

MASTEK ARABIA FZ-LLC

Financial Statements
For the year ended March 31, 2024

MASTEK ARABIA FZ-LLC**Statement of Financial Position**
As at March 31, 2024

	Notes	2024 <u>AED</u>	2023 <u>AED</u>
ASSETS			
Non-current assets			
Fixed Assets	6	1,36,482	2,56,930
Intangible asset	7	16,83,88,521	16,83,88,521
Investment in subsidiaries	8	4,21,01,034	4,21,01,034
Total non-current assets		21,06,26,037	21,07,46,485
Current assets			
Trade and other receivables	9	2,23,74,445	1,36,32,958
Due from related parties	19	4,96,50,129	4,18,24,196
Cash and cash equivalents	10	55,03,937	55,64,712
Total current assets		7,75,28,511	6,10,21,866
TOTAL ASSETS		28,81,54,547	27,17,68,351
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	23,82,29,738	23,82,29,738
Retained earnings		(1,74,53,895)	(1,11,75,875)
Other comprehensive income		10,63,107	10,49,129
Total equity		22,18,38,950	22,81,02,992
LIABILITIES			
Non-current liabilities			
Provision for staff end of service gratuity		3,15,564	3,91,872
Borrowings from related parties	12	4,69,48,714	3,31,78,298
Total non-current liabilities		4,72,64,278	3,35,70,170
Current liabilities			
Trade and other payables	13	55,31,300	36,97,157
Due to related parties	19	98,80,507	21,76,858
Purchase consideration payable	14	36,39,513	42,21,174
Total current liabilities		1,90,51,320	1,00,95,189
TOTAL EQUITY AND LIABILITIES		28,81,54,547	27,17,68,351

The accompanying notes 1 to 25 form an integral part of these financial statements

The Independent Auditors' report is set forth in pages 2 and 3

Approved by the board of directors on 14 March 2024 and signed on their behalf by:

For MASTEK ARABIA FZ-LLC

Mr. Abhishek Singh

Director

MASTEK ARABIA FZ-LLC**Statement of Comprehensive Income**
For the year ended March 31, 2024

	Notes	2024 <u>AED</u>	2023 <u>AED</u>
Revenue (refer note 19)		3,98,72,704	2,48,31,732
Cost of revenue	15	<u>(3,64,33,681)</u>	<u>(2,44,53,129)</u>
Gross profit		34,39,023	3,78,603
Other income	16	5,45,768	1,98,493
Expenses	17	<u>(82,66,858)</u>	<u>(45,25,255)</u>
Operating loss		(42,82,067)	(39,48,159)
Finance costs	18	<u>(19,95,954)</u>	<u>(7,08,891)</u>
Loss for the year		(62,78,021)	(46,57,050)
Defined benefit plan actuarial gain		<u>13,978</u>	<u>3,90,276</u>
Other comprehensive income, net of tax		13,978	3,90,276
Total comprehensive loss for the year		(62,64,043)	(42,66,774)

The accompanying notes 1 to 25 form an integral part of these financial statements

MASTEK ARABIA FZ-LLC**Statement of Changes in Equity**
For the year ended March 31, 2024

	Share Capital	Retained earnings	Other comprehensive income	Total equity
	<u>AED</u>	<u>AED</u>	<u>AED</u>	<u>AED</u>
At April 1, 2022	23,82,29,738	(65,18,825)	6,58,853	23,23,69,766
(Loss) for the year		(46,57,050)		(46,57,050)
Other comprehensive income for the year			3,90,276	3,90,276
At March 31, 2023	23,82,29,738	(1,11,75,875)	10,49,129	22,81,02,992
(Loss) for the year		(62,78,021)		(62,78,021)
Other comprehensive income for the year			13,978	13,978
At March 31, 2024	23,82,29,738	(1,74,53,895)	10,63,107	22,18,38,950

The accompanying notes 1 to 25 form an integral part of these financial statements

