# EVOLUTIONARY SYSTEMS CONSULTANCY LLC

Financial Statements
For the year ended 31 March 2022

**EVOLUTIONARY SYSTEMS CONSULTANCY LLC**
**Financial Statements**

**STATEMENT OF FINANCIAL POSITION**
**As at 31 March 2022**

| | Notes | As at 31 March 2022 AED | As at 31 March 2021 AED |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current** | | | |
| Property and equipment | 6 | 22,423 | 17,930 |
| | | 22,423 | 17,930 |
| **Current** | | | |
| Trade and other receivables | 7 | 13,433,405 | 13,511,911 |
| Prepayments | | 887,741 | 550,936 |
| Cash and cash equivalents | 8 | 753,135 | 334,872 |
| | | 15,074,281 | 14,397,719 |
| **TOTAL ASSETS** | | 15,096,704 | 14,415,649 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Share capital | 9 | 150,000 | 150,000 |
| Retained earnings/(accumulated losses) | | (4,491,656) | 1,850,877 |
| Statutory reserve | 9.1 | 75,000 | 75,000 |
| Other comprehensive income | | (489,363) | (866,907) |
| **TOTAL EQUITY** | | (4,756,019) | 1,208,970 |
| **Non-current** | | | |
| Employees' end of service benefits | 18 | 1,524,716 | 1,850,319 |
| | | 1,524,716 | 1,850,319 |
| **Current** | | | |
| Accounts and other payables | 10 | 18,328,006 | 11,356,360 |
| | | 18,328,006 | 11,356,360 |
| **TOTAL LIABILITIES** | | 19,852,722 | 13,206,679 |
| **TOTAL EQUITY AND LIABILITIES** | | 15,096,704 | 14,415,649 |

These financial statements for the year ended 31 March 2022 (including comparatives) were approved on ____ by:

**Mr. Manish Nahata**
**Manager**
Dubai, United Arab Emirates

The accompanying notes from 1 to 21 form an integral part of these financial statements

**EVOLUTIONARY SYSTEMS CONSULTANCY LLC**
**Financial Statements**

## STATEMENT OF COMPREHENSIVE INCOME
**For the year ended 31 March 2022**

| | Notes | Year ended 31 March 2022 | Year ended 31 March 2021 |
|---|---|---|---|
| | | **AED** | AED |
| Revenues from operations | **11** | **26,506,242** | 25,684,571 |
| Cost of revenues | **12** | **26,902,358** | 21,195,155 |
| **Gross profit** | | **(396,116)** | 4,489,416 |
| General and administrative expenses | **13** | **(5,947,216)** | (2,165,392) |
| Other income | | **800** | 207,122 |
| **Net profit/(loss) for the year** | | **(6,342,532)** | 2,531,146 |
| **Other comprehensive income (OCI)** | | | |
| Defined benefit plan actuarial income/ (loss) | **18** | **377,544** | (866,907) |
| **Total other comprehensive income/ (loss) for the year** | | **377,544** | (866,907) |
| **Total comprehensive income/(loss) for the year** | | **(5,964,988)** | 1,664,239 |

The accompanying notes from 1 to 21 form an integral part of these financial statements

## STATEMENT OF CHANGES IN EQUITY
**For the year ended 31 March 2022**

| | Share capital AED | Retained earnings/ (Accumulated losses) AED | Statutory reserve AED | Other comprehensive income AED | Total AED |
|---|---|---|---|---|---|
| Balance as at 1 April 2020 | 150,000 | (605,269) | - | - | (455,269) |
| Total comprehensive income for the year | - | 2,531,146 | - | (866,907) | 1,664,239 |
| Transferred to statutory reserve (note 9.1) | - | (75,000) | 75,000 | - | - |
| **Balance as at 31 March 2021** | **150,000** | **1,850,877** | **75,000** | **(866,907)** | **1,208,970** |
| Total comprehensive income for the year | | (6,342,532) | | 377,544 | (5,964,988) |
| Transferred to statutory reserve (note 9.1) | - | - | - | - | - |
| **Balance as at 31 March 2022** | **150,000** | **(4,491,656)** | **75,000** | **(489,363)** | **(4,756,019)** |

