

**RADISYS CORPORATION**  
**Financial Statements**  
**for the Year ended 31st December, 2018**

## INDEPENDENT AUDITOR'S REPORT

### TO THE BOARD OF DIRECTORS OF RADISYS CORPORATION

We have audited the accompanying Special Purpose Standalone Financial Statements of Radisys Corporation (hereinafter referred to as "the Company") which comprise the Balance Sheet as at December 31, 2018, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information. These Special Purpose Standalone Financial Statements have been prepared by the management of the Company per the basis of preparation as described therein, solely for the purpose of preparation of the consolidated financial statements of Radisys Corporation.

#### Management's Responsibility for the Special Purpose Standalone Financial Statements

The Management of the Company is responsible for the preparation of these Special Purpose Standalone Financial Statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and statement of changes in equity of the Company in accordance with the basis of preparation of these Special Purpose Standalone Financial Statements as described therein.

The Management of the Company is responsible for 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 Special Purpose Standalone Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these Special Purpose Standalone Financial Statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Special Purpose Standalone Financial Statements have been prepared per the basis of preparation as described therein and are free from material misstatement. An audit involves performing procedures to obtain audit evidence to about the amounts and disclosures in the Special Purpose Standalone Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Special Purpose Standalone Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Special Purpose Standalone Financial Statements in order to design audit procedures that are appropriate in the circumstances but not for the purposes of expressing an opinion on the effectiveness of the Company's internal controls. The audit also includes evaluating the overall presentation of the Special Purpose Standalone Financial Statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the Special Purpose Standalone Financial Statements.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the Special Purpose Standalone Financial Statements of the Company for the year ended December 31, 2018 are prepared, in all material respects, in accordance with the basis of preparation of the Special Purpose Standalone Financial Statements as disclosed therein and accordingly provide a true and fair view of state of affairs of the Company as at December 31, 2018, and its loss, total comprehensive income, its cash flows and statement of changes in equity for the year ended on that date.

#### Restriction on Distribution and Use

These Special Purpose Standalone Financial Statements have been prepared for the limited purpose of preparation of the consolidated financial statements of Radisys Corporation. As a result, these Special Purpose Standalone Financial Statements may not be suitable for another purpose. Our report is intended solely for the use of the Company and should not be distributed to or used by parties.

**For DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm Registration No. 117366W / W - 100018)

**(Abhijit A. Damle)**  
(Partner)

(Membership No. 102912)

Mumbai, dated: 17th June, 2019

## Balance Sheet as at December 31, 2018

(All amounts in USD thousand, unless otherwise stated)

|  | Notes | As at<br>December 31, 2018 |
|--|-------|----------------------------|
| <b>Assets</b>  |       |                            |
| <b>Non-Current Assets</b>  |       |                            |
| (a) Property, Plant and Equipment  | 3a    | 1,110                      |
| (b) Capital Work in Progress   |       | 30                         |
| (c) Other Intangible Assets  | 3b    | 2,396                      |
| (d) Financial Assets   |       |                            |
| (i) Investments  | 5     | 6,146                      |
| (ii) Loans   | 6     | 85                         |
| (e) Current Tax Assets   | 4     | 106                        |
| (f) Other Non-current Assets   | 7     | 345                        |
| <b>Total Non-current Assets</b>  |       | <b>10,218</b>              |
| <b>Current Assets</b>  |       |                            |
| (a) Inventories  | 8     | 1,682                      |
| (b) Financial Assets   |       |                            |
| (i) Trade Receivables  | 9     | 29,097                     |
| (ii) Cash and Cash Equivalents   | 10    | 20,669                     |
| (iii) Other Financial Assets   | 11    | 9081                       |
| (c) Other Current Assets   | 12    | 1,923                      |
| <b>Total Current Assets</b>  |       | <b>62,452</b>              |
| <b>Total Assets</b>  |       | <b>72,670</b>              |
| <b>Equity and Liabilities</b>  |       |                            |
| <b>Equity</b>  |       |                            |
| (a) Share Capital  | 13    | 75,000                     |
| (b) Other Equity   | 14    | (107,915)                  |
| <b>Total Equity</b>  |       | <b>(32,915)</b>            |
| <b>Liabilities</b>   |       |                            |
| <b>Non-current Liabilities</b>   |       |                            |
| (a) Financial Liabilities  |       |                            |
| (i) Borrowings   | 15    | 45,000                     |
| (b) Provisions   | 16    | 305                        |
| (c) Deferred Tax Liabilities (net)   | 27B   | 19                         |
| (d) Other Non Current Liabilities  | 17    | 142                        |
| <b>Total Non-current Liabilities</b>   |       | <b>45,466</b>              |
| <b>Current Liabilities</b>   |       |                            |
| (a) Financial Liabilities  |       |                            |
| (i) Trade Payables   |       | 52,027                     |
| (b) Other Current Liabilities  | 18    | 6,129                      |
| (c) Provisions   | 16    | 858                        |
| (d) Current Tax Liabilities  | 19    | 1,105                      |
| <b>Total Current Liabilities</b>   |       | <b>60,119</b>              |
| <b>Total Liabilities</b>   |       | <b>105,585</b>             |
| <b>Total Equity and Liabilities</b>  |       | <b>72,670</b>              |
| Corporate information and significant accounting policies and notes to the financial statements. | 1-36  |                            |

As per our report of even date

**For Deloitte Haskins and Sells LLP**  
Chartered Accountants  
FRN 117366 W/W - 100018

**Abhijit A. Damle**  
Partner  
Membership No : 102912

Place: Mumbai  
Date: 17th June, 2019

**For and on behalf of the board**

Director

Place: FRISCO, TX, USA  
Date: 11th June, 2019

Director

Place: FRISCO, TX, USA  
Date: 11th June, 2019

## Statement of Profit and Loss for the year ended December 31, 2018

(All amounts in USD thousand, unless otherwise stated)

|  | Notes | Year ended<br>December 31, 2018 |
|--|-------|---------------------------------|
| Revenue from Operations (net)  | 20A   | 106,249                         |
| Other Income   | 21    | 771                             |
| <b>Total Income</b>  |       | <b>107,020</b>                  |
| <b>Expenses</b>  |       |                                 |
| Cost of Goods Sold   | 22    | 35,993                          |
| Employee Benefits Expense  | 23    | 25,234                          |
| Finance Costs  | 24    | 11,404                          |
| Depreciation and Amortization Expense  | 25    | 6,497                           |
| Other Expenses   | 26    | 59,198                          |
| <b>Total Expenses</b>  |       | <b>138,326</b>                  |
| <b>(Loss) Before Tax</b>   |       | <b>(31,306)</b>                 |
| <b>Tax Expense</b>   |       |                                 |
| (1) Current Tax  | 27A   | 672                             |
| (2) Deferred Tax   | 27A   | (34)                            |
| <b>Net Tax Expense</b>   |       | <b>638</b>                      |
| <b>(Loss) for the Year</b>   |       | <b>(31,944)</b>                 |
| <b>Other Comprehensive Income:</b>   |       |                                 |
| Items that will be Reclassified to Profit or Loss:   |       |                                 |
| Unwinding of Hedge   |       | 167                             |
| <b>Total Other Comprehensive Income</b>  |       | <b>167</b>                      |
| <b>Total Comprehensive (Loss) for the Year</b>   |       | <b>(31,777)</b>                 |
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As per our report of even date

