

# **Evolutionary Systems Corp. and Subsidiary**

Financial Statements

For the year ended 31 March 2022

Evolutionary Systems Corp. and Subsidiary  
Consolidated financial statements  
Balance sheet as at March 31, 2022

		As at	
	Note No	March 31, 2022	March 31, 2021
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
<b>Financial assets</b>			
Cash and cash equivalents	7	2,601,127	2,207,054
Accounts receivable, net	8	4,701,470	1,863,873
Contract assets	9	4,302,239	1,916,731
Due from related party		12,775	2,750
Income tax assets		112,846	-
Other current assets	10	19,675	121,074
<b>Total current assets</b>		<b>11,750,132</b>	<b>6,111,482</b>
<b>Non-current assets</b>			
Computers and equipment, net	11	28,039	23,412
Operating lease right-of-use assets	1(iv)	-	20,534
Deferred tax asset, net	6(c)	367,199	122,754
Other non current assets	13	6,363	6,528
<b>Total non-current assets</b>		<b>401,601</b>	<b>173,228</b>
<b>Total Assets</b>		<b>12,151,733</b>	<b>6,284,710</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable		644,574	102,648
Due to related parties		4,807,074	846,220
Deferred revenue	14	811,892	1,451,454
Other current liabilities	15	1,541,822	853,615
Lease liability	18(iv)	-	21,529
<b>Total current liabilities</b>		<b>7,805,362</b>	<b>3,275,466</b>
<b>Non current liabilities</b>			
Lease liability	18(iv)	-	-
<b>Total liabilities</b>		<b>7,805,362</b>	<b>3,275,466</b>
<b>Net assets</b>		<b>4,346,371</b>	<b>3,009,244</b>
<b>Equity and reserves</b>			
Common Stock			
275,000 shares authorized, issued and outstanding at no par value		-	-
Additional paid in capital	20	2,750	2,750
Accumulated surplus		4,344,861	3,006,494
Foreign currency translation reserve		(1,240)	-
<b>Total equity</b>		<b>4,346,371</b>	<b>3,009,244</b>

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

**Evolutionary Systems Corp.**

**Consolidated financial statements**

**Consolidated statement of comprehensive income for the year ended March 31, 2022**

	<b>Note No</b>	<b>March 31, 2022</b>	<b>March 31, 2021</b>
		<b>\$</b>	<b>\$</b>
Services income	<b>3</b>	25,268,986	13,794,645
Cost of revenue		(20,702,761)	(8,926,823)
<b>Gross profit</b>		<b>4,566,225</b>	<b>4,867,822</b>
<b>Cost and expenses</b>			
Selling, general and administrative expenses	<b>4</b>	2,609,861	1,155,222
Depreciation		34,356	33,943
<b>Total cost and expenses</b>		<b>2,644,217</b>	<b>1,189,165</b>
<b>Operating profit</b>		<b>1,922,008</b>	<b>3,678,657</b>
Other income	<b>5</b>	53,942	220,514
<b>Profit before income taxes</b>		<b>1,975,950</b>	<b>3,899,171</b>
Current tax expense	<b>6(a)</b>	882,028	1,065,317
Deferred tax expense (benefit)		(244,445)	(51,578)
<b>Net income</b>		<b>1,338,367</b>	<b>2,885,432</b>

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

Evolutionary Systems Corp.

Consolidated financial statements

Consolidated statements of equity for the year ended March 31, 2022

Particulars	Common stock		Additional paid in capital	Accumulated surplus	Foreign currency translation reserve	Total stockholder's deficit
	Shares	Value				
<b>Balance as at April 01, 2020</b>	275,000	-	2,750	121,062	-	123,812
Net income for the year				2,885,432	-	2,885,432
<b>Balance as at March 31, 2021</b>	<b>275,000</b>	<b>-</b>	<b>2,750</b>	<b>3,006,494</b>	<b>-</b>	<b>3,009,244</b>
<b>Balance as at April 01, 2021</b>						
Net income for the year				1,338,367	(1,240)	1,337,127
<b>Balance as at March 31, 2022</b>	<b>275,000</b>	<b>-</b>	<b>2,750</b>	<b>4,344,861</b>	<b>(1,240)</b>	<b>4,346,371</b>

**Evolutionary Systems Corp.****Consolidated financial statements****Consolidated statements of cash flows for the year ended March 31, 2021**