The accompanying notes from 1 to 21 form an integral part of these financial statements

**EVOLUTIONARY SYSTEMS CONSULTANCY LLC**
**Financial Statements**

**STATEMENT OF CASH FLOWS**
**For the year ended 31 March 2022**

| | Notes | Year ended 31 March 2022 AED | Year ended 31 March 2021 AED |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Net profit/(loss) for the year | | **(6,342,532)** | **2,531,146** |
| *Adjustment for:* | | | |
| Depreciation | **6** | **7,458** | 1,877 |
| Provision of employees' end of service gratuity | | **51,941** | 236,208 |
| Cash flows from operating activities before working capital changes | | **(6,283,133)** | 2,769,231 |
| *Net changes in working capital:* | | | |
| Changes in trade and other receivables | | **78,505** | (9,461,025) |
| Changes in prepayments | | **(336,805)** | (189,080) |
| Changes in accounts and other payables | | **6,971,647** | 7,113,691 |
| | | **430,214** | 232,817 |
| Payment of employees' end of service gratuity | | | (87,165) |
| **Net cash from operating activities** | | **430,214** | 145,652 |
| **INVESTING ACTIVITY** | | | |
| Purchase of property and equipment | **6** | **(11,951)** | (19,807) |
| **Net cash used in investing activity** | | **(11,951)** | (19,807) |
| Net changes in cash and cash equivalents | | **418,263** | 125,845 |
| Cash and cash equivalents at the beginning of the year | | **334,872** | 209,027 |
| **Cash and cash equivalents at the end of the year** | **8** | **753,135** | 334,872 |

The accompanying notes from 1 to 21 form an integral part of these financial statements

## 1 Legal status and business activity

a) **EVOLUTIONARY SYSTEMS CONSULTANCY LLC** (The Company) is a limited liability company registered on 20 October 2009 in the Emirate of Abu Dhabi, under professional license no. CN-1171701, in accordance with the provisions of U.A.E. Commercial Companies Law No. 2 of 2015.

b) The company is registered and engaged to provide information technology consultancy and onshore and offshore oil and gas fields and facilities services.

c) Mr. Ummed Singh Nahata (an expatriate shareholder) has entered into agreement to sell his entire shares to Mastek Arabia FZ LLC (subsidiary of Mastek UK Ltd) (Purchaser) dated 8 February 2020. The right of the purchaser to assume rights and obligations is effective from 1 February 2020 and purchaser has exercised such right effective 1 March 2020.

## 2. Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB).

## 3. Standards, interpretations and amendments to existing standards

**Standards, interpretations and amendments to existing standards that are effective in 2022**

Following relevant new amendments to existing standards that were issued by the IASB, which are effective for the accounting period beginning on or after April 1, 2021 and have been adopted by the Company:

- **International Financial Reporting Standard (17) "Insurance Contracts"**
- **IFRS 16 - Covid-19 Rental Concessions**
- **IFRS (3) Business Definition - an indication of the conceptual framework**
- **Sale or contribution of assets between the investor and his associate or joint venture - Amendments to IFRS 10 and IAS 28**

**Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company**

At the date of authorization of these financial statements, several new, but not yet effective Standards and amendments to existing standards and interpretations have been published by the IASB. None of these standards and amendments to existing standards have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after effective date of pronouncements. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

## 4. Summary of significant accounting policies

### a) Overall considerations

The significant accounting policies which have been used in the preparation of these financial statements and have been applied consistently throughout the periods presented and are summarised below. These financial statements have been prepared using the measurement bases specified by IFRSs for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

### b) Foreign currency

**Functional and presentation currency**

These financial statements are presented in U.A.E. Dirhams, which is the company's functional and presentation currency.

**Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

### c) Financial instruments

**Recognition and Initial measurement**

The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument, All financial assets and liabilities are measured at fair value on initial recognition. Transaction costs that are directly attributable in relation to financial assets and financial liabilities, other than those carried at fair value through profit or loss (FVTPL), are added to the fair value on initial recognition.

