

RSYS TECHNOLOGIES LTD.

Financial Statements

December 31, 2023
(audited)

RSYS TECHNOLOGIES LTD.

December 31, 2023

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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, 2023 and December 31, 2022, 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, 2023, 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 05, 2024

RSYS TECHNOLOGIES LTD.

Balance Sheet

December 31, 2023

Reported in Canadian dollars

(audited)

	Note	2023 \$	2022 \$
Assets			
Current Assets			
Cash		\$ 1,448,371	\$ 1,244,780
Accounts receivable	4.	2,206,262	1,636,246
Other current assets	5.	58,228	166,365
Total Current Assets		3,712,861	3,047,391
Property, plant and equipment	2.	35,369	49,200
Security deposit		27,744	22,044
Total Assets		\$ 3,775,974	\$ 3,118,635
Liabilities and Equity			
Current Liabilities			
Accounts payable & accrued liabilities	6.	\$ 1,156,864	\$ 904,256
Taxes payable	8.	117,709	120,476
Total Current Liabilities		1,274,573	1,024,732
Equity			
Share capital	13.	1,600,000	1,600,000
Retained earnings		901,401	493,903
Total Equity		2,501,401	2,093,903
Total Liabilities and Equity		\$ 3,775,974	\$ 3,118,635

Approved on Behalf of the Board:

Sarvesh Kumar

2024-02-06 20:14:25 UTC

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

RSYS TECHNOLOGIES LTD.

Statement of Retained Earnings

For the Year Ended December 31, 2023

Reported in Canadian dollars

(audited)

	2023	2022
	\$	\$
Retained earning - beginning	\$ 493,903	\$ 164,068
Income for the year	407,498	329,835
Retained earnings - ending	\$ 901,401	\$ 493,903

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

RSYS TECHNOLOGIES LTD.

Statement of Income

For the Year Ended December 31, 2023

Reported in Canadian dollars

(audited)

	Note	2023 \$	2022 \$
Revenue			
Sales		\$ 5,939,907	\$ 6,411,161
Sales to related parties		2,996,532	2,098,814
Other revenue		3,592	-
Total revenue		8,940,031	8,509,975
Operating expenses			
Subcontract expenses		3,972,540	4,723,469
Salaries and wages		3,715,073	2,962,262
Rental		157,626	104,307
Other operating expenses	10.	149,706	106,777
Employee benefits		107,001	28,728
Professional fees		80,475	70,016
Advertising and promotion		63,274	23,413
Travel expenses		60,047	16,686
Amortization of tangible assets		24,217	15,928
Office expenses		20,975	13,827
Interest and bank charges		20,107	4,536
Total Operating expenses		8,371,041	8,069,949
Income from operations		568,990	440,026
Other items			
Unrealized (gain)/ losses		5,409	(7,968)
Current Income taxes	9.	156,083	118,159
Net income		\$ 407,498	\$ 329,835

Sarvesh Kumar

2024-02-06 20:14:25 UTC

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

RSYS TECHNOLOGIES LTD.

Statement of Cash Flows

For the Year Ended December 31, 2023

Reported in Canadian dollars

(audited)

	Note	2023 \$	2022 \$
OPERATING ACTIVITIES:			
Net income		\$ 407,498	\$ 329,835
Items not affecting cash			
Amortization of tangible assets		24,217	15,928
		431,715	345,763
Changes in non-cash working capital			
Accounts receivable		(570,016)	(218,422)
Other current assets		108,137	18,319
Accounts payable and accrued liabilities		252,608	(304,520)
Tax payable		(2,767)	(9,014)
Security deposit		(5,700)	(12,000)
		\$ (217,738)	\$ (525,637)
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment		\$ (10,386)	\$ (37,446)
		\$ (10,386)	\$ (37,446)
FINANCING ACTIVITIES:			
Cash and cash equivalents at beginning of period		\$ 1,244,780	\$ 1,462,100
Net cash at end of period		\$ 1,448,371	\$ 1,244,780

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, 2023

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 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, 2023

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, 2023

Audited

Reported in Canadian dollars

(audited)

2. Property, plant & equipment

Property, plant and equipment consist of the following

			2023	2022
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Computers hardware	\$ 33,603	\$ (19,996)	\$ 13,607	\$ 10,522
Network Equipment	30,306	(24,014)	6,292	12,583
Furniture & Fixtures	8,640	(6,239)	2,401	3,692
Office equipment	1,661	(1,165)	496	1,005
Leasehold Improvement	25,612	(13,040)	12,572	21,398
Total	\$ 99,822	\$ (64,453)	\$ 35,369	\$ 49,200

3. Economic dependence

During the year, the company provided 34% service to its related parties under common control (25% prior year) which it has undertaken, under the terms of a service contract.

