Deloitte Haskins & Sells LLP

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
R Systems Inc.
Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of **R SYSTEMS INC.** ("the Company"), which comprise the Statement of Financial Position as at December 31, 2023, 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, 2023, 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.

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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 scepticism 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.

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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)

Deloitte Haskins & Sells LLP
Chartered Accountants

JITENDRA AGARWAL
Partner
(Membership No. 87104)
(UDIN: 24087104BKCUCE4514)

Place: Noida
Date: February 15, 2024

R Systems, Inc.
Statement of Financial Position as at December 31, 2023

(Amount in USD)

Particulars	Notes	As at December 31, 2023	As at December 31, 2022
ASSETS			
A. Non-current assets			
(a) Property, plant and equipment	3a	474,092	782,345
(b) Intangible assets	3b	-	200,210
(c) Financial assets			
(i) Other financial assets	4	250	200
(d) Deferred tax assets (net)	19	379,486	352,475
(e) Non-current tax assets (net)		14,721	66,758
(f) Other non-current assets	5	336,912	227,407
Total non-current assets (A)		**1,205,461**	**1,629,395**
B. Current assets			
(a) Financial assets			
(i) Trade receivables	6	5,283,179	6,251,545
(ii) Cash and bank balances	7	1,407,454	6,646,772
(iii) Other financial assets	4	341,451	435,144
(b) Other current assets	5	233,439	347,515
Total current assets (B)		**7,265,523**	**13,680,976**
Total assets (A+B)		**8,470,984**	**15,310,371**
EQUITY AND LIABILITIES			
A. Capital and reserve			
(a) Share capital	8	1,537,401	1,537,401
(b) Retained earnings	9	2,709,094	9,394,536
Total capital and reserve (A)		**4,246,495**	**10,931,937**
B. Current liabilities			
(a) Financial liabilities			
(i) Trade payables	10	3,477,006	3,139,284
(ii) Other financial liabilities	11	174,203	395,480
(b) Provisions	12	470,234	570,608
(c) Current tax liability (net)		60,000	29,400
(d) Other current liabilities	13	43,046	243,662
Total current liabilities (B)		**4,224,489**	**4,378,434**
Total equity and liabilities (A+B)		**8,470,984**	**15,310,371**

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 15, 2024

Deloitte Haskins & Sells LLP
Chartered Accountants

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

NAND SARDANA
Director

Place: NOIDA
Date : February 15, 2024

R Systems, Inc.

Statement of Profit or Loss and Other Comprehensive Income for the year ended December 31,2023

(Amount in USD)

Particulars	**Notes**	**Year ended December 31, 2023**	**Year ended December 31, 2022**
Revenue from operations	14	33,925,490	38,756,449
Cost of revenue	18	(27,268,311)	(31,044,926)
Gross profit		**6,657,179**	**7,711,523**
Other income	15	112,458	402,474
Depreciation and amortisation expenses	16	(489,841)	(506,810)
Finance costs	17	(1,042)	(11,925)
Selling, general and administrative expenses	18	(5,694,753)	(7,041,646)
Profit before tax (A)		**584,001**	**553,616**
Income tax expense (B)	19	269,443	290,279
Profit for the year (A-B)		**314,558**	**263,337**
Other comprehensive income		-	-
Total comprehensive income for the year		**314,558**	**263,337**

Notes forming integral part of the financial statements 1-24

In terms of our report attached

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants

Deloitte Haskins & Sells LLP Chartered Accountants

JITENDRA AGARWAL
Partner
Membership No. 87104
Place: NOIDA
Date : February 15, 2024

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

NAND SARDANA
Director

Place: NOIDA
Date : February 15, 2024

R Systems, Inc.

