

CONSOLIDATED FINANCIAL STATEMENTS

Evolutionary Systems, Corp. and Subsidiary
Year ended March 31, 2021 and March 31, 2020
With Report of Independent Auditors

Consolidated Financial Statements

Years ended March 31, 2021 and 2020

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Evolutionary Systems Corp. and Subsidiary
Consolidated Balance sheet
(All amounts in United States Dollars, unless otherwise stated)

		March 31, 2021	March 31, 2020
Assets			
Current assets			
Cash and cash equivalents		22,07,054	1,385,195
Accounts receivable, net	6	18,63,873	1,836,671
Contract assets		19,16,731	1,382,946
Due from related party		2,750	2,750
Other current assets	7	1,21,074	33,785
Total current assets		61,11,482	4,641,347
Non-current assets			
Computers and equipment, net	8	23,412	14,990
Operating lease right-of-use assets	12(iv)	20,534	46,094
Deferred tax asset, net	5(c)	1,22,754	71,177
Other non-current assets		6,528	5,252
Total non-current assets		1,73,228	137,513
Total assets		62,84,710	4,778,860
Liabilities and Stockholders' Equity			
Current liabilities			
Accounts payable		102,648	273,589
Due to related parties		846,220	2,178,336
Contract liabilities		1,451,454	937,557
Other current liabilities	9	853,615	1,219,581
Lease liability	12(iv)	21,529	24,233
Total current liabilities		3,275,466	4,633,296
Non-current liabilities			
Lease liability	12(iv)	-	21,752
Total non-current liabilities		-	21,752
Total liabilities		3,275,466	4,655,048
Net assets		3,009,244	123,812
Stockholders' equity			
Common stock			
275,000 shares authorized, issued and outstanding at no par value		-	-
Additional paid in capital	13	2,750	2,750
Retained earnings		3,006,494	121,062
Total stockholders' equity		3,009,244	123,812
Total liabilities and stockholders' equity		62,84,710	4,778,860

(The accompanying notes are an integral part of these consolidated financial statements)

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Evolutionary Systems Corp. and Subsidiary**Consolidated statement of operations and comprehensive income**

(All amounts in United States Dollars, unless otherwise stated)

		<u>March 31, 2021</u>	<u>March 31, 2020</u>
Revenue from operations	3	13,794,645	13,083,968
Cost of revenue	3(a)	(8,926,823)	(7,858,286)
Gross profit		4,867,822	5,225,682
Cost and expenses			
Selling, general and administrative expenses		1,155,222	5,890,837
Depreciation		33,943	207,585
Total cost and expenses		1,189,165	6,098,422
Operating profit / (loss)		3,678,657	(872,740)
Other income	4	220,514	269,238
Profit/(loss) before taxes		3,899,171	(603,502)
Current tax expense	5(a)	1,065,317	479,322
Deferred tax benefit		(51,578)	(278,628)
Net profit / (loss)		2,885,432	(804,196)

(The accompanying notes are an integral part of these financial statements)

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Evolutionary Systems Corp. and Subsidiary**Consolidated statements of changes in stockholders' equity for the year ended March 31, 2021**

(All amounts in United States Dollars, unless otherwise stated)

Particulars	Common stock		Additional paid-	Retained earnings	Total
	Shares	Value	in capital		stockholder's
					equity
Balance as at April 01, 2019	275,000	-	2,750	925,258	928,008
Net loss for the year	-	-	-	(804,196)	(804,196)
Balance as at March 31, 2020	275,000	-	2,750	121,062	123,812
Balance as at April 01, 2020	275,000	-	2,750	121,062	123,812
Net profit for the year	-	-	-	2,885,432	2,885,432
Balance as at March 31, 2021	275,000	-	2,750	3,006,494	3,009,224

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Evolutionary Systems Corp. and Subsidiary
Consolidated statements of cash flows
(All amounts in United States Dollars, unless otherwise stated)

