

**Evosys Kuwait to Design & Processing of Electronic
Computer Centers Company
A Limited Liability Company
State of Kuwait
Financial Statements and Independent Auditor's Report
For the year ended 31 March 2023**

Evosys Kuwait to Design & Processing of Electronic Computer Centers Company
A Limited Liability Company
State of Kuwait

Financial Statements and Independent Auditor's Report

For the year ended 31 March 2023

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**Independent auditor's report to the partners of Evosys Kuwait to Design & Processing of Electronic Computer Centers Company - A Limited Liability Company
State of Kuwait**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Evosys Kuwait to Design & Processing of Electronic Computer Centers Company - A Limited Liability Company ("the Company"), which comprise the statement of financial position as at 31 March 2023 and the statement of profit or loss and other comprehensive income statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with ethical requirements that are relevant to our audit of the financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report to the partners of Evosys Kuwait to Design & Processing of Electronic Computer Centers Company - A Limited Liability Company (Continued)*Auditor's Responsibilities for the Audit of the Financial Statements*

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Independent auditor's report to the partners of Evosys Kuwait to Design & Processing of Electronic Computer Centers Company - A Limited Liability Company (Continued)*Auditor's Responsibilities for the Audit of the Financial Statements (Continued)*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements

In Our opinion, the financial statements include the disclosures required by the Companies Law No. 1 of 2016 its Executive Regulations, as amended and the Company's Articles of Association as amended, and We had obtained the information We required to perform Our audit. In addition, proper books of account have been kept, physical stock taking was carried out in accordance with recognised practice. According to the information available to Us there were no contraventions during the financial year ended 31 March 2023 of either the Companies Law No. 1 of 2016, its Executive Regulations, as amended, nor of the Company's Articles of Association as amended, which might have materially affected the Company's financial position or results of its operations. Except for the expiration of the company's commercial license.

Fahad Musaed Al-Azemi
License No. 261 -A/Kuwait
Mazars - Fahad Musaed & Co Certified Public Accountants

Kuwait: 11 July 2023

Evosys Kuwait to Design & Processing of Electronic Computer Centers Company
A Limited Liability Company
State of Kuwait

Statement of financial position
As at 31 March 2023

	Note	31 March 2023 K.D	31 March 2022 K.D
Assets:			
Non-current assets			
Plant and equipment	6	226	494
Current assets			
Accounts receivable and other debit balances	7	287,800	156,798
Due from related parties	8	10,482	-
Bank balances		132,969	39,716
		<u>431,251</u>	<u>196,514</u>
Total assets		<u>431,477</u>	<u>197,008</u>
Equity and liabilities:			
Equity			
Capital	9	20,000	20,000
Statutory reserve	10	10,285	10,285
Retained earnings		245,508	20,843
Total equity		<u>275,793</u>	<u>51,128</u>
Liabilities			
Non-current liabilities			
Provision for end of service indemnity	12	-	521
Current liabilities			
Due to related parties	8	149,378	140,698
Accounts payable and other credit balances	13	6,306	4,661
		<u>155,684</u>	<u>145,359</u>
Total liabilities		<u>155,684</u>	<u>145,880</u>
Total equity and liabilities		<u>431,477</u>	<u>197,008</u>

The accompanying notes on pages 9 to 28 form an integral part of these financial statements.

Managing Partner

Evosys Kuwait to Design & Processing of Electronic Computer Centers Company
A Limited Liability Company
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Statement of profit or loss
For the year ended 31 March 2023

	<u>Note</u>	<u>31 March 2023</u> <u>K.D</u>	<u>31 March 2022</u> <u>K.D</u>
Revenue from contracts with customers		326,013	144,925
Cost of revenue		<u>(93,876)</u>	<u>(25,005)</u>
		232,137	119,920
Foreign exchange gain		455	159
Net provision no longer required	7	<u>13,685</u>	<u>-</u>
		<u>246,277</u>	<u>120,079</u>
Expenses and other charges			
General and administrative expenses	14	(20,378)	(8,667)
Depreciation	6	(268)	(188)
Provision for expected credit	7	-	(13,345)
Bad debts		<u>-</u>	<u>(3,194)</u>
Total of expenses and other charges		<u>(20,646)</u>	<u>(25,394)</u>
Net profit for the year		<u>225,631</u>	<u>94,685</u>

The accompanying notes on pages 9 to 28 form an integral part of these financial statements.

