | - |
| As at December 31, 2020 | 121,084 | 2,966 | 1,429,257 | 154,418 | 404,857 | 168,240 | 63,462 | 2,344,284 |
| Additions | - | - | 34,842 | - | 35,509 | - | - | 70,351 |
| Deletions | - | (2,966) | (4,603) | - | (6,041) | - | - | (13,610) |
| As at December 31, 2021 | 121,084 | - | 1,459,496 | 154,418 | 434,325 | 168,240 | 63,462 | 2,401,025 |
| Accumulated depreciation | | | | | | | | |
| As at January 1, 2020 | 120,908 | 2,966 | 373,564 | 149,961 | 341,168 | 168,240 | 48,511 | 1,205,318 |
| Charge for the year | 176 | - | 141,752 | 4,303 | 30,404 | - | 6,321 | 182,956 |
| Deletions | - | - | - | - | - | - | - | - |
| As at December 31, 2020 | 121,084 | 2,966 | 515,316 | 154,264 | 371,572 | 168,240 | 54,832 | 1,388,274 |
| Charge for the year | - | - | 240,836 | 58 | 27,865 | - | 4,014 | 272,773 |
| Deletions | - | (2,966) | (4,603) | - | (6,041) | - | - | (13,610) |
| As at December 31, 2021 | 121,084 | - | 751,549 | 154,322 | 393,396 | 168,240 | 58,846 | 1,647,437 |
| Net carrying value | | | | | | | | |
| As at December 31, 2020 | - | - | 913,941 | 154 | 33,285 | - | 8,630 | 956,010 |
| As at December 31, 2021 | - | - | 707,947 | 96 | 40,929 | - | 4,616 | 753,588 |



3b. Right-of-use assets (Amount in USD)

| Particulars | Building |
|---------------------------------|----------------|
| At cost | |
| Gross carrying value | |
| As at January 1, 2020 | 384,987 |
| Additions | 67,892 |
| Deletions | (316,091) |
| As at December 31, 2020 | 136,788 |
| Additions | - |
| Deletions | - |
| As at December 31, 2021 | 136,788 |
| Accumulated depreciation | |
| As at January 1, 2020 | 150,979 |
| Charge for the year | 124,490 |
| Deletions | (189,788) |
| As at December 31, 2020 | 85,681 |
| Charge for the year | 45,261 |
| Deletions | - |
| As at December 31, 2021 | 130,942 |
| Net carrying value | |
| As at December 31, 2020 | 51,107 |
| As at December 31, 2021 | 5,846 |

3c. Goodwill

(Amount in USD)

| Particulars | Total |
|---|-------------|
| As at January 1, 2020 | 1,443,597 |
| Impairment of Goodwill (refer to Note 26) | (1,443,597) |
| As at December 31, 2020 | - |
| Additions | - |
| As at December 31, 2021 | - |

3d. Intangible assets

(Amount in USD)

| Particulars | Softwares | Non-competes | Total |
|---------------------------------|----------------|----------------|------------------|
| At cost | | | |
| Gross carrying value | | | |
| As at January 1, 2020 | 185,962 | 983,377 | 1,169,339 |
| Additions | 10,626 | - | 10,626 |
| Deletions | (38,647) | - | (38,647) |
| As at December 31, 2020 | 157,941 | 983,377 | 1,141,318 |
| Additions | 770 | - | 770 |
| Deletions | (3,432) | - | (3,432) |
| As at December 31, 2021 | 155,279 | 983,377 | 1,138,656 |
| Accumulated amortization | | | |
| As at January 1, 2020 | 185,962 | 196,675 | 382,637 |
| Charge for the year | 30 | 196,675 | 196,705 |
| Deletions | (38,647) | - | (38,647) |
| As at December 31, 2020 | 147,345 | 393,350 | 540,695 |
| Charge for the year | 3,931 | 196,675 | 200,606 |
| Deletions | (3,432) | - | (3,432) |
| As at December 31, 2021 | 147,844 | 590,025 | 737,869 |
| Net carrying value | | | |
| As at December 31, 2020 | 10,596 | 590,027 | 600,623 |
| As at December 31, 2021 | 7,435 | 393,352 | 400,787 |



R Systems, Inc.

