

**EVOLUTIONARY SYSTEMS SAUDI COMPANY
(A FOREIGN LIMITED LIABILITY COMPANY)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR REPORT
FOR
THE YEAR ENDED 31 MARCH 2021**



INDEPENDENT AUDITOR'S REPORT

To the Partners of
Evolutionary Systems Saudi Company
A Foreign Limited Liability Company

Opinion

We have audited the accompanying financial statements of Evolutionary Systems Saudi ("the Company"), which comprise the statement of financial position as of 31 March 2021, and the statement of profit or loss and other comprehensive income, statement of changes in owner's equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Company as of 31 March 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as endorsed in the Kingdom of Saudi Arabia by the Saudi Organization for Chartered and Professional Accountants (SOCPA) and other standards and pronouncements endorsed by SOCPA.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other of Matter

The financial statements of Evolutionary Systems Saudi Company for the year ended 31 March 2020 was audited by another auditor who expressed unqualified opinion on the financial statements issued on 3 June 2020.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA in accordance with companies law and the company article of association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, the partners, are responsible for overseeing the Company's financial reporting process.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on auditing (ISA) as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on auditing (ISA) as endorsed in the Kingdom of Saudi Arabia we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Report on Other Legal and Regulatory Requirements

Article (135) of the Companies Law requires that the auditor includes in his report violations to the provisions of the Companies Law or Company's articles of association. During the course of our audit of the financial statements, we have not discovered a violation to the provisions of the Companies Law or the provisions of the Company's articles of association.



**Aldar Audit Bureau
Abdullah Al Basri & Co.
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Kingdom of Saudi Arabia**

**Abdullah M. AlBasri
Certified Public Accountant
(License No. 171)**

Riyadh on 27 Sha'ban 1443 H
Corresponding to 30 March 2020G

EVOLUTIONARY SYSTEMS SAUDI COMPANY
(A FOREIGN LIMITED LIABILITY COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Notes	31 March 2021 SAR	31 March 2020 SAR
Assets			
Non-current assets			
Property and equipment, net	6	159,772	144,290
Right to use assets		---	48,841
Deferred tax asset	14	562,998	---
Total non-current assets		<u>722,770</u>	<u>193,131</u>
Current assets			
Accounts receivables, net	7	18,373,142	18,955,564
Contract assets		11,604,470	7,592,861
Prepayments and other receivables	8	3,234,354	3,606,995
Cash and bank balances	9	7,271,634	5,152,769
Total current assets		<u>40,483,600</u>	<u>35,308,189</u>
Total assets		<u>41,206,370</u>	<u>35,501,320</u>
Owners' Equity and Liabilities			
Owners' equity			
Share capital	10	500,000	500,000
Statutory reserve	11	230,156	230,156
Retained earnings		9,513,379	136,819
Total owners' equity		<u>10,243,535</u>	<u>866,975</u>
Non - current liability			
Employees' benefit obligation	12	1,231,835	726,192
Total non-current liabilities		<u>1,231,835</u>	<u>726,192</u>
Current liabilities			
Lease obligation		---	25,078
Accounts payable		641,246	28,839,062
Due to Related Party	19	19,021,907	---
Contract liabilities		1,366,526	3,087,157
Accruals and other payables	13	6,191,430	1,113,952
Provision for income tax	14	2,509,891	842,904
Total current liabilities		<u>29,731,000</u>	<u>33,908,153</u>
Total liabilities		<u>30,962,835</u>	<u>34,634,345</u>
Total equity and liabilities		<u>41,206,370</u>	<u>35,501,320</u>

The annexed notes an integral part of these financial statements

EVOLUTIONARY SYSTEMS SAUDI COMPANY
(A FOREIGN LIMITED LIABILITY COMPANY)

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	<u>Notes</u>	<u>31 March 2021</u>	<u>31 March 2020</u>
		SAR	SAR
INCOME			
Revenue		52,433,930	48,561,901
Cost of revenue	15	<u>(39,240,714)</u>	<u>(40,900,322)</u>
Gross income		13,193,216	7,661,579
Other income	16	<u>1,240,063</u>	---
Total operating income		<u>14,433,279</u>	<u>7,661,579</u>
Operating expenses:			
Selling and distribution expenses	17	<u>(123,968)</u>	<u>(63,819)</u>
General and administrative expenses	18	<u>(3,041,858)</u>	<u>(6,698,784)</u>
Total operating expenses		<u>(3,165,826)</u>	<u>(6,762,603)</u>
Net profit for the year before income tax		11,267,453	898,976
Income tax expense	14	<u>(1,609,121)</u>	<u>(946,057)</u>
Net profit/(loss) for the year		<u>9,658,332</u>	<u>(47,081)</u>
Other comprehensive income			
Items that will not be reclassified to the statement of profit or loss:			
Actuarial loss from re-measurement of employees' benefit obligation		<u>(281,772)</u>	<u>(186,121)</u>
Total comprehensive income/(loss) for the year		<u>9,376,560</u>	<u>(233,202)</u>

The annexed notes an integral part of these financial statements

EVOLUTIONARY SYSTEMS SAUDI COMPANY
(A FOREIGN LIMITED LIABILITY COMPANY)

STATEMENT OF CHANGES IN OWNER'S EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Share capital	Statutory reserve	Retained earnings	Total
	SAR	SAR	SAR	SAR
Balance as at 1 April 2019	500,000	230,156	370,021	1,100,177
Net loss for the year	---	---	(47,081)	(47,081)
Other comprehensive loss for the year	---	---	(186,121)	(186,121)
Total comprehensive loss for the year	---	---	(233,202)	(233,202)
Balance as at 31 March 2020	500,000	230,156	136,819	866,975
Balance as at 1 April 2020	500,000	230,156	136,819	866,975
Net profit for the year	---	---	9,658,332	9,658,332
Other other comprehensive loss for the year	---	---	(281,772)	(281,772)
Total comprehensive income for the year	---	---	9,376,560	9,376,560
Balance as at 31 March 2021	500,000	230,156	9,513,379	10,243,535