**For Deloitte Haskins and Sells LLP**  
Chartered Accountants  
FRN 117366 W/W - 100018

**Abhijit A. Damle**  
Partner  
Membership No : 102912

Place: Mumbai  
Date: 17th June, 2019

**For and on behalf of the board**

Director

Place: FRISCO, TX, USA  
Date: 11th June, 2019

Director

Place: FRISCO, TX, USA  
Date: 11th June, 2019

## Statement of Changes in Equity for the year ended December 31, 2018

(All amounts in USD thousand, unless otherwise stated)

| A. Share Capital                                   | Total          |
|--|----------------|
| <b>Balance as at January 1, 2018</b>               | <b>342,219</b> |
| Issue of common stock                              | 1,275          |
| Cancellation of common stock on account of merger* | (343,494)      |
| Addition of common stock on account of merger*     | 75,000         |
| <b>Balance as at December 31, 2018</b>             | <b>75,000</b>  |

### B. Other Equity

|  | Reserves and Surplus |                   | Other Comprehensive Income | Total            |
|--|----------------------|-------------------|----------------------------|------------------|
|  | Capital Reserve      | Retained Earnings |                            |                  |
| <b>Balance as at January 1, 2018</b>   | -                    | (349,062)         | (167)                      | (349,229)        |
| (Loss) for the year                    | -                    | (31,944)          | -                          | (31,944)         |
| <b>Adjustments during the year</b>     |                      |                   |                            |                  |
| Merger Impact*                         | (107,915)            | 381,006           | -                          | 273,091          |
| Unwinding of Hedge                     | -                    | -                 | 167                        | 167              |
| <b>Balance as at December 31, 2018</b> | <b>(107,915)</b>     | <b>-</b>          | <b>-</b>                   | <b>(107,915)</b> |

\*Refer to Note 33.

As per our report of even date

**For Deloitte Haskins and Sells LLP**  
Chartered Accountants  
FRN 117366 W/W - 100018

**Abhijit A. Damle**  
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Membership No : 102912

Place: Mumbai  
Date: 17th June, 2019

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Director

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Director

Place: FRISCO, TX, USA  
Date: 11th June, 2019

## Cash Flow Statement for the year ended December 31, 2018

(All amounts in USD thousand, unless otherwise stated)

|   | <b>For the year ended</b> |
|---|---------------------------|
|   | <b>December 31, 2018</b>  |
| <b>A CASH FLOW FROM OPERATING ACTIVITIES</b>                                    |                           |
| (Loss) before tax   | <b>(31,306)</b>           |
| <i>Adjustments for:</i>   |                           |
| Depreciation and Amortisation expense   | 6,497                     |
| Provision for doubtful debts written-back                                       | (6)                       |
| Net Loss on disposal of property, plant and equipment and intangible assets     | 14                        |
| Provision for warranty written-back   | (152)                     |
| Finance costs   | 11,404                    |
| Interest Income   | (267)                     |
| <b>Operating (Loss) before working capital changes</b>                          | <b>(13,816)</b>           |
| <b>Changes in working capital:</b>  |                           |
| Decrease in inventories   | 2,457                     |
| Decrease in trade and other receivables   | 7,112                     |
| Decrease in trade, other payables and provisions                                | (5,192)                   |
| Cash (used in) Operations   | (9,439)                   |
| Income Taxes (paid) (net)   | (817)                     |
| <b>Net cash (used in) Operating Activities</b>                                  | <b>(10,256)</b>           |
| <b>B CASH FLOW FROM INVESTING ACTIVITIES</b>                                    |                           |
| Purchase of Property, plant and equipment & other Intangible assets             | (212)                     |
| Proceeds from sale of property, plant and equipment and other intangible assets | 2                         |
| <b>Net cash (used in) Investing Activities</b>                                  | <b>(210)</b>              |
| <b>C CASH FLOW FROM FINANCING ACTIVITIES</b>                                    |                           |
| Proceeds from long-term borrowings (Refer Note 15.1)                            | 45,000                    |
| Proceeds from long-term borrowings (Refer Note 15.2)                            | 37,878                    |
| Repayment of borrowings. (Refer Note 15.2)                                      | (53,878)                  |
| Finance costs paid  | (11,404)                  |
| <b>Net cash generated from Financing Activities</b>                             | <b>17,596</b>             |
| <b>Net increase in Cash And Cash Equivalents (A+B+C)</b>                        | <b>7,130</b>              |
| Cash and Cash equivalents at the beginning of the year                          | 6,684                     |
| Add: Addition on account of merger. (Refer note 33)                             | 6,855                     |
| <b>Cash and cash equivalent at end of year (Refer Note 10)</b>                  | <b>20,669</b>             |
| Note: Changes in liabilities arising from financing.                            |                           |

### Non-cash changes

|                             | As at<br>January 1, 2018 | Cash flows | Fair value<br>changes | Current / non-current<br>classification | As at<br>December 31, 2018 |
|-----------------------------|--------------------------|------------|-----------------------|---|----------------------------|
| Borrowings - non current    | -                        | 45,000     | -                     | -                                       | 45,000                     |
| Other financial liabilities | 16,000                   | (16,000)   | -                     | -                                       | -                          |

As per our report of even date

**For Deloitte Haskins and Sells LLP**  
Chartered Accountants  
FRN 117366 W/W - 100018

**Abhijit A. Damle**  
Partner  
Membership No : 102912

Place: Mumbai  
Date: 17th June, 2019

**For and on behalf of the board**

Director

Place: FRISCO, TX, USA  
Date: 11th June, 2019

Director

Place: FRISCO, TX, USA  
Date: 11th June, 2019

## Notes to the Financial Statements for the year ended December 31, 2018

### 1. General Information

- A. Radisys Corporation (“the Company”) was incorporated on March 18, 1987, in Oregon. The principal office of the Company is situated at 5435 NE Dawson Creek Dr. Hillsboro, OR 97124 United States. With effect from December 11, 2018, the Company has become a wholly owned subsidiary of Reliance Industries Limited (RIL), an Indian listed company (Refer to Note 33).

The Company is engaged in the business of open telecom solutions enabling service providers to drive disruption with new open architecture business models. The Company’s innovative disaggregated and virtualized enabling technology solutions leverage open reference architectures and standards, combined with open software and hardware to power business transformation for the telecom industry, while its world-class services organization delivers systems integration expertise necessary to solve communications and content providers’ complex deployment challenges.

#### 2.1 Basis of Preparation and Presentation

These Special Purpose financial statements have been prepared for the limited purpose of preparation of consolidated financial statements of Radisys Corporation, from the audited consolidated trial balance which includes balances pertaining to the components, using accounting policies as specified hereinafter.

The financial statements have been prepared on the historical cost convention and on accrual basis of accounting except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

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 addition, for financial reporting purposes, fair value measurement are categorised within the fair value hierarchy into Levels 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

#### 2.2 Summary of Significant Accounting Policies

##### A. Business Combinations

Business combinations are accounted for using the acquisition method. At the acquisition date, identifiable assets acquired and liabilities assumed are measured at fair value. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition date fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. The consideration transferred is measured at fair value at acquisition date and includes the fair value of any contingent consideration.

Where the consideration transferred exceeds the fair value of the net identifiable assets acquired and liabilities assumed, the excess is recorded as goodwill. Alternatively, in case of a bargain purchase wherein the consideration transferred is lower than the fair value of the net identifiable assets acquired and liabilities assumed, the Company after assessing fair value of all identified assets and liabilities, records the difference as a gain in other comprehensive income and accumulate the gain in equity as capital reserve. The costs of acquisition excluding those relating to issue of equity or debt securities are charged to the Statement of Profit and Loss in the period in which they are incurred.