Statement of Changes in Equity as at December 31, 2023

(Amount in USD)

Particulars	**Share capital**	**Retained earning**	**Total**
Balance as at January 1 2022	1,537,401	9,131,199	10,668,600
Profit for the year	-	263,337	263,337
Balance as at December 31, 2022	**1,537,401**	**9,394,536**	**10,931,937**
Dividend	-	(7,000,000)	(7,000,000)
Profit for the year	-	314,558	314,558
Balance as at December 31, 2023	**1,537,401**	**2,709,094**	**4,246,495**

Notes forming integral part of the financial statements 1-24

In terms of our report attached

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants

Deloitte Haskins & Sells LLP
Chartered Accountants

JITENDRA AGARWAL
Partner
Membership No. 87104
Place: NOIDA
Date : February 15, 2024

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

NAND SARDANA
Director

Place: NOIDA
Date : February 15, 2024

R Systems, Inc.
Statement of Cash Flows for the year ended December 31, 2023

		(Amount in USD)
Particulars	**Year ended December 31, 2023**	**Year ended December 31, 2022**
Cash flows from operating activities:		
Profit for the year	**314,558**	**263,337**
Adjustments for:		
Income tax expense	269,443	290,279
Depreciation and amortization expenses	489,841	506,810
Provision for doubtful debts (net)	49,247	17,622
Other fair value gain on contingent consideration (refer to Note 23)	-	(328,712)
Liability no longer required written back	24,998	-
Interest expense on lease liability	-	10
Interest expense under income tax	1,042	2,054
Interest on fair value of contingent consideration	-	9,861
Interest income	(78,423)	(55,962)
Loss/(Gain) on sale/disposal of property, plant and equipment (net)	37,294	(14,850)
Operating profit before working capital changes	**1,108,000**	**690,449**
Changes in operating assets and liabilities:		
Decrease / (Increase) in trade receivables	919,119	(1,057,704)
Decrease / (Increase) in other financial assets and other assets	286,891	(418,403)
Increase / (Decrease) in trade payables, other financial liabilities and other liabilities	(109,169)	456,573
Increase / (Decrease) in provisions	(100,374)	(141,668)
Cash generated from/(used in) operations	2,104,467	(470,753)
Taxes paid, net of refunds	(214,859)	(283,967)
Net cash generated from/(used in) operating activities	**1,889,608**	**(754,720)**
Cash flows from investing activities:		
Payment for purchase of property, plant and equipment	(366,724)	(416,992)
Proceeds from sale of property, plant and equipment	139,500	14,850
Proceeds from / (Investment in) bank deposits (net)	2,880,000	(2,880,000)
Payment of contingent consideration to erstwhile shareholders of subsidiary (refer to Note 23)	-	(350,000)
Interest received from deposits	98,298	36,087
Net cash generated from/ (used in) investing activities	**2,751,074**	**(3,596,055)**
Cash flows from financing activities:		
Dividend paid	(7,000,000)	-
Payment of lease liabilities (refer to Note 11)	-	(6,442)
Net cash generated used in financing activities	**(7,000,000)**	**(6,442)**
Net decrease in cash and bank balances	(2,359,318)	(4,357,217)
Cash and bank balances at the beginning of the year	3,766,772	8,123,989
Cash and bank balances at the end of the year (refer to Note 7)	**1,407,454**	**3,766,772**

Notes forming integral part of the financial statements 1-24

In terms of our report attached

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants

Deloitte Haskins & Sells LLP Chartered Accountants

JITENDRA AGARWAL
Partner
Membership No. 87104
Place: NOIDA
Date : February 15, 2024

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

NAND SARDANA
Director

Place: NOIDA
Date : February 15, 2024

1. General information

R Systems, Inc. (the 'Company') was incorporated under the laws of the State of California on March 9, 1993. The Company is a wholly owned subsidiary of R Systems International Limited (RSIL), a company incorporated in India. RSIL is an intermediate holding company. Also refer to Note 21.

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 15, 2024.

2. Summary of Significant Accounting Policies

a) Statement of compliance

The financial statements as at and for the year ended December 31, 2023 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) Revenue recognition

Revenue is measured based on the consideration to which the Company expects to receive 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.

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R SYSTEMS, INC

Arrangements with customers for services are either on a fixed-price, fixed-timeframe or on a time-and-material basis.

Revenue on time-and-material contracts are recognised as the related services are performed and revenue from the end of the last invoicing to the reporting date is recognised as unbilled revenue.

