

MASTEK ARABIA FZ-LLC

Financial Statements
For the year ended March 31, 2025

MASTEK ARABIA FZ-LLC

Reports and Financial Statements
For the year ended March 31, 2025

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MASTEK ARABIA FZ-LLC

Director's Report

The Director submits his report and financial statements for the financial year ended 31 March 2025.

Results and dividend

Loss for the year amounted to AED 3,480,522 (L.Y. AED 6,264,043)

Review of the business

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

The Company has subsidiary companies, Evolutionary Systems Saudi LLC (Kingdom of Saudi Arabia), Evolutionary Systems Bahrain WLL (Bahrain), Evosys Kuwait WLL (Kuwait), Mastek Arabia Systems Egypt LLC. (Egypt) and Evolutionary Systems Consultancy LLC (Abu Dhabi, UAE).

These financials do not include the financial statements of its subsidiary companies. The consolidated financial statements of the group are prepared by the ultimate parent company, Mastek Limited, India.

Events since the end of the year

There were no important events, which have occurred since the year-end that materially affect the Company.

Shareholders and their interests

The shareholders at 31 March 2025 and their interests as on that date in the share capital of the company were as follows:

Name of shareholders	Nationality/ Country of incorporation	No. of shares	AED
Mastek (UK) Limited	United Kingdom	238,230	238,230,000

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.

Auditors

A resolution to re-appoint HAA as auditors and fix their remuneration will be put to board at the Annual General Meeting.



Mr. Abhishek Singh
Director



HAA Auditing

Auditors & Accountants

Report of the Independent Auditor's to the Shareholders of Mastek Arabia FZ LLC

OPINION

We have audited the financial statements of Mastek Arabia FZ LLC ("the Company") for the year ended March 31, 2025, which comprise the Statement of financial position as on March 31, 2025, Statement of profit and loss and other comprehensive income, Statement of changes in equity, Statement of cash flows for the year then ended and Notes to the financial statements, including a summary of material accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2025, its loss for the year then ended and have been properly prepared in accordance with International Financial Reporting Standards.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Company in accordance with the International ethical Standards Board for Accountants Code of Ethics for professional Accountants (IESBA Code), and the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with IESBA Code.

EMPHASIS OF MATTER

As per note 1(c) of the financial statements, the company has share application money pending allotment of AED 238,220,000 as at March 31, 2025 (AED 238,219,738 - March 31, 2024), which is subject to approval from Dubai Development Authority (Licensing Authority). We have relied on the board resolution dated March 4, 2020 for increase of share capital and confirmation from the management that the approval from the regulator is expected to be completed in the coming year before the end of next year. Our opinion is not qualified in respect of this matter.

OTHER MATTER

The financial statements for the year ended March 31, 2024 has been audited by another auditor who has expressed an unmodified opinion.

OTHER INFORMATION

Management is responsible for other information as mentioned in the director's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we concluded that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the 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 the Manager either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.





HAA Auditing

Auditors & Accountants

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 a Report of the Auditors 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 risk of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis of 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 the Management.
- Conclude on the appropriateness of Management's use of 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 going concern. If we conclude that 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 transaction 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, we report that, except for not submitting the statutory financial statements to Dubai Development Authority ("DDA") within six months after the end of the financial year as per Regulation 65 of the Private Companies Regulations 2016 ("PCR") issued by DDA, the Company comply, in all material respects, with the other applicable provisions of the Private Companies Regulations 2016 ("PCR") issued by the Dubai Development Authority.