The annexed notes an integral part of these financial statements

EVOLUTIONARY SYSTEMS SAUDI COMPANY
(A FOREIGN LIMITED LIABILITY COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	31 March 2021 SAR	31 March 2020 SAR
<u>Cash flows from operating activities</u>		
Net profit before income tax	11,267,453	898,976
Adjustments for:		
Depreciation of property and equipment	34,781	26,009
Depreciation of right to use assets	48,841	52,737
Reversal of provision for decrease in trade receivables	(912,502)	3,915,622
Employees' benefit obligation cost	204,034	164,146
Cash flows from operating activities before changes in working capital	<u>10,642,607</u>	<u>5,057,490</u>
Net changes in working capital:		
Trade receivable	1,494,924	(2,322,142)
Contract assets	(4,011,609)	(4,734,119)
Prepayments and other receivables	372,640	(1,164,810)
Trade payable	(28,197,816)	5,360,194
Due to related party	19,021,907	---
Contract liabilities	(1,720,631)	---
Accruals and other payables	5,077,479	278,519
Income tax provision (see note 14)	446,663	---
Cash flows from operating activities	<u>3,126,164</u>	<u>2,475,132</u>
Employees' benefit obligation paid	(50,606)	(26,657)
Income tax paid	<u>(881,352)</u>	<u>(575,392)</u>
Net cash flows from operating activities	<u>2,194,206</u>	<u>1,873,083</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(50,263)</u>	<u>(41,170)</u>
Net cash flows used in investing activities	<u>(50,263)</u>	<u>(41,170)</u>
Cash flows from financing activities		
Lease obligation	<u>(25,078)</u>	<u>(76,500)</u>
Net cash flows used in financing activities	<u>(25,078)</u>	<u>(76,500)</u>
Net changes in cash and cash equivalents	2,118,865	1,755,413
Cash and cash equivalents at beginning of the year	<u>5,152,769</u>	<u>3,397,356</u>
Cash and cash equivalents at end of the year	<u><u>7,271,634</u></u>	<u><u>5,152,769</u></u>

The annexed notes an integral part of these financial statements

**EVOLUTIONARY SYSTEMS SAUDI COMPANY
(A FOREIGN LIMITED LIABILITY COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

1 INFORMATION AND ACTIVITY

Evolutionary Systems Saudi Company ("the Company") is a foreign limited liability Company registered in Riyadh under commercial register number 1010349266 dated 24 Shawal, 1433H corresponding to 11 September 2012G.

The main activity of the Company is to engage in implementation of contracts for installation and operations, maintenance and design, software development and provide information technology services, provide solutions and the related technical support, according to Saudi Arabian General Investment Authority (SAGIA) license No. 1025330519284 dated 18 Jamada II 1433H corresponding to 9 May 2012G.

The Company's registered office is Addayel plaza (old Dawood commercial complex), Suite no-1, ground floor, King Abdul Aziz ibn Musa'ed ibn Jalawi street, (Dabbab road), Sulaimaniyyah, Post Box-220032, Riyadh-11311

2 BASIS OF PREPARATION

- a) Statement of compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Auditors and Accountants ("SOCPA") (here and after refer to as "IFRSs").
- b) Basis of measurement
The financial statements have been prepared on a historical cost basis except for the employee end of service benefits as explained in the relevant accounting policies.
- c) Functional and presentation currency
These financial statements are presented in Saudi Arabian Riyals (SAR), which is the Company's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are not included in the asset's carrying amount or recognized as a separate asset, as appropriate, unless and only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on property and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets.

Depreciation is charged to the statement of profit or loss over the following estimated economic useful lives:

**EVOLUTIONARY SYSTEMS SAUDI COMPANY
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

	<u>Number of years</u>
• Furniture and fixtures	6
• Tools and equipment	10
• Computer software	5

Remaining asset production values and ages are reviewed and adjusted if appropriate at the end of each annual reporting period. The book value of the asset is immediately reduced to the recoverable amount, if the book value of the asset is greater than its recoverable value. The gain and loss on disposal are determined by comparing the proceeds with the book values, and they are included in profit or loss. Conversion to the relevant operational asset class is made when these items are available for use.

Lease contracts

Lease contracts

The Company initially evaluates a contract to determine whether the contract is, or contains, a lease. If the contract is a lease, it transfers the right to control the use of the asset for a period of time to the Company in exchange for compensation.

The Company as a tenant

The Company applies a single approach to recognition and measurement for all lease contracts, except short term leases and leases for low value assets. The Company shall include rental obligations for the execution of rental payments and the inclusion of the right to use assets that constitute the right to use the underlying assets.

Right to use assets

The Company shall include the right to use the assets on the date of the commencement of the lease (date of asset availability of right of use). The right to use assets is measured at cost, minus any accumulated depreciation and impairment losses and adjusted by any remeasurement of lease obligations. The cost of the right to use the assets includes the value of the recorded lease obligations, initial direct costs and rental payments made at or before the start date of the contract, minus any leases received. The right to use assets is consumed on a fixed basis for the duration of the lease or the estimated productive life of the asset, whichever is shorter. If the ownership of the tenant asset moves to the Company at the end of the lease term or the cost reflects the practice of the purchase option, the depreciation is calculated using the estimated productive life of the asset. The right to use assets is subject to depreciation. Please refer to the accounting policies in the paragraph "Impairment of non-financial assets"

Lease obligations

At the beginning of the lease, the Company lists the rental obligations measured in the current value of the rental payments for the duration of the lease. Rental payments include fixed payments (including non-material fixed payments) less any leases bonuses due to receipt, variable-value lease payments based on the index or rate, and the amounts expected to be paid for the remaining payment guarantees. The rental payments also include the practice rate for the purchase option that is strongly expected to be exercised by the Company and the payment of fines relating to termination of the contract whether the lease conditions give the Company the right to terminate the lease. Variable rental payments that do not rely on an index or a fixed rate are listed as expense (unless they are incurred to produce a commodity) in the period when payment is made.