Notes to the Financial Statements for the year ended December 31, 2021

4. Other financial assets (carried at amortised cost)

(Amount in USD)

| Particulars | As at December 31, 2021 | As at December 31, 2020 |
|---|----------------------------|----------------------------|
| Advance to related parties (refer to Note 24) | 87,847 | 46,089 |
| Loan to related party (refer to Note 24) | - | 128,429 |
| Bank deposits (refer to Note 8) | - | 480,000 |
| Unbilled revenue | 128,371 | 73,248 |
| Staff advance | 19,000 | 67,798 |
| Security deposit | 6,976 | 6,976 |
| Interest accrued on bank deposits | - | 14,643 |
| Advance to vendors | 12,895 | 51,176 |
| | 255,089 | 868,359 |
| Non-current | 6,976 | 486,776 |
| Current | 248,113 | 381,583 |
| | 255,089 | 868,359 |

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5. Deferred tax assets (net)

(Amount in USD)

| Particulars | (Amount in USD) | |
|---------------------------------|----------------------------|----------------------------|
| | As at December 31, 2021 | As at December 31, 2020 |
| Deferred tax assets | 455,826 | 506,524 |
| Deferred tax liabilities | (32,427) | (64,855) |
| Deferred tax asset (net) | 423,399 | 441,669 |

| 2021 | Opening balance | Statement of profit or (loss) | Closing balance |
|---|--------------------|----------------------------------|-----------------|
| Deferred tax asset/(liability) in relation to | | | |
| Provision for compensated absences | 193,321 | (4,944) | 188,377 |
| Adjustment for change in the tax accounting method | (64,855) | 32,428 | (32,427) |
| Difference in accounting base and tax base of right-of-use assets and lease liabilities | 1,000 | (846) | 154 |
| Provision for doubtful debts | 11,436 | (47) | 11,389 |
| Brought forward business losses | 204,916 | (108,443) | 96,473 |
| Difference between accounting base and tax base for depreciable assets | 95,851 | 63,582 | 159,433 |
| Deferred tax asset (net) | 441,669 | (18,270) | 423,399 |

| 2020 | Opening balance | Statement of profit or (loss) | Closing balance |
|---|--------------------|----------------------------------|-----------------|
| Deferred tax asset / (liability) in relation to | | | |
| Provision for compensated absences | 183,492 | 9,829 | 193,321 |
| Adjustment for change in the tax accounting method | (95,455) | 30,600 | (64,855) |
| Difference in accounting base and tax base of right-of-use assets and lease liabilities | 3,311 | (2,311) | 1,000 |
| Provision for doubtful debts | 12,661 | (1,225) | 11,436 |
| Brought forward business losses | 84,057 | 120,859 | 204,916 |
| Difference between accounting base and tax base for depreciable assets | (55,788) | 151,639 | 95,851 |
| Deferred tax asset (net) | 132,278 | 309,391 | 441,669 |



6. Other assets

| Particulars | (Amount in USD) | |
|------------------|----------------------------|----------------------------|
| | As at December 31, 2021 | As at December 31, 2020 |
| Prepaid expenses | 229,051 | 172,439 |
| | 229,051 | 172,439 |
| Non-current | 32,971 | - |
| Current | 196,080 | 172,439 |
| | 229,051 | 172,439 |

7. Trade receivables

| Particulars | (Amount in USD) | |
|------------------------------------|----------------------------|----------------------------|
| | As at December 31, 2021 | As at December 31, 2020 |
| Unsecured, considered good | 5,211,463 | 3,514,518 |
| Credit impaired | 43,064 | 43,242 |
| Less: Provision for doubtful debts | (43,064) | (43,242) |
| | 5,211,463 | 3,514,518 |

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 statement of profit or loss.

Movement of provision for doubtful debts

| | For the year ended December 31, 2021 | For the year ended December 31, 2020 |
|--|---|---|
| Balance at beginning of year | 43,242 | 45,243 |
| Amount written off against receivables | (5,255) | (24,903) |
| Provision for bad and doubtful debts (net) | 5,077 | 22,902 |
| Balance at end of the year | 43,064 | 43,242 |

Age of impaired trade receivables

| | As at December 31, 2021 | As at December 31, 2020 |
|----------------|----------------------------|----------------------------|
| 91 to 180 days | 308 | 393 |
| 181+ days | 42,756 | 42,849 |
| | 43,064 | 43,242 |

Receivables that are past due but not impaired

The Company have trade receivables amounting to USD 2,589,510 (previous year USD 1,221,425) 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, 2021 | As at December 31, 2020 |
|----------------|----------------------------|----------------------------|
| 0-60 days | 2,514,623 | 1,151,247 |
| 61-90 days | 51,337 | 54,204 |
| 91 to 180 days | 23,550 | 15,974 |
| 181+ days | - | - |
| | 2,589,510 | 1,221,425 |

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-90 days | 0.01% |
| 90-180 days | 0.22% |
| 180-365 days | 0.60% |
| More than 365 days | 2.00% |

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



8. 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, 2021 | As at December 31, 2020 |
| Balances with banks | | |
| (i) In current accounts | 8,123,989 | 5,483,764 |
| (ii) In deposit accounts | - | 1,645,000 |
| | 8,123,989 | 7,128,764 |
| Less : Bank deposit with original maturity for more than 12 months (refer to Note 4) | - | (480,000) |
| Cash and bank balances | 8,123,989 | 6,648,764 |
| Less: Bank deposit with original maturity for more than 3 months but less than 12 months | - | (1,165,000) |
| Cash and bank balances for the purpose of cash flow | 8,123,989 | 5,483,764 |

9. Share capital

| Particulars | (Amount in USD) | |
|--|----------------------------|----------------------------|
| | As at December 31, 2021 | As at December 31, 2020 |
| 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.