**Classification and subsequent measurement of financial assets**

For the purpose of subsequent measurement, financial assets are classified as follows:

***Financial assets at amortised cost (debt instruments)***

Financial assets that are held within a business model whose objective is to hold the asset in order to collect contractual cash flows that are solely payments of principal and interest are subsequently measured at amortised cost less impairments, if any. Interest income calculated using effective interest rate (EIR) method and impairment loss, if any are recognised in the statement of profit and loss. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include accounts receivables, other current financial assets and cash and cash equivalents. Due to the short term nature of current receivables, their carrying amounts are considered to be the same as their fair values.

***Financial assets at fair value through profit or loss***

A financial asset which is not classified in any of the above categories are subsequently measured at fair value through profit or loss. Changes in fair value and income on these assets are recognised in the statement of profit and loss. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

**Classification and subsequent measurement of financial liabilities**

For the purpose of subsequent measurement, financial liabilities are classified as follows:

- Amortised cost - Financial liabilities are classified as financial liabilities at amortised cost by default. Interest expense calculated using EIR method is recognised in the statement of profit and loss.

- Fair values through profit or loss (FVTPL) - Financial liabilities are classified as FVTPL if it is held for trading, or is designated as such on initial recognition. Changes in fair value and interest expense on these liabilities are recognised in the statement of profit and loss.

  The company's financial liabilities include accounts and other payables. The carrying amounts of financial liabilities are considered as to be the same as their fair values, due to their short term nature.

**Derecognition of financial assets and financial liabilities**

Financial assets are de-recognised when, and only when the contractual rights to receive cash flows expire or The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is dereeognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

***Offsetting of financial assets am! liabilities***

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position, if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**Impairment of financial assets**

The Company recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses are recognised in two stages.

- For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12 months.

- For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

For trade receivables and contract assets, the Company applies a simplified approach in calculating expected credit losses. The Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

**Accounts receivables**

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due)

**Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer, If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier), Contract liabilities are recognised as revenue when the Company performs under the contract.

**d) Unbilled revenue**

Unbilled revenue is booked to match costs incurred during the year on the projects, where milestone billings are not achieved.

When costs are incurred but invoices cannot be raised till the next billing cycle of that project, proportionate income, based on percentage of completed milestone, is booked as the revenue for the year and taken to the income statement with the corresponding receivable being shown as unbilled revenue.

**e) Provision**

Provisions are recognized when the company has a 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

**f) Staff end of service benefits**

Provision is made for end-of-service gratuity payable to the staff, subject to the completion of a minimum service period, at the reporting date in accordance with the local labour laws.

**g) Value Added Tax**

The revenue, expenses and assets are recognised net of value-added tax (VAT). In case Input VAT paid to the supplier of asset or expense is not recoverable from the Federal Tax Authority, it is disclosed as part of asset acquired or expense incurred.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from or VAT payable to, FTA is disclosed as other payable or other receivable under current liabilities or current assets in the statement of financial position.

**h) Short-term lease**

The Company applies the short-term lease recognition exemption to its short-term leases of office premise (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

**i) Revenue recognition**

The company is in the business of providing information technology consultancy and onshore and offshore oil and gas fields and facilities services.

Revenue is recognized upon transfer of control of the promised goods or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Performance obligations are satisfied and revenue is recognized, either overtime or at a point in time.

Unbilled revenue on customer contracts, contract assets under IFRS 15, Revenue from contracts with customers, relates to conditional rights to consideration for satisfied performance obligations of contracts with customers. Trade receivables are recognized when the right to consideration becomes unconditional.

Deferred revenue, contract liabilities under 1FRS 15, relate to payments received in advance of performance under contracts with customers. Contract liabilities are recognized as revenue as (or when) the Company satisfies its performance obligations under the contracts.

**Services**

The Company recognizes revenue from services on a percentage of completion method.

Performance obligations for services on a percentage of cost completion basis are typically satisfied over time as services are rendered. In contracts where the Company is not entitled to payment until the performance obligations are satisfied, revenue is recognized at the time the services are delivered. At contract inception, the Company expects that the period between when the Company transfers control of a promised service to a customer and when the customer pays for that service will be one year or less. As a practical expedient, the consideration is not adjusted for the effects of a significant financing component.