MASTEK ARABIA FZ-LLC

Statement of Cash Flow

For the year ended March 31, 2024

	Notes	2024 <u>AED</u>	2023 <u>AED</u>
Cash flows from operating activities			
Loss for the year		(62,78,021)	(46,57,050)
Adjustments for:			
Depreciation on fixed assets	6	1,70,539	1,24,816
Finance costs	18	19,95,954	7,08,891
Provision for staff end of service gratuity		1,50,267	7,18,084
Operating cash flows before changes in operating assets and liabilities		(39,61,261)	(31,05,259)
Increase in trade and other receivables	9	(87,41,487)	(46,05,049)
Increase in due from related parties	19	(78,25,933)	(1,49,67,256)
Increase in trade and other payables	13	18,34,143	10,09,373
Increase/ (decrease) in due to related parties	19	77,03,649	(55,07,600)
Cash used in operating activities		(1,09,90,889)	(2,71,75,791)
Employees' end-of-service indemnity paid		(2,12,597)	(2,19,701)
Interest paid		(19,95,954)	(7,08,891)
Net cash used in operating activities		(1,31,99,440)	(2,81,04,383)
Cash flows from investing activities			
Purchase of fixed assets	6	(50,090)	(1,26,249)
Purchase consideration paid during the year		(5,81,661)	(49,98,619)
Changes in bank fixed and margin deposit accounts		22,43,790	43,81,727
Net cash used in investing activities		16,12,039	(7,43,141)
Cash flows from financing activities			
Cash inflow from borrowings from related parties	13	1,37,70,416	2,83,32,632
Repayment of vehicle loan		-	(33,498)
Net cash from financing activities		1,37,70,416	2,82,99,134
Net decrease in cash and cash equivalents		21,83,015	(5,48,390)
Cash and cash equivalents at the beginning of the year		9,21,546	14,69,936
Cash and cash equivalents at the end of the year	20	31,04,561	9,21,546

The accompanying notes 1 to 25 form an integral part of these financial statements

MASTEK ARABIA FZ-LLC

Notes to the Financial Statements

For the year ended March 31, 2024

1 General Information

a) MASTEK ARABIA FZ-LLC ("The company") is a free zone company with limited liability, company incorporated on 03 March 2020 with the Dubai Development Authority, Dubai, U.A.E. under commercial license no. 97085.

b) The company is registered and engaged to provide software consultancy, customer service, developer, solution provider, support service provider and other related activities.

c) The directors of the company, Mastek Arabia FZ LLC, has proposed to increase the share capital of the company from AED 10,000/- to AED 238,230,000/- by issuing additional shares of 238,230/- of AED 1,000 each as per Board resolution dated 4 March 2020. Further, as per the resolution, the subscription amount of AED 238,220,000/- will be settled against the amount received towards share application money from Mastek UK Ltd, sole shareholder of the company in the year 2020. The said increase in number of shares and share capital is not yet effected with Dubai Development Authority (licensing authority) and is under process.

d) These financial statements are not the consolidated financial statements and do not include the assets, liabilities and results of the operations of its subsidiary companies, Evolutionary Systems Bahrain S.P.C., (Kingdom of Bahrain), Evolutionary Systems Saudi LLC, (Kingdom of Saudi Arabia), Evosys Kuwait Designing & Development LLC, (Kuwait), Evolutionary Systems Consultancy LLC, (Abu Dhabi, U.A.E.) and Evolutionary System Egypt LLC, (Egypt). The consolidated financial statements of the group are prepared by the ultimate parent company, Mastek Limited, India.

2 Basis of preparation

2.1 Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning on or after 1 January 2022 and the implementing rules and regulations of the Dubai Development Authority.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for certain financial assets and financial liabilities which are being measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

2.3 Functional and presentation currency

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

3 Use of estimates and judgements

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

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 and in any future periods affected.

3.1 Critical judgments in applying accounting policies

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

Impairment

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

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Notes to the Financial Statements

For the year ended March 31, 2024

Classification of investment as subsidiaries

The company has classified its following investments as its subsidiaries, considering all relevant circumstances, the management is of the opinion that it is in a position to control the investee company.