	March 31, 2021	March 31, 2020
Cash flows from operating activities		
Net profit / (loss)	2,885,432	(804,196)
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation and amortization	33,943	207,585
Deferred tax benefit	(51,578)	(278,628)
Bad debt expense / (recovery)	(113,421)	332,378
Sundry balance written back	-	(226,932)
Impairment loss	-	2,085,121
Changes in net operating assets and liabilities		
Decrease in accounts receivable	86,219	91,333
Increase in contract assets	(533,785)	(351,417)
Increase in operating lease right of use assets	-	(71,732)
(Increase) / decrease in other current assets	(87,289)	59,722
Increase in other assets	(1,276)	(524)
Increase / (decrease) in accounts payable	(200,176)	394,450
Decrease in due to related parties	(1,332,116)	(133,637)
Increase / (decrease) in Operating lease obligations	(24,456)	45,985
Increase / (decrease) in contract liabilities	513,897	(231,926)
Decrease in other current liabilities	(336,731)	(576,285)
Net cash generated from operating activities	838,663	541,297
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,804)	(13,272)
Net cash used in investing activities	(16,804)	(13,272)
Net increase in cash and cash equivalents	821,859	528,025
Cash and cash equivalents at the beginning of the year	1,385,195	857,170
Cash and cash equivalents at the end of the year	2,207,054	1,385,195
Supplementary cash flow information		
Income taxes paid	1,054,146	428,781
<i>(The accompanying notes are an integral part of these financial statements)</i>		

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Evolutionary Systems Corp. and Subsidiary
Notes to the Consolidated Financial Statements

1. NATURE OF OPERATIONS

Evolutionary Systems, Corp. (“the Company”) was incorporated on May 01, 2014 in the Commonwealth of Massachusetts. The Company is a wholly owned subsidiary of Evolutionary Systems Private Limited, an India company, and a Global Oracle Platinum Partner providing enterprise solutions to various industries.

In May 2018, the Company entered into a share purchase agreement for acquisition of 100% of outstanding shares of Newbury Taleo Group, Inc. (“Newbury”), a Delaware Corporation, for an aggregate purchase consideration of \$ 2.22 Million with an effective acquisition date of April 1, 2018. Newbury is in the business of providing professional services and staffing for information technology solutions. They have a special focus on implementing Oracle Cloud Application in North America.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States (“US GAAP”). The significant accounting policies are detailed below.

(i) Basis of presentation

- a. All amounts are stated in United States Dollars, except as otherwise specified.
- b. The consolidated financial statements are presented for the years ended March 31, 2021 and March 31, 2020.
- c. Certain reclassifications, regroupings and reworking have been made in the consolidated financial statements of prior year to confirm to the classifications used in the current year. This has no impact on the consolidated statements of (loss) income.

(ii) Principles of consolidation

The consolidated financial statements include the financial statements of Evolutionary Systems, Corp. and Newbury Taleo Group Inc. which is wholly owned and controlled. All inter-company accounts and transactions are eliminated on consolidation.

(iii) Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The management’s estimates for percentage of completion of projects, realization of deferred tax assets, determination of useful lives for computer equipment, valuation of goodwill & intangible assets and estimation relating to unsettled transactions and events at the balance sheet date represent certain of these particularly sensitive estimates. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Any revisions in accounting estimates are recognized prospectively in the current and future periods.

Evolutionary Systems Corp. and Subsidiary
Notes to the Consolidated Financial Statements

(iv) Cash and cash equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash balances in bank accounts are insured by Federal Deposit Insurance Corporation up to an aggregate of \$ 250,000 per depositor at each financial institution.

(v) Revenue recognition

Effective April 01, 2019, the Company adopted Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (ASC 606). Revenue is recognized upon transfer of control of products or services promised to customers in an amount that reflects the consideration the Company expects to receive in exchange for these products or services. Please refer to Note J, "Revenue from Contracts with Customers" for further information on the Company's revenue.

The core principle of Accounting Standards Codification ("ASC") 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To achieve this core principle, the Company has applied the five-step process:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to performance obligations in the contract.
5. Recognize revenue when or as the Company satisfies a performance obligation.

The Company accounts for a contract with a customer when it has written approval, the contract is committed, the rights of the parties, including payment terms, are identified, the contract has commercial substance and consideration is probable of collection.

Revenue is recognized when, or as, control of a promised product or service transfers to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products or services. If the consideration promised in a contract includes a variable amount, the Company estimates the amount to which it expects to be entitled using either the expected value or most likely amount method. The Company's contracts may include terms that could cause variability in the transaction price, including, for example, rebates, volume discounts, service-level penalties, and performance bonuses or other forms of contingent revenue. The Company only includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved.

Evolutionary Systems Corp. and Subsidiary

Notes to the Consolidated Financial Statements

Revenue is primarily derived from software development and related services. Arrangements with customers for software development and related services are either on a fixed-price, fixed time frame, or on a time and material basis.

Revenues related to time-and-material contracts are recognized as the service is performed and amounts are earned.

