

Evolutionary Systems Saudi Company
(Foreign Limited Liability Company)
Riyadh – Saudi Arabia
Financial Statements and
Independent Auditor's Report
For the year ended March 31, 2024

Evolutionary Systems Saudi Company
(Foreign Limited Liability Company)
Riyadh – Saudi Arabia
Financial Statements and Independent Auditor’s Report
for the year ended March 31, 2024

Table of Contents

	<u>Page</u>
Independent Auditor’s Report	1-3
Statement of Financial Position as of March 31, 2024	4
Statement of Profit or Loss and Other Comprehensive Income for the year ended March 31, 2024	5
Statement of Changes in Partners’ Equity for the year ended March 31, 2024	6
Statement of Cash Flows for the year ended March 31, 2024	7
Notes to the Financial Statements for the year ended March 31, 2024	8-17



ASSOCIATED ACCOUNTANTS

(Professional Limited Liability Company)

Homoud Al Robian & Co - Chartered Accountants and Consultants

Independent Auditor's Report

To, The Partners
Evolutionary Systems Saudi Company
(Foreign Limited Liability Company)
Riyadh - Saudi Arabia

Opinion:

We have audited the financial statements of **Evolutionary Systems Saudi Company** ("the Company") which comprises of statement of financial position as at March 31, 2024 and the related statements of profit or loss and other comprehensive income, changes in Partners' equity and cash flows for the year then ended, and the summary of significant accounting policies and explanatory notes from 1 to 20, which are an integral part of these financial statements.

In our opinion, the financial statements referred to above in whole present fairly, in all material respects, the financial position of **Evolutionary Systems Saudi Company** as of March 31, 2024 and the results of its operations, its changes in Partners' equity and cash flows for the year then ended are in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion:

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

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

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

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

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

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.



ASSOCIATED ACCOUNTANTS

(Professional Limited Liability Company)

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Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued):

Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with the ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those financial statements.

As part of an audit in accordance with the ISAs that are endorsed in the Kingdom of Saudi Arabia, 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.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the procedures taken to remove the threats or the applicable preventive actions.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of financial statements of the current year and are therefore the key audit matters.



ASSOCIATED ACCOUNTANTS

(Professional Limited Liability Company)

Homoud Al Robian & Co - Chartered Accountants and Consultants

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued):

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements:

Article 20 of the Companies Law requires the auditor to include in his report any violation of the regulations of the Companies that were found during the audit. During the course of our audit of the financial statements, we have not discovered a violation to the provisions of the Companies Law or the provisions of the Company's articles of association except that the company could not submit the financial statements for the year ended March 31, 2024, during the period stipulated in the Companies Law and the Company's articles of association, and this does not have a significant impact on the financial statements of the company.

Date: September 29, 2024

Riyadh, Kingdom of Saudi Arabia

Associated Accountants
Independent Member of Geneva Group International

Homoud Al Robian
(License No. 222)



Evolutionary Systems Saudi Company
(Foreign Limited Liability Company)
Statement of Financial Position
as of March 31, 2024
(All Amounts in Saudi Riyal)

	Note	2024	2023
<u>Assets</u>			
Non-current assets:			
Property and equipment, net	5	279,445	399,288
Deferred tax asset		2,273,128	1,353,062
Total non-current assets		<u>2,552,573</u>	<u>1,752,350</u>
Current assets:			
Contract assets	6	33,402,174	28,150,347
Accounts receivable, net	7	45,489,970	29,608,827
Prepayments and other receivables	8	3,307,296	3,758,133
Cash in hand and at banks	9	3,433,835	1,039,814
Total current assets		<u>85,633,275</u>	<u>62,557,121</u>
Total assets		<u>88,185,848</u>	<u>64,309,471</u>
<u>Partners' Equity and Liabilities</u>			
Partners' equity:			
Share Capital	10	500,000	500,000
Statutory reserve		230,156	230,156
Retained earnings		24,309,620	19,077,970
Total partners' equity		<u>25,039,776</u>	<u>19,808,126</u>
Liabilities:			
Non-current liabilities:			
Employees' benefit obligation	11	2,020,549	1,753,570
Loan from a related party	12-B	12,237,926	6,575,986
Total non-current liabilities		<u>14,258,475</u>	<u>8,329,556</u>
Current liabilities:			
Accounts payable		1,277,283	1,374,910
Contract liabilities		4,847,117	2,535,297
Due to related parties	12-A	29,843,774	25,971,869
Accruals and other payables	13	12,339,418	4,936,586
Income tax provision	14	580,005	1,353,127
Total current liabilities		<u>48,887,597</u>	<u>36,171,789</u>
Total liabilities		<u>63,146,072</u>	<u>44,501,345</u>
Total partners' equity and liabilities		<u>88,185,848</u>	<u>64,309,471</u>

