

Mastek (UK) Limited
Annual Report for the year ended 31 March 2020

Registered Number 02731277

Mastek (UK) Limited

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Company Information

Directors

J Owen (resigned on 18 January 2021)

P Koti (resigned on 14 August 2020)

K Bogg (resigned on 1 October 2019)

D Badman (appointed w.e.f 1 April 2019)

L Cameron-Peck (appointed on 11 October 2019 and resigned on 24 March 2020)

S Sandilya (appointed 20 November 2019)

A Singh (appointed w.e.f. 14 May 2020)

Secretary

S Agarwal – Company Secretary

Auditors

Grant Thornton UK LLP

110 Queen Street

Glasgow

G1 3BX

Bankers

Lloyds Bank

PO Box 112, Canons House,

Canons Way, Bristol

BS99 7LB, UK

Standard Chartered Bank

5th Floor, 1 Basinghall Avenue, London

EC2V 5DD, UK

Citi Bank

33 Canada Square, London

E14 5LB, UK

Registered office

Pennant House, 2 Napier Court,

Napier Road Reading,

RG1 8BW, UK

Registered Number

02731277

Mastek (UK) Limited**Strategic report for the year ended 31 March 2020****Business Review and future developments**

The results for year ended 31 March 2020 and the financial position of the Company are shown in the financial statements.

The Company is a leading IT player providing enterprise solutions to government, retail and financial services organizations worldwide. It has been at the forefront of technology and has made significant investments in building capability, increasing IT value generation to its customers. We deliver these services using Agile and DevOps methodologies, and where applicable through a right-shore model. We assist our customers in solving their complex, mission critical business problems with innovative solutions that sustain and grow their business. The company is organised around 6 service lines to build a core capability in each of the significant transformational areas.

On a like for like basis, the financial results have marginal decline in revenue of -0.45% in comparison with the prior year. We have also been able to manage costs and therefore overall profitability has improved.

The acquisition of Evosys has significantly extended Mastek's global customer reach in digital cloud services and Oracle Software-as-a-Service build and run services. This is entirely complementary with Mastek Digital services, enabling significant co-sell and cross-sell opportunities across our global customers and industry sectors. The integration of the businesses is well underway with coherent strategy and seamless working together across all functions of the aggregated business.

Our business continues to be focussed on government, retail and financial sectors. In particular the government and retails sectors demonstrated significant growth. Our government business runs mainly off the G-Cloud and DOS2 frameworks. To improve our coverage in the retail sector, we now offer services in Digital Commerce to assist clients to establish a digital presence which is increasingly an imperative. To enable further growth, we will continue our investment in sales and marketing in all the three sectors to step up our growth activities.

Key Performance Indicators

KPI	2020	2019
Turnover increase/ (decrease)	-0.45%	34.37%
Operating profit margin	14.19%	14.51%
Staff Turnover ratio	12.19%	13.80%
Client Satisfaction	84.00%	92.21%

Principal Risks and Uncertainties

The principal risks are as follows:

- Cost pressures impacting our clients' ability to further invest in IT solutions. The Company has operational improvement and Cost Containment Initiatives to provide IT solutions in a cost efficient manner. It further has the benefit of being very well entrenched with many of its customers, involved in their critical and strategic initiatives. Therefore, client related risks are mitigated to an extent.
- Potential risk of delays and change in policy direction due to Brexit can impact the growth in the government sector. The company is strengthening its presence by pursuing a strategic account approach. Further the Company is extending its reach into wider vertical markets and is increasing its annuity business.
- The company's contract and expenses are mainly in the United Kingdom with transactions in Sterling Pound resulting in foreign currency exposure to minimum.
- The Company has assessed the impact of Covid-19 Pandemic on its operations as well as financial reporting process, including but not limited to the areas of financial controls, credit risk, impairment of financial and non-financial assets, and Cyber security pertaining to the remote access of information for the year ended March 31, 2020 and up to the date of approval of financial statements. While assessing the impact, Company has considered all internal and external sources of information like industry reports, economic forecast, credit reports and company's business forecast basis the global economic consensus. Company expects to recover the carrying amount of its assets. Further, there have been no material impact on the business, in fact the pandemic opens up the new opportunities for IT businesses as the perspective of the economy is shifting towards digitalisation. Also there have been no material changes in the financial reporting process followed by the company because of the pandemic. The impact of COVID-19 may be different from that estimated as on the date of approval of these financial statements. However, the Management and Director's are confident that the company will be able to remain operational throughout the pandemic and in foreseeable future and they will continue to closely monitor any material changes to the business due to future economic conditions.
- There is no significant adjusting or non adjusting event occurred between 31 March 2020 and the date of approval of the financial statements except that the director named J Owen resigned from his position on 18 January 2021.

Approved on behalf of the Board

Dennis Badman

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D Badman – Director

Date of Approval : 10/3/2021

Mastek (UK) Limited

Directors' Report for the year ended 31 March 2020

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2020

Company Registration Number

The company is registered in England and Wales under company number 02731277.

Business Review and Future Developments

A review of the business and future developments of the company is included in the strategic report.

Results and Dividends

The company's profit for the financial year was £ 10,513,940 (2019: £7,295,257).

The Directors recommended the payment of final and interim dividend of £ 3,450,000 (2019: £ 1,950,000).

Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, among other matters, to: the likely consequences of any decision in the long-term; the interests of the Company's employees; the need to foster the Company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the Company.

The directors give careful consideration to the factors set out above in discharging their duties under section 172. The stakeholders we consider in this regard are our staff, our customers, our shareholders and our communities. The Board recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values and operate the business in a sustainable way.

Stakeholder engagement

The Board is committed to effective engagement with all of its stakeholders. Depending on the nature of the issue in question, the relevance of each stakeholder group may differ and, as such, as part of its engagement with stakeholders, the Board seeks to understand the relative interests and priorities of each group and to have regard to these, as appropriate, in its decision making. However, the Board acknowledges that not every decision it makes will necessarily result in a positive outcome for all stakeholders.

The Board regularly receives reports from management on issues concerning customers, the environment, communities, suppliers, employees, regulators, governments and investors, which it takes into account in its discussions and in its decision-making process under section 172.

In addition to this, the Board seeks to understand the interests and views of the Group's stakeholders by engaging with them directly as appropriate. Some of the ways in which the Board has engaged directly with stakeholders over the year are set out below.

Customers: In addition to the Board receiving updates from senior management on the Group's interaction with customers, members of the Board will meet with customers.

Employees: In addition to the Board receiving updates from senior management on various metrics and feedback tools in relation to employees, members of the Board engage with the Group's employees in a variety of ways. These include office visits, regular All-hands meetings, and presentations from staff across the business as well as informal interaction.

Financial Risk Management

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the company. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company, the directors have not delegated responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Credit Risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

Liquidity Risk

Given the size of the company, the directors have not delegated responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Interest Rate Cash Flow Risk

The company has interest bearing assets and liabilities. Interest bearing assets are only cash balances, all of which earn interest at variable rates and interest bearing liabilities are term loan from Standard Chartered Bank, with payment term of half yearly eight equal instalments with 1 year moratorium (first repayment at the end of 18 months due on 14th April 2020) along with interest at 6 months GBP LIBOR + 150 basis point and SCLB facility from CITI Bank, with payment term of half yearly eight equal instalments with 1 year moratorium (first repayment at the beginning of 19 months due on 10th October 2021) along with interest at 1 months GBP LIBOR + 190 basis point.

Directors

The Directors who held office during the year under review and to the date of this report were:

J Owen (resigned on 18 January 2021)

P Koti (resigned on 14 August 2020)

K Bogg (resigned on 1 October 2019)

D Badman (appointed w.e.f 1 April 2019)

L Cameron-Peck (appointed on 11 October 2019 and resigned on 24 March 2020)

S Sandilya (appointed 20 November 2019)

A Singh (appointed w.e.f. 14 May 2020)

S Agarwal – Company Secretary

Directors' indemnities and insurance

Mastek UK Ltd has purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself and its directors and officers under Global policy coverage obtained by its parent Company Mastek Limited in India.

At the date of this Directors' and Corporate Governance Report, indemnities are in force under which Insurance Company under the directors' and officers' policy, has agreed to indemnify the directors and the officers to the extent covered /permitted by law in respect of losses arising in their capacity as director or officer of any member of Mastek UK Limited.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through the house newspaper and newsletters, satisfaction surveys, briefing groups and the distribution of the annual report.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Approved on behalf of the Board

Dennis Badman

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D Badman – Director

Date of Approval : 10/3/2021

Independent auditor's report to the members of Mastek (UK) Limited

Opinion

We have audited the financial statements of Mastek (UK) Limited (the 'company') for the year ended 31 March 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view,

and for such internal control as the directors determine 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, the directors are 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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Lynne Bicket
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
Date: 11/3/2021

Mastek (UK) Limited**Statement of comprehensive income for the year ended 31 March 2020**

	Notes	2020 £	2019 £
Turnover	1	83,056,056	83,433,868
Cost of Sales		<u>(60,998,562)</u>	<u>(60,160,062)</u>
Gross Profit		22,057,494	23,273,806
Administration Expense		<u>(10,274,284)</u>	<u>(11,166,589)</u>
Operating profit	3	11,783,210	12,107,217
Interest received and similar income	5	1,313,571	80,029
Impairment loss on goodwill	7(c)	<u>-</u>	<u>(2,665,486)</u>
Profit on ordinary activities before taxation		13,096,781	9,521,760
Tax on profit on ordinary activities	6	<u>(2,582,841)</u>	<u>(2,226,503)</u>
Profit for the financial year		10,513,940	7,295,257
Other Comprehensive income for the year			
Items that may be reclassified subsequently to the statement of comprehensive income			
Investment in equity instrument - Net change in fair value of financial instruments through OCI		116,226	9,140,706
Total other comprehensive income		<u>116,226</u>	<u>9,140,706</u>
Total comprehensive income for the year		10,630,166	16,435,963

10/3/2021

The financial statements were approved by the Board of Directors on 10/3/2021 and were signed on its behalf by:*Dennis Badman*

D Badman - Director

Registered number: 02731277

The notes 1 to 25 form part of these financial statements.