Revenues related to fixed-price contracts/milestone contracts for complex application development and systems integration services are recognized as the service is performed using the percentage of completion method of accounting, under which the total value of revenue is recognized on the basis of the percentage that each contract's total cost to date bears to the total expected labor costs (input method).

Costs and earnings in excess of billings are classified as unbilled revenue, while billings in excess of earnings are classified as deferred revenue.

(vi) Accounts receivable and provision for doubtful debts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and the customers' financial condition, the amounts of receivables in dispute, and the current receivables ageing and current payment patterns. The Company reviews its allowance for doubtful accounts monthly. Past due balances over 180 days and over a specified amount are reviewed individually for collectability. Allowance for doubtful accounts is included in marketing and selling expenses in the statement of income. The Company charges off uncollectable amounts against the reserves in the period in which the receivable balances are overdue for a period of more than 180 days.

(vii) Property, plant and equipment

Computers are stated at cost less accumulated depreciation. Acquisitions of computer equipment are recorded at cost. Maintenance and repairs that do not improve or extend the lives of the computer equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of income. Depreciation is provided over the estimated useful life of computer equipment and is computed using the straight-line method.

The estimated useful life of computer equipment is 3 years and furniture and fixtures is 10 years.

(viii) Business combinations, goodwill and intangible assets

In accordance with ASC 805, "Business Combinations", the Company uses the purchase method of accounting for all business combinations consummated. Intangible assets acquired in a business combination are recognized and reported apart from goodwill if they meet the criteria specified in ASC 805. Any purchase price allocated to an assembled workforce is not accounted separately.

Evolutionary Systems Corp. and Subsidiary
Notes to the Consolidated Financial Statements

In accordance with provisions of the FASB issued ASU 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment” (“ASU 2017-04”), the Company measures any goodwill impairment losses as the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 eliminates the second step of the goodwill impairment test.

The Company amortizes intangible assets over their estimated useful lives unless such lives are determined to be indefinite. Amortizable intangible assets are amortized over their estimated useful lives in proportion to the economic benefits consumed in each period. Intangible assets with indefinite lives are tested at least annually for impairment and written down to the fair value as required.

The estimated useful lives of the amortizable intangible assets are as follows:

	Life
Customer relationships	4-5 years
Non-compete agreement	4-5 years

(ix) Impairment of long-lived assets

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

(x) Operating lease

On April 1, 2019, the Company early adopted ASC 842 and all the related amendments (“new lease standard”) using the modified retrospective method. The comparative information has not been restated and continues to be reported under the lease accounting standard in effect of those periods. The Company does not expect the adoption of the new lease standard to have a material impact to net income on an ongoing basis. The new lease standard requires all leases to be reported on the balance sheet as lease right-of-use assets and lease obligations. The Company elected the practical expedients permitted under the transition guidance of the new standard that retained the lease classification and initial direct costs for any leases that existed prior to adoption of the standard.

The Company’s leases are classified as operating leases, which are included in operating lease right-of-use assets and operating lease liabilities in the Company’s balance sheet.

Right-of-use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date for leases exceeding 12 months. Minimum lease payments include only the fixed lease component of the agreement, as well as any variable rate payments that depend on an index, initially measured using the index at the lease commencement date. Lease terms may include options to renew when it is reasonably certain that the Company will exercise that option.

Evolutionary Systems Corp. and Subsidiary

Notes to the Consolidated Financial Statements

The Company's estimation considers the market rates of the Company's outstanding collateralized borrowings and interpolations of rates outside of the terms of the outstanding borrowings, including comparisons to comparable borrowings of similarly rated companies with longer term borrowings.

Operating lease expense is recognized on a straight-line basis over the lease term and is included in cost of revenue or general and administrative expense. Leases with a lease term of 12 months or less from the commencement date that do not contain a purchase option are recognized as an expense on a straight-line basis over the lease term.

In February 2016, FASB established Topic 842, "Leases", by issuing ASU 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The ASU requires extensive qualitative and quantitative disclosures, including with respect to significant judgments made by management. Subsequently, the FASB issued ASU 2017-13, in September 2017, ASU 2018-01, in January 2018, ASU 2018-10, in July 2018, ASU 2018-11, in July 2018, ASU 2018-20, in December 2018, ASU 2019-10, in November 2019 which amends and clarifies ASU 2016-02. The ASU will be effective for the Company beginning fiscal years after December 15, 2020, and interim periods with fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company adopted this standard w.e.f. April 1, 2019 as its date of initial application using a modified retrospective adoption approach.