Hussain Ali Abdulla Alabdoull



For H A A Auditing

Audit Licence No 845,

Ministry of Economy (Audit Division), United Arab Emirates

Date: 5/12/2025

MASTEK ARABIA FZ-LLC**Statement of Financial Position**
As at March 31, 2025

	Notes	2025 <u>AED</u>	2024 <u>AED</u>
ASSETS			
Non-current assets			
Fixed Assets	6	107,047	136,481
Intangible asset	7	168,388,521	168,388,521
Loan to Related Party	19	4,842,713	11,981,987
Investment in subsidiaries	8	42,101,034	42,101,034
Total non-current assets		<u>215,439,315</u>	<u>222,608,023</u>
Current assets			
Trade and other receivables	9	31,280,322	22,448,862
Due from related parties	19	35,063,974	37,669,439
Cash and cash equivalents	10	4,500,502	5,546,924
Deferred tax asset		316,107	-
Total current assets		<u>71,160,905</u>	<u>65,665,225</u>
TOTAL ASSETS		<u>286,600,220</u>	<u>288,273,248</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	238,230,000	238,229,738
Retained earnings		(20,773,054)	(17,453,896)
Other comprehensive income		901,742	1,063,107
Total equity		<u>218,358,688</u>	<u>221,838,949</u>
LIABILITIES			
Non-current liabilities			
Provision for staff end of service gratuity		527,998	315,564
Borrowings from related parties	12	46,224,667	46,948,714
Total non-current liabilities		<u>46,752,665</u>	<u>47,264,278</u>
Current liabilities			
Trade and other payables	13	6,352,778	5,648,705
Due to related parties	19	15,136,089	9,881,803
Purchase consideration payable	14	-	3,639,513
Total current liabilities		<u>21,488,867</u>	<u>19,170,021</u>
TOTAL EQUITY AND LIABILITIES		<u>286,600,220</u>	<u>288,273,248</u>

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 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, 2025

	Notes	2025 <u>AED</u>	2024 <u>AED</u>
Revenue (refer note 19)		4,88,14,080	3,98,72,704
Cost of revenue	15	<u>(4,53,27,614)</u>	<u>(3,64,33,681)</u>
Gross profit		34,86,465	34,39,023
Other income	16	8,40,005	5,45,749
Expenses	17	<u>(56,69,019)</u>	<u>(82,66,839)</u>
Operating loss		(13,42,549)	(42,82,067)
Finance costs	18	<u>(22,92,715)</u>	<u>(19,95,954)</u>
Loss before tax		(36,35,264)	(62,78,021)
Current tax	24	-	-
Deferred tax	24	3,16,107	-
Loss for the year		(33,19,157)	(62,78,021)
Defined benefit plan actuarial gain		<u>(1,61,365)</u>	13,978
Other comprehensive income, net of tax		(1,61,365)	13,978
Total comprehensive loss for the year		(34,80,522)	(62,64,043)

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, 2025

	Share Capital	Retained earnings	Other comprehensive income	Total equity
	<u><i>AED</i></u>	<u><i>AED</i></u>	<u><i>AED</i></u>	<u><i>AED</i></u>
At April 1, 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	(1,74,53,896)	10,63,107	22,18,38,948
(Loss) for the year		(33,19,157)		(33,19,157)
Addition	262			262
Other comprehensive income for the year			(1,61,365)	(1,61,365)
At March 31, 2025	23,82,30,000	(2,07,73,054)	9,01,742	21,83,58,688

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, 2025

	Notes	2025 <u>AED</u>	2024 <u>AED</u>
Cash flows from operating activities			
Loss for the year		(36,35,264)	(62,78,021)
Adjustments for:			
Depreciation on fixed assets	6	1,02,774	1,70,539
Finance costs	18	22,92,715	19,95,954
Provision for staff end of service gratuity		2,04,188	1,50,267
Operating cash flows before changes in operating assets and liabilities		(10,35,587)	(39,61,261)
Increase in trade and other receivables	9	(88,31,460)	(87,47,487)
Increase in due from related parties	19	26,05,465	(78,25,933)
Increase in trade and other payables	13	7,04,073	18,83,130
Increase/ (decrease) in due to related parties	19	52,54,286	77,03,649
Cash used in operating activities		(13,03,223)	(1,09,47,902)
Employees' end-of-service indemnity paid		(1,53,119)	(2,12,597)
Interest paid		(22,92,451)	(19,95,954)
Income taxes paid		-	-
Net cash used in operating activities		(37,48,793)	(1,31,56,453)
Cash flows from investing activities			
Purchase of fixed assets	6	(73,340)	(50,090)
Purchase consideration paid during the year		(36,39,513)	(5,81,661)
Changes in bank fixed and margin deposit accounts		(27,056)	15,68,000
Net cash used in investing activities		(37,39,909)	9,36,249
Cash flows from financing activities			
Borrowings from related parties (repaid)/received	13	(7,24,047)	1,37,70,416
Net cash from financing activities		(7,24,047)	1,37,70,416
Net decrease in cash and cash equivalents		(82,12,749)	15,50,212
Cash and cash equivalents at the beginning of the year		24,71,758	9,21,546
Cash and cash equivalents at the end of the year	20	(57,40,991)	24,71,758