Revenue from fixed-price contracts, where the performance obligations are satisfied over time and where there is no uncertainty as to measurement or collectability of consideration, is recognised as per the percentage-of-completion method. When there is uncertainty as to measurement or ultimate collectability, revenue recognition is postponed until such uncertainty is resolved. Efforts or costs expended have been used to measure progress towards completion as there is a direct relationship between input and productivity. Maintenance revenue is recognised ratably over the term of the underlying maintenance arrangement.

While revenue recognition for fixed-price contracts is based on percentage of completion method, invoicing to clients is based on milestones as defined in the contract. This results in timing of revenue recognition being different from the timing of billing the customers. 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. Unbilled revenue for fixed price development contracts is classified as non-financial assets as the contractual right to consideration is dependent on completion of contractual milestones.

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.

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.

d) 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.

e) 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.

f) Taxation

The tax expense comprises the sum of the tax currently payable by the Company and deferred tax.

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R SYSTEMS, INC

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.

g) 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 improvements	7 years or period of lease, whichever is less
- Electric installation	5 years
- Networking equipment's	5 years
- Furniture and fittings	7 years
- Computer hardware	3 years

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- Vehicles	7 years
- Office equipment	5 years

h) 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

i) 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.

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R SYSTEMS, INC

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.

j) 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.

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R SYSTEMS, INC

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.

k) 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.

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(iii) Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

(iv) Write off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the statement of profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Non-financial assets

The carrying amounts of the Company's non-financial assets, excluding deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

The recoverable amount of an asset or its cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l) 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.

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m) 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.

n) 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. *Compensated absences*

The present value of provision for compensated absence 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 absence is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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o) 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:

New and revised IFRSs	***Effective for annual periods beginning on or after***
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
Lack of Exchangeability – Amendments to IAS 21	1 January 2025

Management anticipates that these new standards, interpretations and amendments will be adopted in the financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments should have no material impact on the financial statements of the Company in the year of initial application.

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R SYSTEMS, INC

R Systems, Inc.

Notes to the Financial Statements for the year ended December 31, 2023

3a. Property, plant and equipment

(Amount in USD)

Particulars	Leasehold improvements	Networking equipments	Furniture and fittings	Computer hardware	Vehicles	Office equipment	Total
At cost							
Gross block							
As at January 1, 2022	121,084	1,459,496	154,418	434,325	168,240	63,462	**2,401,025**
Additions	-	64,765	-	56,042	208,337	-	**329,144**
Deletions	-	-	-	(811)	(148,549)		**(149,360)**
As at December 31, 2022	**121,084**	**1,524,261**	**154,418**	**489,556**	**228,028**	**63,462**	**2,580,809**
Additions	-	105,375	1,223	17,709	33,865	-	**158,172**
Deletions	-	(164,722)	-	(143,168)	(228,028)	-	**(535,918)**
As at December 31, 2023	**121,084**	**1,464,914**	**155,641**	**364,097**	**33,865**	**63,462**	**2,203,063**
Accumulated depreciation							
As at January 1, 2022	121,084	751,549	154,322	393,396	168,240	58,846	**1,647,437**
Charge for the year	-	240,954	58	42,011	13,571	3,793	**300,387**
Deletions	-	-	-	(811)	(148,549)	-	**(149,360)**
As at December 31, 2022	**121,084**	**992,503**	**154,380**	**434,596**	**33,262**	**62,639**	**1,798,464**
Charge for the year	-	232,960	198	36,815	18,835	823	**289,631**
Deletions	-	(164,722)	-	(142,476)	(51,926)	-	**(359,124)**
As at December 31, 2023	**121,084**	**1,060,741**	**154,578**	**328,935**	**171**	**63,462**	**1,728,971**
Net carrying value							
As at December 31, 2022	**-**	**531,758**	**38**	**54,960**	**194,766**	**823**	**782,345**
As at December 31, 2023		**404,173**	**1,063**	**35,162**	**33,694**	**-**	**474,092**

