

**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. USA** ("the Company"), which comprise the Statement of Financial Position as at December 31, 2022, 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, 2022, 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.



# Deloitte Haskins & Sells LLP

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.



# Deloitte Haskins & Sells LLP

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.

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)



*Jitendra Agarwal*

**JITENDRA AGARWAL**  
Partner  
(Membership No. 87104)  
(UDIN: 23087104BGYKVY2262)

Place: Noida  
Date: February 13, 2023

**R Systems, Inc.**  
**Statement of Financial Position as at December 31, 2022**

Particulars	Notes	(Amount in USD)	
		As at December 31, 2022	As at December 31, 2021
<b>ASSETS</b>			
<b>A. Non-current assets</b>			
(a) Property, plant and equipment	3a	782,345	753,588
(b) Right-of-use assets	3b	-	5,846
(d) Intangible assets	3c	200,210	400,787
(e) Financial assets			
(i) Other financial assets	4	200	6,976
(f) Deferred tax assets (net)	19	352,475	423,399
(g) Non-current tax assets (net)		66,758	23,600
(h) Other non-current assets	5	227,407	32,971
<b>Total non-current assets (A)</b>		<b>1,629,395</b>	<b>1,647,167</b>
<b>B. Current assets</b>			
(a) Financial assets			
(i) Trade receivables	6	6,251,545	5,211,463
(ii) Cash and bank balances	7	6,646,772	8,123,989
(iii) Other financial assets	4	435,144	235,218
(b) Other current assets	5	347,515	208,975
<b>Total current assets (B)</b>		<b>13,680,976</b>	<b>13,779,645</b>
<b>Total assets (A+B)</b>		<b>15,310,371</b>	<b>15,426,812</b>
<b>EQUITY AND LIABILITIES</b>			
<b>A. Capital and reserve</b>			
(a) Share capital	8	1,537,401	1,537,401
(b) Retained earnings	9	9,394,536	9,131,199
<b>Total capital and reserve (A)</b>		<b>10,931,937</b>	<b>10,668,600</b>
<b>B. Current liabilities</b>			
(a) Financial liabilities			
(i) Trade payables	10	3,139,284	3,146,218
(ii) Other financial liabilities	11	395,480	823,466
(b) Provisions	12	570,608	712,276
(c) Current tax liability (net)		29,400	48,800
(d) Other current liabilities	13	243,662	27,452
<b>Total current liabilities (C)</b>		<b>4,378,434</b>	<b>4,758,212</b>
<b>Total equity and liabilities (A+B+C)</b>		<b>15,310,371</b>	<b>15,426,812</b>

Notes forming integral part of the financial statements

1-24

In terms of our report attached

**For DELOITTE HASKINS & SELLS LLP**

Chartered Accountants

*Jitendra Agarwal*  
**JITENDRA AGARWAL**

Partner

Membership No. 87104

Place: NOIDA

Date : February 13, 2023



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

*Dr. Satinder Singh Rekhi*

**DR. SATINDER SINGH REKHI**

Director

Place: NOIDA

Date : February 13, 2023

**R Systems, Inc.**

**Statement of Profit or Loss and Other Comprehensive Income for the year ended December 31, 2022**

		(Amount in USD)	
	Notes	Year ended December 31, 2022	Year ended December 31, 2021
Revenue from operations	14	38,756,449	31,718,353
Cost of revenue	18	(31,044,926)	(25,445,216)
<b>Gross profit</b>		<b>7,711,523</b>	<b>6,273,137</b>
Other income	15	402,474	2,321,411
Depreciation and amortisation expense	16	(506,810)	(518,640)
Finance costs	17	(11,925)	(65,071)
Selling, general and administrative expenses	18	(7,041,646)	(5,195,785)
<b>Profit before tax (A)</b>		<b>553,616</b>	<b>2,815,052</b>
Income tax expense (B)	19	290,279	274,455
<b>Profit for the year (A-B)</b>		<b>263,337</b>	<b>2,540,597</b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive loss for the year</b>		<b>263,337</b>	<b>2,540,597</b>

Notes forming integral part of the financial statements 1-24

In terms of our report attached

**For DELOITTE HASKINS & SELLS LLP**

Chartered Accountants

**JITENDRA AGARWAL**

Partner

Membership No. 87104

Place: NOIDA

Date : February 13, 2023



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

**DR. SATINDER SINGH REKHI**

Director

Place: NOIDA

Date : February 13, 2023

R Systems, Inc.