10. Retained earnings

| Particulars | (Amount in USD) | |
|-----------------------------------|----------------------------|----------------------------|
| | As at December 31, 2021 | As at December 31, 2020 |
| Opening balance | 6,590,602 | 7,654,238 |
| Add: Profit / (Loss) for the year | 2,540,597 | (1,063,636) |
| Total | 9,131,199 | 6,590,602 |

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11. Borrowings (at amortised cost)

| Particulars | (Amount in USD) | |
|--|----------------------------|----------------------------|
| | As at December 31, 2021 | As at December 31, 2020 |
| PPP Forgivable Loan (refer to Note 29) | - | 2,300,177 |
| | - | 2,300,177 |
| Non-current | - | 826,615 |
| Current | - | 1,473,562 |
| | - | 2,300,177 |

During the year ended December 31, 2020, the Company had obtained forgivable loan under Paycheck Protection Program (PPP) by Small Business Administration, United States of America ("SBA").

During the year ended December 31, 2021, the Company received forgiveness of the entire loan amount upon satisfaction of the underlying conditions. Consequently, the amount of loan forgiven was recognised as income and presented under the head other income.

12. Other financial liabilities

| Particulars | (Amount in USD) | |
|---|----------------------------|----------------------------|
| | As at December 31, 2021 | As at December 31, 2020 |
| Payable to related parties (refer to Note 24) | 65,477 | 10,175 |
| Advance from Customers | 82,706 | 54,056 |
| Lease liabilities | 6,432 | 54,892 |
| Contingent consideration (refer to Note 23 b) | 668,851 | 605,783 |
| | 823,466 | 724,906 |
| Non-current | - | 612,215 |
| Current | 823,466 | 112,691 |
| | 823,466 | 724,906 |

Movement schedule of lease liabilities is as follows:

| Particulars | (Amount in USD) | |
|-------------------------------------|-----------------|---------------|
| | As at | As at |
| Opening balance | 54,892 | 256,338 |
| Additions during the year | - | 67,892 |
| Interest accrued on lease liability | 1,508 | 7,764 |
| Payment of lease liability | (49,968) | (119,332) |
| Termination of lease contract | - | (157,770) |
| Closing balance | 6,432 | 54,892 |

13. Trade and other payables

| Particulars | (Amount in USD) | |
|--------------------------|----------------------------|----------------------------|
| | As at December 31, 2021 | As at December 31, 2020 |
| Trade and other payables | 3,146,218 | 1,607,132 |
| | 3,146,218 | 1,607,132 |

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, 2021 | As at December 31, 2020 |
| Provision for compensated absences | 712,276 | 730,971 |
| | 712,276 | 730,971 |
| Non-current | - | - |
| Current | 712,276 | 730,971 |
| | 712,276 | 730,971 |

15. Other liabilities

| Particulars | (Amount in USD) | |
|---------------------------|----------------------------|----------------------------|
| | As at December 31, 2021 | As at December 31, 2020 |
| Statutory dues payable | | |
| 401K contribution payable | 27,452 | 18,619 |
| Sales tax payable | - | 5,532 |
| | 27,452 | 24,151 |
| Non-current | - | - |
| Current | 27,452 | 24,151 |
| | 27,452 | 24,151 |



16. Revenue from operations

| Particulars | (Amount in USD) | |
|-----------------------|---------------------------------|---------------------------------|
| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Rendering of services | 31,718,353 | 23,629,463 |
| | 31,718,353 | 23,629,463 |

17. Other Income

| Particulars | (Amount in USD) | |
|--|---------------------------------|---------------------------------|
| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Interest income on financial assets at amortised cost | | |
| - Bank deposit | 10,197 | 50,087 |
| - Others | 3,068 | 7,152 |
| Liability no longer required written back | 1,550 | 560 |
| Profit on cancellation of leases (net) | - | 31,467 |
| Forgiveness of PPP Loan (refer to Note 11) | 2,300,177 | - |
| Other miscellaneous income | 6,419 | 42,249 |
| | 2,321,411 | 131,515 |