**EVOLUTIONARY SYSTEMS SAUDI COMPANY
(A FOREIGN LIMITED LIABILITY COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease contracts (continued)

Lease obligations (continued)

When calculating the current value of rental payments, the Company uses the increased borrowing rate at the date of the contract's inception whether the implied interest rate in the contract cannot be determined immediately. After the start of the contract, the amount of the rental obligations will be increased to reflect the interest appropriation and reduce the amount when paying the rents. The book value of rental obligations is also remeasured if there is an adjustment, change in contract duration or change in rental payments any changes in future payments resulting from the change in the indicator or rate used to determine such rental payments (or change in the valuation of the base asset purchase option).

Short-term leases and low-value asset leases

The Company shall apply the exception to recognition of short-term lease contracts to its short-term lease contracts for the premises, equipment and buildings (the lease period is 12 months or less than the date of the commencement of the contract and does not include purchase option), it also applies the exception to the recognition of lease contracts for low-value assets to its rental contracts for office equipment and buildings that are considered to be of low value. Rental payments are included for both short-term contracts and low-value assets as fixed payments for the term of the lease.

The Company as a lessor

Lease contracts under which the Company does not transfer all risks and benefits of ownership are substantially classified as operating lease contracts. The direct initial costs resulting from negotiation and arrangement of the operating lease contract are charged to the book value of the leased asset and are included over the duration of the lease on the same basis as rental income. Potential rental income shall be included as income in the period to be earned.

Financial Instruments

Investments and other financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently in fair value (either through other comprehensive income or through profit or loss); and,
- Those to be measured at the amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

**EVOLUTIONARY SYSTEMS SAUDI COMPANY
(A FOREIGN LIMITED LIABILITY COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Measurement

At initial recognition, the Company measures its financial asset at its fair value, in the case of a financial asset not measured at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset will be added. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are reported separately from other changes in fair value.

Impairment of financial and non-financial assets

Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value or cash-generating unit's less costs to sell and its value in use and is determined for each asset individually, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount or cash-generating unit. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**EVOLUTIONARY SYSTEMS SAUDI COMPANY
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial and non-financial assets (continued)

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit loss associated with its financial assets carried at amortized cost. Refer Note (20), which details how the Company determines whether there has been a change in credit risk.

For trade receivables, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognized from the initial recognition of the receivables. The amount of the loss is charged to the profit or loss.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

Trade receivable

Trade receivables are amounts due from customers sold products and for the services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Subsequent recoveries of amount previously written-off are credited to profit or loss against "selling and distribution expenses".

Cash and cash equivalents

Cash and cash equivalents in the statements of cash flow includes cash on hand and at banks. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Statutory reserve

In accordance with Regulations for Companies in Saudi Arabia, the Company is required to set aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the capital. The statutory reserve is not available for distribution.

Dividend distribution

Dividends are recorded in the financial statements in the period in which they are approved by partners of the Company.

Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**EVOLUTIONARY SYSTEMS SAUDI COMPANY
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. If the effect of the time value of money is significant, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer. Control is deemed to have transferred when the customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. The Company has determined that the customer obtains substantially all of the benefits of the services provided (sales and marketing expenditure incurred on the customer's behalf) when the cost is incurred.

Revenue is recognized as the related costs are incurred.

The company recognizes revenue based on Percentage of Completion Method (POCM) for Revenue from Installation Service. In the previous year, the company changed the method of revenue recognition from Straight line method (SLM) to POCM method from the date of acquisition of the entity by Mastek Limited. The impact of change in method was calculated and accounted for with effect from 01 April 2019 for existing contracts as on that date. The impact due to change in revenue method was SAR 1,682,795.

Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of the money.

Expenses

All the expenses are recorded on accrual basis.

Cost of sale

All of the expenses relate to the Company direct sale of service and its related products are recorded as cost of sale.

Selling and marketing expenses

Selling and marketing expenses principally comprise of cost incurred in the sales and marketing of the company services.

**EVOLUTIONARY SYSTEMS SAUDI COMPANY
(A FOREIGN LIMITED LIABILITY COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses (continued)

General and administrative expenses

Management expenses not related to revenue recognition, marketing function or sales and distribution function. General and administrative expenses include direct and indirect costs that are not necessarily part of the cost of revenues. The costs are distributed between general and administrative expenses, if necessary, in a systematic manner.

Foreign currencies

a) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognized in the profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognized in other comprehensive income.

Income tax

The Company is subject to income tax in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Income tax, computed in accordance with ZATCA, is accrued and charged to the statement of profit or loss and other comprehensive income. Additional amounts, if any, are accounted for when determined to be required for payment.

Deferred tax is provided for, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the reporting date.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted in the respective countries at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

**EVOLUTIONARY SYSTEMS SAUDI COMPANY
(A FOREIGN LIMITED LIABILITY COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Employee benefit obligations

End of service

The end of service provision, which is a defined benefit plan, is determined using the planned Credit Unit method, with an actuarial valuation at the end of each annual report period. Remeasurements, including gains and losses from actuarial valuation, are included directly on the statement of financial position with any discount or credit being recorded on other comprehensive income in the period in which it occurs. Recognized remeasurements in other comprehensive income are immediately included in retained earnings and will not be reclassified as profit or loss. The cost of the previous service is recognized in profit or loss during the plan adjustment period. Interest is also calculated by applying the discount rate at the beginning of the period to the net liabilities or assets specified. The costs of the identified benefits are classified as follows:

End of service

- Service costs (including current cost of service, the cost of previous service, as well as the gains and losses from reductions and settlement);
- Interest expenses,
- Remeasurement.

