

Rsys Technologies Ltd.

Financial Statements

December 31, 2024
(audited)

Rsys Technologies Ltd.

December 31, 2024

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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 sheet as at December 31, 2024 and December 31, 2023, 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, 2024, 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 financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

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

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

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



D ARORA AND CO INC
Chartered Professional Accountants

Burnaby, BC
February 10, 2025

Rsys Technologies Ltd.

Balance Sheet

December 31, 2024

Reported in Canadian dollars

	Note	2024 \$	2023 \$
Assets			
Current Assets			
Cash		2,333,799	1,448,371
Accounts receivable	4	2,089,054	2,206,262
Future tax recoverable		49,049	-
Other current assets	5	241,622	58,228
Total Current Assets		4,713,524	3,712,861
Property, plant and equipment	2	14,720	35,369
Security deposits		15,144	27,744
Total Assets		4,743,388	3,775,974
Liabilities and Equity			
Current Liabilities			
Accounts payable & accrued liabilities	6	1,783,515	1,156,864
Taxes payable	9	53,179	117,709
Total Current Liabilities		1,836,694	1,274,573
Equity			
Share capital		1,600,000	1,600,000
Retained earnings		1,306,694	901,401
Total Equity		2,906,694	2,501,401
Total Liabilities and Equity		4,743,388	3,775,974

Approved on Behalf of the Board:

Sarvesh Kumar

2025-02-12 02:33:25 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, 2024

Reported in Canadian dollars

	2024	2023
	\$	\$
Retained earning - beginning	901,401	493,903
Income for the year	405,293	407,498
Retained earnings - ending	1,306,694	901,401

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

Rsys Technologies Ltd.

Statement of Income

For the Year Ended December 31, 2024

Reported in Canadian dollars

	Note	2024 \$	2023 \$
Revenue			
Sales		6,703,231	5,939,907
Sales to related parties		3,838,744	2,996,532
Other revenue		-	3,592
Total revenue		10,541,975	8,940,031
Operating expenses			
Subcontract expenses		4,994,824	3,972,540
Salaries and wages	11	4,297,593	3,715,073
Travel expenses		209,427	60,047
Rental expenses		161,407	157,626
Advertising and promotion		116,428	63,274
Other operating expenses	12	83,636	149,706
Professional fees		73,299	80,475
Office expenses		28,351	20,975
Employee benefits		27,276	107,001
Amortization of tangible assets		21,976	24,217
Interest and bank charges		3,067	20,107
Total Operating expenses		10,017,284	8,371,041
Income from operations		524,691	568,990
Other items			
Losses on disposal of assets		(6,970)	-
Unrealized gains/(losses)		38,219	(5,409)
		31,249	(5,409)
Income before income taxes		555,940	563,581
Current income taxes	8	199,696	156,083
Future tax recoverable	10	(49,049)	-
Net income taxes		150,647	156,083
Net income		405,293	407,498

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

Rsys Technologies Ltd.

Statement of Cash Flows

For the Year Ended December 31, 2024

Reported in Canadian dollars

	Note	2024 \$	2023 \$
OPERATING ACTIVITIES:			
Net income		405,293	407,498
Items not affecting cash			
Amortization of tangible assets		21,976	24,217
Employee share based payment		190,582	-
		617,851	431,715
Changes in non-cash working capital			
Accounts receivable		117,208	(570,016)
Other current assets		(183,394)	108,137
Accounts payable and accrued liabilities		436,070	252,608
Tax payable		(113,580)	(2,767)
Security deposit		12,600	(5,700)
		268,904	(217,738)
INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment		(1,327)	(10,386)
		(1,327)	(10,386)
FINANCING ACTIVITIES:			
Increase in cash		885,428	203,591
Cash and cash equivalents at beginning of period		1,448,371	1,244,780
Net cash at end of period		2,333,799	1,448,371

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, 2024

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 company follows future taxes method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for future income tax consequences attributable to differences between financial statement's carrying amounts of existing assets and liabilities and their respective tax bases (such as professional allowances, which are allowed as deduction in tax on payment basis). Future tax assets and liabilities are measured based on enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The assessment of probability of future taxable income in which deferred asset can be utilized is based on the company's forecast adjusted for any non-taxable income and expenses and any limits to the use of unused tax loss or credit.