18. Depreciation and amortisation expense

| Particulars | (Amount in USD) | |
|---|---------------------------------|---------------------------------|
| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Depreciation on property, plant and equipment | 272,773 | 182,956 |
| Depreciation of right-of-use assets | 45,261 | 124,490 |
| Amortization of intangible assets | 200,606 | 196,705 |
| | 518,640 | 504,151 |

19. Finance costs

| Particulars | (Amount in USD) | |
|--|---------------------------------|---------------------------------|
| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Interest expense on lease liabilities | 1,508 | 7,764 |
| Interest on fair value of contingent consideration | 63,068 | 168,971 |
| Interest on borrowings | - | 15,277 |
| | 64,576 | 192,012 |

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20. Expenses by nature

| Particulars | (Amount in USD) | |
|--|---------------------------------|---------------------------------|
| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Employee benefits (refer to Note 1 below) | 14,080,449 | 13,773,904 |
| Sub-contracting expenses (refer to Note 2 below) | 14,529,332 | 8,119,367 |
| Power and fuel | 7,034 | 6,950 |
| Rent - premises | 149,269 | 65,631 |
| Rent - equipments | 5,083 | 4,367 |
| Rates and taxes | 34,363 | 38,203 |
| Insurance | 36,053 | 36,406 |
| Repair and maintenance | 116,292 | 113,780 |
| Advertising and sales promotion | 285,101 | 447,255 |
| Travelling and conveyance | 369,020 | 479,203 |
| Communication costs | 192,637 | 167,180 |
| Printing and stationery | 2,593 | 1,707 |
| Legal and professional fees | 685,267 | 624,638 |
| Auditors' remuneration | 34,237 | 31,533 |
| Foreign exchange fluctuation (net) | 7,745 | - |
| Provision for bad and doubtful debts (net) | 5,078 | 22,902 |
| Recruitment and training expenses | 67,787 | 76,420 |
| Membership and subscription | 16,074 | 20,848 |
| Bank charges | 17,581 | 15,165 |
| Miscellaneous expenses | 501 | 522 |
| | 30,641,496 | 24,045,981 |
| Note 1: Employee benefits | | |
| Salaries and wages | 13,168,160 | 12,889,804 |
| Contribution towards 401K plan | 78,671 | 60,498 |
| Staff welfare expense | 833,618 | 823,602 |
| | 14,080,449 | 13,773,904 |
| The employee benefits are recognized in the following line items in the statement of profit or loss: | | |
| Cost of revenues | 11,155,589 | 11,089,627 |
| Selling, general and administrative expenses | 2,924,860 | 2,684,277 |
| | 14,080,449 | 13,773,904 |
| Note 2: Sub-contracting expenses | | |
| Outsourcing expenses third party | 8,242,956 | 4,075,680 |
| Outsourcing expenses from fellow subsidiary companies | 5,918,984 | 3,672,095 |
| Outsourcing expenses from R Systems International Limited | 367,392 | 371,592 |
| | 14,529,332 | 8,119,367 |
| The Sub-contracting expenses are recognized in the following line items in the statement of profit or loss: | | |
| Cost of revenues | 14,217,740 | 7,807,775 |
| Selling, general and administrative expenses | 311,592 | 311,592 |
| | 14,529,332 | 8,119,367 |
| 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 | 71,887 | 93,743 |
| Selling, general and administrative expenses | 297,133 | 385,460 |
| | 369,020 | 479,203 |
| Note 4: Break up of expenses | | |
| Cost of revenues (A) | | |
| Employee benefits | 11,155,589 | 11,089,627 |
| Sub-contracting expenses | 14,217,740 | 7,807,775 |
| Travelling and conveyance | 71,887 | 93,743 |
| | 25,445,216 | 18,991,145 |
| Selling, general and administrative expenses (B) | | |
| Employee benefits | 2,924,860 | 2,684,277 |
| Sub-contracting expenses | 311,592 | 311,592 |
| Travelling and conveyance | 297,133 | 385,460 |
| Others | 1,662,695 | 1,673,507 |
| | 5,196,280 | 5,054,836 |
| Total expenses (A+B) | 30,641,496 | 24,045,981 |



21. Exceptional items (net) (refer to Note 26)

| Particulars | (Amount in USD) | |
|---|---------------------------------|---------------------------------|
| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Impairment of goodwill | - | 1,443,597 |
| Other fair value gain on contingent consideration | - | (1,191,241) |
| | - | 252,356 |