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, 2025

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 April 2024 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.

Functional and presentation

2.3 currency

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

Use of estimates and

3 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.

MASTEK ARABIA FZ-LLC

Notes to the Financial Statements

For the year ended March 31, 2025

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.

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) Mastek Information Technology Company 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 leave salary

The company computes the provision for the liability to staff leave provision based on Company's leave encashment policy. The outstanding leave as at the year end is recorded as provision along with year end gratuity .

MASTEK ARABIA FZ-LLC

Notes to the Financial Statements

For the year ended March 31, 2025

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 have been adopted:

- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to IAS 1: Classification of Liabilities as Current or Non-Current
- Amendments to IAS 1: Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

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

The following Standards, amendments thereto and interpretations have been issued prior to 31 March 2025 but have not been applied in these financial statements as their effective dates of adoption are for future periods.

- Amendments to IAS 21: Lack of Exchangeability - 1 April 2025
- Amendments to IFRS 9: Amendments to the Classification and Measurement of Financial Instruments- 1 January 2026
- Amendments to IFRS 9 and IFRS 7- Contracts Referencing Nature-dependent Electricity -1 January 2026
- IFRS 18: Presentation and Disclosure in Financial Statements- 1 January 2027
- IFRS 19: Subsidiaries without Public Accountability: Disclosures- 1 January 2027

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

MASTEK ARABIA FZ-LLC

Notes to the Financial Statements

For the year ended March 31, 2025

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:

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.

MASTEK ARABIA FZ-LLC

Notes to the Financial Statements

For the year ended March 31, 2025

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 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.

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 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.

MASTEK ARABIA FZ-LLC

Notes to the Financial Statements

For the year ended March 31, 2025

5.6 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.

5.7 Taxes

Income taxes: Significant judgments are involved in determining the provision for income taxes, including the amount expected to be paid or recovered in connection with uncertain tax positions.

Deferred tax: Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences become deductible. The Company considers the expected reversal of deferred tax assets / liabilities and projected future taxable income in making this assessment.

Tax expense for the year comprises of current tax and deferred tax. Current tax is measured by the amount of tax expected to be paid to the taxation authorities on the taxable profits after considering tax allowances and exemptions and using applicable tax rates and laws. Deferred tax is recognised on timing differences between the accounting base and the taxable base for the year and quantified using the tax rates and tax laws enacted or substantively enacted as on the balance sheet date.

Deferred tax is recognised using the balance sheet approach. Deferred income tax assets and liabilities are recognised for deductible and taxable temporary differences arising between the tax base of assets and liabilities and their carrying amount in standalone financial statements, except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profits or loss at the time of the transaction.

Deferred income tax asset is recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized. Deferred income tax liabilities are recognised for all taxable temporary differences.

Current tax and deferred tax assets and liabilities are offset when there is a legally enforceable right to set off the recognised amount and there is an intention to settle the asset and liability on a net basis.

Deferred tax has been recognised first time for the Company as the Corporate tax is applicable for the first time for the Company w.e.f January 1,2024.

However, based on Company's assessment of virtual certainty of reversal of deferred tax asset, the deferred tax has been recognised w.e.f April 1, 2024.

Previous period temporary differences are not eligible for deferred tax recognition in terms of IAS 12

5.8 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.

MASTEK ARABIA FZ-LLC

Notes to the Financial Statements

For the year ended March 31, 2025

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.