In case of business combinations involving entities under common control, the above policy does not apply. Business combinations involving entities under common control are accounted for using the pooling of interests method. The net assets of the transferor entity or business are accounted at their respective carrying amounts on the date of the acquisition subject to necessary adjustments required to harmonise accounting policies. Any excess or shortfall of the consideration paid over the share capital of transferor entity or business is recognized as capital reserve under equity.

## Notes to the Financial Statements for the year ended December 31, 2018

### B. Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment, if any. Costs directly attributable to acquisition are capitalized until the property, plant and equipment are ready for use, as intended by management and includes borrowing costs capitalised in accordance with the Company's accounting policy. The Company depreciates property, plant and equipment over the useful lives as prescribed below:

| Class of asset *  | Useful life |
|-------------------|-------------|
| Plant & Equipment | 1 - 5 years |
| Office Equipment  | 1 – 5 years |

Leasehold improvements are depreciated over primary lease period.

\*For these class of assets, based on internal technical assessment, taking into account the nature of assets, the estimated usage of the asset, the operating condition of the asset, past history of replacement, Management believes that the useful lives as given above best represent the period over which Management expects to use these assets.

Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in net profit in the Statement of Profit and Loss when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or retirement of the asset and the resultant gains or losses are recognized in the Statement of Profit and Loss. Assets to be disposed-off are reported at the lower of the carrying value or the fair value less cost to sell.

### C. Intangible Assets

Intangible Assets are stated at acquisition cost, net of accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised on a straight line basis over their estimated useful lives.

The estimated useful life of intangible assets is mentioned below:

| Class of asset       | Useful life |
|----------------------|-------------|
| Software             | 3 – 5 years |
| Purchased Technology | 2 – 7 years |
| Trade Names          | 10 years    |
| Customer Lists       | 6 years     |
| Patents              | 2 – 5 years |

The useful lives and the amortisation method are reviewed at the end of each reporting period, with the effect of any changes in the estimate being accounted for on a prospective basis.

Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss.

### D. Investment in Subsidiaries

The Company has accounted for its investments in Subsidiaries at cost less impairment loss (if any).

### E. Leases

Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis with reference to the lease terms and other consideration.

### F. Impairment of non-financial assets

Assessment is done at the end of each reporting period as to whether there is any indication that an asset (tangible and intangible) may be impaired. For the purpose of assessing impairment, the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets, is considered as a cash generating unit. If any such indication exists, an estimate of the recoverable amount of the asset/cash generating unit is made. Assets whose carrying value exceeds their recoverable amount are written down

## Notes to the Financial Statements for the year ended December 31, 2018

to the recoverable amount. Recoverable amount is higher of an asset's or cash generating unit's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Assessment is also done at end of each reporting period as to whether there is any indication that an impairment loss recognised for an asset in prior accounting periods may no longer exist or may have decreased.

### G. Foreign Currency Transaction and Translation

#### Initial Recognition:

On initial recognition, transactions in foreign currencies entered into by the Company are recorded in the functional currency (i.e. the local currency), using the exchange rate at the date of transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the Statement of Profit and Loss.

#### Measurement of foreign currency items at reporting date:

Foreign currency monetary items of the Company are translated at the closing exchange rates. Non-monetary items that are measured at historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency, are translated using the exchange rate at the date when the fair value is measured.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income or Statement of Profit and Loss are also recognised in Other Comprehensive Income or Statement of Profit and Loss, respectively).

### H. Inventories

Inventories are stated at the lower of cost, determined on the weighted average basis and net realizable value. The Company uses a standard cost methodology to determine the cost basis for its inventories. The Company evaluates inventory on a quarterly basis for obsolete or slow-moving items to ascertain if the recorded allowance is reasonable and adequate. Inventory is written down for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated net realizable value based upon assumptions about future demand and market conditions.

### I. Revenue Recognition

Revenue from contracts with customers is recognized on transfer of control of promised goods or services to a customer at an amount that reflects the consideration to which the Company is expected to be entitled to in exchange for those goods or services.

Revenue towards satisfaction of a performance obligation is measured at the amount of transaction price allocated to that performance obligation. Revenue is recognised only to the extent that it is highly probable that the amount will not be subject to significant reversal when uncertainty relating to its recognition is resolved.

#### Sale of products:

Revenue from sale of products is recognized when the control on the goods have been transferred to the customer. The performance obligation in case of sale of product is satisfied at a point in time i.e., when the material is shipped to the customer or upon delivery of the software master to the customer, as may be specified in the contract. Revenue from customers for royalties is recorded when the revenue recognition criteria have been met.

#### Rendering of services:

Revenue from services is recognized over time by measuring progress towards satisfaction of performance obligation for the services rendered. Technical support services revenue is recognized as earned on the straight-line basis over the term of the contract.

Professional services revenue is recognized upon completion of certain contractual milestones. Other services revenues include hardware repair services which is recognized when the services are complete.

### J. Employee Benefits

The undiscounted amount of short-term and long-term employee benefits expected to be paid in exchange for the services

## Notes to the Financial Statements for the year ended December 31, 2018

rendered by employees are recognised as an expense during the period when the employees render the services. These benefits include performance incentive.

Defined Contribution Plans:

The Company's contribution under the 401(k) plan which is a defined contribution plan is charged as an expense when services are rendered by the employees.

### **K. Borrowing costs**

Borrowing costs include exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised as a part of cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss in the year in which they are incurred.

### **L. Taxation**

#### **Taxes on income**

The tax expense for the period comprises current and deferred tax. Tax is recognised in Statement of Profit and Loss, except to the extent that it relates to items recognised in the other comprehensive income or in equity. In this case, the tax is also recognised in other comprehensive income or in equity.

#### **Current Tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted at the balance sheet date.

#### **Deferred Tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### **M. Provisions, contingent liabilities and contingent assets**

Provisions are recognised when the Company has a present obligation as a result of past event(s) and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Contingent liabilities are disclosed unless the possibility of outflow of resources is remote. Contingent assets are not recognised but disclosed in the financial statements only where inflow of economic benefit is probable.

### **N. Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the Company. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Company.

### **O. Cash and Cash Equivalents**

Cash comprises cash on hand and demand deposits having maturity of three months or less. Cash equivalents are short-

## Notes to the Financial Statements for the year ended December 31, 2018

term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

### P. Financial Instruments

#### i. Financial Assets

##### a. Initial recognition and measurement

All financial assets are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets, which are not at fair value through profit or loss, are added to the fair value on initial recognition. Regular purchase and sale of financial assets are recognised using trade date accounting.

##### b. Subsequent measurement

###### Financial assets carried at amortised cost (AC):

A financial asset is subsequently measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

###### Financial assets at fair value through other comprehensive income (FVTOCI):

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

###### Financial assets at fair value through profit or loss (FVTPL):

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

##### c. Equity instruments

Equity investments are measured at fair value, with value changes recognised in Statement of Profit and Loss, except for those equity investments for which the Company has elected to present the value changes in 'Other Comprehensive Income'.

##### d. Impairment of financial assets

The Company assesses impairment based on expected credit loss (ECL) model to the following:

###### (a) Financial assets at amortised cost

###### (b) Financial assets measured at fair value through Other Comprehensive Income

The Company follows the 'simplified approach' for recognition of impairment loss allowance. The application of the simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, from its initial recognition.