The Company provides the first two elements of the costs of the benefits specified in profit or loss under "General and administrative expenses and sales and distribution expenses". The Company has initiated the use of the actuarial calendar of employee termination bonus obligations from the beginning of the transition to the IFRS, on a level basis.

Retirement benefits

The Company pays the pension contributions from its Saudi employees to the General Authority of Social Security. This represents a specific contribution plan. Payments are recorded as expenses when incurred.

Short-term employee benefits

The obligation to pay benefits owed to employees in respect of wages, salaries, annual leaves and sick leave is recognized in the period when the relevant service is provided in the un-deductible amount of benefits expected to be paid for that service.

The recognized obligations with respect to short-term employees benefits are measured by the amount of benefits expected to be paid for the relevant service.

Post-service benefits

After-service benefits include monthly subscriptions to the General Authority for Social Security and the Rewards System in accordance with the requirements of the Kingdom of Saudi Arabia regulations.

(a) Social insurance

Monthly contributions to social security (a separate entity) are categorized as a specific contribution plan. The Company recognizes its share of the fixed contribution to social security every month as expense. The Company has no legal or evidentiary obligation to pay any additional contribution, and its sole obligation to pay the contribution as it matures.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)
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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Employee benefit obligations (continued)**

Post-service benefits (continued)

(b) End of service benefits for employees

The Company provides termination indemnities to its employees in accordance with Work and Labor system in the Kingdom of Saudi Arabia. The entitlement to these awards is based on the employee's final salary and duration of service, with the completion of the minimum service period for the employee. The expected costs of these awards are recorded over the service period, and annual provision is provided using independent actuary's expert in accordance with the requirements of International Accounting Standard No. 19, "Employee benefits", based on the actuarial methodology of the anticipated credit unit.

All prior service costs are immediately recorded as expense. All actuarial profits and losses relating to the benefits and benefits obligations specified in the initial OCI are recognized.

(c) Vacations and tickets for travel

Employees' benefits from holidays and travel tickets are recognized as per the employees contracts.

4 NEW STANDARDS AND INTERPRETATIONS

With effect from 1 January 2020 the company has applied the following IFRSs, and their impact on the company:

Amendments to the International Accounting Standard (1) and the International Accounting Standard (8): Definition of "Material information"

In October 2011, the International Accounting Standards Board (IASB) issued amendments to the International Accounting Standard (1) "Financial statements Presentation" and International Accounting Standard (8) to conform to the definition of "Material information" at the level of all standards and to clarify certain aspects of the definition. The new definition explains "Information is essential if it is reasonable to expect that the decisions made by the main users of general purpose financial statements on the basis of those financial statements, which provide financial information about a particular financial reporting facility, will be deleted, distorted, or obscured."

This amendment show that the materiality depends on the nature or magnitude of the information or both. The facility should evaluate information either at a partial or full level with other information to determine whether it is material or not in the context of the financial statements. The amendments shall enter into force for the periods of the financial report beginning on or after January 1, 2020. Amendment should be applied with a future effect. Management has not applied the early changes and takes the view that these adjustments will not affect the company's future balance sheets.

Amendments to IFRS 3: Definition of a Business

The International Accounting Standards Board (IASB) has made adjustments to the definition of business in the International Financial Report Standard (IFRS) (3), "Grouping work", to help enterprises determine whether the pool of activities and assets held is business. The amendments state the minimum requirements for any business, and exclude assessing whether market participants are able to replace any missing items, adding guidance to help enterprises assess whether the process taken is material, narrow the scope of definitions for business and output, and providing an optional test of the concentration of fair value. New illustrative examples have been provided with these modifications. This amendment should be applied to transactions involving business mergers or acquisitions of assets where the acquisition date is or after the first annual financial reporting period of January 1, 2020 or later. Thus, the facilities are not forced to return to such transactions that occurred in previous periods. Amendments to the standard (3) have no effect on the company.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

4 NEW STANDARDS AND INTERPRETATIONS

New Standards adopted as at 1 January 2020 (continued)

Amendments to the International Standard on Financial Report (9) and the International Standard on Financial Report (7): "Structuring the interest rate index"

In September 2019, the International Accounting Standards Board (IASB) issued amendments to the International Financial Report Standard (9) and the International Financial Report Standard (7), which included the first phase of the Board's efforts to respond to the effects of the structure of interbank interest rates on financial reporting. The amendments provide temporary exemptions that enable hedge accounting to continue during the uncertainty period before replacing the current interest rate index with an alternative that is largely riskless. The modifications apply to annual periods beginning January 1, 2020 or later. However, any hedging relationships that have already been redefined cannot be returned to their previous state at the time of application, and hedging relationships can only be determined by the extent of their usefulness after the hedging event occurs. Early application is permitted and must be disclosed. Amendments to the standard (9) and (7) have no effect on the company.

The revised conceptual framework for financial reporting

The International Accounting Standards Board (IASB) has issued a revised conceptual framework that will be used in standard setting decisions with immediate effect. The main changes include:

- Increasing the importance of supervision in preparing financial reports,
- Restoring caution as an element of neutrality,
- Identify the entity that is a legal entity or part of the entity,
- Review the definitions of the asset and liability,
- Removing the recognition probability threshold and adding guidance on exclusion,
- Adding guidance on different measurement bases, and
- An indication that profit or loss is the key performance indicator and that, in principle, income and expenses should be recycled into other comprehensive income as this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the existing accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events, or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework effective January 1, 2020. These entities will need to consider whether the accounting policies do not. Still suitable under the revised framework.