Statement of Cash Flows for the year ended December 31, 2022

Particulars	(Amount in USD)	
	Year ended December 31, 2022	Year ended December 31, 2021
<b>Cash flows from operating activities:</b>		
<b>Profit for the year</b>	<b>263,337</b>	<b>2,540,597</b>
<b>Adjustments for:</b>		
Income tax expense	290,279	274,455
Forgiveness of PPP loan (refer to Note 15)	-	(2,300,177)
Depreciation and amortization expense	506,810	518,640
Provision for doubtful debts (net)	17,622	5,078
Other fair value gain on contingent consideration (refer to Note 23)	(328,712)	-
Liability no longer required written back	-	(1,550)
Interest expense on lease liability	10	1,508
Interest expense under income tax	2,054	495
Interest on fair value of contingent consideration	9,861	63,068
Interest income	(55,962)	(13,265)
Profit on sale/disposal of property, plant and equipment (net)	(14,850)	-
<b>Operating profit before working capital changes</b>	<b>690,449</b>	<b>1,088,849</b>
Changes in operating assets and liabilities:		
(Increase) / Decrease in trade receivables	(1,057,704)	(1,702,023)
(Increase) / Decrease in other financial assets and other assets	(418,403)	(66,414)
Increase / (Decrease) in trade payables, other financial liabilities and other liabilities	456,573	1,627,889
Increase / (Decrease) in provisions	(141,668)	(18,695)
<b>Cash generated from/(used in) operations</b>	<b>(470,753)</b>	<b>929,606</b>
Taxes paid, net of refunds	(283,967)	30,371
<b>Net cash generated from/(used in) operating activities</b>	<b>(754,720)</b>	<b>959,977</b>
<b>Cash flows from investing activities:</b>		
Payment for purchase of property, plant and equipment	(416,992)	(71,121)
Proceeds from sale of property, plant and equipment	14,850	-
Proceeds from / (Investment in) deposits (net)	(2,880,000)	1,645,000
Payment of contingent consideration to erstwhile shareholders of subsidiary (refer to Note 23)	(350,000)	-
Proceeds from loan receivable	-	128,429
Interest received on loan receivable	-	3,068
Interest received from deposits	36,087	24,840
<b>Net cash generated from/ (used in) investing activities</b>	<b>(3,596,055)</b>	<b>1,730,216</b>
<b>Cash flows from financing activities:</b>		
Payment of lease liabilities (refer to Note 11)	(6,442)	(49,968)
<b>Net cash generated from/(used in) financing activities</b>	<b>(6,442)</b>	<b>(49,968)</b>
Net increase / (decrease) in cash and bank balances	(4,357,217)	2,640,225
Cash and bank balances at the beginning of the year	8,123,989	5,483,764
<b>Cash and bank balances at the end of the year (refer to Note 7)</b>	<b>3,766,772</b>	<b>8,123,989</b>

Notes forming integral part of the financial statements 1-24

In terms of our report attached

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants

JITENDRA AGARWAL

Partner

Membership No. 87104

Place: NOIDA

Date : February 13, 2023



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

DR. SATINDER SINGH REKHI

Director

Place: NOIDA

Date : February 13, 2023

**R Systems, Inc.**

**Statement of Changes in Equity as at December 31, 2022**

Particulars	(Amount in USD)		
	Share capital	Retained earning	Total
<b>Balance as at January 1 2021</b>	1,537,401	6,590,602	8,128,003
Profit for the year	-	2,540,597	2,540,597
<b>Balance as at December 31, 2021</b>	<b>1,537,401</b>	<b>9,131,199</b>	<b>10,668,600</b>
Profit for the year	-	263,337	263,337
<b>Balance as at December 31, 2022</b>	<b>1,537,401</b>	<b>9,394,536</b>	<b>10,931,937</b>

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

1-24

**For DELOITTE HASKINS & SELLS LLP**

Chartered Accountants



**JITENDRA AGARWAL**

Partner

Membership No. 87104

Place: NOIDA

Date : February 13, 2023



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



**DR. SATINDER SINGH REKHI**

Director

Place: NOIDA

Date : February 13, 2023

**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 13, 2023.

**2. Summary of Significant Accounting Policies**

**a) Statement of compliance**

The financial statements as at and for the year ended December 31, 2022 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 services rendered to customers and the time elapsed between deployment of resources and the realisation in cash and cash equivalents of the consideration of the services rendered, 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 restated 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 reported using the exchange rate at the date of transaction.

Exchange differences arising on the settlement of monetary items or on restatement of 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 is or contains 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



**R Systems, Inc.**  
**Notes to the Financial Statements for the year ended December 31, 2022**

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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 19.

*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*

Property, plant and equipment represent a significant proportion of the asset base of the Company. The charge in respect of depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by management at the time the asset is acquired and reviewed periodically. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

*d. Provision for compensated absences*

The present value of provision for compensated absences is based on actuarial valuation using the projected unit credit method. An actuarial valuation involves various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, provision for compensated absences is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.





**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:

<b><u>New and revised IFRSs</u></b>	<b><u>Effective for annual periods beginning on or after</u></b>
IFRS 17 Insurance Contracts	1 January 2023
Amendments on 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
'Definition of Accounting Estimates (Amendments to IAS 8)' to help entities to distinguish between accounting policies and accounting estimates.	1 January 2023
'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)' that clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.	1 January 2023
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 2024
IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback transaction)	1 January 2024
IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)	1 January 2024

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.