Revenue is recognized based on the extent of progress towards completion of the performance obligation, on a project-by-project basis. The method used to measure progress depends on the nature of the services. Revenue is recognized on the basis of time and cost incurred to date relative to the total budgeted inputs. The output method on the basis of milestones is used when the contractual terms align the Company's performance with measurements of value to the customer. Revenue is recognized for services performed to date based on contracted rates and/or milestones that correspond to the amount the Company is entitled to invoice.

Estimates of Revenue, Cost or extent of progress toward completion are revised if circumstance changes. Any resulting increases or decreases in estimated revenue and costs are reflected in profit and loss in the period in which the circumstances that give rise to the revision become known by management,

The amount of revenue is shown as net of discounts and other similar obligations as per the performance obligations determined as per the provisions of the contracts with customers.

**j) Cash and cash equivalents**

Cash and cash equivalents for the purpose of the cash flow statement comprise cash and cheques on hand, bank balance in current accounts, deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment.

**k) Property and equipment**

Property and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management.
Property and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.
Depreciation is recognised on a straight-line basis to write-down the cost less estimated residual value of property and equipment. The estimated useful life is 4 years.

**l) Equity and reserves**

Share capital represents the nominal value of shares that have been issued.
Retained earnings include all current and prior periods' retained profits and losses.
Statutory reserve is created in accordance with UAE Federal Law No. (2) of 2015.

**m) Administrative, selling and general expenses**

Administrative, selling and general expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

## 5. Significant management Judgment in applying accounting policies

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

*Judgments made in applying accounting policies*

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

**Impairment**

At each reporting date, management conducts an assessment of all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made.

**Key sources of estimation uncertainty and assumptions**

The key assumptions concerning the future, and other key sources of estimation uncertainty and assumptions at the reporting sheet date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

***Provision for expected credit losses of trade receivables and contract assets***

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

***Unbilled revenue***

Where the outcome of a contract can be estimated reliably, contract revenue and costs re recognized by reference to the stage of completion. The management makes estimates of the cost incurred, to the extent of the revenue recognized and makes provision for unbilled revenue or excess billings on the basis of actual revenue recognized on those contracts. Since the percentage of completion method uses current estimates of contract revenue and expenses, it is normal to encounter changes in estimates of contract revenue and costs.

***Revenue recognition***

Recognised revenue and margin are based on estimates of total expected contract revenue and cost, which are subject to revisions as the contract progresses. Total expected revenue and cot on a contract reflect management's current best estimate of the probable future benefits and obligations associates with the contract.

Although the company makes individual assessments on contract on a regular basis, there is a risk that actual costs related to those obligations may exceed initial estimates. Estimates of contract costs and revenues at completion in case of contracts in progress and estimates of provisions in case of completed contracts may then have to be re-assessed.

**Useful lives of depreciable assets**

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the Company.

**Determining the lease term of contracts with renewal options**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

## 6 Property and equipment

| | Computers | Total |
|---|---|---|
| **2022** | | |
| **Cost** | | |
| As at 1 April 2020 | - | - |
| Additions during the year | 19,807 | 19,807 |
| As at 31 March 2021 | 19,807 | 19,807 |
| Additions during the year | 11,951 | 11,951 |
| As at 31 March 2022 | **31,758** | **31,758** |
| | | |
| **Accumulated depreciation** | | |
| As at 1 April 2020 | - | - |
| Charge for the year (note 13) | 1,877 | 1,877 |
| As at 31 March 2021 | 1,877 | 1,877 |
| Charge for the year (note 13) | 7,458 | 7,458 |
| As at 31 March 2022 | **9,335** | **9,335** |
| | | |
| **Net carrying amount at 31 March 2022** | **22,423** | **22,423** |
| Net carrying amount at 31 March 2021 | 17,930 | 17,930 |