The accompanying notes from 1 to 20 are an integral part of these financial statements

Evolutionary Systems Saudi Company
(Foreign Limited Liability Company)
Statement of Profit or Loss and Other Comprehensive Income
for the year ended March 31, 2024
(All Amounts in Saudi Riyal)

	<u>Note</u>	<u>2024</u>	<u>2023</u>
Revenues		107,438,190	70,144,838
Cost of revenues	15	(82,046,983)	(52,604,541)
Gross income		25,391,207	17,540,297
Selling and distribution expenses		(169,303)	(4,975)
General and administrative expenses	16	(18,454,582)	(7,221,594)
Operating income		6,767,322	10,313,728
Other income		-	1,919
Net income before income tax		6,767,322	10,315,647
Income tax charge	14	(2,356,186)	(2,087,332)
Deferred tax		900,155	204,804
Net income for the year		5,311,291	8,433,119
Other Comprehensive Income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) from re-measurement of employees' benefit obligation	11	(99,552)	240,667
Deferred tax expense		19,911	(48,516)
Total comprehensive income for the year		5,231,650	8,625,270

The accompanying notes from 1 to 20 are an integral part of these financial statements

Evolutionary Systems Saudi Company
 (Foreign Limited Liability Company)
Statement of Changes in Partners' Equity
for the year ended March 31, 2024
 (All Amounts in Saudi Riyal)

	Capital	Statutory reserve	Retained earnings	Total
2023				
Balance as of March 31, 2022	500,000	230,156	10,452,700	11,182,856
Net income for the year	-	-	8,433,119	8,433,119
Other comprehensive income	-	-	192,151	192,151
2024				
Balance as of March 31, 2023	500,000	230,156	19,077,970	19,808,126
Net income for the year	-	-	5,311,291	5,311,291
Other comprehensive income/(loss)	-	-	(79,641)	(79,641)
Balance as of March 31, 2024	500,000	230,156	24,309,620	25,039,776

The accompanying notes from 1 to 20 are an integral part of these financial statements

Evolutionary Systems Saudi Company
(Foreign Limited Liability Company)
Statement of Cash Flows
for the year ended March 31, 2024
(All Amounts in Saudi Riyal)

	2024	2023
Operating Activities:		
Net income for the year before income tax	6,767,322	10,315,647
Adjustments to reconcile net income for the year before income tax to net cash flows generated from operating activities:		
Depreciation	239,213	89,987
Loss on disposals of property and equipment	-	7,081
Employees' benefit obligation cost	607,375	568,843
Provision for expected credit losses	5,025,542	411,664
	<u>12,639,452</u>	<u>11,393,222</u>
Changes in components of working capital:		
Contract assets	(5,251,827)	(14,117,873)
Accounts receivable	(20,906,685)	(12,029,409)
Prepayments and other receivables	450,837	945,594
Accounts payable	(97,627)	(1,050,634)
Accruals and other payables	7,402,832	2,007,549
Contract liabilities	2,311,820	462,976
Due to related parties	3,871,905	5,891,642
Employees' benefit obligation paid	(439,948)	(170,328)
Income tax paid	(3,129,308)	-
Net cash flows used in operating activities	<u>(3,148,549)</u>	<u>(6,667,261)</u>
Investing Activities:		
Additions of property and equipment	(119,370)	(255,156)
Cash flows used in investing activities	<u>(119,370)</u>	<u>(255,156)</u>
Financing Activities:		
Loan from a related party	5,661,940	6,575,986
Net cash flows generated from financing activities	<u>5,661,940</u>	<u>6,575,986</u>
Net change in cash in hand and at banks during the year	2,394,021	(346,431)
Cash in hand and at banks at the beginning of the year	1,039,814	1,386,245
Cash in hand and at banks at the end of the year	<u>3,433,835</u>	<u>1,039,814</u>