Mastek (UK) Limited
Balance sheet as at 31 March 2020

	Notes	2020 £	2019 £
Non current assets			
Fixed assets-			
Tangible assets	7(a)	860,679	94,420
Intangible assets	7(b)	52,588	45,420
Investments	8	70,965,115	43,603,332
		<u>71,878,382</u>	<u>43,743,172</u>
Current assets			
Investments	8	8,917,169	-
Debtors	9	18,101,790	21,569,467
Loan to related parties		1,618,461	-
Cash at bank and in hand	16	9,360,165	7,702,639
		<u>37,997,585</u>	<u>29,272,106</u>
Creditors-Amounts falling due within one year	10 (b)	(25,301,919)	(13,961,584)
Lease Liability - Current	12	(217,516)	-
Net current assets		<u>12,478,150</u>	<u>15,310,522</u>
Total assets less current liabilities		<u>84,356,532</u>	<u>59,053,694</u>
Borrowings	10 (a)	(25,625,000)	(7,500,000)
Lease Liability - Non Current	12	(438,423)	-
Net assets		<u>58,293,109</u>	<u>51,553,694</u>
Capital and Reserves			
Called up share capital	13	200,000	200,000
Capital contribution		695,959	695,959
Retained earning		50,402,214	27,176,609
Reserve on IBCL Merger		(269,685)	(269,685)
Other Comprehensive Income		7,438,318	23,473,627
Excess tax benefit on share based payments		(173,697)	277,184
Total Equity		<u>58,293,109</u>	<u>51,553,694</u>

10/3/2021

The financial statements were approved by the Board of Directors on 10/3/2021 and were signed on its behalf by:

Dennis Badman

D Badman - Director

Registered number: 02731277

The notes 1 to 25 form part of these financial statements.

Mastek (UK) Limited**Statement of changes in equity for the year ended 31 March 2020**

	Called up Share capital	Capital contribution	Excess tax benefits on share based payments	OCI - Fair value of Investment in Majesco USA	Reserve on IBCL Merger	Retained Earning	Total
Balance as at March 31, 2018	200,000	695,959	394,024	14,332,921	-	21,788,864	37,411,768
Profit for the financial year	-	-	-	-	-	7,295,257	7,295,257
Net change in fair value of investments in Majesco USA	-	-	-	9,140,706	-	-	9,140,706
Reserve on IBCL Merger	-	-	-	-	(269,685)	-	(269,685)
ESOP Adjustment	-	-	-	-	-	42,488	42,488
Total comprehensive income for the year	-	-	-	9,140,706	(269,685)	7,337,745	16,208,766
Excess tax benefits on share based options	-	-	(116,840)	-	-	-	(116,840)
	-	-	(116,840)	9,140,706	(269,685)	7,337,745	16,091,926
Transactions with owners, recognised directly in equity							
Dividends	-	-	-	-	-	(1,950,000)	(1,950,000)
Total transactions with owners, recognised directly in equity	-	-	-	-	-	(1,950,000)	(1,950,000)
Balance as at 31 March 2019	200,000	695,959	277,184	23,473,627	(269,685)	27,176,609	51,553,694
Profit for the financial year	-	-	-	-	-	10,513,940	10,513,940
Net change in fair value of available for sale assets	-	-	-	116,226	-	-	116,226
Amount Transferred to Retained earnings	-	-	-	(16,151,535)	-	16,151,535	-
Reserve on IBCL Merger	-	-	-	-	-	-	-
ESOP Adjustment	-	-	-	-	-	10,130	10,130
Total comprehensive income for the year	-	-	-	(16,035,309)	-	26,675,605	10,640,296
Excess tax benefits on share based options	-	-	(450,881)	-	-	-	(450,881)
	-	-	(450,881)	(16,035,309)	-	26,675,605	10,189,415
Transactions with owners, recognised directly in equity							
Amount Transferred to Retained earnings	-	-	-	-	-	(3,450,000)	(3,450,000)
Dividends	-	-	-	-	-	(3,450,000)	(3,450,000)
Total transactions with owners, recognised directly in equity	-	-	-	-	-	(3,450,000)	(3,450,000)
Balance as at 31 March 2020	200,000	695,959	(173,697)	7,438,318	(269,685)	50,402,214	58,293,109

Cash flow statement for the year ended 31 March 2020

	Notes	2020 £	2019 £
Net cash generated from operating activities	14	17,943,455	7,975,719
Taxation paid		(3,670,685)	(2,030,593)
Cash flow from financing activities	15	24,191,148	5,422,797
Cash flow from investing activities	15	(38,020,030)	(9,882,514)
Increase in cash in the year		443,888	1,485,410
Cash and cash equivalents at the beginning of the year	16	7,702,639	6,185,830
Exchange gain on cash and cash equivalent		1,213,638	31,400
Cash and cash equivalents at the end of the year		9,360,165	7,702,639

The notes 1 to 25 form part of these financial statements.

Mastek (UK) Limited**Notes to the financial statements for the year ended 31 March 2020****1. Accounting Policies**

Mastek (UK) Limited is a private limited company and is incorporated and domiciled in the UK. The address of its registered office is Pennant House, 2 Napier Court, Napier Road, Reading, RG1 8BW.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The Company's ultimate parent undertaking, Mastek Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Mastek Limited are publicly available from its registered office, 804/805 President House, C.N. Vidyalaya, Near Ambawadi Circle, Ahmedabad – 380 006. Therefore the company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 7, 'Financial Instruments: Disclosures';
- Comparative information requirements in respect of tangible assets and investments;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- The requirements to disclose related party transactions entered into between two or more members of a Company, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- Capital management disclosure
- Certain share based payment disclosure
- Disclosures in relation to impairment of assets

Foreign currency transactions of the Company are accounted for at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities are translated at the rate prevailing on the Balance Sheet date whereas non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Gains and losses resulting from the settlement of foreign currency monetary items and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

Accounting convention

These financial statements are prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. All amounts included in the financial statements are reported in Great Britain Pound (GBP) except shares and unless otherwise stated.