Evosys Kuwait to Design & Processing of Electronic Computer Centers Company
A Limited Liability Company
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Statement of profit or loss and other comprehensive income
For the year ended 31 March 2023

	<u>Note</u>	<u>31 March 2023</u> <u>K.D</u>	<u>31 March 2022</u> <u>K.D</u>
Profit for the year		<u>225,631</u>	<u>94,685</u>
Items Other comprehensive income			
<i>Items that will not be reclassified subsequently in the statement of profit or loss:</i>			
Defined benefit plan actuarial (loss) / gain		<u>(966)</u>	<u>1,813</u>
Total items other comprehensive (loss) income		<u>(966)</u>	<u>1,813</u>
Total comprehensive income for the year		<u><u>224,665</u></u>	<u><u>96,498</u></u>

The accompanying notes on pages 9 to 28 form an integral part of these financial statements.

Evosys Kuwait to Design & Processing of Electronic Computer Centers Company
A Limited Liability Company
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Statement of changes in equity
For the year ended 31 March 2023

	Capital K.D	Statutory reserve K.D	Retained earnings K.D	Total equity K.D
As at 1 April 2021	20,000	817	(66,187)	(45,370)
Profit for the year	-	-	94,685	94,685
Other comprehensive income for the year	-	-	1,813	1,813
Total comprehensive income for the year	-	-	96,498	96,498
Transfer to reserve	-	9,468	(9,468)	-
Balance at 31 March 2022	20,000	10,285	20,843	51,128
As at 1 April 2022	20,000	10,285	20,843	51,128
Profit for the year	-	-	225,631	225,631
Other comprehensive loss for the year	-	-	(966)	(966)
Total comprehensive income for the year	-	-	224,665	224,665
Balance at 31 March 2023	20,000	10,285	245,508	275,793

The accompanying notes on pages 9 to 28 form an integral part of these financial statements.

Evosys Kuwait to Design & Processing of Electronic Computer Centers Company
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Statement of cash flows
For the year ended 31 March 2023

	Note	31 March 2023 K.D	31 March 2022 K.D
Operating Activities			
Profit for the year		225,631	94,685
<i>Adjustments for:</i>			
Depreciation	6	268	188
Provision for expected credit	7	-	13,345
Bad Debts		-	3,194
Provision for end of service indemnity	12	1,171	1,544
		<u>227,070</u>	<u>112,956</u>
<i>Movements in working capital:</i>			
Accounts receivable and other debit balances		(131,002)	(94,629)
Due from related parties		(10,482)	-
Due to related parties		8,680	-
Accounts payable and other credit balances		1,645	7,685
Cash generated from operations		<u>95,911</u>	<u>26,012</u>
Paid for provision for staff indemnity	12	(2,658)	(3,814)
Net cash generated from operating activities		<u>93,253</u>	<u>22,198</u>
Investing Activities			
Purchase of plant and equipment	6	-	(367)
Net cash used in investing activities		<u>-</u>	<u>(367)</u>
Net decrease in bank balances		93,253	21,831
Bank balances at the beginning of the year		<u>39,716</u>	<u>17,885</u>
Bank balances at the end of the year		<u>132,969</u>	<u>39,716</u>

The accompanying notes on pages 9 to 28 form an integral part of these financial statements.