(xi) Fair value measurements and financial instruments

Assets and liabilities recorded at fair value in the consolidated financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 – unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The estimated fair value of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to the short-term nature of these instruments. None of these instruments are held for trading purposes.

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Evolutionary Systems Corp. and Subsidiary
Notes to the Consolidated Financial Statements

(xii) Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the consolidated financial statements.

(xiii) Income taxes

In accordance with the provisions of FASB ASC Topic 740 "Income Taxes," income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The deferred tax asset is reduced by a valuation allowance if it is more likely than not that some portion or all of the asset will not be realized.

The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more

likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50%.

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Evolutionary Systems Corp. and Subsidiary
Notes to the Consolidated Financial Statements
(All amounts in United States Dollars, unless otherwise stated)

3 Revenue from operations	March 31, 2021	March 31, 2020
Information technology services	14,994,645	13,083,968
	14,994,645	13,083,968

The following table presents revenue disaggregated by timing of recognition:

	March 31, 2021	March 31, 2020
Products or services transferred over time	14,994,645	13,083,968
	14,994,645	13,083,968

Contract balances

The timing of revenue recognition, invoicing and cash collections results in billed receivables, contract assets and contract liabilities on the separate parent company balance sheets. Contract assets represent sales recognized in excess of billings related to work completed but not yet billed for which revenue is recognized over time. Contract assets are unbilled receivables. Unbilled receivables are typically generated from consulting contracts, which are billed upfront as a percentage of the total revenue, with the balance billed upon completion. Contract liabilities are customer deposits for which revenue has not been recognized. Customer deposits are recorded as other current liabilities. When consideration is received from a customer prior to transferring goods or services to the customer under the terms of a contract, a contract liability is recorded as deferred revenue. Contract liabilities are recognized as revenue after control of the goods and services are transferred to the customer and all revenue recognition criteria have been met.

For the year ended March 31, 2021

Contract balances	Accounts receivable	Contract assets	Contract liabilities
Opening balance	1,836,671	1,382,946	937,557
Closing balance	1,863,873	1,916,731	1,451,454
Increase / (Decrease)	(27,202)	(533,785)	(513,897)

For the year ended March 31, 2020

Contract balances	Accounts receivable	Contract assets	Contract liabilities
Opening balance	2,260,381	1,031,529	1,169,483
Closing balance	1,836,671	1,382,946	937,557
Increase / (Decrease)	(423,710)	351,417	(231,926)

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Evolutionary Systems Corp. and Subsidiary
Notes to the Consolidated Financial Statements
(All amounts in United States Dollars, unless otherwise stated)

3(a) Cost of revenue	March 31, 2021	March 31, 2020
Employee benefits expense	4,421,528	3,334,937
Professional fees	4,505,295	4,523,349
	<u>8,926,823</u>	<u>7,858,286</u>

4 Other income	March 31, 2021	March 31, 2020
Bad debts recovered	209,689	-
Miscellaneous income	10,825	269,238
	<u>220,514</u>	<u>269,238</u>

5 Income Taxes

- a) For the year ended March 31, 2021, the Company will file federal and state tax returns, along with its subsidiary, as per regulations applicable to Chapter C corporations in the United States.

	March 31, 2021	March 31, 2020
Current taxes		
Federal	797,300	335,894
State	268,017	143,428
Deferred taxes		
Federal	(42,337)	(225,343)
State	(9,241)	(53,285)
Provision for income taxes	<u>1,013,739</u>	<u>200,694</u>

- b) The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes are as follows:

	March 31, 2021	March 31, 2020
Income tax at federal rate	820,093	(127,234)
Return to provision	(5,664)	(535)
State tax, net of federal effect	200,971	60,565
Permanent differences	(1,661)	267,898
	<u>1,013,739</u>	<u>200,694</u>

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Evolutionary Systems Corp. and Subsidiary
Notes to the Consolidated Financial Statements
(All amounts in United States Dollars, unless otherwise stated)

- c) Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred income taxes are as follows:

	March 31, 2021	March 31, 2020
Non-current deferred tax liabilities		
Computer equipment	(6,154)	(4,071)
ASC 842 lease adjustment	(5,409)	(12,581)
Total deferred tax liabilities	(11,563)	(16,652)
Non-current deferred tax assets		
Provision for doubtful debts	8,958	62,986
Accrued Vacation	5,648	11,977
Net operating losses	-	315
Accrued Variable Salary	112,392	-
Provision for Wealth Bonus	1,648	-
ASC 842 lease adjustment	5,671	12,551
Total deferred tax assets	134,317	87,829
Net deferred tax assets	122,754	71,177