## 3a. Property, plant and equipment

Particulars	(Amount in USD)							Total
	Leasehold improvements	Electric installation	Networking equipments	Furniture and fittings	Computer hardware	Vehicles	Office equipment	
<b>At cost</b>								
<b>Gross carrying value</b>								
<b>As at January 1, 2021</b>	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)
<b>As at December 31, 2021</b>	<b>121,084</b>	-	<b>1,459,496</b>	<b>154,418</b>	<b>434,325</b>	<b>168,240</b>	<b>63,462</b>	<b>2,401,025</b>
Additions	-	-	64,765	-	56,042	208,337	-	329,144
Deletions	-	-	-	-	(811)	(148,549)	-	(149,360)
<b>As at December 31, 2022</b>	<b>121,084</b>	-	<b>1,524,261</b>	<b>154,418</b>	<b>489,556</b>	<b>228,028</b>	<b>63,462</b>	<b>2,580,809</b>
<b>Accumulated depreciation</b>								
<b>As at January 1, 2021</b>	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)
<b>As at December 31, 2021</b>	<b>121,084</b>	-	<b>751,549</b>	<b>154,322</b>	<b>393,396</b>	<b>168,240</b>	<b>58,846</b>	<b>1,647,437</b>
Charge for the year	-	-	240,954	58	42,011	13,571	3,793	300,387
Deletions	-	-	-	-	(811)	(148,549)	-	(149,360)
<b>As at December 31, 2022</b>	<b>121,084</b>	-	<b>992,503</b>	<b>154,380</b>	<b>434,596</b>	<b>33,262</b>	<b>62,639</b>	<b>1,798,464</b>
<b>Net carrying value</b>								
<b>As at December 31, 2021</b>	-	-	<b>707,947</b>	<b>96</b>	<b>40,929</b>	-	<b>4,616</b>	<b>753,588</b>
<b>As at December 31, 2022</b>	-	-	<b>531,758</b>	<b>38</b>	<b>54,960</b>	<b>194,766</b>	<b>823</b>	<b>782,345</b>



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

Particulars	Building
<b>At cost</b>	
<b>Gross carrying value</b>	
As at January 1, 2021	136,788
Additions	-
Retirement on completion/termination of lease	-
<b>As at December 31, 2021</b>	<b>136,788</b>
Additions	-
Retirement on completion/termination of lease	(136,788)
<b>As at December 31, 2022</b>	<b>-</b>
<b>Accumulated depreciation</b>	
As at January 1, 2021	85,681
Charge for the year	45,261
Retirement on completion/termination of lease	-
<b>As at December 31, 2021</b>	<b>130,942</b>
Charge for the year	5,846
Retirement on completion/termination of lease	(136,788)
<b>As at December 31, 2022</b>	<b>-</b>
<b>Net carrying value</b>	
As at December 31, 2021	5,846
As at December 31, 2022	-

## 3c. Intangible assets (Amount in USD)

Particulars	Softwares	Non-competes	Total
<b>At cost</b>			
<b>Gross carrying value</b>			
As at January 1, 2021	157,941	983,377	1,141,318
Additions	770	-	770
Deletions	(3,432)	-	(3,432)
<b>As at December 31, 2021</b>	<b>155,279</b>	<b>983,377</b>	<b>1,138,656</b>
Additions	-	-	-
Deletions	-	-	-
<b>As at December 31, 2022</b>	<b>155,279</b>	<b>983,377</b>	<b>1,138,656</b>
<b>Accumulated amortization</b>			
As at January 1, 2021	147,345	393,350	540,695
Charge for the year	3,931	196,675	200,606
Deletions	(3,432)	-	(3,432)
<b>As at December 31, 2021</b>	<b>147,844</b>	<b>590,025</b>	<b>737,869</b>
Charge for the year	3,902	196,675	200,577
Deletions	-	-	-
<b>As at December 31, 2022</b>	<b>151,746</b>	<b>786,700</b>	<b>938,446</b>
<b>Net carrying value</b>			
As at December 31, 2021	7,435	393,352	400,787
As at December 31, 2022	3,533	196,677	200,210



**R Systems, Inc.****Notes to the Financial Statements for the year ended December 31, 2022****4. Other financial assets****(Amount in USD)**

Particulars	As at December 31, 2022	As at December 31, 2021
Advance to related parties (refer to Note 21)	175,378	87,847
Unbilled revenue	195,853	128,371
Staff advance	44,038	19,000
Security deposit	200	6,976
Interest accrued on bank deposits	19,875	-
	<b>435,344</b>	<b>242,194</b>
Non-current	200	6,976
Current	435,144	235,218
	<b>435,344</b>	<b>242,194</b>

**5. Other assets****(Amount in USD)**

Particulars	As at December 31, 2022	As at December 31, 2021
Prepaid expenses	482,388	229,051
Capital advance	87,848	-
Advance to vendor	4,686	12,895
	<b>574,922</b>	<b>241,946</b>
Non-current	227,407	32,971
Current	347,515	208,975
	<b>574,922</b>	<b>241,946</b>

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## 6. Trade receivables

Particulars	(Amount in USD)	
	As at December 31, 2022	As at December 31, 2021
Unsecured, considered good	6,251,545	5,211,463
Unsecured, credit impaired	29,918	43,064
Less: Provision for doubtful debts (allowance for expected credit loss)	(29,918)	(43,064)
	<b>6,251,545</b>	<b>5,211,463</b>

Trade receivables are non-interest bearing and are generally on 30 to 60 days terms. They are recognized 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 reorganization, and default or delinquency in payments are indicators that the receivable is impaired. The amount of the allowance for credit loss is recognized in the statement of profit or loss.