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R SYSTEMS, INC

3b. Intangible assets **(Amount in USD)**

Particulars	Softwares	Non-compete	Total
At cost			
Gross block			
As at January 1, 2022	155,279	983,377	1,138,656
As at December 31, 2022	**155,279**	**983,377**	**1,138,656**
Deletions	(35,708)	(983,377)	(1,019,085)
As at December 31, 2023	**119,571**	**-**	**119,571**
Accumulated amortization			
As at January 1, 2022	147,844	590,025	737,869
Charge for the year	3,902	196,675	200,577
As at December 31, 2022	**151,746**	**786,700**	**938,446**
Charge for the year	3,533	196,677	200,210
Deletions	(35,708)	(983,377)	(1,019,085)
As at December 31, 2023	**119,571**	**-**	**119,571**
Net carrying value			
As at December 31, 2022	**3,533**	**196,677**	**200,210**
As at December 31, 2023	**-**	**-**	**-**

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R SYSTEMS, INC

4. Other financial assets

(Amount in USD)

Particulars	**As at December 31, 2023**	**As at December 31, 2022**
Advance to related parties (refer to Note 21)	148,391	175,378
Unbilled revenue (refer to Note 14)	130,196	195,853
Staff advance	62,442	44,038
Receivable from customer	422	-
Security deposit	250	200
Interest accrued on bank deposits	-	19,875
	341,701	**435,344**
Non-current	250	200
Current	341,451	435,144
	341,701	**435,344**

5. Other assets

(Amount in USD)

Particulars	**As at December 31, 2023**	**As at December 31, 2022**
Prepaid expenses	209,216	482,388
Capital advance	296,400	87,848
Unbilled revenue (refer to Note 14)	57,284	-
Advance to vendor	7,451	4,686
	570,351	**574,922**
Non-current	336,912	227,407
Current	233,439	347,515
	570,351	**574,922**

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R SYSTEMS, INC

6. Trade receivables

(Amount in USD)

Particulars	As at December 31, 2023	As at December 31, 2022
Unsecured, considered good	5,283,179	6,251,545
Unsecured, credit impaired	50,124	29,918
Less: Provision for doubtful debts (allowance for expected credit loss)	(50,124)	(29,918)
	5,283,179	**6,251,545**

Refer to Note 21 for related party balances

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, 2023	For the year ended December 31, 2022
Balance at beginning of the year	29,918	43,064
Bad debts written off	(29,041)	(30,768)
Provision for doubtful debts (net)	49,247	17,622
Balance at end of the year	**50,124**	**29,918**

Age of impaired trade receivables	As at December 31, 2023	As at December 31, 2022
91 to 180 days	50,124	408
181+ days	-	29,510
	50,124	**29,918**

Receivables that are past due but not impaired

The Company have trade receivables amounting to USD 1,629,373 (previous year USD 2,326,928) 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, 2023	As at December 31, 2022
0-60 days	1,431,518	2,092,392
61-90 days	124,386	195,083
91 to 180 days	73,469	39,453
	1,629,373	**2,326,928**

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, 2023	As at December 31, 2022
Up to 90 days	0.00%	0.01%
90-180 days	0.07%	0.22%
180-365 days	0.31%	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:

(Amount in USD)

Particulars	As at December 31, 2023	As at December 31, 2022
Balances with banks		
(i) In current accounts	1,407,454	1,606,772
(ii) In deposit accounts	-	5,040,000
Cash and bank balances	**1,407,454**	**6,646,772**
Less: Bank deposit with original maturity for more than 3 months but less than 12 months	-	(2,880,000)
Cash and bank balances for the purpose of cash flow	**1,407,454**	**3,766,772**

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R SYSTEMS, INC

8. Share capital

(Amount in USD)

Particulars	As at December 31, 2023	As at December 31, 2022
Common stock		
Authorised		
5,000 (Previous year 5,000) common stock at "no par value"	-	-
	-	-
Issued, subscribed and fully paid up		
2,150 (Previous year 2,150) common stock at "no par value"	1,537,401	1,537,401
	1,537,401	**1,537,401**

Note:

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

(Amount in USD)

Particulars	As at December 31, 2023	As at December 31, 2022
Opening balance	9,394,536	9,131,199
Less: Dividend (refer to note 21)	(7,000,000)	-
Add: Profit for the year	314,558	263,337
Total	**2,709,094**	**9,394,536**

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R SYSTEMS, INC

10. Trade payables

(Amount in USD)