22. Taxation

The provision for income taxes for the years ended December 31, 2021 and 2020 consisted of the following:

| Particulars | (Amount in USD) | |
|--|---------------------------------|---------------------------------|
| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Components of income tax expense | | |
| Current income tax expense | | |
| In respect of the current year | 256,185 | 126,400 |
| In respect of the prior periods | - | 13,106 |
| Deferred tax charge / (credit) | 18,270 | (309,392) |
| Income tax expense/(credit) | 274,455 | (169,886) |
| Reconciliation of income tax charge to accounting profit: | | |
| Profit before tax | 2,815,052 | (1,233,522) |
| Effective income tax rate in USA | 26.45% | 26.45% |
| Expected tax expense | 744,498 | (326,230) |
| Adjustment of current tax of prior periods | - | 13,106 |
| Income exempt from tax | (590,310) | - |
| Tax provision due to state filings (refer Note below) | 97,727 | 126,400 |
| Others (net) | 22,540 | 16,838 |
| | 274,455 | (169,886) |

Break up of effective tax rate:

| Particulars | Year ended December 31, 2021 | Year ended December 31, 2020 |
|--|---------------------------------|---------------------------------|
| Federal statutory rate | 21.00% | 21.00% |
| State tax rate, net of federal benefit | 5.45% | 5.45% |
| Effective income tax rate | 26.45% | 26.45% |

Note:

For certain states, the Company files tax return along with RSIL 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.



23. 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 | (Amount in USD) | | | | Fair Value hierarchy |
|------------------------------|----------------------|-------------------------|-------------------|-------------------------|-------------------|----------------------|
| | | As at December 31, 2021 | | As at December 31, 2020 | | |
| | | Carrying value | Fair value | Carrying value | Fair value | |
| Financial assets | | | | | | |
| Trade receivables | Amortised cost | 5,211,463 | 5,211,463 | 3,514,518 | 3,514,518 | |
| Cash and bank balances | Amortised cost | 8,123,989 | 8,123,989 | 6,648,764 | 6,648,764 | |
| Other financial assets | Amortised cost | 255,089 | 255,089 | 868,359 | 868,359 | |
| | | 13,590,541 | 13,590,541 | 11,031,641 | 11,031,641 | |
| Financial liabilities | | | | | | |
| Borrowings | Amortised cost | - | - | 2,300,177 | 2,300,177 | |
| Trade and other payables | Amortised cost | 3,146,218 | 3,146,218 | 1,607,132 | 1,607,132 | |
| Contingent consideration | Fair value | 668,851 | 668,851 | 605,783 | 605,783 | Level 3 |
| Other financial liabilities | Amortised cost | 154,615 | 154,615 | 119,123 | 119,123 | |
| | | 3,969,684 | 3,969,684 | 4,632,215 | 4,632,215 | |

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, 2021:

| Contingent consideration for business acquisition | Amount in USD |
|--|----------------|
| As at January 1, 2020 | 1,628,053 |
| Interest on fair value of contingent consideration | 168,971 |
| Other fair value gain on contingent consideration (refer to Note 26) | (1,191,241) |
| As at December 31, 2020 | 605,783 |
| Interest on fair value of contingent consideration | 63,068 |
| As at December 31, 2021 | 668,851 |

c) Valuation inputs and relationships to fair value

| Particulars | (Amount in USD) | | | | Sensitivity | |
|--|-------------------------------|---------|---------------------------------|---|-------------|---|
| | Fair value as at December 31, | | Significant unobservable inputs | Probability-weighted range as at December 31, | | |
| | 2021 | 2020 | | 2021 | | 2020 |
| Contingent consideration on Innovizant LLC acquisition | 668,851 | 605,783 | Expected cash outflows | 685,000 | 685,000 | If expected cash flows were 10% lower, the FV would decrease by USD 66,896 (2020 USD 60,578). |
| | | | Discount rate | 10.40% | 10.40% | A decrease / increase in discount rate by 100 bps would increase / decrease the FV by USD 1,407/ USD 1,403 (2020 USD 6,832/ USD 6,687), respectively. |

d) Financial risk factors and risk management objectives

The Company's activities expose it to foreign currency risk, credit risk, interest risk, market risk and liquidity risk. The Company's primary focus is to foresee the unpredictability of financial markets and seek to minimise potential adverse effects on its financial performance. The primary market risk to the Company is foreign exchange risk.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

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.



23. Financial instruments and risk management (Contd.)**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) | |
|------------------------------|---------------------------------|---------------------------------|
| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Revenue from top customer | 2,012,582 | 1,619,947 |
| Revenue from top 5 customers | 8,797,114 | 6,267,115 |

No customer accounted for more than 10% of the revenue during year ended December 31, 2021 and December 31, 2020. No customer accounted for more than 10% of the receivables for the year ended December 31, 2021 and December 31, 2020.

Interest rate risk

The Company has no exposure to interest rate risk as it does not have any floating interest bearing borrowings/ investments.

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.

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.