- d) Realization of net deferred tax assets is dependent upon generation of sufficient taxable income in future years, benefit from the reversal of taxable temporary differences and tax planning strategies. Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. The amount of net deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income change.
- e) Based on the assessment of the positive and negative evidences, the management believes it is more likely than not that the deferred tax assets will be realized in foreseeable future. Accordingly, the Company has recognized deferred tax asset of \$ 122,754 and \$ 71,177 as at March 31, 2021 and March 31, 2020 respectively.
- f) The Company has no federal and state NOL carryforwards as at March 31, 2021.
- g) *Accounting for uncertain tax position*
- (i) The Company recognizes the benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. Interest and penalties, if incurred, are recognized in the statement of income. The Company has no unrecognized tax positions at March 31, 2021 and March 31, 2020. The tax years of 2017 through 2019 remain subject to examination by the taxing authorities.

Evolutionary Systems Corp. and Subsidiary
Notes to the Consolidated Financial Statements
(All amounts in United States Dollars, unless otherwise stated)

6	Accounts receivable, net	March 31, 2021	March 31, 2020
	Accounts receivable	1,898,557	2,072,043
	Less : Allowance for doubtful debts	(34,684)	(235,372)
		1,863,873	1,836,671

		March 31, 2021	March 31, 2020
	The movement of allowance for doubtful debts is as under:		
	Opening balance	235,372	-
	Add : Allowance for doubtful debts	(113,420)	332,377
	Less : bad debts written off during the year	87,268	97,005
	Closing balance	34,684	235,372

7	Other current assets	March 31, 2021	March 31, 2020
	Deposits	10,023	10,018
	Prepaid Assets	111,051	23,767
		121,074	33,785

8	Computers and equipment, net	March 31, 2021	March 31, 2020
	Computer equipment	1,048	1,048
	Furniture and fixtures	44,610	27,806
		45,658	28,854
	Accumulated depreciation	(22,246)	(13,864)
	Property and equipment, net	23,412	14,990

9	Other current liabilities	March 31, 2021	March 31, 2020
	Provision for tax	170,828	154,701
	Provision for contingent consideration on acquisition*	-	350,000
	Payable to employees	591,669	683,149
	Other payables	91,118	31,731
		853,615	1,219,581

*As at March 31, 2020, in accordance with the acquisition agreement, a total of \$ 350,000 was payable as a part of contingent consideration by the Company to the erstwhile owners of Newbury. During the year, the Company paid a total of \$ 350,000 as contingent consideration to the erstwhile owners of Newbury.

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Evolutionary Systems Corp. and Subsidiary
Notes to the Consolidated Financial Statements
(All amounts in United States Dollars, unless otherwise stated)

10 Financial Instruments And Concentration Of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and trade receivables. The cash resources of the Company are invested with banks after an evaluation of the credit risk. By their nature, all such cash equivalents and trade receivables involve risk including the credit risk of non-performance by counter parties. In management's opinion, as of March 31, 2021, there was no significant risk of loss in the event of non- performance of the counter parties to these cash equivalents and trade receivables. Company has six customers individually contributing greater than or equal to 5% of the total revenue and a combined total of 39% of total revenue (51% as at March 31, 2020), out of which two customer accounted for 18% of the accounts receivable (one customer accounted for more than 25% as at March 31, 2020).

11 Commitment and Contingencies

The Company's future results of operations involve several risks and uncertainties.

- (i) Factors that could affect the Company's future operating results and cause actual results to vary materially from expectations include, competitive factors, including but not limited to pricing pressures; deterioration in general economic conditions; the Company's ability to effectively manage operating costs and increase operating efficiencies; declines in revenues; technological and market changes; the ability to attract and retain qualified employees and the Company's ability to execute on its business plan.

(ii) Pending or threatened litigation, claims and assessments

A post termination dispute has arisen with a terminated sales representative. The individual had initially filed a lawsuit in small claims court to claim unpaid amounts and was only awarded one commission by the trial court. Subsequently, the plaintiff appealed to the district court and the Company has responded to the lawsuit and filed a counterclaim for defamation, which it has now decided to withdraw. The legal counsel believes that they will be able to dispose of the case by way of summary judgment motion prior to a trial. The Company's management believes that they have met their obligations and intend to vigorously defend against all claims.