The accompanying notes from 1 to 20 are an integral part of these financial statements

Evolutionary Systems Saudi Company
(Foreign Limited Liability Company)
Notes to the Financial Statements
for the year ended March 31, 2024

1- Legal Status and Activities

Evolutionary Systems Saudi Company (“the Company”) is a Foreign Limited Liability Company incorporated in Riyadh, Kingdom of Saudi Arabia under CR. No. 1010349266 dated 24 Shawal, 1433H (corresponding to September 11, 2012G).

The main activities of the company are to engage in implementation of contracts for installation and operations, maintenance and design, software development and provide information technology services, provide solutions and the related technical support.

2- Basis of Preparation

Statement of compliance

The financial statements of the Company have been prepared in accordance with the ‘International Financial Reporting Standard (“IFRS”).

These financial statements are prepared using historical cost convention except for the accrual basis of accounting. For employees’ terminal and other benefits, actuarial present value calculation is used. The measurement rules will be more fully described in the accounting policies in note 4.

The preparation of financial statements in accordance with the ‘International Financial Reporting Standard (“IFRS”)’ requires the use of certain significant accounting estimates and requires management to exercise judgment in the application of the Company’s accounting policies. The significant judgments and estimates in the preparation of the financial statements are disclosed in note 3.

Functional and presentation currency

The financial statements are presented in Saudi Riyals (SR) which is also the functional currency of the Company. All values are presented in Saudi Riyals, except when otherwise indicated.

3- Significant Accounting Estimates’ Assumptions and Judgments

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material carrying amounts of assets and liabilities within the financial year include.

Going concern basis

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

Provisions

Provisions are based on estimates and assessments and if they meet the recognition criteria, including estimates of the probability of cash outflows. The provision for litigation is based on cost estimates in consider the legal advice and other information readily available. The provision for uncertainties involves management’s best estimate of whether cash outflows are likely to occur.

Evolutionary Systems Saudi Company
(Foreign Limited Liability Company)
Notes to the Financial Statements
for the year ended March 31, 2024

3- Significant Accounting Estimates' Assumptions and Judgments (continued):

Provision of expected credit losses:

The provision of expected credit losses is determined through many factors to ensure that the accounts receivable balances are not overstated as a result of un-collectability, including quality and aging of the accounts receivables and other consideration of un-collectability though continuous credit evaluation of the financial positions of the customers and guarantees required from the customers in certain circumstances.

Actuarial evaluation for obligation of end of services benefits for employees:

An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions. All assumptions are reviewed at each reporting date.

Measurement of fair value:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in these financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1- Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting year.

Fair value measurement for unquoted available for sale financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation, are evaluated on a periodic basis.

For the of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Evolutionary Systems Saudi Company
(Foreign Limited Liability Company)
Notes to the Financial Statements
for the year ended March 31, 2024

4- Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

Property and equipment

Property and equipment is recognized initially at cost. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These can include the costs of site preparation, initial delivery and handling, installation and assembly, and testing of functionality.

The Company adds to the carrying amount of an item of property and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation on assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The percentage of annual depreciation is as follows:

Furniture and fixtures	16.66%
Tools and equipment	10%
Computer software	20%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other gains/(losses) – net' in the statement of comprehensive income.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

The Company applies the cost model to measure all classes of property and equipment. After recognition as an asset, an item of property and equipment is stated at cost less any accumulated depreciation and impairment losses, if any.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell. Cost is determined using the weighted average cost method. At each reporting date, inventories are assessed for impairment. If an inventory is impaired, the carrying amount is reduced to its selling price less costs to sell; the impairment loss is recognised immediately in profit or loss.