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

| Particulars | (Amount in USD) | |
|-----------------------------|---------------------------------|---------------------------------|
| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Less than 1 year | | |
| Trade and other payables | 3,146,218 | 1,607,132 |
| Borrowings | - | 1,473,562 |
| Other financial liabilities | 823,466 | 112,691 |
| | 3,969,684 | 3,193,385 |
| More than 1 year | | |
| Borrowings | - | 826,615 |
| Other financial liabilities | - | 612,215 |
| | - | 1,438,830 |

e) 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 2021 and it is not subject to externally imposed capital requirements. The Company's capital structure is as follows:

| Particulars | (Amount in USD) | |
|--|---------------------------------|---------------------------------|
| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Total shareholder fund attributable to the common stock holders | 10,668,600 | 8,128,003 |
| As percentage of total capital | 99.94% | 77.53% |
| Borrowings (including current maturities) | - | 2,300,177 |
| Lease liabilities (including current maturities) | 6,432 | 54,892 |
| Total borrowings and lease liabilities | 6,432 | 2,355,069 |
| As percentage of total capital | 0.06% | 22.47% |
| Total capital (equity, borrowings and lease liabilities) | 10,675,032 | 10,483,072 |



24. Related party disclosures

i) Names of related parties

Parent entity

Fellow subsidiaries

R Systems International Limited, India

Following are the subsidiaries of R Systems International Limited, India

R Systems (Singapore) Pte Ltd, Singapore

R Systems Technologies Limited, USA

R Systems Consulting Services Limited, Singapore (formerly known as ECnet Limited, Singapore)

R Systems Computaris International Limited, UK (formerly known as Computaris International Limited, UK)

RSYS Technologies Limited, Canada

IBIZ Consultancy Services India Private Limited, India

Following is the subsidiary of R Systems Inc., USA

- Innovizant LLC, USA (merged with R Systems, Inc. USA w.e.f. August 31, 2021)

Following are the subsidiaries of R Systems Consulting Services Limited, Singapore

- R Systems Consulting Services (M) Sdn. Bhd., Malaysia (formerly known as ECnet (M) Sdn. Bhd. Malaysia)

- R Systems Consulting Services (Thailand) Co., Ltd., Thailand (formerly known as ECnet Systems (Thailand) Co. Ltd., Thailand)

- R Systems Consulting Services (Shanghai) Co., Ltd., People's Republic of China (formerly known as ECnet (Shanghai) Co. Ltd.)

- R Systems Consulting Services (Hong Kong) Ltd., Hong Kong (formerly known as ECnet (Hong Kong) Ltd., Hong Kong)

- R Systems Consulting Services Kabushiki Kaisha, Japan (formerly known as ECnet Kabushiki Kaisha, Japan)

Following are the subsidiaries of R Systems Computaris International Limited, UK

- R Systems Computaris Europe S.R.L., Romania (formerly known as Computaris Romania Srl, Romania)

- R Systems Computaris Poland Sp. Z O.O, Poland (Formerly known as Computaris Polska Sp Z O.O., Poland)

- R Systems Computaris S.R.L, Moldova (formerly known as ICS Computaris International Srl, Moldova)

- R Systems Computaris Malaysia Sdn. Bhd., Malaysia (formerly known as Computaris Malaysia Sdn. Bhd., Malaysia)

- R Systems Computaris Philippines Pte. Ltd. Inc., Philippines (formerly known as Computaris Philippines Pte. Ltd. Inc., Philippines)

- R Systems Computaris Suisse Sarl, Switzerland (formerly known as Computaris Suisse Sarl, Switzerland)

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

R Systems IBIZCS Pte. Ltd., Singapore (formerly known as IBIZ Consulting Pte Ltd) with the following step down subsidiaries:

- IBIZ Consulting Services Pte Ltd, Singapore

- R Systems IBIZCS Sdn. Bhd., Malaysia (formerly known as IBIZ Consulting Services Sdn. Bhd., Malaysia)

- PT. R Systems IBIZCS International, Indonesia (formerly known as PT. IBIZCS Indonesia, Indonesia)