Particulars	As at December 31, 2023	As at December 31, 2022
Trade payables	3,477,006	3,139,284
	3,477,006	**3,139,284**

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 December 31, 2023	As at December 31, 2022
Payable to related parties (refer to Note 21)	77,282	298,559
Advance from Customer	96,921	96,921
	174,203	**395,480**
Non-current	-	-
Current	174,203	395,480
	174,203	**395,480**

12. Provisions

(Amount in USD)

Particulars	As at December 31, 2023	As at December 31, 2022
Provision for compensated absences	470,234	570,608
	470,234	**570,608**
Non-current	-	-
Current	470,234	570,608
	470,234	**570,608**

13. Other liabilities

(Amount in USD)

Particulars	As at December 31, 2023	As at December 31, 2022
Statutory dues payable	29,596	21,082
Unearned revenue	13,450	222,580
	43,046	**243,662**
Non-current	-	-
Current	43,046	243,662
	43,046	**243,662**

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R SYSTEMS, INC

14. Revenue from operations

(Amount in USD)

Particulars	**Year ended December 31, 2023**	**Year ended December 31, 2022**
Rendering of services	33,925,490	38,756,449
	33,925,490	**38,756,449**

Disaggregate revenue information

The table below presents disaggregated revenues from the Company's contracts with customers by the customer's industry type. The Company believes this disaggregation best depicts how the nature, amount, timing and uncertainty of its revenues and cash flows are affected by industry, market and other economic factors.

Revenue by customer's industry type:		
Independent Software Vendor (ISV)	6,421,631	7,263,274
Healthcare	2,414,377	3,984,628
Manufacturing and Logistics	3,274,261	1,961,335
Telecom, Media and Entertainment (TME)	3,020,916	3,957,425
Banking, Finance & Insurance (BFSI)	4,040,237	7,534,645
Other services	14,754,068	14,055,142
	33,925,490	**38,756,449**

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 revalidations, adjustment of revenue that has not materialised and adjustments for currency.

15. Other income

(Amount in USD)

Particulars	**Year ended December 31, 2023**	**Year ended December 31, 2022**
Interest income on financial assets at amortised cost		
- Bank deposit	78,423	55,962
Other fair value gain on contingent consideration (refer to Note 23)	-	328,712
Liability no longer required written back	24,998	-
Profit on sale of property, plant and equipment (net)	-	14,850
Others	9,037	2,950
	112,458	**402,474**

16. Depreciation and amortisation expenses

(Amount in USD)

Particulars	**Year ended December 31, 2023**	**Year ended December 31, 2022**
Depreciation on property, plant and equipment	289,631	300,387
Depreciation of right-of-use assets	-	5,846
Amortization of intangible assets	200,210	200,577
	489,841	**506,810**

17. Finance costs

(Amount in USD)

Particulars	**Year ended December 31, 2023**	**Year ended December 31, 2022**
Interest on lease liabilities	-	10
Interest expense under income tax	1,042	2,054
Interest on fair value of contingent consideration (refer to Note 23)	-	9,861
	1,042	**11,925**

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R SYSTEMS, INC

18. Expenses by nature

(Amount in USD)

Particulars	Year ended December 31, 2023	Year ended December 31, 2022
Employee benefits (refer to Note 1 below)	15,979,577	17,524,208
Sub-contracting expenses (refer to Note 2 below)	15,054,513	18,127,678
Power and fuel	7,487	8,575
Rent - premises	113,079	146,572
Rent - equipments	4,724	4,238
Rates and taxes	42,686	44,547
Insurance	46,471	57,061
Repair and maintenance	191,208	160,392
Advertising and sales promotion	98,235	335,019
Travelling and conveyance (refer to Note 3 below)	548,499	778,243
Communication costs	177,851	227,564
Printing and stationery	1,828	3,930
Legal and professional fees	439,129	498,262
Auditors' remuneration	37,587	43,653
Foreign exchange fluctuation (net)	5,759	4,509
Provision for bad and doubtful debts (net)	49,247	17,622
Recruitment and training expenses	84,071	63,031
Membership and subscription	21,789	19,578
Loss on sale/disposal of property, plant and equipment (net)	37,294	-
Miscellaneous expenses	22,030	21,890
	32,963,064	**38,086,572**