Going concern

The company meets its day-to-day working capital requirements through its cash reserves and borrowings. The current economic conditions due to global pandemic (Covid-19) continue to create uncertainty particularly over the level of demand for the company's products. The company's management have considered the impact of global pandemic (Covid-19) and have reviewed the forecasts and projections of the company for future years after taking into consideration the reasonably possible changes in trading performance, show that the future business has no impact due to pandemic and the company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Turnover

The Company derives revenue primarily from Information Technology services which includes IT Outsourcing services, support and maintenance services. The Company recognizes revenue on transfer of control of deliverables (solutions and services) to its customers in an amount reflecting the consideration to which the Company expects to be entitled. To recognize revenues, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied.

The company accounts for a contract when it has approval and commitment from all parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Fixed Price contracts related to Application development, consulting and other services are single performance obligation or a stand-ready performance obligation, which in either case is comprised of a series of distinct services that are substantially the same and have the same pattern of transfer to the customer (i.e. distinct days or months of service). Revenue is recognized in accordance with the method prescribed for measuring progress i.e. percentage of completion method. Percentage of completion is determined based on project costs incurred to date as a percentage of total estimated project costs required to complete the project. The cost expended (or input) method has been used to measure progress towards completion as there is a direct relationship between input and productivity. Revenues relating to time and material contracts are recognized as the related services are rendered.

Multiple element arrangements-

In contracts with multiple performance obligations, the company accounts for individual performance obligations separately if they are distinct, and allocate the transaction price to each performance obligation based on its relative standalone selling price out of total consideration of the contract. Standalone selling price is determined utilizing observable prices to the extent available. If the standalone selling price for a performance obligation is not directly observable, the company uses expected cost plus margin approach.

Mastek (UK) Limited**Notes to the financial statements for the year ended 31 March 2020****IT support and maintenance-**

Contracts related to maintenance and support services are either fixed price or time and material. In these contracts, the performance obligations are satisfied, and revenues are recognized, over time as the services are provided. Revenue from maintenance contracts is recognized rateably over the period of the contract because the company transfers the control evenly by providing stand-ready services.

The term of the maintenance contract is usually one year. Renewals of maintenance contracts create new performance obligations that are satisfied over the term with the revenues recognized rateably over the term.

Contracts may include incentives, service level penalties and rewards. The company includes an estimate of the amount it expects to receive for the total transaction price if it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved.

Any modification or change in existing performance obligations is assessed whether the services added to existing contracts are distinct or not. The distinct services are accounted for as a new contract and services which are not distinct are accounted for on a cumulative catch-up basis.

Unbilled revenue represent revenue recognised on services rendered as per contractual terms, for which amounts are billed in subsequent periods.

Trade Receivables

Trade Receivables, net is primarily comprised of billed and unbilled receivables (i.e. only the passage of time is required before payment is due) for which we have an unconditional right to consideration, net of an allowance for doubtful accounts. A contract asset is a right to consideration that is conditional upon factors other than the passage of time.

The company has evaluated the impact of COVID-19 resulting from (i) the possibility of constraints to render services which may require revision of estimated costs to complete the contract because of additional efforts; (ii) onerous obligations; (iii) penalties relating to breaches of service-level agreements, and (iv) termination or deferment of contracts by customers. The company has concluded that the impact of COVID-19 is not material based on these estimates. Due to the nature of the pandemic, the company will continue to monitor developments to identify significant uncertainties relating to revenue in future periods.

Disaggregated Revenue

The table below presents disaggregated revenues from contracts with customers by service line for each of our business segments. Company believe this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors.

	2020	2019
	£	£
Agile Consulting	1,309,963	2,331,964
Application Development	48,303,541	50,129,580
Application Support & Maintenance	18,934,400	16,049,400
Assurance & Testing	4,006,659	4,445,760
BI & Analytics	9,066,985	9,220,492
Grand Total	81,621,548	82,177,196

Note: Total turnover includes other income of £ 1,434,508 for the year ended March 31, 2020 (March 31, 2019: £1,256,672)

Remaining performance obligation

As of March 31, 2020, the aggregate amount of transaction price allocated to remaining performance obligations, was £ 6,909,101, which is expected to be recognized as revenues within 3 years.

Other Income

Other income comprises interest income, research and development credits, gains / (losses) on foreign exchange.

Tangible fixed assets

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation. Depreciation is provided at the following annual rates in order to write off the cost of each asset less the estimated residual value, over its estimated useful life.

Fixtures and fittings	20% on straight-line basis
Computer equipment	50% - 100% on straight-line basis

Long term contracts

Debtors include amounts recoverable on contracts, which are stated at cost plus attributable profit to the extent that such profit is reasonably certain and after making provision for any foreseeable losses in completing contracts (as noted in the turnover accounting policy above), less payments received on account.

Cost comprises the direct costs of providing the goods and services, together with directly attributable overheads. Payments on account represent the excess of amounts billed over that recognised.