## 7 Trade and other receivables

| | **As at 31 March 2022** | As at 31 March 2021 |
|---|---|---|
| *Financial assets:* | | |
| Accounts receivable | **9,620,474** | 10,332,810 |
| Provision for doubtful debts | **(985,971)** | (64,848) |
| | **8,634,503** | 10,267,962 |
| | | |
| Contract assets : unbilled revenue | **3,542,867** | 3,047,149 |
| Other receivables | **767,749** | - |
| Deposits | **308,287** | 32,128 |
| Due from shareholders (refer note 14) | **150,000** | 150,000 |
| | **13,403,405** | 13,497,239 |
| | | |
| *Non-financial assets:* | | |
| Advances to staff | **30,000** | 14,672 |
| | **30,000** | 14,672 |
| | | |
| | **13,433,405** | 13,511,911 |

The movement in the provision of doubtful debt is as follows:

| | **As at 31 March 2022** | As at 31 March 2021 |
|---|---|---|
| Balance at the beginning of the year | **64,848** | 53,144 |
| Provided/(reversal) during the year (note 13) | **921,123** | 11,704 |
| **Balance at the end of the year** | **985,971** | 64,848 |

## 8 Cash and cash equivalents

| | **As at 31 March 2022** | As at 31 March 2021 |
|---|---|---|
| Cash on hand | **7,545** | 22,536 |
| Cash at bank | **745,590** | 312,336 |
| | **753,135** | 334,872 |

## 9 Share capital

| | As at 31 March 2022 | As at 31 March 2021 |
|---|---|---|
| **Authorised, issued and paid up capital** | | |
| 100 shares (Previous year : 100) of AED 1500/- each | **150,000** | 150,000 |
| | **150,000** | 150,000 |

The share capital of the Company consists of 100 shares at AED 1500/- (49 shares are owned by M/s Mastek Arabia FZ LLC (Subsidiary of Mastek UK Ltd) and 51 shares are owned by Mr. Abdulla Mubarak Abdulla Yousof Al khamiri - UAE)

### 9.1 Statutory reserve

In accordance with the Articles of Association of the Company and UAE Federal Law No. (2) of 2015, a minimum of 10% of the net profit of the Company is required to be allocated to statutory reserve every year. Such transfers are required to be made until the balance on the legal reserve equals one half of the Company's paid-up share capital. During the year, AED Nil was transferred to the statutory reserve (2021: 75,000).

## 10 Accounts and other payables

| | As at 31 March 2022 | As at 31 March 2021 |
|---|---|---|
| *Financial liabilities:* | | |
| Accounts payables (refer note 14) | **16,142,996** | 8,173,011 |
| Other payables (refer note 14) | **1,518,394** | 1,597,000 |
| | **17,661,390** | 9,770,011 |
| *Non-financial liabilities:* | | |
| Contract liabilities deferred revenue | **425,148** | 1,322,875 |
| Payable for leave salary | **189,853** | 170,208 |
| VAT payable, net | **51,615** | 93,266 |
| | **666,616** | 1,586,349 |
| | **18,328,006** | 11,356,360 |

## 11 Revenue from operations

| | Year ended 31 March 2022 | Year ended 31 March 2021 |
|---|---|---|
| Rendering of services | **26,506,242** | 25,684,571 |
| | **26,506,242** | 25,684,571 |

***Disaggregation of revenue by geographical market:***

| **Country** | Year ended 31 March 2022 | Year ended 31 March 2021 |
|---|---|---|
| United Arab Emirates | **13,670,608** | 19,410,515 |
| Kingdom of Saudi Arabia | **8,923,066** | 6,274,056 |
| Bahrain | **1,438,124** | - |
| Oman | **751,424** | - |
| Singapore | **626,740** | - |
| USA | **498,531** | - |
| UK | **349,748** | - |
| Australia | **129,841** | - |
| Others | **118,160** | - |
| | **26,506,242** | 25,684,571 |

## 12 Cost of revenues

| | Year ended 31 March 2022 | Year ended 31 March 2021 |
|---|---|---|
| Salary to staff, allowance and other benefits (refer note 14) | **17,952,709** | 13,212,770 |
| Professional services taken* (refer note 14) | **7,494,784** | 7,982,385 |
| Programming expenses | **1,454,865** | - |
| | **26,902,358** | 21,195,155 |

*Includes AED 4,796,069 taken from Evolutionary Systems Egypt Ltd. (previous year AED 1,319,778 ), AED 2,428,633 (previous year AED 3,183,168) taken from Evolutionary Systems Pvt Ltd, AED 270,082 from Mastek Ltd (previous year AED 51,180), AED Nil from Evolutioary Systems Arabia FZ LLC (previous year AED 259,418) towards professional services taken.