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 15, Revenue from Contracts with Customers, relates to conditional rights to consideration for satisfied performance obligations of contracts with customers. Trade receivables are recognized when the right to consideration becomes unconditional. Deferred revenue, contract liabilities under 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.

MASTEK ARABIA FZ-LLC

Notes to the Financial Statements

For the year ended March 31, 2025

Interest income

Interest income is presented as financial income where it is earned from financial assets 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

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.

MASTEK ARABIA FZ-LLC

Notes to the Financial Statements For the year ended March 31, 2025

6 Fixed Assets

	Furniture and office equipments <u>AED</u>	Vehicles <u>AED</u>	Total <u>AED</u>
Cost:			
At April 1, 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
Additions	73,340	-	73,340
At March 31, 2025	14,07,571	2,49,473	16,57,044
Accumulated Depreciation:			
At April 1, 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
Depreciation expense	1,01,924	850	1,02,774
At March 31, 2025	13,00,523	2,49,473	15,49,997
Carrying amount :			
At March 31, 2024	1,35,632	849	1,36,481
At March 31, 2025	1,07,048	-	1,07,047

7 Intangible asset

	March 31, 2025 <u>AED</u>	March 31, 2024 <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. Further, the additional purchase consideration was paid on acquisition of subsidiaries, Evolutionary systems Saudi LLC and Evolutionary Kuwait Designing and Development LLC

Further, 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, 2025.

MASTEK ARABIA FZ-LLC

Notes to the Financial Statements For the year ended March 31, 2025

8 Investment in subsidiaries

	2025	2024
	<u>AED</u>	<u>AED</u>
Mastek Systems Bahrain WLL - (refer note "a" below)	40,26,000	40,26,000
Mastek Information Technology Company 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
Mastek Arabia 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, Mastek Systems Bahrain WLL, 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, Mastek Information Technology Company 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, Mastek Arabia 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 2025.

9 Trade and other receivables

	2025	2024
	<u>AED</u>	<u>AED</u>
Trade receivables	1,49,65,027	67,31,063
Less: provision for doubtful debts	(6,00,212)	(8,33,507)
	<u>1,43,64,815</u>	<u>58,97,556</u>
Contract assets	2,08,85,365	1,81,13,865
Less: provision for doubtful debts	(41,78,422)	(18,65,602)
	<u>1,67,06,943</u>	<u>1,62,48,263</u>
Deposits	1,01,207	1,09,735
Advances to staff and other receivables	6,569	75,177
Prepayments	1,00,789	1,18,131
	<u>3,12,80,322</u>	<u>2,24,48,862</u>

10 Cash and cash equivalents

	2025	2024
	<u>AED</u>	<u>AED</u>
Cash on hand	31,735	29,395
Bank balances in current accounts	13,66,545	24,42,363
Bank balances in margin accounts (refer note 23)	29,92,056	29,65,000
Bank balances in time deposit accounts (refer note 23)	1,10,166	1,10,166
	<u>45,00,502</u>	<u>55,46,924</u>

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Notes to the Financial Statements For the year ended March 31, 2025

11 Share capital

	2025	2024
	<u>AED</u>	<u>AED</u>
Authorised, issued and paid up share capital 10 (2024:10) shares of AED 1,000 each	10,000	10,000
Paid up share capital pending Authorisation 238,220 (2024: 238,220) shares of AED 1,000 each	23,82,20,000	23,82,19,738
	<u>23,82,30,000</u>	<u>23,82,29,738</u>

Refer note 1 (c)

12 Borrowings from related parties

	2025	2024
	<u>AED</u>	<u>AED</u>
Mastek Systems Company Limited, UK(refer note 'a' below)	4,62,24,667	4,04,27,806
Mastek Systems Pty Ltd, Australia (refer note 'b' below)	-	38,28,652
Mastek Systems B.V. Netherlands (refer note 'c' below)	-	26,92,256
	<u>4,62,24,667</u>	<u>4,69,48,714</u>

a. Represents an unsecured and interest bearing loan in range of 1.5-1.6% above GBP Sonia rate received from Mastek 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), repaid as per loan agreement dated 4 April 2023.

c. Represents an unsecured and interest bearing loan at 1.6% above GBP Sonia rate received from Mastek Systems BV, Netherlands (a related party), repaid as mutually agreed between the parties as per loan agreement dated 11 April 2023.