	March 31, 2022	March 31, 2021
	\$	\$
<b>Cash flows from operating activities</b>		
Net income	1,338,367	2,885,432
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation and amortization	34,356	33,943
Deferred tax benefit	(244,445)	(51,578)
Bad debt expense / (recovery)	214,957	(113,421)
Foreign currency translation reserve	(1,240)	-
Sundry balance written back	-	-
Impairment loss	-	-
<b>Changes in net operating assets and liabilities</b>		
Decrease in accounts receivable	(3,052,554)	86,219
Increase in contract assets	(2,385,508)	(533,785)
Increase in operating lease right of use assets	-	-
(Increase) / decrease in other current assets	101,399	(87,289)
Increase in other assets	(112,682)	(1,276)
Increase in Due to related parties	(10,025)	-
Increase / (decrease) in accounts payable	541,927	(170,941)
Decrease in due to related parties	3,960,854	(1,332,116)
Increase / (decrease) in Operating lease obligations	(21,529)	(24,456)
Increase / (decrease) in contract liabilities	(639,562)	513,897
Decrease in other current liabilities	688,207	(365,966)
<b>Net cash provided by operating activities</b>	<b>412,522</b>	<b>838,663</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(18,449)	(16,804)
<b>Net cash used in investing activities</b>	<b>(18,449)</b>	<b>(16,804)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>394,073</b>	<b>821,859</b>
Cash and cash equivalents at the beginning of the year	2,207,054	1,385,195
<b>Cash and cash equivalents at the end of the year</b>	<b>2,601,127</b>	<b>2,207,054</b>
<b>Supplementary cash flow information</b>		
Income taxes paid		1,054,146
<i>(The accompanying notes are an integral part of these financial statements)</i>		

**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, 2022 and March 31, 2021.
- 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:

	<b>Life</b>
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.

**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%

Evolutionary Systems Corp.  
Consolidated notes to accounts for the year ended March 31, 2022

3 Revenue from contract customers	Year ended	
	March 31, 2022	March 31, 2021
	\$	\$
Sale of services	25,268,986	14,994,645
	<u>25,268,986</u>	<u>14,994,645</u>

The following table presents revenue disaggregated by timing of recognition:

	Year ended	
	March 31, 2022	March 31, 2021
Products or services transferred over time	25,268,986	14,994,645
Services transferred at a point in time	-	-
	<u>25,268,986</u>	<u>14,994,645</u>

**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 recorded as 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 period ended March 31, 2022**

Contract balances	Accounts receivable	Contract assets	Contract liabilities
Opening balance	1,863,873	1,916,731	1,451,454
Closing balance	4,701,470	4,302,239	811,892
Increase / (Decrease)	<u>2,837,597</u>	<u>2,385,508</u>	<u>(639,562)</u>

**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)	<u>27,202</u>	<u>533,785</u>	<u>513,897</u>

3(a) Cost of revenue	Year ended	
	March 31, 2022	March 31, 2021
	\$	\$
Employee benefits expense	7,629,653	4,421,528
Professional fees	13,073,108	4,505,295
	<u>20,702,761</u>	<u>8,926,823</u>



**Evolutionary Systems Corp.**

**Consolidated notes to accounts for the year ended March 31, 2022**

**6 Income Taxes**

- a) For the year ended March 31, 2022, 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.

	Year ended	
	March 31, 2022	March 31, 2021
<b>Current taxes</b>	\$	\$
Federal	602,027	797,300
State	280,001	268,017
<b>Deferred taxes</b>		
Federal	(185,003)	(42,337)
State	(59,442)	(9,241)
<b>Provision for income taxes</b>	<u>637,583</u>	<u>1,013,739</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:

	Year ended	
	March 31, 2022	March 31, 2021
	\$	\$
Income tax at federal rate	415,841	820,093
Return to provision	47,478	(5,664)
State tax, net of federal effect	171,892	200,971
Permanent differences	2,372	(1,661)
	<u>637,583</u>	<u>1,013,739</u>

- 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

	As at	
	March 31, 2022	March 31, 2021
		\$
<b>Non-current deferred tax liabilities</b>		
Computer equipment	(7,634)	(6,154)
ASC 842 lease adjustment	-	(5,409)
<b>Total deferred tax liabilities</b>	<u>(7,634)</u>	<u>(11,563)</u>
<b>Non-current deferred tax assets</b>		
Provision for doubtful debts	67,448	8,958
Accrued Vacation		5,648
Net operating losses		-
Accrued Variable Salary	167,883	112,392
Provision for Wealth Bonus	4,570	1,648
ASC 842 lease adjustment	134,932	5,671
<b>Total deferred tax assets</b>	<u>374,833</u>	<u>134,317</u>
<b>Net deferred tax assets</b>	<u>367,199</u>	<u>122,754</u>

- 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 \$ 367,199 as at Mach 31, 2022 and \$ 122,755 as at March 31, 2021.
- f) The Company has no federal and state NOL carryforwards as at March 31, 2022.