Mastek (UK) Limited**Notes to the financial statements for the year ended 31 March 2020****Deferred and Current Tax**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Share Based Payment

The parent company (Mastek Limited) runs a stock option scheme under which it grants options to the employees of the subsidiary company (Mastek UK Limited). Stock options are vested over the period of time as stated in the terms of the option. Once vested, employees are entitled to receive shares of the parents at the time of exercise of options. The scheme is identified as Equity settled and the parent determines the compensation cost based on the fair value method which is cross charged to Mastek UK Limited. The company records the fair value as a cost to profit & loss with a corresponding adjustment to capital contribution. However, since the parent recharge the fair value to the company, the corresponding amount is reduced from the capital contribution resulting in a net nil impact to capital contribution.

Leases

The company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported same as before.

As a lessee

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right of Use assets

The company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right-of-use assets are also subject to impairment. Refer to the accounting policies note for impairment of non-financial assets.

ii. Lease liabilities

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The company's lease liabilities are included in Interest-bearing loans and borrowings.

iii) Short-term leases and leases of low-value assets

The company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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). It also applies the lease of low-value assets recognition exemption to leases of laptops, lease-lines and office furniture and equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Creditors

Creditors are measured at transaction price which is usually the invoice price.

Mastek (UK) Limited**Notes to the financial statements for the year ended 31 March 2020****Provisions**

Provisions are recognised when the company has a present obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation.

Holiday pay

The employees of the company are also entitled to other long-term benefit in the form of compensated absences as per the policy of the Company. Employees are entitled to accumulate leave balance up to the upper limit as per the Company's policies which can be carried forward perpetually. Leave encashment for employees gets triggered on an annual basis, if the accumulated leave balance exceeds the upper limit of leave. Further, at the time of retirement, death while in employment or on termination of employment, leave encashment vests equivalent to the salary payable for number of days of accumulated leave balance. Liability for such benefits is provided on the basis of actuarial valuations, as at the Balance Sheet date, carried out by an independent actuary. The actuarial valuation method used by independent actuary for measuring the liability is the projected unit credit method.

Research & Development credit

Research and Development credit is recognised only to the extent there is reasonable assurance that the related conditions will be met and amounts will be received.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged to the statement of comprehensive income.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors:

The company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments

The company does not use any derivative financial instruments and hence its financial assets and financial liabilities are accounted for at cost as described above. The company's principal assets are trade debtors. The company monitors credit risk closely by setting payment milestones agreed in the contract and invoicing regularly to receive payments. Historically, the credit risk of the company has remained low.

Consolidated financial statements

The accounts contain information about the company as an individual company and do not contain consolidated financial information as parent of a Company. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated accounts as it and its subsidiary undertakings are included by full consolidation in the consolidated accounts of Mastek Limited, a company registered in India. The accounts of Mastek Limited are publicly available.

Investments

The investments are recognized at fair value on initial recognition and subsequently they are measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Further, in cases where the Company has made an irrevocable election based on its business model, for its investment, which are classified as equity instruments, the subsequent changes in fair value are recognised in OCI.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and current account with banks.

Mastek (UK) Limited

Notes to the financial statements for the year ended 31 March 2020

Impairment

Non Financial Instrument

Intangible assets and property, plant and equipment are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit to which the asset belongs.

If such assets are considered to be impaired, the impairment to be recognized in the Statement of Comprehensive Income measured by the amount by which the carrying value of the assets exceeds the estimated recoverable amount of the asset. An impairment loss is reversed in the statement of Comprehensive Income if there has been a change in the estimates used to determine the recoverable amount. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognised for the asset in prior years.

Capital Management

The Company policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The company monitors the return on capital as well as the level of dividends on its equity shares. The company objective when managing capital is to maintain an optimal structure so as to maximize shareholder value.

Reserves

Share premium: Amount received (on issue of shares) in excess of the par value has been classified as share premium.

Retained earnings: Retained earnings is the amount of net income left over for the business after it has paid out dividends to its shareholders.

Reserve on IBCL merger - This represents the reserve created at the time of IBCL merger.

Other Comprehensive Income: Net change in fair value of financial instruments through OCI.

Excess tax benefits from share-based options: Future tax benefits expected to arise from difference in tax base and accounting base as per tax laws of the respective countries where the company operates.

Capital contribution: Represents the credit for research & development received in the fiscal year 2015 & 2016, post that there is no movement in this reserve.

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Mastek (UK) Limited**Notes to the financial statements for the year ended 31 March 2020****2. Staff costs**

	2020	2019
	£	£
Wages and salaries	24,476,708	25,417,127
Social security costs	2,380,350	2,471,705
Other pension costs	376,988	297,336
	<u>27,234,046</u>	<u>28,186,168</u>

The average monthly number of employees during the year was as follows:

	2020 Number	2019 Number
Administrative and consultants	480	468
Directors	4	4
	<u>484</u>	<u>472</u>

3. Operating Profit

	2020	2019
	£	£
The operating profit is stated after charging:		
Other operating leases	167,562	266,823
Depreciation	372,820	125,461
Services provided by the Company's Auditor		
- fees payable for the audit	38,500	27,500
- fees payable for other non audit services	5,000	-

4. Director's emoluments

	2020	2019
	£	£
Aggregate emoluments	1,187,089	899,238
Pension contributions to money purchase scheme	43,491	58,272
	<u>1,230,580</u>	<u>957,510</u>

The number of Directors to whom retirement benefits were accruing was as follows:

	Number	Number
Money purchase schemes	4	4

Within the year, one director exercised share option of 10,010 shares(2019 - Nil).