Evosys Kuwait to Design & Processing of Electronic Computer Centers Company
A Limited Liability Company
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Notes to the financial statements
For the year ended 31 March 2023

1- Incorporation and activities

Evosys Kuwait to Design & Processing of Electronic Computer Centers Company - Limited Liability Company, established as per the Memorandum of Association authenticated under No.(293) dated 18 February 2013, and adjusted by the amendments the last contract No.(24) dated 13 January 2022, and adjusted by memorandums issued by the Personnel Companies Department last memorandum No.(619660) dated 16 January 2022, The Company is registered in the commercial register under No. (346026). and practicing its business as per license No. (M/478/2013) and is engaged in Designing and equipping computer centers.

The address of the Company's registered office is at Al-Qibla, Block 6, Building 59, Office No. (15) second floor, Owned by/ Kuwait Finance House, State of Kuwait.

The financial statements for Evosys Kuwait to Design & Processing of Electronic Computer Centers Company - A Limited Liability Company ("the Company") for the year ended 31 March 2023 were authorised for issue by the partners' on 11 July 2023.

2 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the IFRS interpretations Committee applicable to Companies reporting under IFRS as issued by the International Accounting Standards Board ("IASB"), and applicable requirements of the Companies Law.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgment in applying the Company's accounting policies. The areas of significant judgments and estimates made in preparing the financial statements and their effect are disclosed in Note 5.

2.1 Basis of preparation

The financial statements have been presented in Kuwaiti Dinars (KD) which is also the functional currency of the Company.

The financial statements are prepared on the historical cost convention, except for the measurement of the fair value of financial assets at fair value through other comprehensive income ("FVOCI").

3- Changes in accounting policies

3.1 New and amended standards adopted by the Company

The following new amendments or standards were effective for the current period.

Standard or Interpretation	Effective for annual periods beginning
IFRS 3 Amendment – Reference to the conceptual framework	No stated date
IAS 16 – Amendments – Proceeds before intended use	01 January 2022
IAS 37 – Amendments – Onerous contracts -Cost of fulfilling a contract	01 January 2023
Annual Improvements 2018-2020 Cycle	01 January 2023

IFRS 3 – Reference to the conceptual framework

The amendments add a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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Notes to the financial statements
For the year ended 31 March 2023

3- Changes in accounting policies (Continued)

3.1 New and amended standards adopted by the Company (Continued)

IFRS 3 – Reference to the conceptual framework (Continued)

The adoption of the amendments did not have a significant impact on the Company's consolidated financial statements.

IAS 16 Amendments - Proceeds before intended use

The amendment prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

The adoption of the amendment did not have a significant impact on the Company's financial statements.

IAS 37 Amendments – Onerous contracts- Cost of fulfilling a contract

The amendments specify which costs an entity includes when assessing whether a contract will be loss-making.

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendments are only to be applied to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual period in which it first applies the amendments.

The adoption of the amendment did not have a significant impact on the Company's financial statements.

Annual Improvements 2018-2020 Cycle

Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

Amendment to IFRS 9 relates to the '10 per cent' Test for Derecognition of Financial Liabilities – In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

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Notes to the financial statements
For the year ended 31 March 2023

3- Changes in accounting policies (Continued)

3.1 New and amended standards adopted by the Company (Continued)

Annual Improvements 2018-2020 Cycle (Continued)

Amendment to IFRS 16 avoids the potential for confusion in applying IFRS 16 Leases because of how Illustrative Example 13 accompanying IFRS 16 had illustrated the requirements for lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements; the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

Amendment to IAS 41 removes the requirement in IAS 41.22 to exclude taxation cash flows when measuring fair value. This amendment aligns the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

The adoption of the amendments did not have a significant impact on the Company's financial statements.