**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, 2022 and March 31, 2021.
- The tax years of 2018 through 2020 remain subject to examination by the taxing authorities.

Evolutionary Systems Corp.

Consolidated notes to accounts for the year ended March 31, 2022

7 Cash and cash equivalents	As at	
	March 31, 2022	March 31, 2021
	\$	\$
Cash at Bank	2,601,127	2,207,054
	<u>2,601,127</u>	<u>2,207,054</u>

8 Accounts receivable, net	As at	
	March 31, 2022	March 31, 2021
	\$	\$
Accounts receivable	4,948,771	1,898,557
Less : Allowance for doubtful debts	(247,301)	(34,684)
	<u>4,701,470</u>	<u>1,863,873</u>

	Year ended	
	March 31, 2022	March 31, 2021
	\$	\$
The movement of allowance for doubtful debts is as under:		
Opening balance	34,684	235,372
Add : Allowance for doubtful debts	218,007	(113,420)
Less : bad debts written off during the year	5,392.00	87,268
Closing balance	<u>247,301</u>	<u>34,684</u>

9 Unbilled Revenue	As at	
	March 31, 2022	March 31, 2021
	\$	\$
Unbilled Revenue	4,302,239	1,916,731
	<u>4,302,239</u>	<u>1,916,731</u>

10 Other current assets	As at	
	March 31, 2022	March 31, 2021
	\$	\$
Deposits	-	10,023
Prepaid Assets	19,675	111,051
	<u>19,675</u>	<u>121,074</u>

Evolutionary Systems Corp.  
Consolidated notes to accounts for the year ended March 31, 2022

**Note 11 : Property, Plant & Equipment**

	Furniture	Computer	Amount in \$ Total
<b>Gross Block</b>			
<b>As at March 31, 2020</b>	1,048	27,806	28,854
Additions during the year	-	16,804	16,804
Disposals during the year	-	-	-
<b>As at March 31, 2021</b>	1,048	44,610	45,658
Additions during the year	-	18,449	18,449
Disposals during the year	-	-	-
<b>As at March 31, 2022</b>	1,048	63,059	64,107
<b>Accumulated Depreciation</b>			
<b>As at March 31, 2020</b>	150	13,712	13,862
Additions during the year	150	8,234	8,384
Disposals during the year	-	-	-
<b>As at March 31, 2021</b>	300	21,946	22,246
Additions during the year	150	13,672	13,822
Disposals during the year	-	-	-
<b>As at March 31, 2022</b>	450	35,618	36,068
<b>Net Block</b>			
As at March 31, 2021	748	22,664	23,412
As at March 31, 2022	598	27,441	28,039

**Note 12 : Intangible assets (including Goodwill)**

	Customer relationship and Non Compete	Goodwill	Amount in \$ Total
<b>Gross Block</b>			
<b>As at March 31, 2020</b>	1,012,233	1,461,458	2,473,691
Additions during the year	-	-	-
Disposals during the year	-	-	-
<b>As at March 31, 2021</b>	1,012,233	1,461,458	2,473,691
Additions during the year	-	-	-
Disposals during the year	-	-	-
<b>As at March 31, 2022</b>	1,012,233	1,461,458	2,473,691
<b>Accumulated Depreciation</b>			
<b>As at March 31, 2020</b>	1,012,233	1,461,458	2,473,691
Additions during the year	-	-	-
Disposals during the year	-	-	-
<b>As at March 31, 2021</b>	1,012,233	1,461,458	2,473,691
Additions during the year	-	-	-
Disposals during the year	-	-	-
<b>As at March 31, 2022</b>	1,012,233	1,461,458	2,473,691
<b>Net Block</b>			
As at March 31, 2021	-	-	-
As at March 31, 2022	-	-	-



**Evolutionary Systems Corp.**

**Consolidated notes to accounts for the year ended March 31, 2022**

The intangible assets that were acquired in business combinations and met the criteria for separate recognition outlined in ASC 805 were recorded under the provisions of ASC 805 at fair values at the date of acquisition. Amortization expense for the year ended March 31, 2022 is Nil (March 31, 2021 \$ Nil).