Information regarding the highest paid Director is as follows:

	£	£
Aggregate emoluments	501,729	445,753
Pension contributions to money purchase schemes	28,375	31,094
	<u>530,104</u>	<u>476,847</u>

During both current and prior years, the highest paid Director did not exercise share options.

5. Interest receivable and similar income

	2020	2019
	£	£
Bank interest	99,933	41,170
Interest on loan to subsidiary	-	7,459
Exchange gain	1,213,638	31,400
	<u>1,313,571</u>	<u>80,029</u>

6. Taxation

a) Analysis of tax charge in the year

	2020	2019
	£	£
Current tax:		
UK corporation tax on profit for the year	2,593,858	2,406,935
Adjustment in respect of prior year	41,175	-
	<u>2,635,033</u>	<u>2,406,935</u>
Deferred tax		
Origination and reversal of timing differences	17,947	1,119
Share based payments	(70,139)	(181,551)
Tax on profit on ordinary activities	<u>2,582,841</u>	<u>2,226,503</u>

Mastek (UK) Limited**Notes to the financial statements for the year ended 31 March 2020**

b) Factors affecting the tax charge for the year

The tax assessed for the year is different to the standard rate of UK Corporation tax of 19% (2019: 19%) and the differences are explained below:

	2020	2019
	£	£
Profit on ordinary activities before tax	13,096,781	9,521,760
Tax charge on profit at 19% (2019: 19%)	2,488,388	1,809,134
Effects of:		
Expenses not deductible for tax purposes	15,614	524,671
Capital allowances for period in excess of depreciation	(34,814)	(9,201)
Adjustments to tax charge in respect of share options outstanding	54,531	(99,220)
Adjustment in respect of prior year	41,175	
Deferred tax credit	17,947	1,119
Total current tax charge for the year	<u>2,582,841</u>	<u>2,226,503</u>

c) Factors that may affect future charges:

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2015 and Finance Bill 2017 on 7 September 2017. These include reductions to the main rate to reduce the rate to 19% from 1 April 2018 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

7(a). Tangible fixed assets

2019-2020	Right to use			Total
	Assets	Fixtures and fitting	Computer equipment	
		£	£	£
Cost				
At 1 April 2019	-	245,937	332,357	578,294
Opening ROU on account of transition to IFRS 16	413,689	-	-	413,689
Additions/(Deletion)	393,782	172,895	81,516	648,193
At 31 March 2020	807,471	418,832	413,873	1,640,176

Depreciation

At 1 April 2019	-	203,032	280,842	483,874
Charge for the year	201,649	38,766	55,208	295,623
At 31 March 2020	201,649	241,798	336,050	779,497

Net book value

At 31 March 2020	605,822	177,034	77,823	860,679
At 31 March 2019	-	42,905	51,515	94,420

2018-2019

	Fixtures and fitting	Computer equipment	Total
	£	£	£
Cost			
At 1 April 2018	249,645	382,230	631,875
Additions/(Deletion)	21,055	46,004	67,059
Transfer from IBCL, net	2,558	9,994	12,552
Retirements	(27,321)	(105,871)	(133,192)
At 31 March 2019	245,937	332,357	578,294

Depreciation

At 1 April 2018	214,751	320,383	535,134
Charge for the year	15,599	65,965	81,564
Deletion	(27,318)	(105,506)	(132,824)
At 31 March 2019	203,032	280,842	483,874

Net book value

At 31 March 2019	42,905	51,515	94,420
At 31 March 2018	34,894	61,847	96,741

Mastek (UK) Limited**Notes to the financial statements for the year ended 31 March 2020****7(b). Intangible fixed assets****2019-2020**

	Design and Software £	Total £
Cost		
At 1 April 2019	169,571	169,571
Additions/(Deletion)	84,365	84,365
At 31 March 2020	253,936	253,936

Depreciation

At 1 April 2019	124,151	124,151
Charge for the year	77,197	77,197
At 31 March 2020	201,348	201,348

Net book value

At 31 March 2020	52,588	52,588
At 31 March 2019	45,420	45,420

2018-2019

	Design and Software £	Total £
Cost		
At 1 April 2018	80,254	80,254
Additions/(Deletion)	89,317	89,317
At 31 March 2019	169,571	169,571

Depreciation

At 1 April 2018	80,254	80,254
Charge for the year	43,897	43,897
At 31 March 2019	124,151	124,151

Net book value

At 31 March 2019	45,420	45,420
At 31 March 2018	-	-

7(c). Intangible assets - Goodwill

	2020 £	2019 £
Carrying value at the beginning	-	-
Add: IndigoBlue Merger -	-	2,665,486
Less: IndigoBlue Impairment - (Refer note below)	-	(2,665,486)
Carrying value at the end	-	-

Impairment loss on goodwill

The Company entered into an agreement with its wholly owned subsidiary IndigoBlue Consulting Limited U.K. ("IBCL") to merge (transfer of business, employees, assets and liabilities) IBCL into Mastek (UK) Limited with effect from June 30, 2018. Subsequent to merger, both the founders of IBCL left the company, which resulted in significant deterioration in IBCL business during the fourth quarter of financial year 2019. Considering the significant drop in order book and customers, management has recognised an impairment loss on IBCL goodwill to the extent of the entire carrying value i.e. £2,665,486.