13 Trade and other payables

	2025	2024
	<u>AED</u>	<u>AED</u>
Trade payables	5,25,114	2,22,258
Accruals and other payables	46,63,794	44,72,181
Contract liabilities: deferred revenue	11,63,870	9,54,266
	<u>63,52,778</u>	<u>56,48,705</u>

14 Purchase consideration payable

	2025	2024
	<u>AED</u>	<u>AED</u>
Total purchase consideration payable	-	36,39,513

Pertains to restricted cash liability of AED NIL (previous year AED 8,422,127/-) as agreed in the Business Transfer Agreement dated 1 February 2020 and capital gain taxes amounting to AED NIL (previous year AED 2,207,034/-) on the acquisition of subsidiaries, Evolutionary Systems Saudi LLC and Evolutionary Kuwait Designing & Development LLC of which the Company has settled entire liability AED NIL (previous year AED 3,639,513/-)

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Notes to the Financial Statements

For the year ended March 31, 2025

15 Cost of Revenue

	2025	2024
	<u>AED</u>	<u>AED</u>
Salaries and benefits (refer note 19)	1,07,60,389	93,70,614
Professional fees expense (refer note 19)	3,45,17,749	2,64,10,425
Other expenses	49,477	6,52,642
	<u>4,53,27,614</u>	<u>3,64,33,681</u>

16 Other income

	2025	2024
	<u>AED</u>	<u>AED</u>
Interest on bank fixed deposits	31,247	13,819
Interest on loan to related party (refer note 19)	5,75,530	3,89,796
Other income (refer note 19)	2,33,228	1,42,134
	<u>8,40,005</u>	<u>5,45,749</u>

17 Expenses

	2025	2024
	<u>AED</u>	<u>AED</u>
Salaries and benefits	14,41,147	9,09,275
Office rent expense	2,64,857	2,66,753
Withholding taxes	1,22,840	23,86,303
Travel expenses	18,02,132	9,51,815
Other administrative expenses	12,742	7,34,709
Provision for doubtful debts and bad debts written off (net)	13,61,742	18,11,016
Legal and professional expenses	3,27,302	8,47,879
Insurance expense	58,100	56,295
Exchange rate loss	1,75,383	1,32,256
Depreciation	1,02,774	1,70,539
	<u>56,69,019</u>	<u>82,66,839</u>

18 Finance costs

	2025	2024
	<u>AED</u>	<u>AED</u>
Interest expense on loan borrowed from related parties (refer note 12 and 19)	20,64,621	14,52,707
Bank charges	2,28,094	5,43,247
	<u>22,92,715</u>	<u>19,95,954</u>

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Notes to the Financial Statements For the year ended March 31, 2025

19 Related party transactions

Related party disclosures (relationships have been disclosed to the extent transactions have taken place and for relationships of control)

Name of related party

a) Shareholder

Mastek (UK) Ltd., U.K

b) Companies under common management and control

Mastek Limited, India

Mastek Enterprise Solutions Private Limited

Evolutionary Systems Corporation, U.S.A.

Mastek Systems (Singapore) Pte Ltd

Mastek Systems Pty Ltd, Australia

Mastek Systems Company Limited, UK

Evolutionary Systems Qatar W.L.L., Qatar

Mastek Systems B.V, Netherlands

Mastek Inc.

