

RSYS TECHNOLOGIES LTD.

Financial Statements

December 31, 2022
(audited)

RSYS TECHNOLOGIES LTD.

December 31, 2022

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Independent Auditor's Report

To the Shareholders
RSYS TECHNOLOGIES LTD.

Opinion

I have audited the accompanying financial statements of RSYS TECHNOLOGIES LTD., which comprise the balance sheets as at December 31, 2022 and December 31, 2021, and the Statements of income, retained earnings and cash flows for the years then ended, and notes to financial statement, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of RSYS Technologies Ltd. as at December 31, 2022, and the results of its financial operation and its cash flows for the years then ended in accordance with Canadian accounting standards for private enterprises.

Basis of Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to our audit of type financial statements in Canada, and i have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so

Those charged with governance are responsible for overseeing the Company's financial reporting process. When individuals responsible for the oversight of the financial reporting process are the same as those responsible for the preparation of the financial statements, no reference to oversight responsibilities is required

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audits.



D ARORA AND CO INC
Chartered Professional Accountants

Burnaby, BC
February 10, 2023

RSYS TECHNOLOGIES LTD.

Balance Sheet

December 31, 2022

Reported in Canadian dollars

(audited)

	Note	2022 \$	2021 \$
Assets			
Current Assets			
Cash		\$ 1,244,780	\$ 1,462,100
Accounts receivable	4.	1,636,246	1,417,824
Other current assets	5.	283,095	184,684
Total Current Assets		3,164,121	3,064,608
Property, plant and equipment	2.	49,200	27,682
Security deposit		22,044	10,044
Total Assets		\$ 3,235,365	\$ 3,102,334
Liabilities and Equity			
Current Liabilities			
Accounts payable & accrued liabilities	6.	\$ 904,256	\$ 1,208,776
Taxes payable	8.	237,206	129,490
Total Current Liabilities		1,141,462	1,338,266
Equity			
Share capital	12.	1,600,000	1,600,000
Retained earnings		493,903	164,068
Total Equity		2,093,903	1,764,068
Total Liabilities and Equity		\$ 3,235,365	\$ 3,102,334

Approved on Behalf of the Board:

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

RSYS TECHNOLOGIES LTD.

Statement of Retained Earnings

For the Year Ended December 31, 2022

Reported in Canadian dollars

(audited)

	2022	2021
	\$	\$
Retained earning (deficit) - beginning	\$ 164,068	\$ (420,874)
Income for the year	329,835	584,942
Retained earnings - ending	\$ 493,903	\$ 164,068

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

RSYS TECHNOLOGIES LTD.

Statement of Income

For the Year Ended December 31, 2022

Reported in Canadian dollars

(audited)

	Note	2022 \$	2021 \$
Revenue			
Sales		\$ 6,411,161	\$ 4,552,681
Sales to related parties		2,098,814	2,626,909
Total revenue		8,509,975	7,179,590
Operating expenses			
Subcontract expenses		4,723,469	3,568,658
Salaries and wages		2,962,262	2,739,258
Other operating expenses	10.	106,777	75,644
Rental		104,307	60,325
Professional fees		70,016	35,150
Travel expenses		16,686	28,650
Office expenses		13,827	21,514
Employee benefits		28,728	19,850
Advertising and promotion		23,413	11,142
Amortization of tangible assets		15,928	9,757
Interest and bank charges		4,536	1,432
		8,069,949	6,571,380
Income from operations		440,026	608,210
Other items			
Unrealized (gain)/ losses		(7,968)	(22)
Current Income taxes	9.	118,159	23,290
Net income		\$ 329,835	\$ 584,942

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

RSYS TECHNOLOGIES LTD.

Statement of Cash Flows

For the Year Ended December 31, 2022

Reported in Canadian dollars

(audited)

	Note	2022 \$	2021 \$
OPERATING ACTIVITIES:			
Net income		\$ 329,835	\$ 584,942
Items not affecting cash		-	-
Amortization of tangible assets		15,928	9,757
		345,763	594,699
Changes in non-cash working capital		-	-
Accounts receivable		(218,422)	(217,212)
Other current assets		(98,411)	(52,009)
Accounts payable and accrued liabilities		(304,520)	339,907
Tax payable		107,716	13,530
Security deposit		(12,000)	(1,456)
		\$ (525,637)	\$ 82,760
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment		\$ (37,446)	\$ (2,858)
		\$ (37,446)	\$ (2,858)
FINANCING ACTIVITIES:			
Proceed from/ (repayment to) long-term debt		\$ -	\$ (30,000)
		\$ -	\$ (30,000)
Increase (decreases) in cash		\$ (217,320)	\$ 644,601
Cash and cash equivalents at beginning of period		1,462,100	817,499
Net cash at end of period		\$ 1,244,780	\$ 1,462,100

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

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2022

Audited

Reported in Canadian dollars

(audited)

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

Basis of presentation

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

Use of Estimates

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

1. Significant Accounting Policies

a. Revenue recognition

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

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

b. Income taxes

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

Current tax

Current taxes are based on the taxable profit for the year of the Company and are calculated according to local tax rules. Taxable profit differs from 'profit before tax' as reported in the Statement of Income because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible.