A future tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that is probable that future taxable income will be available for set off.

Rsys Technologies Ltd.

Notes to the Financial Statements

For the Year Ended December 31, 2024

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 Restricted stock units

The employees of Rsys Technologies Ltd. Canada are granted Restricted stock unit plan (RSU) (under equity settled share based payment scheme) by the intermediate parent, R Systems international Limited and accordingly Rsys Technologies Ltd. Canada is subject to cross charge of fair value of options/share awards from R Systems international Limited. The fair value of the equity settled transactions are determined at the date of the grant using an appropriate pricing model . The expense is recognized in statement of income over the vesting period..

f. 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, 2024

2 Property, plant & equipment

Property, plant and equipment consist of the following

			2024	2023
	Cost	Accumulated amortization	Net Book Value	Net Book Value
Computer hardware	41,602	(27,994)	13,608	13,608
Network equipment	30,306	(30,306)	-	6,292
Furniture & fixtures	8,640	(7,530)	1,110	2,401
Office equipment	666	(664)	2	496
Leasehold improvement	-	-	-	12,572
Total	81,214	(66,494)	14,720	35,369

3 Economic dependence

During the year, the company provided 36% service to its related parties under common control (34% prior year) which it has undertaken, under the terms of a service contract.

4 Accounts receivable

	2024	2023
Trade accounts receivable	1,063,903	1,172,743
Trade accounts receivable from related parties	1,025,151	1,033,519
Total	2,089,054	2,206,262

5 Other current assets

	2024	2023
Deferred expenses	153,935	14,808
Unbilled revenue	56,508	18,000
Advance to employees	17,839	2,564
Prepaid expenses	10,116	10,356
Advance to vendor	3,224	12,500
Total	241,622	58,228

Rsys Technologies Ltd.

Notes to the Financial Statements

For the Year Ended December 31, 2024

6 Accounts payable & accrued liabilities:

	2024	2023
Trade payables to related parties	870,156	734,522
Provision for outside job	325,962	79,115
Vacation payable	172,296	130,631
Deferred revenue	153,935	-
Employee benefit payable	100,051	69,470
Trade accounts payable	97,359	105,836
Accrued liability	63,756	37,290
Total	1,783,515	1,156,864

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).

	2024	2023
Software development services income	1,785,363	952,925
Accounts receivable	570,888	528,194
Expenses reimbursed to related party	104,374	147,255
Accounts payable	8,657	11,795
Expenses reimbursed by related party	1,910	6,235

b R Systems International Limited incorporated in India

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

	2024	2023
Subcontract expenses	3,335,782	2,520,585
Sales & marketing support services	2,053,381	1,948,596
Accounts payable	803,681	722,727
Accounts receivable	454,263	501,087
Employee share based payments reimbursed	190,582	-
Expenses reimbursed to related party	15,916	8,023
Expenses reimbursed by related party	40,517	109,109

Rsys Technologies Ltd.

Notes to the Financial Statements

For the Year Ended December 31, 2024

7 Related party transactions (cont'd)

c R SYSTEMS Computaris Europe SRL

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

	2024	2023
Subcontract expenses	75,115	-
Accounts payable	57,817	-
Accounts receivable	-	4,239
Software development services income	-	95,010

8 Current income taxes

	2024	2023
Income for the year before taxes	555,940	563,581
Disallowed portion of amortization/ reserve and others	195,989	23,602
Net income for tax purpose	751,929	587,183
Current income taxes	199,696	156,083
Net effective tax rate (%)	27	27

9 Taxes payable

	2024	2023
Corporate taxes	32,676	85,980
GST/QST	15,694	25,320
Payroll withholding taxes	4,809	6,409
Total	53,179	117,709

10 Future tax recoverable

Future Tax recoverable has been calculated based on statutory Canadian federal and provincial income tax rates. Corporate tax returns are subject to audit and reassessment by the Canada Revenue Agency. Future tax recoverable in the current year is created on provisions for restricted stock units and amortization of tangible assets as per accrual method of accounting, but recognized as a deduction on different basis for income tax purposes. The results of any assessments will be accounted for in the year in which they are determined:

	2024	2023
Future tax recoverable	49,049	-

Rsys Technologies Ltd.