Note 1: Employee benefits

Salaries and wages	14,820,050	16,399,364
Contribution towards 401K plan (refer to Note 22)	85,075	98,636
Staff welfare expenses	1,074,452	1,026,208
	15,979,577	**17,524,208**

The employee benefits are recognized in the following line items in the statement of profit or loss:

Cost of revenues	12,780,376	13,299,985
Selling, general and administrative expenses	3,199,201	4,224,223
	15,979,577	**17,524,208**

Note 2: Sub-contracting expenses

Outsourcing expenses third party	9,301,718	11,341,857
Outsourcing expenses from related parties (refer to Note 21)	5,752,795	6,785,821
	15,054,513	**18,127,678**

The Sub-contracting expenses are recognized in the following line items in the statement of profit or loss:

Cost of revenues	14,392,005	17,581,811
Selling, general and administrative expenses	662,508	545,867
	15,054,513	**18,127,678**

Note 3: Travelling and conveyance

Travelling and conveyance expenses are recognized in the following line items in the statement of profit or loss:

Cost of revenues	95,930	163,130
Selling, general and administrative expenses	452,569	615,113
	548,499	**778,243**

Note 4: Break up of expenses

Cost of revenues (A)		
Employee benefits	12,780,376	13,299,985
Sub-contracting expenses	14,392,005	17,581,811
Travelling and conveyance	95,930	163,130
	27,268,311	**31,044,926**
Selling, general and administrative expenses (B)		
Employee benefits	3,199,201	4,224,223
Sub-contracting expenses	662,508	545,867
Travelling and conveyance	452,569	615,113
Others	1,380,475	1,656,443
	5,694,753	**7,041,646**
Total expenses (A+B)	**32,963,064**	**38,086,572**

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R SYSTEMS, INC

19. Taxation

The provision for income taxes for the year ended December 31, 2023 and 2022 consisted of the following:

(Amount in USD)

Particulars	Year ended December 31, 2023	Year ended December 31, 2022
Components of income tax expense		
Current income tax expense		
In respect of the current year	306,000	233,500
In respect of the prior year	(9,546)	(14,145)
Deferred tax		
In respect of the current year	(27,011)	70,924
Income tax expense	**269,443**	**290,279**

Reconciliation of income tax charge to accounting profit:

Profit before tax	583,973	553,616
Effective income tax rate in USA	26.45%	26.45%
Expected tax expense	154,444	146,415
Adjustment of current tax of prior periods	(9,546)	(14,145)
Tax provision due to state filings (refer to Note 2 below)	137,488	174,063
Others (net)	(12,943)	(16,054)
	269,443	**290,279**

Note 1 Break up of effective tax rate:

Particulars	Year ended December 31, 2023	Year ended December 31, 2022
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 2 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, 2023 in relation to:

(Amount in USD)

Particulars	Opening balance	Credited / (Charged) to Statement of profit or loss	Closing balance
Deferred tax asset / (liability) in relation to			
Provision for compensated absences	150,910	(26,546)	124,364
Provision for doubtful debts	7,912	5,351	13,263
Brought forward business losses	51,819	(21,789)	30,030
Property, plant and equipment and Intangible assets	141,834	69,995	211,829
Deferred tax asset (net)	**352,475**	**27,011**	**379,486**

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

(Amount in USD)

Particulars	Opening balance	Credited / (Charged) to Statement of profit or loss	Closing balance
Deferred tax asset / (liability) in relation to			
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
Deferred tax asset (net)	**423,399**	**(70,924)**	**352,475**

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R SYSTEMS, INC

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:

(Amount in USD)

Particulars	Note	Basis of measurement	As at December 31, 2023		As at December 31, 2022	
			Carrying value	Fair value	Carrying value	Fair value
Financial assets						
Trade receivables	6	Amortised cost	5,283,179	5,283,179	6,251,545	6,251,545
Cash and bank balances	7	Amortised cost	1,407,454	1,407,454	6,646,772	6,646,772
Other financial assets	4	Amortised cost	341,701	341,701	435,344	435,344
			7,032,334	**7,032,334**	**13,333,661**	**13,333,661**
Financial liabilities						
Trade and other payables	10	Amortised cost	3,477,006	3,477,006	3,139,284	3,139,284
Other financial liabilities	11	Amortised cost	174,203	174,203	395,480	395,480
			3,651,209	**3,651,209**	**3,534,764**	**3,534,764**

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.