- a) Evolutionary Systems Saudi LLC (50%)
- b) Evolutionary Kuwait Designing & Development LLC (49%)
- c) Evolutionary Systems Consultancy LLC, UAE (49%)

3.2 Key sources of estimation uncertainty

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

Residual values of fixed assets

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

Estimated useful life of fixed assets

Management determines the estimated useful lives and depreciation charge for its fixed assets at the time of addition of the assets and is reviewed on annual basis.

Carrying value of intangible assets

Carrying values of the intangible assets are assessed for premiums as commanded by the market forces on a periodic basis. Based on such assessments the premiums are reduced to their estimated market valuation.

Provision for expected credit losses of trade receivables and contract assets

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

Impairment of non-financial assets

Assessments of net recoverable amounts of fixed assets, intangible asset, and investment in subsidiaries are based on assumptions regarding future cash flows expected to be received from the related assets.

Staff end-of-service gratuity

The company computes the provision for the liability to staff end-of-service gratuity assuming that all employees were to leave as of the reporting date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

Unbilled revenue

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

Revenue recognition

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

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

4 Application of new and revised International Financial Reporting Standards (IFRSs)

4.1 New and revised International Financial Reporting Standards

The following International Financial Reporting Standards (IFRSs), amendments and interpretations issued by IASB that became effective for the current reporting period:

- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use.

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Notes to the Financial Statements

For the year ended March 31, 2024

- Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract
- Amendments to IFRS 3 - References to the Conceptual
- Annual Improvements to IFRS Standards 2018 - 2020 - Amendments to IFRS 1, IFRS 9, IFRS 16 Leases and IAS 41.

During the current year, the management has adopted the above amendments to the extent applicable to them from their effective dates. These amendments have no significant impact on the amounts reported in these financial statements. Their adoption has resulted in presentation and disclosure changes only.

4.2 International Financial Reporting Standards issued but not effective

Amendments to IAS 1 - Non-current liabilities with Covenants - The effective date of the amendments is set for annual periods beginning on or after 1 January 2024.

Amendments to IFRS 16 - Liability in a sale and leaseback - The effective date of the amendments is set for annual periods beginning on or after 1 January 2024.

Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture - The effective date of the amendments is not yet started.

5 Significant accounting policies

5.1 Depreciation of fixed assets

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 cost of the fixed assets is depreciated by equal annual installments over their estimated useful lives of four years.

Depreciation on addition is calculated on a pro rata basis for the month of addition of asset or put to use, and on disposal or sale upto the month of disposal of the asset

5.2 Investment in subsidiaries

Subsidiary is an entity (investee) which is controlled by another entity (the Parent or the Investor). The control is based on whether,

- a) The Investor has power over the investee
- b) It is exposed to rights of variable returns and
- c) It has the ability to use its power to affect the amount of the returns.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up) shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill.

Investment in subsidiaries is stated at cost less provision for impairment if any.

Income from investment in subsidiaries is accounted only to the extent of receipt of distribution of accumulated net profits of subsidiary. Distributions received in excess of such profits are considered as a recovery of investments and are recorded as a reduction of the cost of investments.

5.3 Intangible assets

Intangible asset represents goodwill for the excess of the purchase price over the fair value of tangible and identifiable intangible assets and liabilities of business acquired.

Intangible assets with indefinite useful lives are stated at cost less impairment) if any and are not amortized. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount. Such impairment losses are reported in the statement of comprehensive income.

5.4 Financial instruments

Recognition and Initial measurement

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

Classification and subsequent measurement of financial assets

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

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Notes to the Financial Statements

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Financial assets at amortised cost (debt instruments)

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

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

Classification and subsequent measurement of financial liabilities

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

- Amortised cost - Financial liabilities are classified as financial liabilities at amortised cost by default. Interest expense calculated using EIR method is recognised in the statement of profit and loss.
- Fair values through profit or loss (FVTPL) - Financial liabilities are classified as FVTPL if it is held for trading, or is designated as such on initial recognition. Changes in fair value and interest expense on these liabilities are recognised in the statement of profit and loss.