The Company uses historical experience to determine the impairment loss allowance on the portfolio of trade receivables. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

#### ii. Financial Liabilities

## Notes to the Financial Statements for the year ended December 31, 2018

a. Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in the case of loans, borrowings and payables, net of directly attributable cost. Fees of recurring nature are directly recognised in Statement of Profit and Loss as finance cost.

b. Subsequent measurement

Financial liabilities are subsequently carried at amortised cost using the effective interest method. For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

iii. **Derecognition of Financial Instrument**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. On derecognition of a financial asset, the difference between the carrying amount and the consideration received is recognised in the Statement of Profit and Loss. A financial liability (or a part of a financial liability) is derecognised from the Company's balance sheet when the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in the Statement of Profit and Loss.

iv. **Fair value of Financial Instrument**

In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis and available quoted market prices. All methods of assessing fair value result in general approximation of value, and such value may vary from actual realization on future dates.

### 2.3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the management of the Company is required to make judgements, estimates and assumptions about the carrying amount of the assets and liability that are not readily apparent. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

(a) Provision for warranty

Provision for warranty is considered based on the average warranty expense incurred in the preceding 24 months, the warranty period ranges from 12 months to 36 months as per provisions of the contracts.

(b) Impairment of non-financial assets

Where indicators of impairment exist for an asset or cash generating unit ("CGU") Management determines the recoverable amount. As part of that determination, in assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transaction are taken into account, if no such transactions can be identified, a valuation model is used.

(c) Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected cash loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on Company's past history, existing market conditions, as well as, forward looking estimates at the end of each reporting period.

(d) Income Taxes

Significant judgements are involved in estimating and determining the provision for income tax, including amount expected to be paid / recovered or uncertain tax positions.

## Notes to the Financial Statements for the year ended Decemer 31, 2018

(All amounts in USD thousand, unless otherwise stated)

### 3a Property, Plant and Equipment

| Description of Assets                   | Leasehold Improvements | Plant and Equipment | Office Equipment | Total         |
|---|------------------------|---------------------|------------------|---------------|
| <b>I. Gross Block</b>                   |                        |                     |                  |               |
| <b>Balance as at January 1, 2018</b>    | <b>956</b>             | <b>12,561</b>       | <b>3,528</b>     | <b>17,045</b> |
| Additions                               | 84                     | 123                 | 93               | 300           |
| Disposals                               | -                      | (2,349)             | (34)             | (2,383)       |
| Adjustments                             | -                      | (250)               | -                | (250)         |
| <b>Balance as at December 31, 2018</b>  | <b>1,040</b>           | <b>10,085</b>       | <b>3,587</b>     | <b>14,712</b> |
| <b>II. Accumulated Depreciation</b>     |                        |                     |                  |               |
| <b>Balance as at January 1, 2018</b>    | <b>926</b>             | <b>10,562</b>       | <b>3,029</b>     | <b>14,517</b> |
| Depreciation expense for the year       | 62                     | 1,278               | 280              | 1,620         |
| Disposals                               | -                      | (2,334)             | (33)             | (2,367)       |
| Adjustments                             | -                      | (168)               | -                | (168)         |
| <b>Balance as at December 31, 2018</b>  | <b>988</b>             | <b>9,338</b>        | <b>3,276</b>     | <b>13,602</b> |
| <b>Net block (I-II)</b>                 |                        |                     |                  |               |
| <b>Balance as at 31st December 2018</b> | <b>52</b>              | <b>747</b>          | <b>311</b>       | <b>1,110</b>  |

There are no contractual commitments for the acquisition of Property, Plant and Equipment.

### 3b Other Intangible Assets (Acquired Separately)

| Description of Assets                  | Computer Software | Purchased Technology | Trade Names   | Customer Lists | Patents      | Total          |
|--|-------------------|----------------------|---------------|----------------|--------------|----------------|
| <b>I. Gross Block</b>                  |                   |                      |               |                |              |                |
| <b>Balance as at January 1, 2018</b>   | 8,903             | 114,754              | 11,536        | 37,000         | 6,472        | 178,665        |
| Additions                              | 66                | -                    | -             | -              | -            | 66             |
| Disposals                              | -                 | -                    | -             | -              | -            | -              |
| <b>Balance as at December 31, 2018</b> | <b>8,969</b>      | <b>114,754</b>       | <b>11,536</b> | <b>37,000</b>  | <b>6,472</b> | <b>178,731</b> |
| <b>II. Accumulated Amortisation</b>    |                   |                      |               |                |              |                |
| <b>Balance as at January 1, 2018</b>   | <b>8,558</b>      | <b>110,674</b>       | <b>8,754</b>  | <b>37,000</b>  | <b>6,472</b> | <b>171,458</b> |
| Amortisation expense for the year      | 49                | 4,080                | 748           | -              | -            | 4,877          |
| <b>Balance as at December 31, 2018</b> | <b>8,607</b>      | <b>114,754</b>       | <b>9,502</b>  | <b>37,000</b>  | <b>6,472</b> | <b>176,335</b> |
| <b>Net block (I-II)</b>                |                   |                      |               |                |              |                |
| <b>Balance as at December 31, 2018</b> | <b>362</b>        | <b>-</b>             | <b>2,034</b>  | <b>-</b>       | <b>-</b>     | <b>2,396</b>   |

There are no contractual commitments for the acquisition of Other Intangible Assets.

## Notes to the Financial Statements for the year ended Decemer 31, 2018

(All amounts in USD thousand, unless otherwise stated)

|   | As at<br>December 31, 2018 |
|---|----------------------------|
| <b>4 Current Tax Assets</b>   |                            |
| Income Tax Receivable   | 106                        |
| <b>Total</b>  | <b>106</b>                 |
|   | As at<br>December 31, 2018 |
| <b>5 Investments</b>  |                            |
| Investments in Subsidiaries (unquoted at cost, unless stated otherwise)                             |                            |
| Radisys International LLC   | 5,509                      |
| Radisys Ireland (3 Ordinary Shares of Euro 1 each)  | *                          |
| Radisys UK Limited (1,900 Ordinary Shares of Euro100 each)  | 317                        |
| Radisys B.V. (650 Ordinary Shares of NLG 100 each)  | 320                        |
| Radisys Canada Inc. (1 Common Stock with no par value and 39,333 Preferred Stock with no par value) | 45,918                     |
| <b>Aggregate amount of Invesments in Subsidiaries (A)</b>   | <b>52,064</b>              |
| Less: Provision for impairment in value of investments:   |                            |
| Radisys Canada Inc.   | 45,918                     |
| <b>Aggregate provision for impairment in value of investments (B)</b>                               | <b>45,918</b>              |
| <b>Total (A-B)</b>  | <b>6,146</b>               |
| * represents USD 4  |                            |
|   | As at<br>December 31, 2018 |
| <b>6 Loans (Non-Current, unsecured, considered good)</b>  |                            |
| Security Deposits   | 85                         |
| <b>Total</b>  | <b>85</b>                  |
|   | As at<br>December 31, 2018 |
| <b>7 Other Non-current Assets</b>   |                            |
| Advance Warranty Stores and Spares  | 345                        |
| <b>Total</b>  | <b>345</b>                 |
|   | As at<br>December 31, 2018 |
| <b>8 Inventories</b>  |                            |
| Stock-in-Trade  | 1,682                      |
| <b>Total</b>  | <b>1,682</b>               |
| The cost of inventories recognized during the year is disclosed in Note 22.                         |                            |