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20. Financial instruments and risk management (Contd.)

b) 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:

(Amount in USD)

Particulars	**As at December 31, 2023**	**As at December 31, 2022**
Revenue from top customer	1,549,090	2,596,017
Revenue from top 5 customers	5,879,681	8,880,271

No customer accounted for more than 10% of the revenue during the year ended December 31, 2023 and December 31, 2022. No customer accounted for more than 10% of the receivables as at December 31, 2023 and December 31, 2022.

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:

(Amount in USD)

Particulars	**As at December 31, 2023**	**As at December 31, 2022**
Less than 1 year		
Trade payables	3,477,006	3,139,284
Other financial liabilities	174,203	395,480
	3,651,209	**3,534,764**

c) 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, 2023 and it is not subject to externally imposed capital requirements. The Company's capital structure is as follows:

(Amount in USD)

Particulars	**As at December 31, 2023**	**As at December 31, 2022**
Total shareholder fund attributable to the common stockholders	**4,246,495**	**10,931,937**
As percentage of total capital	100.00%	100.00%
Lease liabilities (including current maturities)	-	-
Total capital	**4,246,495**	**10,931,937**

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21. Related party disclosures

i) Names of related parties

Parent entity	**R Systems International Limited, India**
Holding company of Parent	**BCP Asia II TOPCO II Pte. Ltd. (w.e.f. May 10, 2023)**
Ultimate holding company	**BCP Asia II Holdco II Pte. Ltd. (w.e.f. May 10, 2023)**

Fellow subsidiaries

Following are the subsidiaries of R Systems International Limited, India

R Systems (Singapore) Pte Ltd, Singapore
R Systems Inc, USA
R Systems Consulting Services Limited, Singapore
R Systems Computaris International Limited, UK
RSYS Technologies Limited, Canada
IBIZ Consultancy Services India Private Limited, India (liquidated on April 24, 2023)
Velotio Technologies Private Limited, India (acquired w.e.f. July 03, 2023)

- Scaleworx Technologies Private Limited, India (w.e.f. December 01, 2023)

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 (Incorporation 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., Phillippines
- 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 (srtike off w.e.f. January 08, 2024)
  - 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)

Key management personnel

Mandeep Sodhi, Director (appointed w.e.f. May 10, 2023)
Nand Sardana, Director (appointed w.e.f. May 10, 2023)
Ruchica Gupta, Director
Dr. Satinder Singh Rekhi (resigned w.e.f. May 10, 2023)
Harpreet Rekhi (resigned w.e.f. May 10, 2023)
Sartaj Singh Rekhi (resigned w.e.f. May 10, 2023)
Vinay Narjit Singh Behl, Director (ceased to be a key management personnel w.e.f. October 14, 2022)

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ii) Details of transactions with related parties for the year ended December 31, 2023 and December 31, 2022:

(Amount in USD)

Particulars	**As at December 31, 2023**	**As at December 31, 2022**
Information technology services rendered to		
R Systems Computaris Europe S.R.L, Romania	2,095,016	1,874,924
R Systems Technologies Ltd., USA	53,001	-
Total	**2,148,017**	**1,874,924**
Information technology services received from		
R Systems Technologies Ltd., USA	3,719,919	5,668,620
RSYS Technologies Ltd., Canada	707,337	495,430
R Systems International Limited, India	663,031	75,904
Total	**5,090,287**	**6,239,954**
Off-shore support services received from		
R Systems International Limited, India	662,508	593,334
Total	**662,508**	**593,334**
Misc. Income (Commission) received from		
R Systems International Limited, India	9,037	-
Total	**9,037**	**-**
Reimbursment for purchase of assets received from		
R Systems International Limited, India	365	-
Total	**365**	**-**
Dividend Paid		
R Systems International Limited, India	7,000,000	-
Total	**7,000,000**	**-**
Travel & other expenses reimbursed by the Company to		
RSYS Technologies Ltd., Canada	4,691	-
R Systems Technologies Ltd., USA	3,651	6,743
R Systems International Limited, India	48,240	75,411
R Systems Consulting Services Limited, Singapore	4,192	12,620
Total	**60,774**	**94,774**
Travel & other expenses reimbursed to the Company by		
R Systems Technologies Ltd., USA	8,114	77,791
R Systems International Limited, India	633,312	417,031
RSYS Technologies Ltd., Canada	107,247	38,989
R Systems Computaris Europe S.R.L, Romania	43,946	50,138
Total	**792,619**	**583,949**
Financial accounting services		
Vinay Narjit Singh Behl	20,172	56,000
Total	**20,172**	**56,000**
Remuneration to key management personnel		
Short term employee benefit	74,961	247,661
Other long term employee benefit	-	2,597
Total	**74,961**	**250,258**
Rent		
Dr. Satinder Singh Rekhi & Harpreet Rekhi	28,529	79,200
Total	**28,529**	**79,200**