**Movement of provision for doubtful debts**

	For the year ended December 31, 2022	For the year ended December 31, 2021
	Balance at beginning of year	43,064
Bad debts written off	(30,768)	(5,256)
Provision for doubtful debts (net)	17,622	5,078
Balance at end of the year	<b>29,918</b>	<b>43,064</b>

**Age of impaired trade receivables**

	As at December 31, 2022	As at December 31, 2021
	91 to 180 days	408
181+ days	29,510	42,756
	<b>29,918</b>	<b>43,064</b>

**Receivables that are past due but not impaired**

The Company have trade receivables amounting to USD 2,326,928 (previous year USD 2,589,510) 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, 2022	As at December 31, 2021
	0-60 days	2,092,392
61-90 days	195,083	51,337
91 to 180 days	39,453	23,550
	<b>2,326,928</b>	<b>2,589,510</b>

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*	
	As at December 31, 2022	As at December 31, 2021
Not due-90 days	0.01%	0.01%
90-180 days	0.22%	0.22%
180-365 days	0.60%	0.60%
More than 365 days	2.00%	2.00%

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

## 7. Cash and bank balances

For the purposes of statement of cash flow, cash and bank balances includes cash at bank in current accounts and short terms deposits with an original maturity period of three months or less. 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, 2022	As at December 31, 2021
<b>Balances with banks</b>		
(i) In current accounts	1,606,772	8,123,989
(ii) In deposit accounts	5,040,000	-
	<b>6,646,772</b>	<b>8,123,989</b>
Less : Bank deposit with original maturity for more than 12 months	-	-
<b>Cash and bank balances</b>	<b>6,646,772</b>	<b>8,123,989</b>
Less: Bank deposit with original maturity for more than 3 months but less than 12 months	(2,880,000)	-
<b>Cash and bank balances for the purpose of cash flow</b>	<b>3,766,772</b>	<b>8,123,989</b>



8. Share capital

Particulars	(Amount in USD)	
	As at December 31, 2022	As at December 31, 2021
<b>Common stock</b>		
<b>Authorised</b>		
5,000 (Previous year 5,000) common stock at "no par value"	-	-
<b>Issued, subscribed and fully paid up</b>		
2,150 (Previous year 2,150) common stock at "no par value"	1,537,401	1,537,401
	<b>1,537,401</b>	<b>1,537,401</b>

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.

9. Retained earnings

Particulars	(Amount in USD)	
	As at December 31, 2022	As at December 31, 2021
Opening balance	9,131,199	6,590,602
Add: Profit for the year	263,337	2,540,597
<b>Total</b>	<b>9,394,536</b>	<b>9,131,199</b>

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**10. Trade payables**

(Amount in USD)

Particulars	As at	As at
	December 31, 2022	December 31, 2021
Trade payables	3,139,284	3,146,218
	<b>3,139,284</b>	<b>3,146,218</b>

Trade payables are non-interest bearing and are normally settled on 30 to 60 days' terms.

**11. Other financial liabilities**

(Amount in USD)

Particulars	As at	As at
	December 31, 2022	December 31, 2021
Payable to related parties (refer to Note 21)	298,559	65,477
Advance from Customer	96,921	82,706
Lease liabilities	-	6,432
Contingent consideration (refer to Note 20 b)	-	668,851
	<b>395,480</b>	<b>823,466</b>
Non-current	-	-
Current	395,480	823,466
	<b>395,480</b>	<b>823,466</b>

Movement schedule of lease liabilities is as follows:

(Amount in USD)

Particulars	As at	As at
	December 31, 2022	December 31, 2021
Opening balance	6,432	54,892
Additions during the year	-	-
Interest accrued on lease liability	10	1,508
Payment of lease liability	(6,442)	(49,968)
Closing balance	-	<b>6,432</b>

**12. Provisions**

(Amount in USD)

Particulars	As at	As at
	December 31, 2022	December 31, 2021
Provision for compensated absences	570,608	712,276
	<b>570,608</b>	<b>712,276</b>
Non-current	-	-
Current	570,608	712,276
	<b>570,608</b>	<b>712,276</b>

**13. Other liabilities**

(Amount in USD)

Particulars	As at	As at
	December 31, 2022	December 31, 2021
Statutory dues payable		
401K contribution payable	21,082	27,452
Unearned revenue	222,580	-
	<b>243,662</b>	<b>27,452</b>
Non-current	-	-
Current	243,662	27,452
	<b>243,662</b>	<b>27,452</b>



## 14. Revenue from operations

(Amount in USD)

Particulars	(Amount in USD)	
	Year ended December 31, 2022	Year ended December 31, 2021
Rendering of services	38,756,449	31,718,353
	<b>38,756,449</b>	<b>31,718,353</b>

## Performance obligations and remaining performance obligations

The remaining performance obligation disclosures provide the aggregate amount of transaction price yet to be recognised as of the end of the reporting period and an explanation as to when the Company expects to recognise these amounts as revenue. Applying the practical expedients as given in IFRS 15, the Company has not disclosed the remaining performance obligations related disclosures where the revenue recognised corresponds directly with the value to customer of the entity's performance completed to date, typically those contracts where invoicing is on the basis of time-and-material basis. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revaluations, adjustment of revenue that has not materialised and adjustments for currency.