## Notes to the Financial Statements for the year ended Decemer 31, 2018

(All amounts in USD thousand, unless otherwise stated)

|   | As at<br>December 31, 2018 |
|---|----------------------------|
| <b>9 Trade Receivables (Unsecured)</b>                                    |                            |
| Considered good (Refer Note 29)   | 29,097                     |
| Considered doubtful   | 144                        |
|   | 29,241                     |
| Less : Allowance for doubtful debts                                       | 144                        |
| <b>Total</b>  | <b>29,097</b>              |
|   | As at<br>December 31, 2018 |
| <b>10 Cash and Cash Equivalents</b>                                       |                            |
| Balances with banks   | 20,669                     |
| <b>Total</b>  | <b>20,669</b>              |
|   | As at<br>December 31, 2018 |
| <b>11 Other Financial Assets (Current)</b>                                |                            |
| Unbilled Revenue  | 3,426                      |
| Notes Receivable from Related Parties (Refer Note 29)                     | 3,050                      |
| Interest Receivable from Related Parties (Refer Note 29)                  | 2,605                      |
| <b>Total</b>  | <b>9,081</b>               |
|   | As at<br>December 31, 2018 |
| <b>12 Other Current Assets</b>  |                            |
| Prepaid Expenses  | 1,233                      |
| Balances with Government Authorities                                      | 255                        |
| Others  | 435                        |
| <b>Total</b>  | <b>1,923</b>               |
|   | As at<br>December 31, 2018 |
| <b>13 Share Capital#</b>  |                            |
| (i) Authorised and issued share capital                                   |                            |
| <b>Authorised:</b>  |                            |
| 100,000 (January 1, 2018: 100,000) common stock with no par value         |                            |
| 5,664 (January 1, 2018: 5,664) preferred stock with \$0.01 par value each |                            |
| <b>Issued, Subscribed and Paid-up:</b>                                    |                            |
| 1, (January 1, 2018: 39,280) common stock with no par value               | 75,000                     |
| <b>Total</b>  | <b>75,000</b>              |

## Notes to the Financial Statements for the year ended Decemer 31, 2018s

(All amounts in USD thousand, unless otherwise stated)

### 13 Share Capital (Contd.)

#### (ii) Movements in common stock

|                                    | Number of<br>shares | Amount         |
|------------------------------------|---------------------|----------------|
| <b>As at January 1, 2018</b>       | <b>39,280</b>       | <b>342,219</b> |
| Issue of common stock              | 340                 | 1,275          |
| Cancellation on account of merger* | (39,620)            | (343,494)      |
| Addition on account of merger*     | - @                 | 75,000         |
| <b>As at December 31, 2018</b>     | <b>- @</b>          | <b>75,000</b>  |

\*Refer to Note 33.

@ Represents 1 share

#### (iii) Details of shareholders holding more than 5% of the common stock:

| Name of the shareholder                     | As at December 31, 2018  |                 |
|---|--------------------------|-----------------|
|   | Number of<br>shares held | % of<br>holding |
| Reliance Industries Limited (Refer Note 33) | - @                      | 100             |
| @ Represents 1 share                        |                          |                 |

#### (iv) Terms/rights attached to common stock

The shareholders have voting rights in the proportion of their shareholding. The shareholders are entitled to dividend, if declared and paid by the Company. In the event of liquidation, these shareholders are entitled to receive remaining assets of the Company after distribution of all preferential amount, in the proportion of their shareholding.

# All number of shares are in thousands.

### 14 Other Equity

|  | Reserves and Surplus |                   | Other<br>Comprehensive<br>Income | Total            |
|--|----------------------|-------------------|----------------------------------|------------------|
|  | Capital Reserve      | Retained Earnings |                                  |                  |
| <b>Balance as at January 1, 2018</b>   | -                    | (349,062)         | (167)                            | (349,229)        |
| (Loss) for the year                    | -                    | (31,944)          | -                                | (31,944)         |
| <b>Adjustments during the year</b>     |                      |                   |                                  |                  |
| Merger Impact*                         | (107,915)            | 381,006           | -                                | 273,091          |
| Unwinding of Hedge                     | -                    | -                 | 167                              | 167              |
| <b>Balance as at December 31, 2018</b> | <b>(107,915)</b>     | <b>-</b>          | <b>-</b>                         | <b>(107,915)</b> |

\*Refer to Note 33.

As at  
December 31, 2018

### 15 Borrowings (Non current, Unsecured)

|  |               |
|--|---------------|
| Loan from Bank (Refer to Note 15.1 and 15.2) | 45,000        |
| <b>Total</b>                                 | <b>45,000</b> |

## Notes to the Financial Statements for the year ended Decemer 31, 2018

(All amounts in USD thousand, unless otherwise stated)

**15.1** On December 7, 2018 Intergraded Cloud Orchestration ("Merger Sub") entered into an agreement with Bank of America, N.A. for uncommitted line of credit with aggregate advances outstanding thereunder not at any time to exceed \$45,000 ('000) in aggregate principle amount. Each Loan shall bear interest payable by the Merger Sub on the outstanding principal amount thereof at a rate per annum equal to LIBOR for such Interest Period plus the applicable rate. Each Loan shall be due and payable on the earliest of: (a) the maturity date for such Loan agreed to by the Lender and the Merger Sub at the time such Loan is made, (b) the Maturity Date and (c) the date specified in the notice of acceleration following an Event of Default that is continuing. Accrued and unpaid interest on each Loan shall be due and payable on each Interest Payment Date. The maturity date is November 30, 2020. Reliance Industries Limited ("the Parent") has provided letter of comfort to Bank of America, N.A.

The above loan was acquired by the Company consequent to merger of Merger Sub with the Company (Refer Note 33). The proceeds from the loan were used to repay the then existing borrowings.

**15.2** During the year, on January 3, 2018, the Company entered into a Loan and Security Agreement (the "ABL Credit Agreement") between Marquette Business Credit, LLC, as lender, and the Company, as borrower. The ABL Credit Agreement provides for a revolving credit facility that provides financing of up to \$20,000('000), with a \$1,500('000) sub-limit for letters of credit.

On January 3, 2018, the Company also entered into a Note Purchase Agreement (the "Note Purchase Agreement") among the Company, as borrower, and HCP-FVG, LLC, an affiliate of Hale Capital Partners LP, as collateral agent and as a Purchaser. Pursuant to the Note Purchase Agreement, the Company issued and sold to the Purchasers senior secured promissory notes in an aggregate original principal amount of \$17,000('000).

On January 3, 2018, concurrently with the Company's entry into the Note Purchase Agreement and the ABL Credit Agreement described above, the Company repaid in full and terminated the Credit Agreement, dated September 19, 2016, between the Company, as borrower, Silicon Valley Bank, as administrative agent, and the other lenders party thereto, which provided for a three-year revolving credit facility with a \$30,000('000) revolving loan commitment, of which \$16,000('000) was outstanding as of January 01, 2018.

|  | As at<br>December 31, 2018 |
|--|----------------------------|
| <b>16 Provisions</b>                         |                            |
| <b>Non-Current</b>                           |                            |
| - Provision for Warranty                     | 305                        |
|  | <u>305</u>                 |
| <b>Current</b>                               |                            |
| - Provision for Warranty                     | 667                        |
| - Provision for Adverse Purchase Commitments | 191                        |
|  | <u>858</u>                 |
| <b>Total</b>                                 | <b><u>1,163</u></b>        |

### 16.1 Provision for warranty

The Company provides for the estimated cost of product warranties at the time it recognizes revenue. Products are generally sold with warranty coverage for a period of 12 or 24 months after shipment. On a yearly basis, the Company assesses the reasonableness and adequacy of warranty provisions.

#### Provision for adverse purchase commitments

The Company enters into certain non-cancellable contractual obligations to procure certain inventories from its suppliers. In the event the Company estimates that the inventories are no longer required for the Company's operations, a provision is taken against the obligations.

#### Provision for restructuring cost

The Company engages in restructuring actions which requires the Company, to make estimates for severance and other employee separation costs.