Mastek Systems (Malaysia) SDN BHD

c) Subsidiaries

Mastek Information Technology Company LLC, Saudi

Mastek Systems Bahrain WLL , Bahrain

Evosys Kuwait WLL, Kuwait

Mastek Arabia Systems Egypt LLC., Egypt

Evolutionary Systems Consultancy LLC, Abu Dhabi, U.A.E

Key management personnel:

Abhishek Singh - Director

Puranjay Sodani - Manager

i) Transactions with related parties during the year were:

Amounts in AED

Nature of transactions	Name of related party	For the year ended	
		March 31, 2025	March 31, 2024
Employee stock compensation	Mastek Limited	61,476	(1,472)
Professional Services received	Mastek Enterprise Solutions Private Limited	2,21,31,169	1,29,74,585
	Mastek Inc.	3,23,889	18,86,150
	Mastek Limited	2,83,959	-
	Mastek Arabia Systems Egypt LLC	1,19,611	-
	Evolutionary Systems Consultancy LLC	43,48,693	82,54,938
Professional Services provided	Mastek Systems Company Limited	11,136	2,38,914
	Mastek Systems (Singapore) Pte Ltd	52,139	59,721
	Evolutionary Systems Corporation	29,142	60,363
	Mastek Systems Pty Ltd	4,61,612	6,47,524
	Evolutionary Systems Qatar W.L.L.	3,68,434	1,56,287
	Mastek Systems Bahrain WLL	12,636	21,34,787
	Evosys Kuwait WLL	1,630	1,57,681
	Mastek Information Technology Company LLC	5,94,634	4,92,264
	Mastek Systems B.V.	4,57,465	-
	Mastek Systems (Malaysia) SDN BHD	76,148	91,459
Interest Expenses	Mastek Systems Company Limited	19,02,300	12,37,954
	Mastek Systems Pty Ltd	81,308	1,09,079
	Mastek Systems B.V.	81,013	1,05,674
Interest Income	Mastek Information Technology Company LLC	5,75,530	3,89,796

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Notes to the Financial Statements
For the year ended March 31, 2025

ii) Balances outstanding are as follows:

Nature of balances	Name of related party	For the year ended	
		March 31, 2025	March 31, 2024
Trade payables	Mastek Enterprise Solutions Private Limited	1,20,80,717	73,69,343
	Mastek Arabia Systems Egypt LLC	46,609	-
	Mastek Limited	1,36,818	
	Evolutionary Systems Consultancy LLC	4,500	
	Mastek Systems (Singapore) Pte Ltd	36,683	-
	Mastek Inc.	28,30,762	25,06,872
Trade Receivables	Mastek Systems Company Limited	8,549	9,294
	Mastek Limited	4,43,364	4,43,364
	Mastek Systems (Singapore) Pte Ltd	-	59,727
	Evolutionary Systems Corporation	29,136	157
	Mastek Systems Pty Ltd	1,95,957	3,33,669
	Evolutionary Systems Qatar W.L.L.	1,50,236	5,63,465
	Evolutionary Systems Consultancy LLC	2,30,42,685	1,92,24,686
	Mastek Systems Bahrain WLL	941	21,27,382
	Evosys Kuwait WLL	17,576	14,34,552
	Mastek Information Technology Company LLC	1,10,53,527	1,33,58,864
	Mastek Systems B.V.	1,12,101	-
Mastek Systems (Malaysia) SDN BHD	9,903	91,459	
Investment	Evolutionary Systems Consultancy LLC	69,54,000	69,54,000
	Mastek Systems Bahrain WLL	40,26,000	40,26,000
	Evosys Kuwait WLL	62,87,656	62,87,656
	Mastek Information Technology Company LLC	2,37,35,367	2,37,35,367
	Mastek Arabia Systems Egypt LLC	10,98,000	10,98,000
Borrowing from RPT	Mastek Systems Company Limited	4,62,24,667	4,04,27,806
	Mastek Systems Pty Ltd	-	38,28,652
	Mastek Systems B.V.	-	26,92,256
Loan to Related Party	Mastek Information Technology Company LLC	48,42,713	1,19,81,987

MASTEK ARABIA FZ-LLC

Notes to the Financial Statements For the year ended March 31, 2025

20 Cash and cash equivalent for cash flow purpose

	2025	2024
	<u>AED</u>	<u>AED</u>
Cash on hand	31,735	29,395
Bank balances in current accounts	13,66,545	24,42,363
	<u>13,98,280</u>	<u>24,71,758</u>

21 Financial instruments: Credit, Market risk and Liquidity risk exposures

The Company has exposure to the following risks from use of its financial statements

a) Credit risk

Financial assets, which potentially expose the company to concentrations of credit risk, comprise principally of trade receivables and bank balance

Trade and other receivables

There is no significant concentration of credit risk from trade receivables situated outside U.A.E. and outside the industry in which the company operates.