4. Accounts receivable

	2023	2022
Trade accounts receivable	\$ 1,172,742	\$ 1,012,195
Trade accounts receivable from related parties	1,033,520	620,431
Other accounts receivable from related parties	-	3,620
Total	\$ 2,206,262	\$ 1,636,246

5. Other current assets

	2023	2022
Unbilled revenue	\$ 18,000	\$ 125,721
Advance to employees	2,564	26,000
Prepaid expenses	10,356	8,254
Deferred expenses	14,808	6,390
Advance to Vendor	12,500	-
Total	\$ 58,228	\$ 166,365

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2023

Audited

Reported in Canadian dollars

(audited)

6. Accounts payable & accrued liabilities:

	2023	2022
Trade payables to related parties	\$ 734,522	\$ 322,092
Vacation payable	130,631	116,504
Trade accounts payable	105,836	150,869
Provision for outside job	79,115	151,484
Accrued liability	37,290	21,667
Employee benefit payable	69,470	135,250
Deferred revenue	-	6,390
Total	\$ 1,156,864	\$ 904,256

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).

	2023	2022
Software Development Services income	\$ 952,925	\$ 643,037
Accounts Receivable	528,194	88,270
Travel Reimbursement paid	147,255	51,725
Accounts Payable	11,795	61
Travel Reimbursement Received	\$ 6,235	\$ -

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

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

	2023	2022
Sales & Support Services	\$ 1,948,596	\$ 1,439,644
Accounts Receivable	501,087	515,992
Travel Reimbursement Received	\$ 108,662	\$ 78,884

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2023

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.

	2023	2022
Subcontract Expenses	\$ 2,485,809	\$ 2,483,437
Accounts Payable	722,727	322,031
Travel Reimbursement paid	8,023	7,692
Accounts Receivable	-	3,620
Subcontract Expenses-Support Cost	34,776	-
Travel Reimbursement Received	\$ 447	\$ 1,810

d. R SYSTEMS COMPUTARIS EUROPE SRL.

R Systems Computaris Europe SRL, a wholly owned subsidiary of R System International Ltd India

	2023	2022
Accounts Receivable	\$ 4,239	\$ 16,169
Software Development Services Income	\$ 95,011	\$ 16,133

8. Taxes payable

	2023	2022
Payroll withholding taxes	\$ -	\$ 49,636
GST/QST	25,320	69,318
Corporate taxes	85,980	1,522
Employee Health Tax Payable	6,409	-
Total	\$ 117,709	\$ 120,476

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2023

Audited

Reported in Canadian dollars

(audited)

9. Income Tax expense

	2023	2022
Income for the year before taxes	\$ 563,581	\$ 447,994
Disallowed portion of amortization/ others	23,602	(4,769)
Net income for tax purpose	587,183	443,225
Current Income taxes	\$ 156,083	\$ 118,159

10. Other operating expenses

	2023	2022
Visa arrangement expense	\$ 47,106	\$ 48,449
Repair & maintenance	2,983	3,068
Employee relocation expenses	84,222	45,675
Insurance	14,738	8,603
Miscellaneous expenses	657	982
Total	\$ 149,706	\$ 106,777

11. Leases in financial statements of lessees

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

	Balance
	\$
2024	\$ 166,647
2025	90,895
Total	\$ 257,542

RSYS TECHNOLOGIES LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2023

Audited

Reported in Canadian dollars

(audited)

12. Financial instruments

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The company's financial instruments consist of cash, receivables, payables and accrued liabilities. The following analysis provides information about the company's risk exposure and concentration as at December 31, 2023.

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. Company has negligible exposure in currency risk considering the foreign currency denominated assets and liabilities are back-to-back and through related party.

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, 2023

Audited

Reported in Canadian dollars

(audited)

13. Share Capital

Authorized shares

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

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

Issued shares

	2023	2022
	\$	\$
Class "A" Common shares (200 shares @\$1 per share)	\$ 200	\$ 200
Class "B" Preferred shares (25 shares @\$3992 per share)	99,800	99,800
Class "B" Preferred shares (375 shares @4000 per share)	1,500,000	1,500,000
Total	\$ 1,600,000	\$ 1,600,000

14. Comparative figures

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

Sarvesh Kumar

2024-02-06 20:14:25 UTC