## 13 General and administrative expenses

| | Year ended 31 March 2022 | Year ended 31 March 2021 |
|---|---|---|
| Accomodation expense | **644,763** | 860,952 |
| Staff benefits and related costs | **949,258** | 599,810 |
| Travel expenses | **882,384** | 216,844 |
| Professional fees | **233,744** | 129,203 |
| Sponsorship Fees | **135,000** | 100,000 |
| Postage and communication | **82,930** | 59,860 |
| Rent expense | **27,240** | 28,810 |
| Bank charges | **24,220** | 27,139 |
| Provision/(reversal) for doubtful debts (note 7) | **921,123** | 11,704 |
| Depreciation (note 6) | **7,458** | 1,877 |
| Withholding tax | **1,917,038** | - |
| Others | **122,058** | 129,193 |
| | **5,947,216** | 2,165,392 |

## 14 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 Arabia FZ.-LLC | Entity under common control |
| Mastek Enterprise Solutions Private Limited, India | Entity under common control |
| Evolutionary Systems Egypt Ltd, Egypt | Entity under common control |
| Evolutionary Systems Corp. | Entity under common control |
| Evolutionary Systems Pty Ltd | Entity under common control |
| Evolutionary Systems (Singapore) PTE. LTD. | Entity under common control |
| Evolutionary Systems Bahrain SPC | Entity under common control |
| Evolutionary Systems Company Limited-Uk | Entity under common control |
| Evolutionary Systems Saudi LLC | Entity under common control |
| Mr. Abdulla Mubarak Abdulla Yousof Al Kharniri | Shareholders |
| Mastek Arabia FZ LLC | Shareholders |
| Mr. Rakesh Raman (COO MEA) | Key management personnel |
| Mastek LTD - India | Ultimate Holding Company |

## 14 Related party disclosures (continued)

**Transaction with above related parties during the year were as follows:**

| | Year ended 31 March 2022 | Year ended 31 March 2021 |
|---|---|---|
| Staff allowance (cost of revenues) | **602,840** | 1,902,888 |
| Professional services taken (cost of revenues) | **7,494,784** | 4,813,544 |
| Professional services given (revenues) | **14,262,627** | - |

**Balances with related parties outstanding are as follows:-**

| | As at 31 March 2022 | As at 31 March 2021 |
|---|---|---|
| Due from shareholders | **150,000** | 150,000 |
| Due to Companies under common management and control | **15,115,731** | 8,083,389 |
| Due from Key management personnel | **882,090** | 53,698 |
| Due from Companies under common management and control | **7,835,348** | - |

## 15 Financial insturments risk

### Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated by the management, in close cooperation with the Director, and focuses on actively securing the Company's short to medium-term cash flows by minimising the exposure to financial markets.

### 15.1 Market risk

Market risk is 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 security or its issuer or factors affecting all securities traded in the market.

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, and price risks, which result from both its operating and investing activities.

### Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Company is not exposed to interest rate risk since the Company does not have any interest-bearing assets and liabilities.

### Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Most of the Company’s transactions are carried out in AED and US Dollars (USD). AED is effectively pegged to the USD thus any balances in USD do not represent significant currency risk. As at year end, the Company does not have any financial instruments denominated in currencies other than AED.

## 15 Financial insturments risk (continued)

### 15.2 Credit risk analysis

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date as summarised below:

| | **As at 31 March 2022** | **As at 31 March 2021** |
|---|---|---|
| Trade and other receivables (refer note 7) | **13,403,405** | 13,497,239 |
| Cash at bank (refer note 8) | **745,590** | 312,336 |
| | **14,148,995** | 13,809,575 |

*Trade and other receivables:*
As at 31 March 2022, the significant concentration of credit risk from accounts receivables from Evosys Saudi (Group Company) amounted to AED 2,495,787 (previous year: AED 6,278,560), Mastek Arabia AED 2,296,577 (Previous year: Nil), Evosys Bahrain AED 1,438,124 (Previous year: Nil)

*Cash at bank:*
Cash at bank: The company's bank balance in a current account is placed with a high credit quality financial institution.