3.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

Standard or Interpretation	Effective for annual periods beginning
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 Amendments- Disclosure of accounting policies	01 January 2023
IAS 1 Amendments- Classification of liabilities with debt covenants	01 January 2024
IAS 1 Amendments- Classification of current and non-current	01 January 2024
IAS 8 Amendments- Definition of accounting estimates	01 January 2023
IAS 12 Income taxes- Deferred tax related to assets and liabilities arising from a single transaction	01 January 2023
IFRS 16 Amendments- Leases	01 January 2024
IFRS 17 Insurance Contracts	01 January 2023

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Notes to the financial statements
For the year ended 31 March 2023

3- Changes in accounting policies (Continued)

3.2 IASB Standards issued but not yet effective (Continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- Require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- Require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Company's financial statements in future should such transactions arise.

IAS 1 Amendments – Disclosure of accounting policies

The amendments to IAS 1 require entities to disclose material accounting policies instead of significant accounting policies. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Company's financial statements.

IAS 1 Amendments - Classification of liabilities with debt covenants

The amendments to IAS 1 clarify that classification of liabilities depends only on the covenants that an entity is required to comply with on or before the reporting date of the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Company's financial statements.

Notes to the financial statements
For the year ended 31 March 2023

3- Changes in accounting policies (Continued)

3.2 IASB Standards issued but not yet effective (Continued)

IAS 1 Amendments - Classification of current or non-current

The amendments to IAS 1 clarify the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period. Stating management expectations around whether they will defer settlement or not does not impact the classification of the liability. It has added guidance about lending conditions and how these can impact classification and has included requirements for liabilities that can be settled using an entity's own instruments.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Company's financial statements.

IAS 8 Amendments – Definition of accounting estimates

The amendments to IAS 8 inserted the definition of accounting estimates replacing the definition of a change in accounting estimates. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Company's financial statements.

IAS 16 Amendments – Leases

The amendments to IFRS 16 requires a seller-lessee to measure the right-of-use asset arising from a sale and leaseback transaction at the proportion of the previous carrying amount of the asset that relates to the right of use the seller-lessee retains. Accordingly, in a sale and leaseback transaction the seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The initial measurement of the lease liability that arise from a sale and leaseback transaction is a consequence of how the seller-lessee measures the right-of-use asset and the gain or loss recognised at the date of the transaction. The new requirements do not prevent a seller-lessee from recognising in any gain or loss relating to the partial or full termination of a lease.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Company's financial statements.

IFRS 17 Insurance Contracts

IFRS 17 supersedes the IFRS 4 and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. It requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

Management does not anticipate that the adoption of the new standard in the future will have a significant impact on the Company's financial statements.

Notes to the financial statements
For the year ended 31 March 2023

4- Significant Accounting Policies

4.1 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis, disclosed in Note 6, commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised. The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in statement of profit or loss in the period in which they occur.

4.2 Impairment of tangible assets

At each financial position date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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A Limited Liability Company
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Notes to the financial statements
For the year ended 31 March 2023

4- Significant Accounting Policies (Continued)

4.3 Financial instruments-initial recognition and subsequent measurement

4.3.1 Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as "Investments at fair value through profit or loss", "loans and receivables" "available for sale financial assets" and "held to maturity".

The classification depends on the purpose for which financial assets were acquired and it is determined at initial recognition.

A "regular way" purchase of financial assets is recognised using the trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

The Company's financial assets include accounts receivable and other debit balances, and due from related parties, and bank balances.

Subsequent measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest rate method, less provision for impairment. Loans and receivables include bank balances and cash and other receivables.

Effective interest rate method (EIR)

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Cash on hand and bank balances

Cash on hand and bank balances in the statement of financial position and the statement of current account balances at banks. It is exposed to an insignificant risk of changes in value.

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Notes to the financial statements
For the year ended 31 March 2023

4- Significant Accounting Policies (Continued)

4.3 Financial instruments-initial recognition and subsequent measurement (Continued)

4.3.1 Financial assets (Continued)

Debt instruments at FVOCI

Upon initial recognition, the Company may elect to classify irrevocably some of its equity instruments at FVOCI when they are neither held for trading nor a contingent consideration arising from a business combination. Such classification is determined on an instrument-by-instrument basis

- Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognized in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognized in other comprehensive income are transferred to retained earnings on derecognition. Gains and losses on these equity instruments are never recycled to statement of profit or loss. Dividends are recognized in consolidated statement of profit or loss when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from cumulative changes in fair value to retained earnings in the statement of changes in equity.