Also, on account of IBCL merger the Company has taken over net assets of £20,788 and recognised merger reserve £269,685.

8. Investments

Cost:	Current (£)	Non-current (£)
At 1 April 2019	27,170,309	16,433,023
Addition in Mastek Arabia FZ LLC	-	54,532,092
Sales of Investment in Majesco mastek	(18,369,366)	-
Revaluation of Majesco Investment	116,226	-
At 31 March 2020	8,917,169	70,965,115

Directly held investments	Country of incorporation	At 31 March 2020		At 31 March 2019	
		Holding %	NBV £	Holding %	NBV £
MajescoMastek	USA	5.5%	8,917,169	13.8%	27,170,309
Mastek Inc. (formally known as Digility Inc.)	USA	100%	16,412,235	100%	16,412,235
Mastek Arabia FZ LLC	UAE	100%	54,532,092	0%	-
IndigoBlue Consulting Limited	UK	100%	20,788	100%	20,788

Mastek (UK) Limited**Notes to the financial statements for the year ended 31 March 2020**

	Country of incorporation	At 31 March 2020		At 31 March 2019	
		Holding %	NBV £	Holding %	NBV £
Indirectly held investments					
Trans American Information Systems Inc.**	USA	100%	\$ 16,199,441	100%	\$ 16,199,441

Additions represent £54,532,092 in relation to share capital of Mastek Arabia FZ LLC.

** TaisTech LLC is merged with Trans American Information Systems Inc with effect from January 31, 2020

9. Debtors: amounts falling due within one year

	2020	2019
	£	£
Trade debtors	15,067,761	18,103,120
Amounts due from group undertakings	6,110	19,135
Prepayments	202,409	246,829
Deferred Taxation (Refer Note 11)	120,522	519,211
Contract Assets	2,704,988	2,681,172
	18,101,790	21,569,467

10(a). Borrowings

	2020	2019
	£	£
Term loan from Standard Chartered Bank (Refer note below)	5,625,000	7,500,000
Term loan from Citi Bank (Refer note below)	20,000,000	-
	25,625,000	7,500,000

Standard Chartered Bank**Nature of security**

- (i) Secured by floating charges on Receivables of Mastek UK and their proceeds.
- (ii) Secured by mortgage of Pune (India) property of Mastek Limited (Holding Company).
- (iii) Secured by corporate guarantee of GBP 17 million given by Mastek Limited (Holding Company).

Terms of repayment

Half yearly repayment of eight equal instalments with 1 year moratorium-first repayment at the end of 18 months due on 14th April, 2020 along with interest at 6 months GBP LIBOR + 150 basis point.

Citi Bank**Nature of security**

- (i) First pari passu charges on present and future receivables of Mastek Limited.
- (ii) Secured by mortgage of Tamil Nadu (India) property of Mastek Limited (Holding Company).
- (iii) Secured by minimum collateral value of INR 1000 MM excluding the charge on receivable mentioned above.
- (iv) First pari passu charges on present and future receivables of Mastek UK.

Terms of repayment

Half yearly repayment with 1 year moratorium-first drawdown at the beginning of 19 months due on 10th Oct, 2021 along with interest as mentioned Loan wise below:

- Loan 1 - £ 20 Million along with the interest at 1 month LIBOR + 190 basis points
- Loan 2 - £ 6.5 Million along with the interest at 1 month LIBOR + 190 basis points
- Loan 3 - £ 1.5 Million along with the interest at 1 month LIBOR + 190 basis points

10(b). Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	2,703,580	742,491
Amounts due to group undertakings	2,562,750	3,110,497
Social security and other taxes	3,052,147	3,163,929
Corporation taxation	298,598	1,386,443
Term loan from Standard Chartered Bank	1,875,000	-
Term loan from Citi Bank	8,000,000	-
Accruals and contract liabilities	6,809,844	5,558,224
	25,301,919	13,961,584

Mastek (UK) Limited
Notes to the financial statements for the year ended 31 March 2020

11. Deferred taxation

The full assets for deferred tax has been recognised in the accounts as follows:

	£
At 1 April 2019	519,211
Credited to the profit and loss account	52,192
Tax benefit from share based payments (including transfer from IBCL)	<u>(450,881)</u>
At 31 March 2020	<u>120,522</u>

	2020	2019
	£	£
The deferred taxation assets comprises:		
Accelerated capital allowances	(28,392)	(10,446)
Tax benefit from share based payments	148,914	529,657
At 31 March 2020	<u>120,522</u>	<u>519,211</u>

12. Obligations under leasing agreements

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

i) Below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings	2020
	£	£
As at 1 April 2019	413,689	413,689
Additions	393,782	393,782
Depreciation expenses	201,649	201,649
As at 31 March 2020	<u>605,822</u>	<u>605,822</u>

ii) Below is the reconciliation of lease liabilities on transition to IFRS 16:

	£
Opening operating lease liability as on 31 March 2019	592,696
Less: Leases included in opening lease liability to which IFRS 16 is not applicable*	(152,938)
Less: Impact of discounting on opening lease liability	<u>(26,069)</u>
Lease liability recognised as at 1 April 2019	<u>413,689</u>