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as exchange rate risk, interest rate risk or other price risk, which will affect the company's income or the value of its holding of financial instruments.

Interest rate risk

Interest on loan given to / received from the related parties are at floating rates of interest. Fixed deposits are at fixed rate of interest. In absence of any other borrowings, interest rate risk is minimum.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variable held constant, of the company's profit for the year (through the impact on floating rate borrowings).

	<i>Changes in basis points</i>	<i>Sensitivity of interest expenses</i>	<i>Changes in basis points</i>	<i>Sensitivity of interest expenses</i>
	2025	2025	2024	2024
	(bps)	<u>AED</u>	(bps)	<u>AED</u>
GBP Sterling Overnight Index Average (Sonia) rate				
Loans receivable	+/- 50	+/- 24,214	+/- 50	+/- 59,910
Loans payable	+/- 50	+/- 2,31,123	+/- 50	+/- 2,34,744

There is no material impact on equity for a change in interest rate.

Exchange rate risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in U.A.E. Dirhams or US Dollars to which the U.A.E. Dirhams is fixed.

c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet financial obligations as they fall due. The liquidity requirements are monitored on a regular basis by the directors and the management who ensure that sufficient funds are made available to the company to meet any future commitments.

22 Financial instruments: Fair value

Financial instruments comprise of financial assets and financial liabilities. The fair value of the companies' financial assets comprising of accounts and other receivable, due from related parties, prepayments and bank balance and financial liabilities comprising of accounts and other payables and due to related parties that approximate to their carrying values.

MASTEK ARABIA FZ-LLC

Notes to the Financial Statements

For the year ended March 31, 2025

23 Contingent liabilities

	2025	2024
	<u>AED</u>	<u>AED</u>
Bankers' letter of guarantees (refer note a below)	95,87,817	1,01,73,388

a. The bank facilities (bond, guarentees, overdraft and import letter of credits) availed by the company from SCB is secured by -

1) A corporate guarentee of Mastek Limited, India (ultimate parent company)

2) Pledge over time and margin deposit accounts (refer note 10)

24 Taxation

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses ("Corporate Tax Law" or "the Law") to enact a Federal Corporate Tax ("CT") regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% CT rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 - Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000, and the rate of 0% will apply on qualifying income of qualifying free zone entities.

The company's first corporate tax period is from 1st January 2024 to March'25.

a) Analysis of tax charge in the year

	2025	2024
	<u>AED</u>	<u>AED</u>
Current tax:		
Income tax for the year	-	-
Withholding tax write off	-	-
Adjustment in respect of prior year	-	-
	<hr/>	<hr/>
Deferred tax		
Origination and reversal of timing differences/ Tax losses	(3,16,107)	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	(3,16,107)	-

b) Factors affecting the tax charge for the year

	2025	2024
	<u>AED</u>	<u>AED</u>
Loss before tax	(36,35,264)	NA
Effects of:		
Expenses not deductible for tax purposes	1,22,948	NA
Taxable profit	-35,12,316	NA
Total current tax charge for the year at 9% (2024:Nil)	-3,16,107	NA

(c) The movement in deferred income tax assets and (liabilities) for the year ended March 31, 2025 is as follows:

	Carrying value as at 2024	Changes through profit and loss	Carrying value as at 2025
Allowance for expected credit loss	-	-	-
Others	-	(3,16,107)	(3,16,107)
Total	<hr/>	<hr/>	<hr/>
	-	(3,16,107)	(3,16,107)

25 Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary to conform to the presentation adopted in the current year.