- IBIZ Consulting (Thailand) Co. Ltd., Thailand

- 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

Dr. 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, President - R Systems (related to Dr. Satinder Singh Rekhi)



ii) Details of transactions with related parties for the year ended December 31, 2021 and December 31, 2020:

| Particulars | (Amount in USD) | |
|---|---------------------------------|---------------------------------|
| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Information technology services rendered to | | |
| R Systems Computaris Europe S.R.L, Romania | 1,835,466 | 1,621,280 |
| Total | 1,835,466 | 1,621,280 |
| Information technology services received from | | |
| R Systems Technologies Ltd., USA | 4,730,902 | 3,009,151 |
| RSYS Technologies Ltd., Canada | 1,188,082 | 662,944 |
| R Systems International Limited, India | 55,800 | 60,000 |
| Total | 5,974,784 | 3,732,095 |
| Sales and support services received from | | |
| RSYS Technologies Ltd., Canada | 53,880 | - |
| R Systems International Limited, India | 338,688 | 338,688 |
| Total | 392,568 | 338,688 |
| Loan repaid by | | |
| R Systems Technologies Ltd., USA | 128,429 | 67,848 |
| Total | 128,429 | 67,848 |
| Interest income | | |
| R Systems Technologies Ltd., USA | 3,068 | 7,152 |
| Total | 3,068 | 7,152 |
| Travel & other expenses reimbursed by the Company to | | |
| RSYS Technologies Ltd., Canada | 1,263 | 954 |
| R Systems Technologies Ltd., USA | 5,687 | 1,327 |
| R Systems International Limited, India | 56,268 | 35,193 |
| R Systems Consulting Services Limited, Singapore | 20,220 | 11,956 |
| Total | 83,438 | 49,430 |
| Travel & other expenses reimbursed to the Company by | | |
| R Systems Technologies Ltd., USA | 1,084 | 32,612 |
| R Systems International Limited, India | 251,102 | 292,545 |
| RSYS Technologies Ltd., Canada | 1,415 | 17,075 |
| R Systems Computaris Europe S.R.L, Romania | 44,624 | 40,779 |
| Total | 298,225 | 383,011 |
| Other services | | |
| Vinay Narjit Singh Behl | 56,000 | 71,086 |
| Total | 56,000 | 71,086 |
| Remuneration to key management personnel | | |
| Short term employee benefit | 226,970 | 278,794 |
| Other long term employee benefit | (612) | 10,743 |
| Total | 226,358 | 289,537 |
| Rent | | |
| Dr. Satinder Singh Rekhl & Harpreet Rekhl | 79,200 | 79,200 |
| Total | 79,200 | 79,200 |



iii) Details of balances of related parties as at December 31, 2021 and December 31, 2020:

| Particulars | (Amount In USD) | |
|--|---------------------------------|---------------------------------|
| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Trade receivable | | |
| R Systems Computaris Europe S.R.L, Romania | 344,440 | 229,048 |
| Total | 344,440 | 229,048 |
| Trade payable | | |
| RSYS Technologies Ltd., Canada | 160,561 | 71,223 |
| R Systems International Limited, India | 4,600 | 17,000 |
| R Systems Technologies Ltd., USA. | 575,123 | 452,273 |
| Total | 740,284 | 540,496 |
| Loan given to | | |
| R Systems Technologies Ltd., USA* | - | 128,429 |
| Total | - | 128,429 |
| *The loan bears interest at 5% per annum and is repayable on demand. The maximum amount outstanding during 2021 and 2020 was USD 128,429 and USD 198,730 respectively. | | |
| Other receivables | | |
| RSYS Technologies Ltd., Canada | 1,402 | 4,106 |
| R Systems International Limited, India | 58,965 | 12,483 |
| R Systems Computaris Europe S.R.L, Romania | 16,280 | 23,350 |
| R Systems Technologies Ltd., USA. | 11,200 | 6,150 |
| Total | 87,847 | 46,089 |
| Other financial liabilities | | |
| RSYS Technologies Ltd., Canada | 55,295 | - |
| R Systems Consulting Services Limited, Singapore | 10,182 | 10,175 |
| Total | 65,477 | 10,175 |

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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, 2021 and 2020 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) | |
|---------------------|---------------------------------|---------------------------------|
| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| 401(k) contribution | 78,671 | 60,498 |

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, 2021 | As at December 31, 2020 |
|--|----------------------------|----------------------------|
| Discount rate(s)* | 1.39% | 0.69% |
| Rate of Increase in compensation level | 3.50% | 3.50% |
| Average Expected Future Working life (Years) | 3.93 | 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) | |
|---|---------------------------------|---------------------------------|
| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Current service cost | 233,797 | 223,535 |
| Past service cost | - | - |
| Loss/(gain) on settlement | - | - |
| Net interest cost/(Income) on the net defined benefit liability/(asset) | 4,442 | 12,069 |
| Immediate Recognition of (Gains)/ Losses - Other Long Term Benefits | (134,262) | 12,154 |
| Expenses recognised in profit and loss | 103,977 | 247,758 |

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, 2021 | As at December 31, 2020 |
| Present value of obligation | 712,276 | 730,971 |
| Fair value of plan assets | - | - |
| Deficit/ (Surplus) | 712,276 | 730,971 |
| Effects of asset ceiling, if any | - | - |
| Net liability / (asset) | 712,276 | 730,971 |