Accounts receivable and others

Accounts receivable and others are recognized initially at the transaction price. A provision for doubtful debt of accounts receivable and others is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Zakat provision

Zakat is provided for each year separately in accordance with Zakat regulations applicable in the Kingdom of Saudi Arabia. Any difference in estimates is recorded in the statement of income, when the final assessment is approved in accordance with the presentation and disclosure standard requirements applicable to the accounting changes.

Evolutionary Systems Saudi Company
(Foreign Limited Liability Company)
Notes to the Financial Statements
for the year ended March 31, 2024

4- Summary of Significant Accounting Policies (continued):

Employees' benefit obligations

Employees' benefit liabilities payable to employees are eliminated for periods of their services accrued at the statement of financial position date in accordance with the Saudi Labor Law.

The cost of employee benefits is determined under the defined unfunded remuneration program, which is measured by an independent actuarial expert. The actuarial valuation includes several assumptions that may differ from actual developments in the future. These assumptions include determining the discount rate, future salary increases, employee behavior, and turnover. Given the complexity of the evaluation and its long-term nature, the specific unfunded bonus obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed once or more per year when necessary.

Actuarial gains and losses are recognized to other comprehensive income in the period in which they arise.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts. If the Company provides interest-free credit to a buyer, revenue is recognized at the present value of the future payments. The Company recognizes revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Company's activities, as described below.

- **Sale of goods**

Sales are recognized when products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Recovery of credit losses

Recovery of credit losses is recognized in the statement of profit or loss and as reduction from provision of credit loss provision upon collection.

Other revenues

The other revenues are recognized in the statement of profit or losses when the conditions of its realization are fulfilled.

Selling and distribution expenses:

These are expenses resulting from the efforts of the Company's distribution function or function of sales and distribution.

General and administrative expenses:

General and administrative expenses include expenses related to management and not related to production or sales activities as required under generally accepted accounting principles.

Evolutionary Systems Saudi Company
(Foreign Limited Liability Company)
Notes to the Financial Statements
for the year ended March 31, 2024
(All Amounts in Saudi Riyal)

5- Property and Equipment, net

	Furniture and Fixture	Tools and equipment	Computer and software	Total
<u>Cost</u>				
Balance as of March 31, 2023	82,283	8,964	624,238	715,485
Additions	-	-	119,370	119,370
Balance as of March 31, 2024	82,283	8,964	743,608	834,855
<u>Accumulated depreciation</u>				
Balance as of March 31, 2023	(54,271)	(822)	(261,104)	(316,197)
Charge for the year	(19,308)	(2,591)	(217,314)	(239,213)
Balance as of March 31, 2024	(73,579)	(3,413)	(478,418)	(555,410)
<u>Book value:</u>				
As of March 31, 2024	8,704	5,551	265,190	279,445
As of March 31, 2023	28,012	8,142	363,134	399,288

Evolutionary Systems Saudi Company
(Foreign Limited Liability Company)
Notes to the Financial Statements
for the year ended March 31, 2024
(All Amounts in Saudi Riyal)

6- Contract Assets

	<u>2024</u>	<u>2023</u>
Balance at the beginning of the year	28,150,347	14,032,474
Revenue recognized during the year	22,294,671	19,441,381
Invoices raised during the year	(17,042,844)	(5,323,508)
Balance at the end of the year	<u>33,402,174</u>	<u>28,150,347</u>

7- Account Receivables, net

	<u>2024</u>	<u>2023</u>
Accounts receivables	54,835,061	34,331,185
Less: Provision of doubtful debts	(9,345,091)	(4,722,358)
	<u>45,489,970</u>	<u>29,608,827</u>

The movement in the allowance for expected credit losses is as follows:

	<u>2024</u>	<u>2023</u>
Balance at the start of the year	4,722,358	4,998,956
Provided during the year	5,025,542	411,664
Write-off during the year	(402,809)	(688,262)
Balance at the end of the year	<u>9,345,091</u>	<u>4,722,358</u>

8- Prepayments and Other Receivables

	<u>2024</u>	<u>2023</u>
Bank guarantees margin deposits	2,635,803	3,171,821
Prepaid expenses	622,020	411,650
Loan to employees	-	70,000
Others	49,473	104,662
	<u>3,307,296</u>	<u>3,758,133</u>

9- Cash in Hand and at Banks

	<u>2024</u>	<u>2023</u>
Cash in hand	40,033	45,657
Cash at banks	3,393,802	994,157
	<u>3,433,835</u>	<u>1,039,814</u>

10- Share Capital

The Company's share capital of SR 500,000 is divided into 5,000 equity shares of SR 100 each fully paid and divided among partners as follows:

	<u>No. of shares</u>	<u>Value per share</u>	<u>Amount</u>
Mastek Arabia FZ LLC	2,500	100	250,000
Evolutionary Systems Private Limited	2,500	100	250,000
	<u>5,000</u>		<u>500,000</u>

Evolutionary Systems Saudi Company
(Foreign Limited Liability Company)
Notes to the Financial Statements
for the year ended March 31, 2024
(All Amounts in Saudi Riyal)

11- Employees' Benefit Obligation

	<u>2024</u>	<u>2023</u>
Balance at the beginning of the year	1,753,570	1,595,722
Provided during the year	607,375	568,843
Actuarial Gain	99,552	(240,667)
Payments during the year	(439,948)	(170,328)
Balance at the end of the year	<u>2,020,549</u>	<u>1,753,570</u>

The following represent the assumptions used in actuarial valuation:

	<u>2024</u>	<u>2023</u>
Discount rate	5.35%	3.85%
Rate of salary increase	4%	4%
Retirement age	<u>60 years</u>	<u>60 years</u>

12- Transactions with Related Parties and Balances

A- Due to related parties	<u>Relationship</u>	<u>Balance</u> <u>2024</u>	<u>Balance</u> <u>2023</u>
Evolutionary Systems Consultancy LLC	Affiliate	1,251,269	1,180,689
Mastek Arabia FZ LLC	Partner	13,678,590	15,618,291
Mastek Enterprise Solutions Private Limited	Partner	10,142,224	4,216,856
Mastek Limited India	Affiliate	57,515	38,560
Evolutionary Systems Company Limited (UK)	Affiliate	4,714,176	4,917,473
		<u>29,843,774</u>	<u>25,971,869</u>

B- Loan from a related party	<u>Relationship</u>	<u>Balance</u> <u>2024</u>	<u>Balance</u> <u>2023</u>
Mastek Arabia FZ LLC	Partner	12,237,926	6,575,986

During the year, the Company has conducted transactions with the above related parties that include financing and trading transactions. These transactions were conducted at an arms' length and approved by the partners. Such balances are not subject to commission and there are no specific terms of settlement.

The significant transactions with related parties during the year are as follows:

	<u>Relationship</u>	<u>Nature of transactions</u>	<u>March 2024</u>	<u>March 2023</u>
Mastek Arabia FZ LLC	Holding Company	Professional fees	509,438	2,707,281
Mastek Enterprise Solutions Private Limited	Holding Company	Professional fees	20,330,946	14,169,698
Evolutionary Systems Consultancy LLC	Affiliate	Professional fees	2,742,256	3,478,622
Evolutionary Systems Company Limited (UK)	Affiliate	Interest on borrowings	169,571	42,473
Mastek Arabia FZ LLC	Affiliate	Interest on borrowings	<u>408,032</u>	<u>25,491</u>

Evolutionary Systems Saudi Company
(Foreign Limited Liability Company)
Notes to the Financial Statements
for the year ended March 31, 2024
(All Amounts in Saudi Riyal)