## 15. Other income

(Amount in USD)

Particulars	(Amount in USD)	
	Year ended December 31, 2022	Year ended December 31, 2021
Interest income on financial assets at amortised cost		
- Bank deposit	55,962	10,197
- Others (refer to Note 21)	-	3,068
Other fair value gain on contingent consideration (refer to Note 23)	328,712	-
Liability no longer required written back	-	1,550
Profit on sale/disposal of property, plant and equipment (net)	14,850	-
Forgiveness of PPP Loan (refer Note below)	-	2,300,177
Others	2,950	6,419
	<b>402,474</b>	<b>2,321,411</b>

## Note:

In the year ended December 31, 2020, the Company had obtained a forgivable loan of USD 2,284,900 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 along with interest of USD 2,300,177 upon satisfaction of the underlying conditions. Consequently, the amount of loan forgiven was recognised as income and presented under the head other income.

The accounting treatment is in accordance with IAS-20 "Accounting for Government Grants and Disclosure of Government Assistance".

## 16. Depreciation and amortisation expense

(Amount in USD)

Particulars	(Amount in USD)	
	Year ended December 31, 2022	Year ended December 31, 2021
Depreciation on property, plant and equipment	300,387	272,773
Depreciation of right-of-use assets	5,846	45,261
Amortization of intangible assets	200,577	200,606
	<b>506,810</b>	<b>518,640</b>

## 17. Finance costs

(Amount in USD)

Particulars	(Amount in USD)	
	Year ended December 31, 2022	Year ended December 31, 2021
Interest on lease liabilities	10	1,508
Interest expense under income tax	2,054	495
Interest on fair value of contingent consideration	9,861	63,068
	<b>11,925</b>	<b>65,071</b>





## 18. Expenses by nature

Particulars	(Amount in USD)	
	Year ended December 31, 2022	Year ended December 31, 2021
Employee benefits (refer to Note 1 below)	17,524,208	14,080,449
Sub-contracting expenses (refer to Note 2 below)	18,127,678	14,529,332
Power and fuel	8,575	7,034
Rent - premises	146,572	149,269
Rent - equipments	4,238	5,083
Rates and taxes	44,547	33,868
Insurance	57,061	36,053
Repair and maintenance	160,392	116,292
Advertising and sales promotion	367,199	285,101
Travelling and conveyance (refer to Note 3 below)	746,063	369,020
Communication costs	227,564	192,637
Printing and stationery	3,930	2,593
Legal and professional fees	498,262	685,267
Auditors' remuneration	43,653	34,237
Foreign exchange fluctuation (net)	4,509	7,745
Provision for bad and doubtful debts (net)	17,622	5,078
Recruitment and training expenses	63,031	67,787
Membership and subscription	19,578	16,074
Bank charges	21,850	17,581
Miscellaneous expenses	40	501
	<b>38,086,572</b>	<b>30,641,001</b>
<b>Note 1: Employee benefits</b>		
Salaries and wages	16,399,364	13,168,160
Contribution towards 401K plan	98,636	78,671
Staff welfare expenses	1,026,208	833,618
	<b>17,524,208</b>	<b>14,080,449</b>
<b>The employee benefits are recognized in the following line items in the statement of profit or loss:</b>		
Cost of revenues	13,299,985	11,155,589
Selling, general and administrative expenses	4,224,223	2,924,860
	<b>17,524,208</b>	<b>14,080,449</b>
<b>Note 2: Sub-contracting expenses</b>		
Outsourcing expenses third party	11,341,857	8,242,956
Outsourcing expenses from related parties	6,785,821	6,286,376
	<b>18,127,678</b>	<b>14,529,332</b>
<b>The Sub-contracting expenses are recognized in the following line items in the statement of profit or loss:</b>		
Cost of revenues	17,581,811	14,217,740
Selling, general and administrative expenses	545,867	311,592
	<b>18,127,678</b>	<b>14,529,332</b>
<b>Note 3: Travelling and conveyance</b>		
<b>Travelling and conveyance expenses are recognized in the following line items in the statement of profit or loss:</b>		
Cost of revenues	163,130	71,887
Selling, general and administrative expenses	582,933	297,133
	<b>746,063</b>	<b>369,020</b>
<b>Note 4: Break up of expenses</b>		
<b>Cost of revenues (A)</b>		
Employee benefits	13,299,985	11,155,589
Sub-contracting expenses	17,581,811	14,217,740
Travelling and conveyance	163,130	71,887
	<b>31,044,926</b>	<b>25,445,216</b>
<b>Selling, general and administrative expenses (B)</b>		
Employee benefits	4,224,223	2,924,860
Sub-contracting expenses	545,867	311,592
Travelling and conveyance	582,933	297,133
Others	1,688,623	1,662,200
	<b>7,041,646</b>	<b>5,195,785</b>
<b>Total expenses (A+B)</b>	<b>38,086,572</b>	<b>30,641,001</b>



## 19. Taxation

The provision for income taxes for the years ended December 31, 2022 and 2021 consisted of the following:

Particulars	(Amount in USD)	
	Year ended December 31, 2022	Year ended December 31, 2021
<b>Components of income tax expense</b>		
<b>Current income tax expense</b>		
In respect of the current year	233,500	256,185
In respect of the prior periods	(14,145)	-
<b>Deferred tax</b>		
In respect of the current year	70,924	18,270
In respect of the prior periods	-	-
<b>Income tax expense</b>	<b>290,279</b>	<b>274,455</b>
<b>Reconciliation of income tax charge to accounting profit:</b>		
Profit before tax	553,616	2,815,052
Effective income tax rate in USA	26.45%	26.45%
Expected tax expense	146,415	744,498
Adjustment of current tax of prior periods	(14,145)	-
Income exempt from tax	-	(590,310)
Tax provision due to state filings (refer Note below)	174,063	97,727
Others (net)	(16,054)	22,540
	<b>290,279</b>	<b>274,455</b>

**Break up of effective tax rate:**

Particulars	(Amount in USD)	
	Year ended December 31, 2022	Year ended December 31, 2021
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.

**Deferred tax assets / (liabilities) as at December 31, 2022 in relation to:**

Particulars	(Amount in USD)		
	Opening balance	Credited / (Charged) to Statement of profit or loss	Closing balance
<b>Deferred tax asset / (liability) in relation to</b>			
Provision for compensated absences	188,377	(37,467)	150,910
Adjustment for change in the tax accounting method	(32,427)	32,427	-
Right-of-use assets and lease liabilities	154	(154)	-
Provision for doubtful debts	11,389	(3,477)	7,912
Brought forward business losses	96,473	(44,654)	51,819
Property, plant and equipment and Intangible assets	159,433	(17,599)	141,834
<b>Deferred tax asset (net)</b>	<b>423,399</b>	<b>(70,924)</b>	<b>352,475</b>

**Deferred tax assets / (liabilities) as at December 31, 2021 in relation to:**

Particulars	(Amount in USD)		
	Opening balance	Credited / (Charged) to Statement of profit or loss	Closing balance
<b>Deferred tax asset / (liability) in relation to</b>			
Provision for compensated absences	193,321	(4,944)	188,377
Adjustment for change in the tax accounting method	(64,855)	32,428	(32,427)
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
Property, plant and equipment and Intangible assets	95,851	63,582	159,433
<b>Deferred tax asset (net)</b>	<b>441,669</b>	<b>(18,270)</b>	<b>423,399</b>



## 20. Financial instruments and risk management

## a) Categories of financial instruments

The Company has the following categories of financial instruments as at the balance sheet date:

	Basis of measurement	(Amount in USD)				Fair Value hierarchy
		As at December 31, 2022		As at December 31, 2021		
		Carrying value	Fair value	Carrying value	Fair value	
<b>Financial assets</b>						
Trade receivables	Amortised cost	6,251,545	6,251,545	5,211,463	5,211,463	
Cash and bank balances	Amortised cost	6,646,772	6,646,772	8,123,989	8,123,989	
Other financial assets	Amortised cost	435,344	435,344	242,194	242,194	
		<b>13,333,661</b>	<b>13,333,661</b>	<b>13,577,646</b>	<b>13,577,646</b>	
<b>Financial liabilities</b>						
Trade and other payables	Amortised cost	3,139,284	3,139,284	3,146,218	3,146,218	
Contingent consideration	Fair value	-	-	668,851	668,851	Level 3
Other financial liabilities (Other than contingent consideration)	Amortised cost	395,480	395,480	154,615	154,615	
		<b>3,534,764</b>	<b>3,534,764</b>	<b>3,969,684</b>	<b>3,969,684</b>	

Carrying amount of financial instruments at amortised cost approximates their fair value.

**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, 2022:

Contingent consideration for business acquisition (refer to Note 23)	Amount in USD
As at January 1, 2021	605,783
Interest on fair value of contingent consideration	63,068
<b>As at December 31, 2021</b>	<b>668,851</b>
Interest on fair value of contingent consideration	9,861
Other fair value gain on contingent consideration	(328,712)
Payout of contingent consideration to erstwhile shareholders of Innovizant LLC	(350,000)
<b>As at December 31, 2022</b>	<b>-</b>

## 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,		
	2022	2021				
Contingent consideration on Innovizant LLC acquisition	-	668,851	Expected cash outflows	N.A.	685,000	If expected cash flows were 10% lower, the FV would decrease by USD Nil (2021 USD 66,896).
			Discount rate	N.A.	10.40%	A decrease / increase in discount rate by 100 bps would increase / decrease the FV by USD Nil/ USD Nil (2021 USD 1,407/ USD 1,403), respectively.



**20. Financial instruments and risk management (Contd.)****d) Financial risk factors and risk management objectives**

The Company's activities expose it to credit 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 credit risk.

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

**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)	
	As at December 31, 2022	As at December 31, 2021
Revenue from top customer	2,596,017	2,012,582
Revenue from top 5 customers	9,598,266	8,797,114

No customer accounted for more than 10% of the revenue during the year ended December 31, 2022 and December 31, 2021. No customer accounted for more than 10% of the receivables as at December 31, 2022 and December 31, 2021.