New Standards Not adopted yet and affective for the financial periods from 1st January 2021:

International Financial Reporting Standard (17) "Insurance Contracts"

In May 2017, the International Council of International Standards issued the International Financial Reporting Standard (17) "Insurance Contracts", which is a new comprehensive accounting standard for insurance contracts that covers recognition, measurement, presentation and disclosure. When it enters into force, the Standard (17) will replace the International Financial Reporting Standard (4) "Insurance Contracts" that was issued in 2005. Criterion (17) applies to all types of insurance contracts (life insurance, direct insurance and reinsurance) regardless of the type of establishment that issued them in addition to some guarantees and financial instruments with optional participation benefits.

**EVOLUTIONARY SYSTEMS SAUDI COMPANY
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

4 NEW STANDARDS AND INTERPRETATIONS (continued)

New Standards Not adopted yet and affective for the financial periods from 1st January 2021 (continued):

International Financial Reporting Standard (17) "Insurance Contracts" (continued)

There are some exemptions that will apply. The overall objective of standard (17) is to provide an accounting model for insurance contracts that are more useful and reliable for insurance companies. In contrast to the requirements of the International Financial Reporting Standard (4), which relies to a large extent on previous domestic accounting policies, Standard (17) provides a comprehensive model for insurance contracts that covers all relevant aspects of accounting. The core of standard (17) is a generic model augmented by the following:

Specific application of contracts with direct participation characteristics (variable fee method).

A simplified method (the bonus allocation method) mainly for short-term contracts.

The application of IFRS 17 is effective for financial reporting periods starting January 1, 2023, or after this date, with comparative figures being shown. Early application is permitted provided that an entity applies IFRS (9) and IFRS (15) on or before the date on which the standard was first applied (17). This standard does not apply to the company.

IFRS 16 - Covid-19 Rental Concessions

As a result of the Covid-19 pandemic, rental concessions have been granted to tenants. These concessions may take a variety of forms, including payment leave and postponement of rental payments. In May 2020, the International Accounting Standards Board made an amendment to IFRS 16 Lease Contracts that provides tenants with an option to deal with eligible rental concessions in the same way they would if they weren't for the lease adjustments.

In many cases, this will result in the concessions being calculated as variable rent payments in the period in which they are granted, and entities applying practical means must disclose this fact, whether the method was applied to all eligible rental concessions or not, information about the nature of the contracts that were applied to them, as well as the amount. Recognized in profit or loss arising from rental concessions. This amendment does not apply to the company.

Amendments to IAS 1, "Presentation of Financial Statements" to the classification of liabilities as current or noncurrent

The limited scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as current or non-current, depending on the rights existing at the end of the reporting period. The rating is not affected by the entity's expectations or events after the reporting date (for example, receipt of a waiver or breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of an obligation. Adjustments may affect liability classification, Especially for the establishments that previously considered the management's intentions to determine the classification and for some liabilities that could be converted into equity. They should be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, changes in accounting estimates and errors. In May 2020, the International Accounting Standards Board (IASB) issued a draft proposal proposing to postpone the effective date of the amendments to January 1, 2023. The company did not implement early implementation of this amendment.

EVOLUTIONARY SYSTEMS SAUDI COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021

4 NEW STANDARDS AND INTERPRETATIONS (continued)

New Standards Not adopted yet and affective for the financial periods from 1st January 2021 (continued):

International Accounting Standard 16 (Property, Plant and Equipment) - Collection before use
The amendment to IAS 16 prohibits any entity from deducting from the cost of any item of property, plant and equipment any proceeds received from the sale of items produced while the entity prepares the asset for its intended use. It also clarifies that the entity "tests whether the asset is functioning properly" when it evaluates the technical and physical performance of the asset. The financial performance of the asset is not relevant to this evaluation. Entities must separately disclose amounts of revenue and costs related to items produced that are not an output from the entity's normal activities. The amendments to International Accounting Standard (16) shall be applied to financial reporting periods starting 1 January 2022.

Amendments to IFRS (3) Business Definition - an indication of the conceptual framework

Minor amendments have been made to IFRS 3 for business combinations to update references to the conceptual framework for financial reporting and to add an exception to recognize liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities, Contingent Assets and Interpretation of Fees (21). The amendments also confirm that potential assets should not be recognized at the date of acquisition. The amendments to International Accounting Standard (16) shall be applied to financial reporting periods starting 1 January 2022.

Onerous Contracts - Cost of implementing contract amendments to IAS 37

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the additional costs of fulfilling the contract and the allocation of other costs directly related to the execution of contracts. Before recognizing a separate provision for a contract carrying a loss, an entity recognizes any impairment loss in the value of the assets used in performing the contract. The amendments to International Accounting Standard (37) shall be applied to financial reporting periods starting 1 January 2022.

Annual amendments to IFRSs (2018-2020 cycle)

These amendments were finalized in May 2020:

- IFRS 9, "Financial Instruments" clarifies the fees that the company includes when performing a "10% test" in order to assess whether the recognition of a financial liability is canceled.
- IFRS 16 Leases - Amending Illustration 13 to remove the illustration of payments from lessor in relation to leasehold improvements, to remove any confusion about the rental incentive treatment.
- IFRS 1: Applying International Financial Reporting Standards for the first time - Allows entities that have measured their assets and liabilities at the book value recorded in the books of the parent company to measure any cumulative differences in translation using the amounts reported by the parent company. This amendment will also apply to associates and joint ventures that obtain the same exemption from IFRS 1.

IAS 41 Agriculture - Elimination of the establishments' requirement to exclude tax cash flows when measuring fair value under IAS 41. This amendment aims to comply with the standard's requirements for discounting cash flows on a post-tax basis.

- The above improvements are applicable to financial reporting periods, effective January 1, 2022.