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2022

Audited

Reported in Canadian dollars

(audited)

1. Significant Accounting Policies (cont'd)

c. Related parties

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

d. Accounts receivable and allowance for doubtful accounts

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

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

e. Property, plant and equipment

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

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

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2022

Audited

Reported in Canadian dollars

(audited)

2. Property, plant & equipment

Property, plant and equipment consist of the following

			2022	2021
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Computers hardware	\$ 23,217	\$ (12,696)	\$ 10,521	\$ 3,788
Network Equipment	30,306	(17,723)	12,583	18,688
Furniture & Fixtures	8,641	(4,948)	3,693	4,940
Office equipment	1,661	(656)	1,005	266
Leasehold Improvement	25,612	(4,215)	21,397	-
Total	\$ 89,437	\$ (40,237)	\$ 49,200	\$ 27,682

3. Economic dependence

During the year, the company provided 24% services to its associate company in USA (37% prior year) and has undertaken, under the terms of a contract.

4. Accounts receivable

	2022	2021
Trade accounts receivable	\$ 1,116,634	\$ 1,035,573
Trade accounts receivable from related parties	515,992	378,669
Other accounts receivable from related parties	3,620	3,582
	\$ 1,636,246	\$ 1,417,824

5. Other current assets

	2022	2021
Unbilled revenue	\$ 125,721	\$ 102,638
Advance to employees	26,000	1,952
Prepaid expenses	8,254	8,723
Deferred expenses	6,390	71,371
Advance tax	116,730	-
Total	\$ 283,095	\$ 184,684

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2022

Audited

Reported in Canadian dollars

(audited)

6. Accounts payable and accrued liabilities:

	2022	2021
Trade payables to related parties	\$ 124	\$ -
Vacation payable	116,504	108,918
Trade accounts payable	472,837	771,817
Provision for outside job	151,484	171,246
Accrued liability	21,667	19,114
Employee benefit payable	135,250	66,310
Deferred revenue	6,390	71,371
Total	\$ 904,256	\$ 1,208,776

7. Related party transactions

a. R Systems Inc (USA), A fellow subsidiary company

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

	2022	2021
Software Development Services income	\$ 643,037	\$ 1,489,593
Accounts Receivable	88,270	208,338
Travel Reimbursement paid	51,725	2,379
Accounts Payable	61	-
Sales & Support Services	-	68,900
Accounts Receivable	-	69,038
Travel Reimbursement Received	\$ -	\$ 2,896

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

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

	2022	2021
Sales & Support Services	\$ 1,439,644	\$ 1,068,416
Accounts Receivable	515,992	309,631
Travel Reimbursement Received	\$ 78,884	\$ -

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2022

Audited

Reported in Canadian dollars

(audited)

7. Related party transactions (cont'd)

c. R Systems International Limited incorporated in India

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

	2022	2021
Subcontract Expenses	\$ 2,483,437	\$ 2,256,572
Accounts Payable	322,031	654,339
Travel Reimbursement paid	7,692	4,557
Accounts Receivable	3,620	3,582
Travel Reimbursement Received	\$ (1,810)	\$ 3,620

d. R SYSTEMS COMPUTARIS EUROPE SRL, a Branch incorporated in Europe

	2022	2021
Accounts Receivable	\$ 16,169	\$ -
Software Development Services Income	\$ 16,133	\$ -

8. Taxes payable

	2022	2021
Payroll withholding taxes	\$ 49,636	\$ 34,171
GST/QST	69,317	72,029
Corporate taxes	118,253	23,290
Total	\$ 237,206	\$ 129,490

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2022

Audited

Reported in Canadian dollars

(audited)

9. Income Tax expense

	2022	2021
Income for the year	\$ 329,835	\$ 584,942
Current Income taxes	118,159	23,290
Disallowed portion of amortization/ others	(4,769)	(5,707)
Net income for tax purposes before losses	443,225	602,525
Losses for prior years	-	(515,168)
Net income for tax purpose	443,225	87,357
Current Income taxes	\$ 118,159	\$ 23,290

Break up of effective tax rate:

	2022 (%)	2021 (%)
Net Federal tax rate	\$ 15	\$ 15
Average Provincial tax rate	12	12
Effective income tax rate	\$ 27	\$ 27

10. Other operating expenses

	2022	2021
Visa arrangement expense	\$ 48,449	\$ 53,755
Repair & maintenance	3,068	2,297
Training	-	417
Employee relocation expenses	45,675	11,820
Insurance	8,603	5,463
Fees others	982	1,123
Rates and taxes	-	769
	\$ 106,777	\$ 75,644

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2022

Audited

Reported in Canadian dollars

(audited)

11. Financial instruments

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The company's financial instruments consist of cash, receivables, payables and accrued liabilities. The following analysis provides information about the company's risk exposure and concentration as at December 31, 2022.

Market risk

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

Liquidity risk

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

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Approximately 24% of the companies' revenue are in US dollars and, consequently, Accounts Receivables & Advance Payable in US dollars are exposed to foreign exchange fluctuations.

Credit risk

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

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

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2022

Audited

Reported in Canadian dollars

(audited)

12. Share Capital

Authorized shares

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

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

Issued shares

	2022	2021
	\$	\$
Class "A" Common shares (200 shares @\$1 per share)	\$ 200	\$ 200
Class "B" Preferred shares (25 shares @\$3992 per share)	99,800	99,800
Class "B" Preferred shares (375 shares @4000 per share)	1,500,000	1,500,000
Total	\$ 1,600,000	\$ 1,600,000

13. Leases in financial statements of lessees

The company has entered into lease and operating agreements with minimum aggregate annual payments for the next three years as follows:

	\$
2023	\$ 119,055
2024	74,136
2025	37,068
Total	\$ 230,259

14. Comparative figures

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