Notes to the Financial Statements

For the Year Ended December 31, 2024

11 Salaries and wages

	2024	2023
Salaries & wages	3,831,836	3,504,985
Payroll taxes	217,201	191,514
Employee share based payments expense	190,582	-
Vacation pay	57,974	18,574
	4,297,593	3,715,073

12 Other operating expenses

	2024	2023
Visa arrangement expense	46,799	47,106
Employee relocation expenses	17,228	84,222
Insurance	16,874	14,738
Miscellaneous expenses	1,815	657
Repair & maintenance	920	2,983
Total	83,636	149,706

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

	2024	2023
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

Rsys Technologies Ltd.

Notes to the Financial Statements

For the Year Ended December 31, 2024

14 Lease commitments

The company entered into agreements to lease its office premises located in Toronto. Future minimum lease payments as at December 31, 2024 are as follows:

	Balance
2025	55,650
Total	55,650

15 Restricted stock units

During the year ended December 31, 2024, R Systems International Limited (RSIL), the intermediate holding company in India, has introduced a equity-settled share based payment plan (the "RSU") for certain identified employees. As per plan, an aggregate of 143,692 RSUs have been granted to the employees of RSYS Technologies Limited, Canada. The plan is implemented and administered by RSIL. Each RSUs shall vest into one equity share as per the terms and conditions mentioned in the plan at an exercise price of Indian Rupee (INR) 1 (\$ 0.02) per share.

Based upon the vesting criteria, the RSU's have been classified as time-based RSU's and Performance-based RSU's.

Time-based RSUs:

In case of time-based RSUs, the vesting period is 60 months (20% vesting in each year) commencing from the date of grant as per the vesting schedule.

The movement in such options during the year is set out below:

	2024
Outstanding at the beginning of the year	-
RSU granted during the year	31,060
RSU exercised during the year	-
RSU forfeited / lapsed / surrendered	-
Number of RSU outstanding at the end of the year	31,060
Weighted average remaining contractual life(in years) at the end of the year	2.05

The Black-Scholes valuation model has been used for computing the weighted average fair value.

Rsys Technologies Ltd.

Notes to the Financial Statements

For the Year Ended December 31, 2024

15 Restricted stock units (cont'd)

Performance-based RSUs:

The vesting of Performance-based RSUs will be determined subject to satisfaction of the performance obligations as stated under the plan.

The movement in such options during the year is set out below:

	2024
Number of RSU outstanding at the beginning of the year	-
Number of RSU granted during the year	112,632
Number of RSU exercised during the year	-
Number of RSU forfeited / lapsed / surrendered	-
Number of RSU outstanding at the end of the year	112,632

In order to determine total performance-based RSUs that are possible to vest i.e. fulfillment of the performance obligations, Monte Carlo Simulation ("MCS") method has been used. As per the MCS method, the external valuer has arrived that the performance obligation will be fulfilled by May 10, 2030 and 50% of the performance-based RSUs i.e. 56,360 RSUs will vest.

During the year ended December 31, 2024, RSYS Technologies Limited has recorded \$ 190,582 as share based payment expense relating to Time based and Performance based RSUs granted to its employees.

16 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, 2024.

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.

Rsys Technologies Ltd.

Notes to the Financial Statements

For the Year Ended December 31, 2024

16 Financial instruments (cont'd)

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.

17 Comparative figures

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

Sarvesh Kumar