## Notes to the Financial Statements for the year ended Decemer 31, 2018

(All amounts in USD thousand, unless otherwise stated)

### 16.2 Movement in provisions

|   | Provision for<br>warranty | Provision for<br>adverse purchase<br>commitments | Provision for<br>restructuring<br>cost | Total        |
|---|---------------------------|--|--|--------------|
| Opening balance at January 1, 2018          | 1,124                     | 3,263  | 1,158                                  | 5,545        |
| Additions                                   | 336                       | 589  | 178                                    | 1,103        |
| Utilizations / Reversals                    | (488)                     | (3,661)  | (1,336)                                | (5,485)      |
| <b>Closing balance at December 31, 2018</b> | <b>972</b>                | <b>191</b>                                       | <b>-</b>                               | <b>1,163</b> |

As at  
December 31, 2018

### 17 Other Non Current Liabilities

|                  |            |
|------------------|------------|
| Deferred Rent    | 29         |
| Deferred Revenue | 113        |
| <b>Total</b>     | <b>142</b> |

As at  
December 31, 2018

### 18 Other Current Liabilities

|                    |              |
|--------------------|--------------|
| Deferred Revenue   | 5,230        |
| Deferred Rent      | 135          |
| Statutory Payables | 262          |
| Other Payables     | 502          |
| <b>Total</b>       | <b>6,129</b> |

As at  
December 31, 2018

### 19 Current Tax Liabilities

|                                |              |
|--------------------------------|--------------|
| Provision for income tax (net) | 1,105        |
| <b>Total</b>                   | <b>1,105</b> |

Year ended  
December 31, 2018

### 20A Revenue from Operations (net)

|                                  |                |
|----------------------------------|----------------|
| Sale of products (Refer Note 29) | 71,020         |
| Sale of services                 | 35,229         |
| <b>Total</b>                     | <b>106,249</b> |

## Notes to the Financial Statements for the year ended Decemer 31, 2018

(All amounts in USD thousand, unless otherwise stated)

|  | Year ended<br>December 31, 2018 |
|--|---------------------------------|
| <b>20B Revenue from Contracts with Customers disaggregated based on geography</b>  |                                 |
| United States of America (USA)   | 43,346                          |
| North and South America excluding USA  | 506                             |
| Europe, Middle East and Africa   | 46,695                          |
| Asia-Pacific   | 15,702                          |
| <b>Total</b>   | <b>106,249</b>                  |
| <b>20C</b>   |                                 |
| The amounts receivable from customers become due after expiry of credit period. Average collection period is approximately 90 days. There is no significant financing component in any transaction with the customers. |                                 |
| The Company provides agreed upon specification warranty for selected range of products. The amount of liability towards such warranty are disclosed in note 16.  |                                 |
| The Company does not have any remaining performance obligation as contracts entered for sale of products are for a shorter duration.   |                                 |
|  | Year ended<br>December 31, 2018 |
| <b>21 Other Income</b>   |                                 |
| Interest income on Note Receivable from Related Parties (Refer Note 29)  | 267                             |
| Net gain on foreign currency transactions and translation  | 504                             |
| <b>Total</b>   | <b>771</b>                      |
|  | Year ended<br>December 31, 2018 |
| <b>22 Cost of Goods Sold</b>   |                                 |
| Opening stock (Stock-in-Trade)   | 4,139                           |
| Add: Purchases of trading goods  | 33,536                          |
| Less: Closing stock (Stock-in-Trade)   | (1,682)                         |
| <b>Total</b>   | <b>35,993</b>                   |
|  | Year ended<br>December 31, 2018 |
| <b>23 Employee Benefits Expense</b>  |                                 |
| Salaries and wages (including contribution to defined contribution scheme)   | 21,955                          |
| Share based payments to employees (Refer Note 33)  | 1,168                           |
| Staff Welfare Expenses   | 2,111                           |
| <b>Total</b>   | <b>25,234</b>                   |

## Notes to the Financial Statements for the year ended Decemer 31, 2018

(All amounts in USD thousand, unless otherwise stated)

|   | Year ended<br>December 31, 2018 |
|---|---------------------------------|
| <b>24 Finance Costs</b>   |                                 |
| Interest  |                                 |
| Interest on borrowings measured at amortized cost:                        | 3,496                           |
| Other borrowing costs   |                                 |
| (a) Expenses related to debt extinguishment                               | 5,032                           |
| (b) Other ancillary costs incurred in connection with borrowing           | 2,876                           |
| <b>Total</b>  | <b>11,404</b>                   |
|   | Year ended<br>December 31, 2018 |
| <b>25 Depreciation and Amortisation Expense</b>                           |                                 |
| Depreciation on Property, Plant and Equipment (Refer Note 3a)             | 1,620                           |
| Amortization on Intangible Assets (Refer Note 3b)                         | 4,877                           |
| <b>Total</b>  | <b>6,497</b>                    |
|   | Year ended<br>December 31, 2018 |
| <b>26 Other Expenses</b>  |                                 |
| Commission to Related Parties (Refer Note 29)                             | 35,049                          |
| Commission to others  | 715                             |
| Equipment and Services  | 751                             |
| Freight and Handling charges  | 1,622                           |
| Insurance   | 880                             |
| Legal and Professional Fees   | 11,713                          |
| Marketing Expense   | 888                             |
| Product Development expenses  | 882                             |
| Rates and taxes   | 285                             |
| Warranty expenses   | 488                             |
| Travelling and conveyance expenses  | 1,357                           |
| Operating lease rentals (Refer Note 30)                                   | 453                             |
| Telephone and internet charges  | 163                             |
| Repairs and Maintenance   | 1,412                           |
| Electricity Expenses  | 162                             |
| Directors Fees  | 159                             |
| Membership Fees   | 543                             |
| Loss of sale of Property, Plant and Equipment and Other Intangible Assets | 14                              |
| Miscellaneous expenses  | 1,662                           |
| <b>Total</b>  | <b>59,198</b>                   |

## Notes to the Financial Statements for the year ended Decemer 31, 2018

(All amounts in USD thousand, unless otherwise stated)

| Note       | Particulars  | For the year ended December 31, 2018 |
|------------|--|--------------------------------------|
| <b>27A</b> | <b>Income Tax recognised in the Statement of Profit and Loss</b> |                                      |
|            | <b>Current Tax:</b>  |                                      |
|            | In respect of current year                                       |                                      |
|            | Federal  | -                                    |
|            | State  | (21)                                 |
|            | Foreign  | 693                                  |
|            |  | <b>672</b>                           |
|            | <b>Deferred Tax:</b>   |                                      |
|            | In respect of current year                                       |                                      |
|            | Federal  | (36)                                 |
|            | State  | 2                                    |
|            | Foreign  | -                                    |
|            |  | <b>(34)</b>                          |
|            | <b>Income tax expense</b>  | <b>638</b>                           |