**EVOLUTIONARY SYSTEMS SAUDI COMPANY
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

4 NEW STANDARDS AND INTERPRETATIONS (continued)

New Standards Not adopted yet and affective for the financial periods from 1st January 2021 (continued):

**Sale or contribution of assets between the investor and his associate or joint venture -
Amendments to IFRS 10 and IAS 28**

The International Accounting Standards Board made limited scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The amendments clarify the accounting treatment for sales or contribution to assets between the investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-cash assets sold or the contribution to an associate or a joint venture constitute a "business activity" (as defined in IFRS 3 Business Combinations). The entire profit or loss from the sale will be recognized. Assets or contributions to them, if assets do not meet the definition of a business, profits or losses are recognized by the investor only to the extent of the other investor's shares in the associate or joint venture company. The amendments apply with a prospective effect. In December 2015, the International Accounting Standards Board decided Postponing the application date of this amendment until the International Accounting Standards Board has completed its research project on the equity method.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial statements date, and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

Provision for decrease in trade receivable / Impairment of financial assets

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

Impairment of property and equipment

The management tests annually whether property, plant and equipment has suffered any impairment, in accordance with the accounting policy stated in Note 3. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows and use of an appropriate discount rate applicable to the circumstances of the Company.

Impairment of non-financial assets

Management assesses the impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors which could trigger an impairment review include evidence from internal and external sources related to the changes in technological, market, economic or legal environment in which the entity operates, changes in market interest rates and economic performance of the assets.

**EVOLUTIONARY SYSTEMS SAUDI COMPANY
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Employee benefit obligations

Management has adopted certain actuarial assumptions for valuation of present value of employee benefit obligations based on actuarial advice. For further details see Note 12.

Going concern basis

The management of the Company has no doubt about its ability to continue as a going concern in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

6 PROPERTY AND EQUIPMENT - NET

31 March 2021	Furniture and fixtures SAR	Tools and Equipment SAR	Computer and Software SAR	Total SAR
Cost				
Balance at 1 April 2020	96,833	93,139	165,491	355,463
Additions	9,650	2,039	38,574	50,263
Balance at 31 March 2021	106,483	95,178	204,065	405,726
Accumulated depreciation				
Balance at 1 April 2020	41,277	43,426	126,470	211,173
Charged during the year	9,844	9,331	15,606	34,781
Balance at 31 March 2021	51,121	52,757	142,076	245,954
Net book value at 31 March 2021	55,362	42,421	61,989	159,772

31 March 2020	Furniture and fixtures SAR	Tools and Equipment SAR	Computer and Software SAR	Total SAR
Cost				
Balance at 1 April 2019	81,683	93,139	139,471	314,293
Additions	15,150	---	26,020	41,170
Balance at 31 March 2020	96,833	93,139	165,491	355,463
Accumulated depreciation				
Balance at 1 April 2019	31,959	34,114	119,091	185,164
Charged during the year	9,318	9,312	7,379	26,009
Balance at 31 March 2020	41,277	43,426	126,470	211,173
Net book value at 31 March 2020	55,556	49,713	39,021	144,290

7 ACCOUNTS RECEIVABLES

	31 March 2021 SAR	31 March 2020 SAR
Trade receivables	20,989,348	22,793,083
Provision for decrease in trade receivable	(2,616,206)	(3,837,519)
	18,373,142	18,955,564

**EVOLUTIONARY SYSTEMS SAUDI COMPANY
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

7 ACCOUNTS RECEIVABLES (continued)

- a. The company record the provision for decrease in trade receivable based on the aging of the due trade receivable. This provision increases when the account receivable became more due and based on historical experience shows there is a possibility that the unrecoverable amounts will increase with the increase of the age of the account receivable.

- b. The average credit period for sales is 90 days.

Aging analysis of trade receivables is as follow:

	<u>31 March 2021</u>	<u>31 March 2020</u>
	SAR	SAR
Not due and not impaired		
- Less than 3 months	16,917,530	17,004,591
- From 3 to 6 months	1,455,612	1,950,973
Impaired		
- More than 6 months	2,616,206	3,837,519
	<u>20,989,348</u>	<u>22,793,083</u>

- c. Movement in the provision for decrease in trade receivable is as follow:

	<u>31 March 2021</u>	<u>31 March 2020</u>
	SAR	SAR
Balance at 1 April	3,837,519	474,436
Charged for the year	308,811	3,915,622
Reversal of provision no longer needed	(1,221,313)	---
Write off	(308,811)	(552,539)
	<u>2,616,206</u>	<u>3,837,519</u>

8 PREPAYMENTS AND OTHER RECEIVABLES

	<u>31 March 2021</u>	<u>31 March 2020</u>
	SAR	SAR
Margin deposits	2,589,340	3,339,421
Prepaid expenses and loan to employee	180,351	219,574
Due from previous owner (See note 14-c)	446,663	---
Others	18,000	48,000
	<u>3,234,354</u>	<u>3,606,995</u>

9 CASH AND BANK BALANCES

	<u>31 March 2021</u>	<u>31 March 2020</u>
	SAR	SAR
Cash in hand	6,701	44,688
Cash at banks	7,264,933	5,108,081
	<u>7,271,634</u>	<u>5,152,769</u>

**EVOLUTIONARY SYSTEMS SAUDI COMPANY
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

10 SHARE CAPITAL

The authorized and the fully paid up share capital of the company is SAR 500,000 divided into 100 equal shares with value of SAR 5,000 each distributed between the partners as follow:

	<u>31 March 2021</u>	<u>31 March 2020</u>
	SAR	SAR
Evolutionary Systems Pvt. Ltd.	250,000	250,000
Evolutionary Systems Arabia FZ LLC	250,000	250,000
	<u>500,000</u>	<u>500,000</u>

11 STATUTORY RESERVE

In accordance with Article 176 of companies law and the company's articles of association, at the end of each financial year 10% at least is transferred from net profit to statutory reserve. The partners are allowed to stop transferring amounts to the statutory reserve until it reaches 30% of the share capital. This reserve is not available for dividend distribution.