**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.

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.

Interest rate risk

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

**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 operating activities.

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

Particulars	(Amount in USD)	
	As at December 31, 2022	As at December 31, 2021
<b>Less than 1 year</b>		
Trade payables	3,139,284	3,146,218
Other financial liabilities	395,480	823,466
	<b>3,534,764</b>	<b>3,969,684</b>

**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 the year ended December 31, 2022 and it is not subject to externally imposed capital requirements. The Company's capital structure is as follows:

Particulars	(Amount in USD)	
	As at December 31, 2022	As at December 31, 2021
<b>Total shareholder fund attributable to the common stockholders</b>	<b>10,931,937</b>	<b>10,668,600</b>
As percentage of total capital	100.00%	99.94%
Lease liabilities (including current maturities)	-	6,432
<b>Total lease liabilities</b>	<b>-</b>	<b>6,432</b>
As percentage of total capital	0.00%	0.06%
<b>Total capital (equity and lease liabilities)</b>	<b>10,931,937</b>	<b>10,675,032</b>



21. Related party disclosures

i) Names of related parties

Parent entity

**R Systems International Limited, India**

Fellow subsidiaries

**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

R Systems Computaris International Limited, UK

RSYS Technologies Limited, Canada

IBIZ Consultancy Services India Private Limited, India (Under liquidation)

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

- R Systems Consulting Services (M) Sdn. Bhd., Malaysia

- R Systems Consulting Services (Thailand) Co., Ltd., Thailand

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

- R Systems Consulting Services (Hong Kong) Ltd., Hong Kong

- R Systems Consulting Services Kabushiki Kaisha, Japan

- R Systems Consulting Services Company Limited, Vietnam (Incorporated on October 17, 2022)

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

- R Systems Computaris Europe S.R.L., Romania

- R Systems Computaris Poland Sp. Z O.O, Poland

- R Systems Computaris S.R.L, Moldova

- R Systems Computaris Malaysia Sdn. Bhd., Malaysia

- R Systems Computaris Philippines Pte. Ltd. Inc., Philippines

- R Systems Computaris Suisse Sarl, Switzerland

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

R Systems IBIZCS Pte. Ltd., Singapore with the following step down subsidiaries:

- IBIZ Consulting Services Pte Ltd, Singapore

- R Systems IBIZCS Sdn. Bhd., Malaysia

- PT. R Systems IBIZCS International, 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 (resigned as director w.e.f. October 14, 2022)

Ruchica Gupta, Director



## ii) Details of transactions with related parties for the year ended December 31, 2022 and December 31, 2021:

Particulars	(Amount in USD)	
	As at December 31, 2022	As at December 31, 2021
<b>Information technology services rendered to</b>		
R Systems Computaris Europe S.R.L, Romania	1,874,924	1,835,466
<b>Total</b>	<b>1,874,924</b>	<b>1,835,466</b>
<b>Information technology services received from</b>		
R Systems Technologies Ltd., USA	5,668,620	4,730,902
RSYS Technologies Ltd., Canada	495,430	1,188,082
R Systems International Limited, India	75,904	55,800
<b>Total</b>	<b>6,239,954</b>	<b>5,974,784</b>
<b>Off-shore support services received from</b>		
RSYS Technologies Ltd., Canada	-	53,880
R Systems International Limited, India	593,334	338,688
<b>Total</b>	<b>593,334</b>	<b>392,568</b>
<b>Loan repaid by</b>		
R Systems Technologies Ltd., USA	-	128,429
<b>Total</b>	<b>-</b>	<b>128,429</b>
<b>Interest income</b>		
R Systems Technologies Ltd., USA	-	3,068
<b>Total</b>	<b>-</b>	<b>3,068</b>
<b>Travel &amp; other expenses reimbursed by the Company to</b>		
RSYS Technologies Ltd., Canada	-	1,263
R Systems Technologies Ltd., USA	6,743	1,087
R Systems International Limited, India	75,411	56,268
R Systems Consulting Services Limited, Singapore	12,620	20,220
<b>Total</b>	<b>94,774</b>	<b>78,838</b>
<b>Travel &amp; other expenses reimbursed to the Company by</b>		
R Systems Technologies Ltd., USA	77,791	34,954
R Systems International Limited, India	417,031	251,102
RSYS Technologies Ltd., Canada	38,989	1,415
R Systems Computaris Europe S.R.L, Romania	50,138	44,624
<b>Total</b>	<b>583,949</b>	<b>332,095</b>
<b>Financial accounting services</b>		
Vinay Narjit Singh Behl	56,000	56,000
<b>Total</b>	<b>56,000</b>	<b>56,000</b>
<b>Remuneration to key management personnel</b>		
Short term employee benefit	247,661	226,970
Other long term employee benefit	2,597	(612)
<b>Total</b>	<b>250,258</b>	<b>226,358</b>
<b>Rent</b>		
Dr. Satinder Singh Rekhi & Harpreet Rekhi	79,200	79,200
<b>Total</b>	<b>79,200</b>	<b>79,200</b>



R Systems, Inc.