12 Leases

- (i) **General description of the lease :** The Company facilities and office space under operating leases which have non-cancellable terms.
- (ii) **Non-lease components:** Leases that contain non-lease components are accounted for as a single component and recorded on the balance sheet for certain asset classes including equipment. Non-lease components include, but are not limited to, common area maintenance and service arrangements.
- (iii) **Additional transition method:** The Company adopted the standard using a modified retrospective approach, applying the standard's transition provisions at the beginning of the period of adoption and maintain previous disclosure requirements for comparative periods.

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(All amounts in United States Dollars, unless otherwise stated)

- (iv) The Company used the following policies and/or assumptions in evaluating the lease population:
- (a) **Lease determination:** The Company considers a contract to be or to contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration.
 - (b) **Discount rate:** When the lease contracts do not provide a readily determinable implicit rate, the Company uses the estimated incremental borrowing rate based on information available at the inception of the lease. The discount rate is determined by asset class.
 - (c) **Renewal options:** Most leases include one or more options to renew, with renewal terms that can extend the lease term from one or more years. The exercise of lease renewal options is at the Company's sole discretion.
 - (d) **Residual value guarantees, restrictions, or covenants:** The lease agreements do not contain any material residual value guarantees or material restrictive covenants.
 - (e) **Short-term leases:** Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term and expense the associated operating lease costs to administrative expenses on the statements of income.
- (v) The table below presents the classification of the leasing assets and liabilities.

	March 31, 2021	March 31, 2020
Assets		
Operating lease right-of-use assets	20,534	46,094
	20,534	46,094
Liabilities		
Lease liabilities - non current	-	21,752
Lease liabilities - current	21,529	24,233
	21,529	45,985

- (vi) The components of total lease cost are as follows :

	March 31, 2021	March 31, 2020
Right-of-use assets amortisation	25,560	25,554
Interest expenses	1,968	3,409
	27,528	28,963

- (vii) The Company facilities and office space under operating leases which have non-cancellable terms through January 2022.

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Evolutionary Systems Corp. and Subsidiary
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Future minimum payments under non-cancelable operating leases for the fiscal years ending March 31 are as follows:

	March 31, 2021	March 31, 2020
Within one year	22,020	26,424
More than one year	-	22,020
Total lease payments	22,020	48,444
Less : Imputed interest	(491)	(2,459)
Operating lease liabilities	21,529	45,985

13 Common stock

Common stock issued

Common stock issued as at March 31, 2021 is 275,000 common no par value shares (as at March 31, 2020 was 275,000 no par value). Stock subscription of \$ 2,750 is receivable from the parent company. Parent company's application to remit funds to the Company is pending with the regulatory authorities.

Voting

Each holder of common stock is entitled to one vote in respect of each share held by him in the records of the Company for all matters submitted to a vote.

Liquidation

In the event of liquidation of the Company, the holders of common stock shall be entitled to receive all of the remaining assets of the Company, after distribution of all preferential amounts, if any. Such amounts will be in proportion to the number of equity shares held by the shareholders.

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14 Related Party Disclosures, as per ASC 850

Relationships have been disclosed where transactions have taken place and relationships involving controls:

Name of Related Party	Nature of relationship
Evolutionary Systems Arabia FZ-LLC	Affiliates
Evolutionary Systems Private Limited	Parent Company
Mastek Digital Inc	Affiliates
Trans American Info Systems Inc	Affiliates

Transaction with above related parties during the year were:-

Name of Related Party	Nature of transactions	March 31, 2021	March 31, 2020
Evolutionary Systems Private Limited	Professional fee	3,423,943	2,183,685
Mastek Digital Inc	Professional fee	50,168	-
Evolutionary Systems Arabia FZ-LLC	Professional fee	-	1,505,280
	Reimbursement of Exp	-	94,311
Trans American Info Systems Inc	Professional fee	16,656	-
	Sale of services	153,860	-

Balances with related parties outstanding are as follows:-

Name of Related Party	Nature of Balances	March 31, 2021	March 31, 2020
Evolutionary Systems Arabia FZ-LLC	Trade Payable	150,000	1,599,591
Evolutionary Systems Private Limited	Trade Payable	680,836	578,745
Mastek Digital Inc	Trade Payable	1,974	-
Trans American Info Systems Inc	Trade Payable	13,410	-
	Trade receivables	103,860	-

15 Subsequent event

In accordance with ASC 855 – Subsequent Events, the Company evaluated subsequent events through the date these financial statements were made available for issuance. The Company is not aware of any additional subsequent events that would require recognition or additional disclosure in these financial statements.

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