The partner decided to stop transferring to statutory reserve.

12 EMPLOYEES END OF SERVICE BENEFITS

	<u>31 March 2021</u>	<u>31 March 2020</u>
	SAR	SAR
Balance at the beginning of the year	726,192	402,582
Provided during the year	204,034	164,146
Actuarial loss from re-measurement of employees' benefit obligation	352,215	186,121
Payments during the year	<u>(50,606)</u>	<u>(26,657)</u>
Balance at the end of the year	<u>1,231,835</u>	<u>726,192</u>

The following represent the assumptions used in actuarial valuation:

	<u>31 March 2021</u>	<u>31 March 2020</u>
	%	%
Discount rate	2.52%	2.50%
Rate of salary increase	4%	4%
Turnover rate	10%	10%
Retirement age	60	60

EVOLUTIONARY SYSTEMS SAUDI COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021

13 ACCRUALS AND OTHER PAYABLES

	31 March 2021	31 March 2020
	SAR	SAR
Accrued salaries	560,611	448,976
Withholding tax	925,928	304,078
Accrued expenses	3,785,456	291,734
VAT Payable	901,703	56,428
Accrued social security	17,732	12,736
	<u>6,191,430</u>	<u>1,113,952</u>

14 INCOME TAX

a) Income tax charged for the year comprises of the following:

	For the year ended 31 March 2021	For the year ended 31 March 2020
	SAR	SAR
For the current year		
- Current tax expense	2,101,676	946,057
- Deferred tax movement	(492,555)	---
Tax expenses	<u>1,609,121</u>	<u>946,057</u>

b) Significant components of income tax base are as follow:

	For the year ended 31 March 2021	For the year ended 31 March 2020
	SAR	SAR
Profit before income tax	11,267,454	898,976
Adjustments:		
Employees end of service benefits	153,428	164,146
(Reversal of) provision for doubtful debt	(912,502)	3,363,083
Others	---	304,078
Adjusted profit	<u>10,508,380</u>	<u>4,730,283</u>
Income Tax expense at 20%	<u>2,101,676</u>	<u>946,057</u>

c) **Income tax provision**

The movement in the income tax provision is as follows:

	31 March 2021	31 March 2020
	SAR	SAR
Balance at the beginning of the year	842,904	472,239
Add: Charge for the year	2,101,676	946,057
Less: Payments during the year	(881,352)	(575,392)
Add: Prior period taxes	446,663	---
Balance at the end of the year	<u>2,509,891</u>	<u>842,904</u>

**EVOLUTIONARY SYSTEMS SAUDI COMPANY
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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

14 INCOME TAX (continued)
d) Deferred tax assets

Deferred taxes arising from temporary differences are summarized as follows:

	Provision for decrease in account receivable	Employee end of service benefit	Total
	SAR	SAR	SAR
Charge to statement of profit or loss	523,241	39,757	562,998
Balance as at 31 March 2021	523,241	39,757	562,998

The deferred tax assets relate to income tax in the same jurisdiction and the law allows net settlement.

e) Status of assessment

The Company has filed its income tax declaration and obtained tax certificates for and up to the financial year ended 31 March 2020 with the Zakat, Tax and Customs Authority (ZATCA). Assessment status is given below:

Assessment year 2016 to 2020

Zakat, Tax and Customs Authority "ZATCA" issued tax deemed assessment for the year ended assessment year 2016, and assessment year 2018 to assessment year 2020 on 2 January 2021, and imposed tax amounting to SAR 812,864 instead of SAR 589,687 recorded by the Company, the Company did not agree with the ZATCA bases of assessment and submitted an objection on 18 February 2021 before ZATCA, which ZATCA rejected in full. The Company again filed an objection based on the ZATCA rejection before the General Secretariat of Tax Committee "GSTC" on 17 March 2021, and the objection was rejected again. Further, the Company had paid the tax liabilities total of SAR 446,663 on 8th May and 30th Jun 2021, and there is no plan for any further objection or appeal. However, as per the BTA dated 01-02-2020, any liability for the period prior to the agreement will be borne by the promoters. Based on this agreement the same will be recovered from the promoters of the Company.

Assessment year 2017

No assessments have been raised yet.

15 COST OF REVENUES

	Year ended 31 March 2021	Year ended 31 March 2020
	SAR	SAR
Purchases	4,047,734	7,881,500
Subcontracting expenses	30,194,902	28,899,347
Salaries, wages and other benefits	4,998,078	4,119,475
	39,240,714	40,900,322

EVOLUTIONARY SYSTEMS SAUDI COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021

16 OTHER INCOME

	Year ended 31 March 2021	Year ended 31 March 2020
	SAR	SAR
Reversal of provision for decrease in account receivable	1,221,313	---
Others	18,750	---
	<u>1,240,063</u>	<u>---</u>

17 SELLING AND DISTRIBUTION EXPENSES

	Year ended 31 March 2021	Year ended 31 March 2020
	SAR	SAR
Tender expenses	116,488	46,075
Promotion expenses	7,480	17,744
	<u>123,968</u>	<u>63,819</u>

18 GENERAL AND ADMINISTRATION EXPENSES

	Year ended 31 March 2021	Year ended 31 March 2020
	SAR	SAR
Employee other benefits	276,609	422,330
Provision for decrease in account receivable	---	3,363,083
Rent	624,640	1,058,642
Bad debt written off	308,811	552,539
Travel and communication expenses	480,565	501,579
Maintenance	196,818	322,300
Legal and Professional Fees	792,048	271,589
Bank charges	15,516	66,112
Foreign exchange loss	82,612	---
Depreciation of ROU	48,841	50,425
Depreciation	34,781	26,009
Miscellaneous	180,617	64,176
	<u>3,041,858</u>	<u>6,698,784</u>

19 RELATED PARTY DISCLOSURES

For the purpose of this financial statements, parties are considered to be related to the company, if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making party financial and operating decisions, or vice versa, or where the company and the party are subject to common control and includes where the company has significant influence but not control, and generally does not have any controlling shareholding on the entity whose accounts are presented. Related party may be individuals or other entities.