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iii) Details of balances of related parties as at December 31, 2023 and December 31, 2022:

(Amount in USD)

Particulars	As at December 31, 2023	As at December 31, 2022
Trade receivable		
R Systems Computaris Europe S.R.L, Romania	127,142	423,174
R Systems Technologies Ltd., USA	8,870	-
Total	**136,012**	**423,174**
Trade payable		
RSYS Technologies Ltd., Canada	393,557	65,143
R Systems International Limited, India	167,774	8,960
R Systems Technologies Ltd., USA.	691,098	466,117
Total	**1,252,429**	**540,220**
Other receivables		
RSYS Technologies Ltd., Canada	8,908	67
R Systems International Limited, India	136,439	154,787
R Systems Computaris Europe S.R.L, Romania	25,598	12,984
R Systems Technologies Ltd., USA.	814	7,540
Total	**171,759**	**175,378**
Other financial liabilities		
R Systems International Limited, India	255,937	276,416
RSYS Technologies Ltd., Canada	4,691	-
R Systems Consulting Services Limited, Singapore	-	22,143
Total	**260,628**	**298,559**

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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, 2023 and 2022 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	Year Ended December 31, 2023	Year Ended December 31, 2022
401(k) contribution	85,075	98,636

B. Compensated absences

Compensated absences are recognised 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	Year Ended December 31, 2023	Year Ended December 31, 2022
Discount rate(s)*	4.81%	4.75%
Rate of increase in compensation level	3.50%	3.50%
Average Expected Future Working life (Years)	3.88	3.90

***Discount rate**

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	Year Ended December 31, 2023	Year Ended December 31, 2022
Current service cost	222,364	248,810
Past service cost	-	-
Loss/(gain) on settlement	-	-
Net interest cost/(income) on obligation	23,356	8,692
Actuarial loss/(gain) on obligation	(215,131)	(203,666)
Expenses recognised in profit and loss	**30,589**	**53,836**

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 December 31, 2023	As at December 31, 2022
Present value of obligation	470,234	570,608
Fair value of plan assets	-	-
Net liability / (asset)	470,234	570,608

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

(Amount in USD)

Particulars	Year Ended December 31, 2023	Year Ended December 31, 2022
Present value of obligation as at the beginning	570,608	712,276
Current service cost	222,364	248,810
Interest expense or cost	23,356	8,692
Re-measurement (or actuarial) (gain) / loss arising from:		
- change in financial assumptions	(862)	(66,253)
- experience variance	(214,269)	(137,413)
Benefits paid	(130,963)	(195,504)
Present value of obligation as at the end	**470,234**	**570,608**

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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	As at December 31, 2023	As at December 31, 2022
Discount rate		
a. Discount rate - 50 basis points	485,074	579,487
b. Discount rate + 50 basis points	456,368	562,028
Salary increase rate		
a. Rate - 50 basis points	456,046	561,887
b. Rate + 50 basis points	485,079	579,538

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.

24. Subsequent events

The Company evaluated subsequent events for potential recognition and disclosure through February 15, 2024, the date the financial statements were issued.

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

NAND SARDANA
Director

Place: NOIDA
Date : February 15, 2024