Notes to the Financial Statements for the year ended December 31, 2022

iii) Details of balances of related parties as at December 31, 2022 and December 31, 2021:

Particulars	(Amount in USD)	
	As at December 31, 2022	As at December 31, 2021
<b>Trade receivable</b>		
R Systems Computaris Europe S.R.L, Romania	423,174	344,440
<b>Total</b>	<b>423,174</b>	<b>344,440</b>
<b>Trade payable</b>		
RSYS Technologies Ltd., Canada	65,143	160,561
R Systems International Limited, India	8,960	4,600
R Systems Technologies Ltd., USA.	466,117	575,123
<b>Total</b>	<b>540,220</b>	<b>740,284</b>
<b>Other receivables</b>		
RSYS Technologies Ltd., Canada	67	1,402
R Systems International Limited, India	154,787	58,965
R Systems Computaris Europe S.R.L, Romania	12,984	16,280
R Systems Technologies Ltd., USA.	7,540	11,200
<b>Total</b>	<b>175,378</b>	<b>87,847</b>
<b>Other financial liabilities</b>		
R Systems International Limited, India	276,416	-
RSYS Technologies Ltd., Canada	-	55,295
R Systems Consulting Services Limited, Singapore	22,143	10,182
<b>Total</b>	<b>298,559</b>	<b>65,477</b>



**22. 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 participants. 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, 2022 and 2021 there were no discretionary contributions made.

**During the year the Company has recognised the following amounts in the statement of profit and loss:**

(Amount in USD)

Particulars	As at	As at
	December 31, 2022	December 31, 2021
401(k) contribution	98,636	78,671

**B. Compensated absences**

Compensated absences are recognised 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	As at
	December 31, 2022	December 31, 2021
Discount rate(s)*	4.75%	1.39%
Rate of increase in compensation level	3.50%	3.50%
Average Expected Future Working life (Years)	3.90	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:**

(Amount in USD)

Particulars	As at	As at
	December 31, 2022	December 31, 2021
Current service cost	248,810	233,797
Past service cost	-	-
Loss/(gain) on settlement	-	-
Net interest cost/(income) on obligation	8,692	4,442
Actuarial loss/(gain) on obligation	(203,666)	(134,262)
<b>Expenses recognised in profit and loss</b>	<b>53,836</b>	<b>103,977</b>

The amount included in the balance sheet arising from the entity's obligation in respect of compensated absence is as follows:

(Amount in USD)

Particulars	As at	As at
	December 31, 2022	December 31, 2021
Present value of obligation	570,608	712,276
Fair value of plan assets	-	-
<b>Deficit/ (Surplus)</b>	<b>570,608</b>	<b>712,276</b>
Effects of asset ceiling, if any	-	-
<b>Net liability / (asset)</b>	<b>570,608</b>	<b>712,276</b>





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

(Amount in USD)

Particulars	(Amount in USD)	
	As at December 31, 2022	As at December 31, 2021
<b>Present value of obligation as at the beginning</b>	712,276	730,971
Current service cost	248,810	233,797
Interest expense or cost	8,692	4,442
Re-measurement (or actuarial) (gain) / loss arising from:		
- change in financial assumptions	(66,253)	(17,995)
- experience variance	(137,413)	(116,267)
Benefits paid	(195,504)	(122,672)
<b>Present value of obligation as at the end</b>	<b>570,608</b>	<b>712,276</b>

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:

(Amount in USD)

Particulars	(Amount in USD)	
	As at December 31, 2022	As at December 31, 2021
<b>Discount rate</b>		
a. Discount rate - 50 basis points	579,487	725,277
b. Discount rate + 50 basis points	562,028	700,239
<b>Salary increase rate</b>		
a. Rate - 50 basis points	561,887	700,363
b. Rate + 50 basis points	579,538	724,849

23. The Company had completed the acquisition of 100% interest in Innovizant LLC, (Innovizant) effective January 1, 2019. The Company paid USD 1,373,156 during year ended December 31, 2019. The management estimated that the Company is required to pay USD 1,905,000 (contingent consideration) over the next three years based on fulfilment of certain conditions and contingent consideration of USD 1,472,778 was recorded at amortised cost by applying a discount rate of 10.40% p.a.

During the year ended December 31, 2019 and December 31, 2020, the Company recorded interest on fair value of contingent consideration amounting to USD 155,275 and USD 168,971, respectively. Further, basis the conditions specified in the agreement and subsequent amendment thereof, the management had reversed the earn out payable amounting to USD 1,191,241 which was not due to the ex-shareholder of Innovizant as at December 31, 2020 and the balance contingent consideration at amortised cost was USD 605,783.

During the year ended December 31, 2021 and December 31, 2022, the Company has further recorded the interest on fair value of contingent consideration amounting to USD 63,068 and USD 9,861, respectively. Basis the addendum dated February 24, 2022, the Company has settled this liability by paying USD 350,000 and reversed the balance contingent consideration amounting to USD 328,712 as "Other fair value gain on contingent consideration" under Other Income.



R Systems, Inc.

Notes to the Financial Statements for the year ended December 31, 2022

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**24. Subsequent events**

The Company evaluated subsequent events for potential recognition and disclosure through February 13, 2023, 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: NOIDA

Date : February 13, 2023