Name of related party	Nature of relationship
Evolutionary Systems Consultancy LLC	Companies under common management and control
Evolutionary Systems Private Limited	Ultimate parent Company
Mastek Arabia FZ LLC	Holding Company

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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

19 RELATED PARTY DISCLOSURES (continued)

Transaction with above related parties during the year were:-

	Nature of transaction	Year ended 31 March 2021	Year ended 31 March 2020
		SAR	SAR
Evolutionary Systems Consultancy LLC	Professional Fees	6,347,312	---
Evolutionary Systems Private Limited		12,724,924	---
Mastek Arabia FZ LLC		10,413,882	---

Balances with related parties outstanding are as follows:-

Due to related parties	31 March 2021	31 March 2020
	SAR	SAR
Evolutionary Systems Consultancy LLC	6,347,312	---
Evolutionary Systems Private Limited	2,369,112	---
Mastek Arabia FZ LLC	10,305,483	---
	19,021,907	---

Compensation of key management personnel of the Company are as follows:-

	31 March 2021	31 March 2020
Salaries and other benefits	246,049	---

20 FINANCIAL INSTRUMENTS

20.1 Risk Management of Financial Instruments

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by top management.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company's management has overall responsibility for the establishment and oversight of the Company's risk management framework. The management is responsible for developing and monitoring the Company's risk management policies.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)
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20 FINANCIAL INSTRUMENTS (continued)

20.1 Risk Management of Financial Instruments (continued)

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to those limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and managing standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The group's Directors oversee how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Audit Committee department assisted in its oversight role by Internal Control department. Internal Control department undertakes both regular and specific reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Market risk

1) Foreign exchange risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are primarily in Saudi Riyals and USD, management of the Company believes that the exposure to currency risk for the financial instruments is not significant.

2) Interest rate risk

Exposure to various risks associated with the effect of prevailing interest rate fluctuations on the Company's financial position and cash flows. The Company's interest rate risks stem from finance lease obligations which stated at variable interest-rate. All debts are subject to regular re-pricing on regular basis. The management regularly monitors interest rate changes.

3) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's financial assets and liabilities are not exposed to price risk.

4) Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company manages credit risk for trade and other receivables by regularly monitoring the performance of receivables in accordance with specific procedures and policies.

The Company deposits its cash balances in various financial institutions with sound credit ratings and initiate its policy to limit its size of its deposited balances in each financial institution. The Company doesn't believe that there is a risk of significant inefficiency in these financial institutions. The Company doesn't believe that it is exposed to the risk of concentration of credit in respect of due from related party.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2021**

20 FINANCIAL INSTRUMENTS (continued)

20.1 Risk Management of Financial Instruments (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company faces in providing cash to meet its obligations that relate to financial instruments. Liquidity risk can result from the inability to sell specific financial assets quickly and at an approximate fair value.

The contractual maturities of financial liabilities at the end of the financial year are set out below. The amounts are presented in total and are not discounted and include estimated interest payments.

31 March 2021

	Book Value	Less than one year	One year to five years	Over five years
	SAR	SAR	SAR	SAR
Accounts payable	641,248	493,498	147,750	---
Due to related parties	19,021,907	19,021,907	---	---
Accrued expenses	3,785,456	3,785,456	---	---
	23,448,611	23,300,861	147,750	---

31 March 2020

	Book Value	Less than one year	One year to five years	Over five years
	SAR	SAR	SAR	SAR
Accounts payable	28,839,062	28,630,351	208,711	---
Lease liability	25,078	25,078	---	---
Accrued expenses	291,734	291,734	---	---
	316,812	28,947,163	208,711	---

Liquidity risk managed by monitoring it on a regular basis to guarantee sufficient funds.

20.2 Capital risk management

For the purposes of the Company's capital management, capital includes assigned capital and all equity reserves attributable to Company's head office. The primary objective of the Company's capital management is to maximize value to the head office equity. Other objectives include maintaining a positive capital base to maintain market and government confidence and to enable development of the Veritas business in Saudi Arabia.

Management achieve these objectives through operating the Company as optimally as possible and through maintaining adequate positive cash flows. Management ensure that it meets its financial commitments, its statutory and legal obligations and evaluates whether any additional support may be required in the form of capital contributions.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)
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20 FINANCIAL INSTRUMENTS (continued)

20.3 Fair value of financial instruments

As at 31 March 2021 and 31 March 2020, the fair value of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, bear no interest, except for short-term deposits which are at prevailing market rates and are expected to be realized at their current carrying values within 12 months from the date of statement of financial position

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Company has established practices with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including level three fair values.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS that are endorsed in the Kingdom of Saudi Arabia, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets and liabilities of the Company are carried at amortized cost. Therefore, fair value that requires classification isn't disclosed within three levels of fair value.

The carrying amounts of all financial assets and liabilities included in the financial statements approximates fair value.

21 COMPARATIVE FIGURES

Certain comparative figures for the year ended 31 March 2020 have been reclassified to conform to the presentation of the financial statements for the current year ending on 31 March 2021.

22 AUTHORIZATION OF FINANCIAL STATEMENTS

Management has approved the financial statements for issuance on 27 Shaban 1443 AH Corresponding to 30 March 2022G and its subject to partners approval. The Financial statements for the year ended 31 March 2020 has been approved by the partner on 3 Dua Al-Qaeda Corresponding to 24 June 2020 G.