The Company classifies investments in quoted and unquoted equity investments and funds and portfolio's under financial assets at FVOCI in the statement of financial position.

4.3.2 Impairment of financial assets

Financial assets, other than those at investments at fair value through Statement of profit or loss, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For receivables and loans and advances, objective evidence of impairment could include: (i) significant financial difficulty of the issuer or counterparty; or (ii) default or delinquency in yield or principal payments; or (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade accounts receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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4- Significant Accounting Policies (Continued)

4.3 Financial instruments-initial recognition and subsequent measurement (Continued)

4.3.2 Impairment of financial assets (Continued)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables and loans, where the carrying amount is reduced through the use of an allowance account. When a loan or receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of profit or loss.

4.3.3 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4.3.4 Financial liabilities

Initial recognition and subsequent measurement

Financial liabilities within the scope of IAS 39 are classified as "financial liabilities at fair value through profit or loss" and "loans and borrowings", as appropriate, the Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in case of loans and borrowings, plus directly attributable transactions costs.

The Company's financial liabilities include due to related parties, accounts payable and other credit balances.

Subsequent measurement

Accounts payable and other credit balances

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Trade and other payables are subsequently measured at amortised cost using EIR method.

Notes to the financial statements
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4- Significant Accounting Policies (Continued)

4.3 Financial instruments-initial recognition and subsequent measurement (Continued)

4.3.5 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. 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 a de recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

4.3.6 Offsetting

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

4.4 Provision for end of service indemnity

The Company provides end of service benefits to its employees. The entitlement to these benefits are based upon the employees' final salary and length of service subject to the completion of a minimum service period in accordance with Kuwait labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability which is unfunded represents the amount payable to each employee as a result of termination on the reporting date.

4.5 Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

4.6 Revenue recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Notes to the financial statements
For the year ended 31 March 2023

4- Significant Accounting Policies (Continued)

4.6 Revenue recognition (Continued)

The Company applies a five-step model are as follows to account for revenue arising from contracts:

- Step 1: Identify the contract with the customer – A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: Identify the performance obligations in the contract – A performance obligation is a promise in a contract with the customer to transfer goods or services to the customer.
- Step 3: Determine the transaction price – The transaction price is the amount of consideration to which the Company expects to be entitled in exchange of transferring promised good or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contracts – For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company often enters into transactions involving a range of the company's products and services, for example for the delivery of electrical equipment, installation, testing and related after-sales services.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or overtime, when (or as) the company satisfies performane obligations by transferring the promised goods or services to its customers.

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4- Significant Accounting Policies (Continued)

4.7 Foreign currencies

Functional and presentation currency

The financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the Company. The Company determines its own functional currency and items included in the financial statements are measured using that functional currency.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Company, 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 denominated in foreign currency at year-end exchange rates are recognised in statement of profit or loss and other comprehensive income. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.8 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

5- CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumption about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant management judgments

In the process of applying the Company's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the financial statements:

Useful lives of non-financial assets

As described in 6 the Company reviews the estimated useful lives over which its tangible assets are depreciated is amortised. The Company's management is satisfied that the estimates of useful lives are appropriate.

Financial instruments classified

On acquisition of a financial asset, the Company decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortised cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Company's business model for managing the assets of the instrument's contractual cash flow characteristics. The Company follows the guidance of IFRS 9 on classifying its financial assets.

Estimation uncertainty

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

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

**5- CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY (Continued)**

Estimation uncertainty (Continued)

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geographical region, services type, customer and type). The provision matrix is initially based on the Company's historical observed default rates.

The Company will calibrate the matrix to adjust the historical credit loss experience with forward looking information.