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

| Particulars | (Amount in USD) | |
|---|---------------------------------|---------------------------------|
| | Year ended December 31, 2021 | Year ended December 31, 2020 |
| Present value of obligation as at the beginning | 730,971 | 655,712 |
| Current service cost | 233,797 | 223,536 |
| Interest expense or cost | 4,442 | 12,069 |
| Re-measurement (or actuarial) (gain) / loss arising from: | | |
| - change in financial assumptions | (17,995) | 35,604 |
| - experience variance | (116,267) | (23,450) |
| Benefits paid | (122,672) | (172,500) |
| Present value of obligation as at the end | 712,276 | 730,971 |

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

Sensitivity analysis

The following table represents the obligation for accumulated compensated absences due to change in:

| Particulars | (Amount in USD) | |
|------------------------------------|----------------------------|----------------------------|
| | As at December 31, 2021 | As at December 31, 2020 |
| Discount rate | | |
| a. Discount rate - 50 basis points | 725,277 | 744,476 |
| b. Discount rate + 50 basis points | 700,239 | 717,991 |
| Salary increase rate | | |
| a. Rate - 50 basis points | 700,363 | 718,291 |
| b. Rate + 50 basis points | 724,849 | 744,018 |

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R Systems, Inc.

Notes to the Financial Statements for the year ended December 31, 2021

26. R Systems, Inc. (a wholly owned subsidiary of the RSIL) had completed the acquisition of 100% interest in Innovizant LLC, (Innovizant) effective January 1, 2019.

As part of the acquisition, the Company had acquired net identifiable assets of USD 1,402,337 for a purchase consideration of USD 2,845,934 resulting in a goodwill of USD 1,443,597 which represents excess of estimated purchase consideration over net identifiable assets. This consideration included a contingent consideration of USD 1,472,778 which represents the amortised value of the USD 1,905,000 payable to the ex-shareholder of Innovizant LLC on fulfillment of certain conditions specified in the agreement over 3 years. The amortised value was derived considering the discount rate of 10.40%.

During the year ended December 31, 2020, the management had reversed the contingent consideration payable amounting to USD 1,191,241 which is not due to the ex-shareholder of Innovizant, basis the conditions specified in the agreement. The management had also assessed the carrying value of goodwill recognised on acquisition and impaired USD 1,443,597 as the expected recoverable value was less than the carrying value of the asset due to non-achievement of thresholds as specified in the agreement. The impairment charge, net off the reversal of contingent consideration payable had been disclosed as "Exceptional items-net" in the Statement of Profit and Loss for the year ended December 31, 2020.

Effective August 31, 2021, Innovizant is amalgamated with the Company to consolidate the operations. Since both the entities were under common control, the comparative financial information in the standalone financial statements of the Company have been restated to reflect the amalgamation from the earliest period presented. The assets and liabilities of the Innovizant are recorded and the corresponding investment made by the Company is eliminated.

Details of net change in the retained earning as on January 01, 2020 and December 31, 2020 are as follows:

| Particulars | As at | |
|---|-------------------|------------------|
| | December 31, 2020 | January 1, 2020 |
| Assets | | |
| Property, plant and equipment | 29,967 | 37,924 |
| Right-of-use assets | - | 1,56,616 |
| Goodwill | | 14,43,597 |
| Non-Compete Agreement | 5,90,026 | 7,86,702 |
| Deferred tax assets (net) | 94,688 | 17,706 |
| Cash and cash equivalents | 1,08,492 | 2,31,966 |
| Trade receivables | - | 51,130 |
| Other current financial assets | 223 | 11,329 |
| Total Identifiable Assets (Total A) | 8,23,396 | 27,36,970 |
| Identifiable Liabilities | | |
| Trade payables | 3,302 | 39,633 |
| Other current financial liabilities | 1,550 | 1,54,531 |
| Current tax liability (net) | 1,453 | 1,453 |
| Total Identifiable Liabilities (Total B) | 6,305 | 1,95,617 |
| Net identifiable assets acquired C = (A-B) | 8,17,091 | 25,41,353 |
| Investment by the Company | 14,02,337 | 28,45,934 |
| Net Change in the Retained earning | 5,85,246 | 3,04,581 |

The total comprehensive income for the year ended December 31, 2020 has been adjusted to give effect of amalgamation. Consequent to this restatement, the total comprehensive income for the year-ended December 31, 2020 is lower by USD 280,665.



27. Subsequent events

The Company evaluated subsequent events for potential recognition and disclosure through February 18, 2022, the date the financial statements were issued.

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

DR. SATINDER SINGH REKHI
Director

Place: Singapore

Date : February 18, 2022