### 27B Movement in deferred tax balances:

| Particulars                                 | Opening Balance | Charge / (Credit)<br>to the Statement<br>of Profit and Loss | Closing Balance |
|---|-----------------|---|-----------------|
| <b>For the year ended December 31, 2018</b> |                 |   |                 |
| <u>Deferred Tax Assets</u>                  |                 |   |                 |
| Accrued Warranty                            | 256             | 33  | 223             |
| Inventory                                   | 6,114           | 3,426   | 2,688           |
| Net Operating Loss carry forward            | 39,450          | 19,856  | 19,594          |
| Tax Credits carry forward                   | 13,515          | 12,113  | 1,402           |
| Accrued Bonus                               | 978             | (1,047)   | 2,025           |
| Property, Plant and Equipment               | 763             | 143   | 620             |
| Goodwill and other intangibles              | 1,046           | (551)   | 1,597           |
| Deferred revenue                            | 1,201           | (22)  | 1,223           |
| Subsidiary service accruals                 | 4,870           | (20)  | 4,890           |
| Others                                      | 606             | (711)   | 1,317           |
| <b>Total Deferred Tax Asset</b>             | <b>68,799</b>   | <b>33,220</b>   | <b>35,579</b>   |
| Less: Valuation Allowance #                 | (68,675)        | (33,264)  | (35,411)        |
| <b>Net Deferred Tax Assets</b>              | <b>124</b>      | <b>(44)</b>   | <b>168</b>      |
| <b>Deferred Tax Liability</b>               |                 |   |                 |
| Others                                      | (177)           | 10  | (187)           |
| <b>Total Deferred Tax Liability</b>         | <b>(177)</b>    | <b>10</b>   | <b>(187)</b>    |
| <b>Net Deferred tax (liability)</b>         | <b>(53)</b>     | <b>(34)</b>   | <b>(19)</b>     |

# Deferred tax assets are recognised only to the extent it is probable that sufficient future taxable income will be available against which the deductible temporary difference can be utilized.

## Notes to the Financial Statements for the year ended Decemer 31, 2018

(All amounts in USD thousand, unless otherwise stated)

### 27C The income tax expenses can be reconciled to the accounting profit as follows:

| Particulars  | For the year ended December 31, 2018 |
|--|--------------------------------------|
| <b>(Loss) before tax</b>   | <b>(31,306)</b>                      |
| Federal income tax calculated @ 21%  | -                                    |
| State tax calculated @ 2.4%  | (21)                                 |
| Non-deductible expenses (benefits)   | 1,261                                |
| Tax effect of changes in net operating loss and tax credits, net of valuation allowances | (1,295)                              |
| Foreign taxes  | 693                                  |
| <b>Total</b>   | <b>638</b>                           |

### 28 Segment Information

The Company is in the business of open telecom solutions enabling service providers to drive disruption with new architecture business models. The Company's activities involve the sale of goods to further key business objective and hence is viewed in conjunction therewith. The Chief Operating Decision Maker considers the consolidated business model to review the business performance and determine allocation of resources. Considering this, the Company has a single reportable business segment.

#### Geographical information

|                                      | USA    | Outside USA | Total   |
|--------------------------------------|--------|-------------|---------|
| <b>Revenue</b>                       |        |             |         |
| For the year ended December 31, 2018 | 43,346 | 62,903      | 106,249 |
| <b>Non-current assets</b>            |        |             |         |
| As at December 31, 2018              | 9,273  | 945         | 10,218  |

#### Transaction with a single external customer of over 10% of the Company revenue

Customer A 35.5%

### 29 Related Party Disclosures

- List of related parties where control exists and related parties with whom transactions have taken place and relationships;

| Name of the related party                                     | Relation   |
|---|--|
| Reliance Industries Limited                                   | Holding Company (w.e.f Dec 11, 2018) (Control exists)                              |
| Radisys Poland sp. z o.o.                                     | Subsidiary (control exists)  |
| Radisys U.K. Limited  | Subsidiary (control exists)  |
| Radisys GmbH  | Subsidiary (control exists)  |
| Radisys Canada Inc.   | Subsidiary (control exists)  |
| Radisys B.V.  | Subsidiary (control exists)  |
| Radisys Systems Equipment Trading (Shanghai) Co. Ltd.         | Subsidiary (control exists)  |
| Radisys International LLC                                     | Subsidiary (control exists)  |
| Radisys Technologies (Shenzhen) Co. Ltd.                      | Subsidiary (control exists)  |
| Radisys Spain S.L.U.  | Subsidiary (control exists)  |
| Radisys Cayman Limited  | Subsidiary (control exists)  |
| Radisys International Singapore PTE. LTD.                     | Subsidiary (control exists)  |
| Radisys Convedia (Ireland) Limited                            | Subsidiary (control exists)  |
| Radisys India Private Limited                                 | Subsidiary (up to December 24, 2018) & Fellow Subsidiary (w.e.f December 25, 2018) |
| Reliance Jio Infocomm Limited                                 | Fellow Subsidiary (w.e.f Dec 11, 2018)   |
| Reliance Corporate IT Park Limited                            | Fellow Subsidiary (w.e.f Dec 11, 2018)   |
| Brian Bronson - Chief Executive Officer (up to March 6, 2019) | Key Management Personnel   |
| Jon Wilson - Chief Financial Officer (up to April 12, 2019)   | Key Management Personnel   |
| Steve Domenik - Director (up to December 11, 2018)            | Key Management Personnel   |
| Michael Hulchjy - Director (up to December 11, 2018)          | Key Management Personnel   |

## Notes to the Financial Statements for the year ended Decemer 31, 2018

(All amounts in USD thousand, unless otherwise stated)

### 2. Details of related party transactions during the year ended December 31, 2018

| Name of the related party                             | Balances as at year end | As at December 31, 2018 |
|---|-------------------------|-------------------------|
| Radisys Convedia (Ireland) Limited                    | Trade Receivables       | 402                     |
| Radisys Cayman Limited                                | Trade Receivables       | 1,750                   |
| Reliance Corporate IT Park Limited                    | Trade Receivables       | 525                     |
| Reliance Jio Infocom Limited                          | Trade Receivables       | 1,154                   |
| Radisys Technologies (Shenzhen) Co. Ltd.              | Interest Receivable     | 2,605                   |
| Radisys Technologies (Shenzhen) Co. Ltd.              | Notes Receivable        | 3,000                   |
| Radisys International Singapore PTE. LTD.             | Notes Receivable        | 50                      |
| Radisys B.V.  | Trade Payables          | 685                     |
| Radisys GmbH  | Trade Payables          | 830                     |
| Radisys Systems Equipment Trading (Shanghai) Co. Ltd. | Trade Payables          | 1,596                   |
| Radisys International Singapore PTE. LTD.             | Trade Payables          | 181                     |
| Radisys Canada Inc.                                   | Trade Payables          | 3,463                   |
| Radisys India Private Limited                         | Trade Payables          | 16,945                  |
| Radisys Technologies (Shenzhen) Co. Ltd.              | Trade Payables          | 11,888                  |
| Radisys Spain S.L.U.                                  | Trade Payables          | 121                     |
| Radisys U.K. Limited                                  | Trade Payables          | 884                     |
| Radisys International LLC.                            | Trade Payables          | 21                      |
| Radisys Poland sp. z o.o.                             | Trade Payables          | 119                     |
| Key management personnel                              | Trade Payables          | 1,734                   |

  

| Name of the related party                             | Nature of transaction                                   | December 31, 2018 |
|---|---|-------------------|
| Radisys India Private Limited                         | Commission Expense                                      | 27,507            |
| Radisys Canada Inc.                                   | Commission Expense                                      | 939               |
| Radisys International LLC                             | Commission Expense                                      | 340               |
| Radisys Technologies (Shenzhen) Co. Ltd.              | Commission Expense                                      | 2,484             |
| Radisys B.V.  | Commission Expense                                      | 714               |
| Radisys GmbH  | Commission Expense                                      | 1,273             |
| Radisys U.K. Limited                                  | Commission Expense                                      | 468               |
| Radisys Poland sp. z o.o.                             | Commission Expense                                      | 203               |
| Radisys Spain S.L.U.                                  | Commission Expense                                      | 268               |
| Radisys Systems Equipment Trading (Shanghai) Co. Ltd. | Commission Expense                                      | 444               |
| Radisys International Singapore PTE. LTD.             | Commission Expense                                      | 409               |
| Radisys Technologies (Shenzhen) Co. Ltd.              | Revenue from Operations                                 | 4                 |
| Radisys Technologies (Shenzhen) Co. Ltd.              | Cost of Good Sold                                       | 4                 |
| Key management personnel                              | Remuneration and benefits<br>(includes directors' fees) | 3,372             |

### 30 Leases

#### Non-cancellable operating lease commitments:

The Company has taken certain of its facilities, office equipment and vehicles under non-cancelable operating leasing arrangements that expire at various dates through 2022, along with options that permit renewals for additional periods. Rent escalations are considered in the determination of straight-line rent expense for operating leases.