13- Accruals and Other Payables

	2024	2023
Accrued subcontractors' cost	7,627,921	2,131,612
Accrued expenses	2,171,878	981,726
Accrued salaries	1,215,341	374,466
Withholding taxes	678,864	392,091
Value added tax payable	511,053	994,121
Accrued social security	134,361	62,570
	12,339,418	4,936,586

14- Income Tax Provision

A) Net adjusted income method:	2024	2023
Net income for the year before income tax	6,767,322	10,315,647
Expected credit losses	5,025,542	411,664
Depreciation differences	123,898	(904)
Employees benefit obligation provision	706,927	568,843
Net adjusted income	12,623,689	11,295,250
Employees benefit obligation paid	(439,948)	(170,328)
Expected credit losses write-off	(402,809)	(688,262)
Income tax base (taxable income)	11,780,932	10,436,660
Income tax charge @ 20%	2,356,186	2,087,332

B) The movement in provision for Income tax is as follows:

	2024	2023
Balance at the beginning of the year	1,353,127	-
Charge for the year	2,356,186	2,087,332
Paid during the year	(3,129,308)	-
Transfer to / (from) advance tax payment	-	(734,205)
Balance at the end of the year	580,005	1,353,127

C) Deferred Tax Assets:

	2024	2023
Balance at the beginning of the year	1,353,062	1,196,774
Charge	920,066	156,288
	2,273,128	1,353,062

Evolutionary Systems Saudi Company
(Foreign Limited Liability Company)
Notes to the Financial Statements
for the year ended March 31, 2024
(All Amounts in Saudi Riyal)

14- Income Tax Provision (Continue)

E) Income tax status:

The Company has obtained its income tax certificate for the year 2021 from Zakat, Tax and Custom Authority (“ZATCA”). The Company has not received any income tax assessment from ZATCA till the date of these financial statements.

The Company have submitted all monthly value added tax returns for the year ended March 31, 2024. The Company have not received any VAT assessment up to the date of these financial statements.

15- Cost of Revenues

	<u>2024</u>	<u>2023</u>
Subcontracting expenses	62,031,339	38,759,550
Salaries, wages, and other benefits	13,046,604	11,221,605
Purchases and related expenses	6,969,040	2,623,386
	<u>82,046,983</u>	<u>52,604,541</u>

16- General and Administrative Expenses

	<u>2024</u>	<u>2023</u>
Salaries, wages, and other benefits	5,479,797	2,268,725
Provision for expected credit losses	5,025,542	411,664
Insurance	2,087,340	970,719
Government charges	1,705,381	1,025,815
Rent	441,598	346,846
Legal and professional fees	438,328	338,012
Depreciation	239,213	89,987
Foreign exchange loss	77,428	28,417
Travel and transportation expenses	75,188	-
Bank charges	37,304	46,699
Maintenance	17,112	35,583
Loss on disposals of property and equipment	-	7,081
Other expenses	2,830,351	1,652,046
	<u>18,454,582</u>	<u>7,221,594</u>

17- Financial Instruments and Risk Management

Fair value:

The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm’s length transactions. As the Company’s financial instruments are compiled under the historical cost method, differences can arise between the book amounts and the fair value estimates.

Management believes that fair values of the Company’s financial assets and liabilities are not materially different from their carrying values.

Evolutionary Systems Saudi Company
(Foreign Limited Liability Company)
Notes to the Financial Statements
for the year ended March 31, 2024

17- Financial Instruments and Risk Management (Continued)

Liquidity risk:

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's management monitors liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any future commitments.

Credit risk:

The risk is that one party will fail to discharge an obligation to the financial instruments and cause the other party to incur a financial loss. Cash is placed with national and multinational banks with good credit ratings. Credit risk on trade receivables is stated net of provision for doubtful debts.

18- Subsequent Events

The Company does not have any adjusting events after the date of these financial statements.

19- Contingent liabilities

The company has contingent liability in a form of letter of guarantee as of March 31, 2024 amounting of SR2,635,803(March 31, 2023: SR 3,171,821). The company has full amount margin deposit against these bank guarantee.

20- Approval of the Financial Statements

These financial statements have been approved by the General Manager on September 29, 2024.