The assessment of the correlation between historical observed default rates and ECLs is a significant estimate. The Company's historical credit loss experience may also not be representative of customer's actual default in the future.

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6- Plant and equipment

<u>Description</u>	Computer and Accessories KD	Office equipment's KD	Total KD
Cost			
As at 1 April 2021	940	98	1,038
additions	367	-	367
As at 1 April 2022	1,307	98	1,405
Balance at 31 March 2023	1,307	98	1,405
Accumulated depreciation			
As at 1 April 2021	636	87	723
Charge for the year	188	-	188
As at 1 April 2022	824	87	911
Charge for the year	257	11	268
Balance at 31 March 2023	1,081	98	1,179
Net carrying amount			
Balance at 31 March 2023	226	-	226
Balance at 31 March 2022	483	11	494
Annual depreciation rates	33.33%	15%	

7- Accounts receivable and other debit balances

<u>Description</u>	31 March 2023 K.D	31 March 2022 K.D
Trade receivables	308,499	194,009
Less: Provision for expected credit	(46,683)	(60,368)
	261,816	133,641
Retention receivables	25,712	23,005
Other debit balances	272	152
	287,800	156,798

The movement in provision for expected credit losses is as follows:

	31 March 2023 K.D	31 March 2022 K.D
Balance at 1 April	60,368	47,023
Charge for the year	-	13,345
Provision no longer required	(13,685)	-
Balance at 31 March	46,683	60,368

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7- Accounts receivable and other debit balances (Continued)

Interest is not accrued on trade receivables that are past due and the Company's policies do not take collateral against trade receivables.

The average credit granting period for service delivery is 90 days.

The ageing analysis of these trade receivables is as follows:

When determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivables from the date of initial recognition up to the date of preparation of the financial statements.

	Neither past due nor impaired	Past due but not impaired		Impaired	Total
	Less than 90 days	91 - 180 days	181 - 365 days	More than 365 days	
As at 31 March 2023	138,416	123,400	-	46,683	308,499
As at 31 March 2022	56,037	77,604	-	60,368	194,009

Trade receivables not exceeding one year for which a provision hasn't been made based on the amounts that can be recovered, and this has been determined by referring to previous experience regarding commitment periods and default, and therefore the management believes that there wasn't a need for additional provision for expected credit losses.

8- Related party transactions

Related parties represent the Company's partners, directors, key management personnel and their close family members and companies controlled by the Company or over which it has significant influence. In the course of normal business and with the approval of the Company's management, transactions were made with those related parties during the year ended 31 March.

The details of significant related party transactions and balances are as follows:

	31 March 2023 K.D	31 March 2022 K.D
Statement of financial position:		
Due from related parties	10,482	-
Due to related parties	149,378	140,698

9- Capital

The capital consists of 100 shares of KD 200 each held as follows:

	No. of Shares	Amount K.D
Aeon Gulf General Trading and Contracting - W.L.L.	51	10,200
Mastek Arabia FZ - L.L.C.	49	9,800
	100	20,000

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10- Statutory reserve

In accordance with the Company's Law and the Company's Memorandum of Association, 10% of the profit for the year after deducting any accumulated losses is required to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of up to 5% of share capital in years when retained earnings are not sufficient for payment of a dividend of that amount. The Company has stopped making further transfers to the statutory reserve due to the fact that it has reached more than 50% of the capital.

11- Voluntary reserve

As required by the Company's Memorandum of Association, 10% of the profit for the year is required to be transferred to the voluntary reserve. Such annual transfers can be discontinued by the resolution of partners in the annual general assembly meeting upon recommendation by the partners. The 10% of the net profit has not been deducted to the voluntary reserve based on a decision issued by the partners.