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

Derecognition of financial assets and financial liabilities

Financial assets are de-recognised when, and only when,

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

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

Offsetting of financial assets and liabilities

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

Impairment of financial assets

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

Expected credit losses are recognised in two stages.

- For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months.
- For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

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

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Notes to the Financial Statements

For the year ended March 31, 2024

Contract balances

Contract assets

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

Accounts receivables

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

Contract liabilities

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

5.5 Unbilled Revenue

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

5.6 Foreign currency transactions

Transactions in foreign currencies are converted into U.A.E. Dirhams at the rate of exchange ruling on the date of the transaction. Assets and liabilities expressed in foreign currencies are translated into U.A.E. Dirhams at the rate of exchange ruling at the reporting date. Resulting gain or loss is taken to the Statement of Comprehensive Income.

5.7 Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired, If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount.

Where the carrying amount of an asset or cash generating units exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. Such reversal is recognized in the Statement of comprehensive income.

5.8 Taxes

Taxes for current period are recognized as a liability to the extent of the amounts withheld by the customers as withholding taxes based on the applicable tax laws of those countries.

Taxes not refundable back to the companies are charged to the statement of comprehensive income.

5.9 Provisions

Provisions are recognized when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

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

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

5.10 Staff end of service benefits

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

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Notes to the Financial Statements

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5.11 Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

5.12 Short-term lease

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

5.13 Value Added Tax

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

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

5.14 Revenue recognition

The company is in business of providing software consultancy, customer service, developer, solution provider) support service provider and other related activities.

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

Unbilled revenue on customer contracts, contract assets under IFRS I 5, Revenue from Contracts with Customers, relates to conditional rights to consideration for satisfied performance obligations of contracts with customers. Trade receivables are recognized when the right to consideration becomes unconditional. Deferred revenue, contract liabilities under IFRS 15, relate to payments received in advance of performance under contracts with customers. Contract liabilities are recognized as revenue as (or when) the Company satisfies its performance obligations under the contracts.

Services

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

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

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

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

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

Interest income

Interest income is presented as financial income where it is earned from financial asset that are held for cash management purposes.

Finance expense, which comprises of interest expense of borrowings from related parties and bank guarantee charges, is recognised in Statement of comprehensive income

5.16 Cash and cash equivalents

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

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Notes to the Financial Statements For the year ended March 31, 2024

6 Fixed Assets

	Furniture and office equipments <u>AED</u>	Vehicles <u>AED</u>	Total <u>AED</u>
Cost:			
At April 1, 2022	11,57,892	2,49,473	14,07,365
Additions	1,26,249	-	1,26,249
At March 31, 2023	12,84,141	2,49,473	15,33,614
Additions	50,090	-	50,090
At March 31, 2024	13,34,231	2,49,473	15,83,704
Accumulated Depreciation:			
At April 1, 2022	9,33,444	2,18,424	11,51,868
Depreciation expense	98,188	26,628	1,24,816
At March 31, 2023	10,31,632	2,45,052	12,76,684
Depreciation expense	1,66,967	3,572	1,70,539
At March 31, 2024	11,98,599	2,48,624	14,47,223
Carrying amount :			
At March 31, 2023	2,52,509	4,421	2,56,930
At March 31, 2024	1,35,632	849	1,36,482

7 Intangible asset

	March 31, 2024 <u>AED</u>	March 31, 2023 <u>AED</u>
Goodwill		
On acquisition of business of Evolutionary System Arabia FZ LLC (refer note below)	16,83,88,521	16,83,88,521

The Company has entered into Business Transfer Agreement ("BTA") with Evolutionary Systems Arabia FZ LLC dated February 8, 2020 to purchase entire business under a slump sale arrangement.

The right of the Company to assume rights and obligations from the Seller (the Evolutionary Systems Arabia FZ LLC) as per BTA is effective from February 1, 2020 but the Company has exercised rights effective March 1, 2020. Accordingly, accounting treatment of the 'BTA' was executed on March 1, 2020 (opening hours) between the Company and Evolutionary Systems Arabia FZ LLC. The transfer of Business to the company was subject to the satisfaction of conditions precedent as stipulated in the BTA.