**Loss on impairment**

During the previous year, the use of Taleo software had been declining among companies as other alternatives on HR software are available in the market. Consequently, Newbury has experienced a gradual decline in its sales and customer base as companies move to other software products. New business is negligible and even recurring sales/support function had been affected.

Having regards to the uncertainty around the business and its future outlook, the management could not provide financial projections beyond a period of one year and during that period too; the Company was expected to incur losses.

**Evolutionary Systems Corp.**

**Consolidated notes to accounts for the year ended March 31, 2022**

	<b>As at</b>	
<b>13 Other assets</b>	<b>March 31, 2022</b>	<b>March 31, 2021</b>
	<b>\$</b>	<b>\$</b>
Security deposits	6,363	6,528
	<u>6,363</u>	<u>6,528</u>

  

	<b>As at</b>	
<b>14 Deferred revenue</b>	<b>March 31, 2022</b>	<b>March 31, 2021</b>
	<b>\$</b>	<b>\$</b>
Deferred revenue	811,892	1,451,454
	<u>811,892</u>	<u>1,451,454</u>

  

	<b>As at</b>	
<b>15 Other current liabilities</b>	<b>March 31, 2022</b>	<b>March 31, 2021</b>
	<b>\$</b>	<b>\$</b>
Provision for tax	-	170,828
Provision for contingent consideration on acquisition*	-	-
Payable to employees	534,969	591,669
Other payables	1,006,853	91,118
	<u>1,541,822</u>	<u>853,615</u>

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

## Evolutionary Systems Corp.

### Consolidated notes to accounts for the year ended March 31, 2022

#### 16 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, 2022, 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 46% of total revenue (39% as at March 31, 2021), out of which two customer accounted for 27% of the accounts receivable (two customers accounted for 18% as at March 31, 2021).

#### 17 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.

Evolutionary Systems Corp.  
Consolidated notes to accounts for the year ended March 31, 2022

18 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.

(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.

(iv) The table below presents the classification of the leasing assets and liabilities.

	As at	
	March 31, 2022	March 31, 2021
	\$	\$
<b>Assets</b>		
Operating lease right-of-use assets	-	20,534
	-	<u>20,534</u>
<b>Liabilities</b>		
Lease liabilities - non current	-	-
Lease liabilities - current	-	21,529
	-	<u>21,529</u>

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

	Year ended	
	March 31, 2022	March 31, 2021
		\$
Right-of-use assets amortization	20534	25,560
Interest expenses	491	1,968
	<u>21,025</u>	<u>27,528</u>

**Evolutionary Systems Corp.**

**Consolidated notes to accounts for the year ended March 31, 2022**

- (vi) The Company facilities and office space under operating leases which have non-cancellable terms through January 2022. Future minimum payments under non-cancelable operating leases for the fiscal years ending March 31 are as follows:

	As at	
	March 31, 2022	March 31, 2021
	\$	\$
Within one year	-	22,020
More than one year	-	-
<b>Total lease payments</b>	<b>-</b>	<b>22,020</b>
Less : Imputed interest	-	(491)
<b>Operating lease liabilities</b>	<b>-</b>	<b>21,529</b>

**19 Common stock**

*Common stock issued*

Common stock issued as at March 31, 2022 is 275,000 common no par value shares (as at March 31, 2021 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.

**Evolutionary Systems Corp.**  
**Consolidated notes to accounts for the year ended March 31, 2022**

**20 Related Party Disclosures, as per ASC 850**

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

<b>Name of Related Party</b>	<b>Nature of relationship</b>
Evolutionary Systems Consultancy 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:-**

<b>Name of Related Party</b>	<b>Nature of transactions</b>	<b>For the year ended</b>	<b>For the year ended</b>
		<b>March 31, 2022</b>	<b>March 31, 2021</b>
Evolutionary Systems Private Limited	Professional fee	8,688,376	3,423,943
Mastek Digital Inc	Professional fee	63,234	50,168
Evolutionary Systems Consultancy LLC	Professional fee	135,915	-
Trans American Info Systems Inc	Professional fee	1,099,656	16,656
	Sale of services	219,330	153,860

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

<b>Name of Related Party</b>	<b>Nature of balances</b>	<b>As At</b>	
		<b>March 31, 2022</b>	<b>March 31, 2021</b>
Evolutionary Systems Consultancy LLC	Trade Payable	135,915	150,000
Evolutionary Systems Private Limited	Trade Payable	3,890,213	680,836
Mastek Digital Inc	Trade Payable	13,057	1,974
Trans American Info Systems Inc	Trade Payable	768,355	13,410
	Trade receivables		103,860