12- Provision for end of service indemnity

<u>Description</u>	31 March 2023 K.D	31 March 2022 K.D
Balance at 1 April	521	4,604
Charge for the year	1,171	1,544
Paid for the year	(1,692)	(5,627)
Balance at 31 March	-	521

13- Accounts payable and other credit balances

<u>Description</u>	31 March 2023 K.D	31 March 2022 K.D
Trade payables	2,485	-
Other credit balances	3,821	4,661
	<u>6,306</u>	<u>4,661</u>

14- General and administrative expenses

<u>Description</u>	31 March 2023 K.D	31 March 2022 K.D
Rents	3,000	3,000
Travel and transportation	-	489
Government fees and subscriptions	2,705	-
Bank charges	210	60
Consultancy	6,205	3,886
Miscellaneous	8,258	1,232
	<u>20,378</u>	<u>8,667</u>

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15- Risk management

The Company's activities expose it to variety of financial risks: market risk (including foreign currency risk, interest rate risk), credit risk and liquidity risk.

The Company's risk management focuses on actively securing the Company's short to medium term cash flows by minimizing the potential adverse effects on the Company's financial performance and analyse exposures by degree and magnitude of risks.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the Company is exposed to are described below:

15.1 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as foreign exchange rates, interest rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk is managed on the basis of limits determined by management and a continuous assessment of the Company's open positions, current and expected exchange rate movements.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is not exposed to interest rate risk as its debt obligations are financial instruments with fixed profit rates.

Share rates risk

Share price risk arises from changes in the fair value of share investments.

15.2 Credit risk

Credit risk is the risk that one counter party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The Company's credit policy and exposure to credit risk is monitored on an ongoing basis. The Company seeks to avoid undue concentrations of risks with individuals or Companies of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The trade receivables comprise a large number of clients. An assessment of credit worthiness is performed regarding the financial position of trade receivables, due from related parties and bank balances.

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

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15- Risk management (Continued)

15.2 Credit risk (Continued)

	31 March	31 March
	2023	2022
	K.D	K.D
Trade receivables	<u>308,499</u>	194,009
Due from related parties	<u>10,482</u>	-
Bank balances	<u>132,969</u>	39,716
	<u>451,950</u>	<u>233,725</u>

The Company continuously monitors the default of customers and other counterparties, identified either individually or by Company, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties. The Company's management considers the financial assets which are not past due or impaired as good credit quality assets. Information on the ageing of accounts receivable is set out in Note 7.

None of the Company's financial assets are secured by collateral or other credit enhancements.

15.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's undiscounted financial liabilities at 31 December based on contractual undiscounted repayment obligations.

Description	1 to 6	6 month to	Total
	Months	1 year	K.D
	K.D	K.D	K.D
As at 31 March 2023			
Due to related parties	-	149,378	149,378
Accounts payable and other credit balances	<u>4,099</u>	<u>2,207</u>	<u>6,306</u>
	<u>4,099</u>	<u>151,585</u>	<u>155,684</u>
As at 31 March 2022			
Due to related parties	-	140,698	140,698
Accounts payable and other credit balances	<u>3,030</u>	<u>1,631</u>	<u>4,661</u>
	<u>3,030</u>	<u>142,329</u>	<u>145,359</u>

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16- Capital management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern, through the optimisation of the debt and equity balance so that it can continue to provide an adequate return to partners by pricing products and services commensurately with the level of risk.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to partners, return capital to partners, issue new shares, borrow funds, or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio and is calculated as net debt divided by sum of net debt and equity as follows:

	31 March 2023 K.D	31 March 2022 K.D
Due to related parties	<u>149,378</u>	140,698
Accounts payable and other credit balances	6,306	4,661
Bank balances	<u>(132,969)</u>	<u>(39,716)</u>
Net debt	<u>22,715</u>	105,643
Total equity	<u>275,793</u>	51,128
Capital and net debt	<u>298,508</u>	<u>156,771</u>
Gearing ratio	<u>8%</u>	<u>67%</u>

17- Fair value of financial instruments

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms' length transaction. Underlying the definition for fair value is the presumption that the Company is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. As at the statement of financial position date, the fair value of the Company's financial assets and liabilities were not materially different from their carrying values.