Assets and liabilities of business (as listed below) covered by the BTA are transferred as on March 1, 2020 (opening hours). The total consideration agreed as per BTA of AED 237,811,888 was paid through bank.

Goodwill is tested for impairment at least annually or whenever there is an indication that goodwill may be impaired. Considering the recent acquisition of business effective March 1, 2020 and looking at future plan for business, the management is of opinion that the recoverable value (as assessed by the management) approximate to the carrying value of goodwill. Hence, no impairment is required in the carrying value of goodwill as on March 31, 2024.

MASTEK ARABIA FZ-LLC

Notes to the Financial Statements

For the year ended March 31, 2024

8 Investment in subsidiaries

	2024	2023
	<u>AED</u>	<u>AED</u>
Evolutionary Systems Bahrain S.P.C - (refer note "a" below)	40,26,000	40,26,000
Evolutionary Systems Saudi LLC - (refer note "b" below)	2,37,35,367	2,37,35,367
Evolutionary Kuwait Designing & Development LLC - (refer note "c" below)	62,87,667	62,87,667
Evolutionary Systems Consultancy LLC - (refer note "d" below)	69,54,000	69,54,000
Evolutionary Systems Egypt LLC - (refer note "e" below)	10,98,000	10,98,000
	<u>4,21,01,034</u>	<u>4,21,01,034</u>

- a. Represents amount paid for purchase of 100% interest (50 shares of value BD 50,000) in a subsidiary company, .Evolutionary Systems Bahrain S.P.C., a limited liability company registered in Kingdom of Bahrain.
- b. Represents amount paid for purchase of 50% interest (50 shares of value SAR 250,000) in a subsidiary company, Evolutionary Systems Saudi LLC, a limited liability company registered in Kingdom of Saudi Arabia.
- c. Represents amount paid for purchase of 49% interest (49 shares of value of KD 9,800) in a subsidiary company, Evolutionary Kuwait Designing & Development LLC, a limited liability company registered in Kuwait.
- d. Represents amount paid for purchase of 49% interest (49 shares of value of AED 73,500) in a subsidiary company, Evolutionary Systems Consultancy LLC, a limited liability company registered in Abu Dhabi, U.A.E.
- e. Represents amount paid for purchase of 100% interest (100 shares of value EGP 5,000) in a subsidiary company, Evolutionary Systems Egypt LLC, a limited liability company registered in Egypt

Considering the acquisition of subsidiaries effective 1 March 2020 and looking at the future plan for business of subsidiaries, the management is of opinion that the fair values (as assessed by the management using value in use and based on the positive networth of subsidiaries based on audited financial statements of subsidiaries) approximate to the carrying values of investment in subsidiaries. Hence, no impairment is required in the carrying value of investment in subsidiaries as on 31 March 2024

9 Trade and other receivables

	2024	2023
	<u>AED</u>	<u>AED</u>
Trade receivables	67,31,063	85,25,721
Less: provision for doubtful debts	<u>(26,99,109)</u>	<u>(16,36,681)</u>
	40,31,954	68,89,040
Contract assets	1,81,13,865	61,21,091
Deposits	1,09,736	63,736
Advances to staff and other receivables	759	75,886
Prepayments	1,18,131	4,83,205
	<u>2,23,74,445</u>	<u>1,36,32,958</u>

10 Cash and cash equivalents

	2024	2023
	<u>AED</u>	<u>AED</u>
Cash on hand	29,395	9,804
Bank balances in current accounts	30,75,166	9,11,742
Bank balances in margin accounts (refer note 23)	-	33,000
Bank balances in time deposit accounts (refer note 23)	23,99,376	46,10,166
	<u>55,03,937</u>	<u>55,64,712</u>

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Notes to the Financial Statements For the year ended March 31, 2024

11 Share capital

	2024	2023
	<u>AED</u>	<u>AED</u>
Authorised and issued 238,230 (2023: 238,230) shares of AED 1,000 each	<u>23,82,29,738</u>	<u>23,82,29,738</u>

