

RADISYS CAYMAN LIMITED
Financial Statements
for the Year ended 31st December, 2018

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF RADISYS CAYMAN LIMITED

We have audited the accompanying Special Purpose Standalone Financial Statements of Radisys Cayman Limited (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 its holding company, 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 profit/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, the holding company of the Company. 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 Radisys Corporation 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, unless otherwise stated)

	Notes	As at December 31, 2018
Assets		
Non-Current Assets		
Investments in subsidiary	3	-
Total Non Current Assets		-
Current Assets		
(a) Financial Assets		
(i) Cash and Cash Equivalents	4	10,000
Total Current Assets		10,000
Total Assets		10,000
Equity and Liabilities		
Equity		
(a) Share Capital	5	3,013
(b) Other Equity	6	6,987
Total Equity		10,000
Liabilities		-
Total Liabilities		-
Total Equity and Liabilities		10,000
Corporate information and significant accounting policies and notes to the financial statements.	1-10	

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, unless otherwise stated)

	Notes	Year ended December 31, 2018
Total Income		-
Total Expenses		-
Profit before tax		-
Net Tax expense		-
Profit for the year		-
Other Comprehensive Income		-
Total Comprehensive income for the year		-
Corporate information and significant accounting policies and notes to the financial statements.	1-10	

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, unless otherwise stated)

A. Share Capital

	Total
Balance as at January 1, 2018	3,013
Movement during the year	-
Balance as at December 31, 2018	3,013

B. Other Equity:

	Reserves and Surplus		Total
	Securities Premium	Retained earnings	
Balance as at January 1, 2018	5,456,987	(5,450,000)	6,987
Balance as at December 31, 2018	5,456,987	(5,450,000)	6,987

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

Cash Flow Statement for the year ended December 31, 2018

(All amounts in USD, unless otherwise stated)

	For the year ended December 31, 2018
A CASH FLOW FROM OPERATING ACTIVITIES	
Profit before tax	-
Net cash generated from / (used in) from Operating Activities	-
B CASH FLOW FROM INVESTING ACTIVITIES	
Net cash generated from / (used in) Investing Activities	-
C CASH FLOW FROM FINANCING ACTIVITIES	
Net cash from Financing Activities	-
Net (decrease) / increase in Cash And Cash Equivalents (A+B+C)	-
Cash and Cash equivalents at the beginning of the year	10,000
Cash and cash equivalents at the end of the year	10,000

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 Decemer 31, 2018

1. General Information

- A. Radisys Cayman Limited (“the Company”) was incorporated on May 23, 2005, in the Cayman Islands. The principal office of the Company is situated at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, George Town, Grand Cayman, Cayman Islands. The Company is a wholly owned subsidiary of Radisys International LLC. The Company is a holding company for the purposes of holding the investment of Radisys Technologies (Shenzhen) Co. Ltd. The Company has no operating activities.

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 polices 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. Investment in Subsidiaries

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

B. 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 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 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.

C. Revenue

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.

D. 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.

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

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.

E. Cash and Cash Equivalents

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

F. 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.

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

ii. Financial Liabilities

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 judgement 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) 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.

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

(All amounts in USD, unless otherwise stated)

	As at December 31, 2018
3 Investments in subsidiary	
<i>Investments in Subsidiary, unquoted at cost</i>	
Radisys Technologies (Shenzhen) Co., Ltd.	5,450,000
Total Investments- Non-Current	5,450,000
Less: Aggregate provision for impairment in the value of investments	5,450,000
Total	-
	As at December 31, 2018
4 Cash and cash equivalents	
Balances with a bank	10,000
Total	10,000
	As at December 31, 2018
5 Share Capital	
Authorised:	
5,000,000 Common Stock of US \$0.01 each	
Issued, Subscribed and Paid up:	
301,300 Common Stock of US \$0.01 each	3,013
Total	3,013

	As at December 31, 2018	
	Number of Shares	Amount
(a) Movement in Common stock:		
Balance as at the beginning of the year	301,300	3,013
Movement during the year	-	-
Balance as at the end of the year	301,300	3,013

(b) 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.

(c) Details of shareholders holding more than 5% of the common stock

	As at December 31, 2018	
Name of the shareholder	Number of Shares held	% of holding
Radisys International LLC	301,300	100%

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

(All amounts in USD, unless otherwise stated)

	Reserves and Surplus		Total
	Securities Premium	Retained earnings	
6 Other Equity			
Balance as at January 1, 2018	5,456,987	(5,450,000)	6,987
Balance as at December 31, 2018	5,456,987	(5,450,000)	6,987

	Note	Non-current As at December 31, 2018	Current As at December 31, 2018
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7 Categorywise Classification of Financial Instruments

Financial assets

A. Measured at fair value through profit or loss (FVTPL)

Nil

B. Measured at amortized cost (AC)

(i) Cash and Cash Equivalents 4 - 10,000

Financial liabilities

A. Measured at fair value through profit or loss (FVTPL)

Nil

B. Measured at amortized cost (AC)

Nil

8 These special purpose financial statements are prepared using accounting policies as described therein for the limited purpose of preparation of consolidated financial statements of the holding company, Radisys Corporation, from the audited consolidated trial balance which includes balances pertaining to the components. No financial statements were prepared up to the year ended December 31, 2017.

9 The Company on standalone basis is not a tax paying entity for income tax purpose, and accordingly, it does not recognize any expense for income tax. The income tax liability resulting from Company's activities is the responsibility of Radisys Corporation (Holding Company).

10 These financial statements have been authorized for issue by the board on June 11, 2019.

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