### 15.3 Liquidity risk analysis

Liquidity risk also referred to as funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.
The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis. Long-term liquidity needs are identified monthly.

The Company's financial liabilities are summarised below:

| | **As at 31 March 2022** | As at 31 March 2021 |
|---|---|---|
| Accounts and other payables (refer note 10) | **17,661,390** | 9,770,011 |
| | **17,661,390** | 9,770,011 |

## 16 Fair value measurement

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, are presented below

level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the companies' financial assets comprising of accounts and other receivables, prepayments and bank balance and financial liabilities comprising of accounts and other payables that approximate to their carrying values.

## 17 Capital management policies and procedures

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital. The Company's objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

## 18 Employee's end of service benefits

The movement is as follows:

| | **As at 31 March 2022** | As at 31 March 2021 |
|---|---|---|
| As at the beginning of the year | **1,850,319** | 834,369 |
| Charge for the year | **477,604** | 236,208 |
| Defined benefit plan actuarial loss | **(377,544)** | 866,907 |
| Payments during the year | **425,663** | 87,165 |
| **As at end of the year** | **1,524,716** | 1,850,319 |

| | **As at 31 March 2022** | As at 31 March 2021 |
|---|---|---|
| Projected Benefit Obligation | **1,524,716** | 1,850,319 |
| Current Liability | **124,314** | 137,147 |
| Non-Current Liability | **1,400,402** | 1,713,172 |

**Defined benefit plan- Gratuity plan**

The significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, the salary growth rate and the average life expectancy. The assumptions used for the valuation of the defined benefit obligation are as follows:

**Valuation Assumptions:**
**i)Financial Assumptions:**

| | **As at 31 March 2022** | **As at 31 March 2021** |
|---|---|---|
| Discount rate (p.a) | **3.85%** | 2.52% |
| Salary escalation rate (p.a.) | **4.00%** | 4.00% |

a) Discount Rate:

The discount rate used for the purposes of this exercise has been based on US corporate bond yields, which is taken as a proxy for UAE Corporate bond yields, for corresponding tenure of the obligation.

b) Salary Escalation Rate:

The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

**ii)Demographic Assumptions:**

a) Retirement Age:

The employees of the Company are assumed to retire at the age of 60 years.

b) Mortality:

| | Age | Rate |
|---|---|---|
| In the absence of availability of mortality rates based on the UAE Lives, as a proxy, we have used mortality rates based on Saudi Arabia lives. Published Saudi Arabia mortality rates tables at specimen ages. | 18 | 0.00075 |
| | 23 | 0.00075 |
| | 28 | 0.00075 |
| | 33 | 0.00075 |
| | 38 | 0.00075 |
| | 43 | 0.00075 |
| | 48 | 0.0015 |
| | 53 | 0.003 |
| | 58 | 0.00525 |

c) Leaving Service:

We have assumed 10% per annum withdrawal rate at all ages in this valuation.

d) Disability:

Leaving service due to disability is included in the provision made for all causes of leaving service (paragraph (e) above).

These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to each period-end by reference to market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience. The present value of the DBO was measured using the projected unit credit method.

**19 Contingent liability**

There was no contingent liability of a significant amount outstanding as at the reporting date.

**20 Comparative figures**

Certain comparative figures have been reclassified in order to conform to the current year's presentation.

**21 Significant events during the reporting period**

The Company has assessed the impact of Covid-19 Pandemic on its operations as well as financial reporting process, including but not limited to the areas of financial controls, credit risk, effectiveness of hedge relationship, goodwill, impairment of financial and non-financial assets, and Cyber security pertaining to the remote access of information for the year ended 31 March 2022 and up to the date of approval of financial statements. While assessing the impact, Company has considered all internal and external sources of information like industry reports, economic forecast, credit reports and company's business forecast basis the global economic consensus. Further, there have been no material changes in the financial control/process followed by the company. However, the impact of COVID-19 may be different from that estimated as on the date of approval of these financial statements and the Company will continue to closely monitor any material changes to the business due to future economic conditions.