Refer note 1 (c)

12 Borrowings from related parties

	2024	2023
	<u>AED</u>	<u>AED</u>
Evolutionary Systems Co Ltd, UK (refer note 'a' below)	4,04,27,806	2,68,83,753
Mastek Systems Pty Ltd, Australia (refer note 'b' below)	38,28,652	37,07,391
Evolutionary Systems BV, Netherlands (refer note 'c' below)	26,92,256	25,87,154
	<u>4,69,48,714</u>	<u>3,31,78,298</u>

a. Represents an unsecured and interest bearing loan in range of 1.5-1.6% above GBP Sonia rate received from Evolutionary Systems Co Ltd, UK (a related party), with repayment date as mutually agreed between as per loan amendment no 2 dated 4 November 2023 (refer notes 18 and 19)

b. Represents an unsecured and interest bearing loan at 1.6% above GBP Sonia rate received from Mastek Systems Pty Ltd, Australia (a related party), repayable within 1 year as per loan agreement dated 4 April 2023 (refer notes 18 and 19)

c. Represents an unsecured and interest bearing loan at 1.6% above GBP Sonia rate received from Evolutionary Systems BV, Netherlands (a related party), with repayment date on 3rd February and as mutually agreed between as per loan agreement dated 11 April 2023 (refer notes 18 and 19)

13 Trade and other payables

	2024	2023
	<u>AED</u>	<u>AED</u>
Trade payables	2,16,258	5,87,702
Accruals and other payables	43,60,777	22,57,225
Contract liabilities	9,54,265	8,52,230
	<u>55,31,300</u>	<u>36,97,157</u>

14 Purchase consideration payable

	2024	2023
	<u>AED</u>	<u>AED</u>
Total purchase consideration payable	<u>36,39,513</u>	<u>42,21,174</u>

Pertains to restricted cash liability of AED 8,422,127/- as agreed in the Business Transfer Agreement dated 1 February 2020 and capital gain taxes amounting to AED 2,207,034/- on the acquisition of subsidiaries, Evolutionary Systems Saudi LLC and Evolutionary Kuwait Designing & Development LLC of which the Company has paid AED 581,661/- (previous year AED 4,998,619)

MASTEK ARABIA FZ-LLC

Notes to the Financial Statements For the year ended March 31, 2024

15 Cost of Revenue

	2024	2023
	<u>AED</u>	<u>AED</u>
Salaries and benefits (refer note 19)	93,70,614	59,46,478
Professional fees expense (refer note 19)	2,64,10,425	1,84,71,216
Other expenses	6,52,642	35,435
	<u>3,64,33,681</u>	<u>2,44,53,129</u>

16 Other income

	2024	2023
	<u>AED</u>	<u>AED</u>
Foreign exchange gain	18	1,31,787
Interest on bank fixed deposits	13,819	41,739
Interest on loan to related party (refer note 19)	3,89,796	24,967
Other income	1,42,134	-
	<u>5,45,768</u>	<u>1,98,493</u>

17 Expenses

	2024	2023
	<u>AED</u>	<u>AED</u>
Salaries and benefits	9,09,275	5,68,548
Office rent expense	2,66,753	2,56,597
Withholding taxes	23,86,303	11,71,493
Travel expenses	9,51,815	8,30,057
Other administrative expenses	7,10,917	7,89,871
Provision for doubtful debts and bad debts written off (net)	18,11,016	3,27,551
Legal and professional expenses	8,71,672	3,51,310
Insurance expense	56,294	1,05,012
Exchange rate loss	1,32,274	-
Depreciation	1,70,539	1,24,816
	<u>82,66,858</u>	<u>45,25,255</u>

18 Finance costs

	2024	2023
	<u>AED</u>	<u>AED</u>
Interest on vehicle loan	-	1,450
Interest expense on loan borrowed from related parties (refer note 13 and 19)	14,52,707	3,82,123
Bank charges	5,43,247	3,25,318
	<u>19,95,954</u>	<u>7,08,891</u>