(i) With respect to non-cancellable operating leases, the future minimum lease payments are as follows:

|   | As at<br>December 31, 2018 |
|---|----------------------------|
| Not later than one year                           | 595                        |
| Later than one year and not later than five years | 258                        |
| Later than five years                             | -                          |
|   | 853                        |

## Notes to the Financial Statements for the year ended Decemer 31, 2018

(All amounts in USD thousand, unless otherwise stated)

### 31 Financial Risk Management Objectives

The Company's financial liabilities comprise mainly of borrowings, trade payables and other payables. The Company's financial assets comprise mainly of cash and cash equivalents, loans, trade receivables and other receivables.

The following disclosures summarize the Company's exposure to financial risks and information regarding use of derivatives employed to manage exposures to such risks.

#### Liquidity Risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company with the support of its Parent (Reliance Industries Limited), will ensure that sufficient liquidity is available to meet all of its commitments by raising loans or arranging other facilities as and when required.

#### Capital Management Risk:

The Company manages its capital to ensure that the Company will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company determines the amount of capital required on the basis of annual planning and budgeting and its plan for working capital and borrowings. The funding requirements are met through equity, internal accruals and borrowings. The Company is not exposed to any externally imposed capital requirements.

#### Gearing ratio:

The gearing ratio at the end of the period was as follows

|                                 | <u>As at December 31, 2018</u> |
|---------------------------------|--------------------------------|
| Debt #                          | 45,000                         |
| Less: Cash and cash equivalents | (20,669)                       |
| Net debt                        | <u>24,331</u>                  |
| <b>Total equity</b>             | <b><u>(32,915)</u></b>         |
| Net debt to equity ratio        | (74%)                          |

# Debt is defined as long term and short term borrowings excluding derivatives, financial guarantee contracts and contingent contracts.

#### Credit risk management:

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, where appropriate, as a means of mitigating the risk of financial loss from defaults.

#### Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk. Financial instruments affected by market risk include borrowings, trade & other payables, trade & other receivables and loans.

#### Interest rate risk:

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest risk. The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. The Company manages its interest rate risk by monitoring the movement in interest rates closely.

## Notes to the Financial Statements for the year ended Decemer 31, 2018

(All amounts in USD thousand, unless otherwise stated)

|   | Notes | Non-current<br>As at<br>December 31, 2018 | Current<br>As at<br>December 31, 2018 |
|---|-------|---|---------------------------------------|
| <b>32A Categorywise Classification of Financial Instruments</b> |       |   |                                       |
| <b>Financial assets</b>   |       |   |                                       |
| <b>A. Measured at fair value through profit or loss (FVTPL)</b> |       |   |                                       |
| Nil   |       |   |                                       |
| <b>B. Measured at amortized cost (AC)</b>                       |       |   |                                       |
| (i) Investments   | 5     | 6,146                                     | -                                     |
| (ii) Loans  | 6     | 85  | -                                     |
| (iii) Trade Receivables   | 9     | -   | 29,097                                |
| (iv) Cash and Cash Equivalents                                  | 10    | -   | 20,669                                |
| (v) Other Financial Assets                                      | 11    | -   | 9,081                                 |
| <b>Financial liabilities</b>                                    |       |   |                                       |
| <b>A. Measured at fair value through profit or loss (FVTPL)</b> |       |   |                                       |
| Nil   |       |   |                                       |
| <b>B. Measured at amortized cost (AC)</b>                       |       |   |                                       |
| (i) Borrowings  | 15    | 45,000                                    | -                                     |
| (ii) Trade payables   |       | -   | 52,027                                |

### 32B Fair Value Measurement:

The carrying amount of financial assets and financial liabilities measured at amortized cost in the financial statements are a reasonable approximation of their fair values since the Company does not anticipate that the carrying amounts would be significantly different from the values that would eventually be received or settled.

### 33 Acquisition note

On December 11, 2018, pursuant to the terms of the Merger Agreement between Reliance Industries Limited ("Reliance"), Integrated Cloud Orchestration ("ICO") ("Merger Sub"), and Radisys Corporation ("the Company"), Reliance completed its previously announced acquisition of Radisys through the merger. By virtue of the Merger Agreement, Merger Sub was merged into the Company, subject to the terms and conditions set forth therein. The Company is the Surviving Corporation in the merger. As a result of the merger, the Company became a wholly owned subsidiary of Reliance. Pursuant to the terms and conditions of the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each share of common stock, no par value, of the Company (collectively, "Shares") issued and outstanding was cancelled and extinguished and automatically converted into the right to receive \$1.72 in cash, without interest, less any applicable withholding taxes (the "Merger Consideration"). By virtue of the merger, each share of common stock, \$10 par value per share, of Merger Sub, issued and outstanding immediately prior to the effective time, were converted into and became one share of common stock of the Company.

In addition, all outstanding stock options and restricted stock unit awards (collectively, "Company Equity Awards") were cancelled and converted into the right to receive a specified amount of cash (subject to any applicable withholding tax), without interest, based on the Merger Consideration.

The funds to pay the Merger Consideration, to consummate the merger and to perform the other transactions and obligations described in the Merger Agreement were obtained from existing credit facilities of Reliance and its subsidiaries, cash and cash equivalents on hand of Reliance and its subsidiaries and cash and cash equivalents on hand of the Company and its subsidiaries.

The merger of Merger Sub with the Company has been accounted for using pooling of interest method whereby the assets, liabilities, and equity of the Merger Sub were taken over at their respective carrying values. The existing common stock of the Company together with balance in Other Equity and the investment in the Company held by Merger Sub has been transferred to and recorded as Capital Reserve in the books of the Company.

## Notes to the Financial Statements for the year ended Decemer 31, 2018

### 34 Contingent Liabilities and Commitments

There is no contingent liability / commitment outstanding as at December 31, 2018.

### 35 Going Concern Considerations

The accumulated losses have fully eroded the net worth of the Company. The management has evaluated and concluded on the ability of the Company to continue as a going concern in the foreseeable future, based on the continued support from Reliance Industries Limited (RIL), holding company, as evidenced from the fact that RIL has issued a comfort letter to the bank, relating to the outstanding borrowings of the Company. The accounts are prepared on a going concern basis as the Company has been recently acquired by RIL in the month of December 2018.

36 The financial statements were approved for issue by the board of directors on June 11, 2019.

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As per our report of even date

**For Deloitte Haskins and Sells LLP**  
Chartered Accountants  
FRN 117366 W/W - 100018

**Abhijit A. Damle**  
Partner  
Membership No : 102912

Place: Mumbai  
Date: 17th June, 2019

**For and on behalf of the board**

Director

Place: FRISCO, TX, USA  
Date: 11th June, 2019

Director

Place: FRISCO, TX, USA  
Date: 11th June, 2019