* Includes short term leases which are of period less than 12 months and service charges.

iii) Below are the carrying amounts of lease liabilities and the movements during the period:

	2020
	£
As at 1 April 2019	413,689
Additions	393,782
Accretion of interest	24,985
Payments	<u>176,517</u>
As at 31 March 2020	<u>655,939</u>
Current	217,516
Non-current	438,423

Maturity analysis of lease liability :

The contractual maturity analysis of lease liabilities are disclosed herein on an undiscounted basis-

	2020	2019
	£	£
Less than one year	233,889	228,011
More than 1 Year but less than 5 years	486,122	364,685
More than 5 years	-	-
	<u>720,011</u>	<u>592,696</u>

iv) The following are the amounts recognised in statement of profit or loss:

	2020
	£
Depreciation expense for right-of-use assets	201,649
Finance expense on lease liabilities	24,985
Expense relating to short-term, low value and variable leases	<u>167,562</u>
Total amount recognised in profit or loss	<u>394,196</u>

Mastek (UK) Limited**Notes to the financial statements for the year ended 31 March 2020****13. Called up share capital**

Authorized			2020	2019
Number	Class	Nominal value	£	£
1,000,000	Ordinary	£ 1	1,000,000	1,000,000
Allotted, issued and fully paid:			2020	2019
Number	Class		£	£
200,000	Ordinary	£ 1	200,000	200,000

14. Reconciliation of operating profit to operating cash flows:-

	2020	2019
	£	£
Operating profit	11,783,210	12,107,217
Depreciation and amortisation expense	372,820	125,461
Exchange loss/(gain)	-	(31,400)
Decrease/(increase) in debtors	3,016,795	(5,190,875)
Add- Finance cost	196,310	212,106
Add- Leases finance cost IFRS 16	24,985	-
Increase/(decrease) in creditors	2,549,335	753,210
Net cash inflow from operating activities	17,943,455	7,975,719

15. Analysis of cash flows for headings netted in the cash flow statement**Cash flows from investing activities**

Purchase of fixed assets net of right to use assets	(338,776)	(156,375)
Investment in IndigoBlue Consulting Ltd net off cash on IBCL merger	-	140,260
Investment in Mastek Arabia FZ LLC	(54,532,092)	(9,915,028)
Proceeds from sale of stake in Majesco US	18,369,366	-
Loan to Mastek Inc.	(1,618,461)	-
Interest received	99,933	48,629
Net cash outflow from investing activities	(38,020,030)	(9,882,514)

Cash flows from financing activities

Dividends paid to ordinary shareholders	(3,450,000)	(1,950,000)
Proceeds from borrowings	28,000,000	7,500,000
Lease payment as per IFRS 16	(176,517)	-
Finance cost	(182,335)	(127,203)
Net cash outflow from financing activities	24,191,148	5,422,797

16. Analysis of change in net funds

	2019	Reclassified from non current to current	Cash flow	Exchange gain on cash and cash equivalent	2020
	£	£	£	£	£
Net cash:					
Cash at bank and in hand	7,702,639	-	443,888	1,213,638	9,360,165
Short term debt*	-	1,875,000	8,000,000	-	9,875,000
Total	7,702,639	1,875,000	8,443,888	1,213,638	19,235,165

* The above debt is contained within creditors less than one year.

Analysed in Balance Sheet-

Cash at bank and in hand	7,702,639	9,360,165
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17. Ultimate parent company

The holding company and ultimate parent of Mastek (UK) Limited is Mastek Limited, a company registered in India. The consolidated financial statements of Mastek Limited can be obtained from Mastek Limited, 804/805 President House, C.N. Vidyalaya, Near Ambawadi Circle, Ahmedabad - 380 006, India.

18. Pension commitment

During the year the Company paid contributions to a defined contribution pension scheme for its Directors and staff. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £ 376,988 (2019: £ 297,336).

An amount of £ 88,997 (2019: £ 55,077) is included in accruals which represents the excess of the accumulated pension cost over the payment of contributions to the pension fund.

Mastek (UK) Limited**Notes to the financial statements for the year ended 31 March 2020****19. Control Relationship**

Mastek (UK) Limited is controlled by Mastek Limited, a company incorporated in India, which owns 100% of the issued share capital. The consolidated financial statements of Mastek Limited are available from its registered office, 804/805 President House, C.N. Vidyalaya, Near Ambawadi Circle, Ahmedabad - 380 006.

20. Dividend

The Directors recommended the payment of final and interim dividend of £ 3,450,000 (2019: £ 1,950,000), £ 17.25 per £ 1 share (2019: £ 9.75 per £ 1 share).

21. Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Revenue recognition on long term contracts and related work in progress balances:

The Company applies the percentage of completion method in accounting for its fixed price contracts. Use of the percentage of completion method requires the Company to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Efforts or costs expended have been used to Valuation of investments:

The Company tests annually whether its investments have suffered any impairment, in accordance with the accounting policy stated in note 1, based on their underlying assets or estimated future profits and cash flows. The forecast profits and cash flows are based on management's budgeting processes using their historic budgeting processes and experience.

Share Based Payment:

In determining the fair value of equity settled share-based payments and the related charge to the Income Statement, the Company makes assumptions about future events and market conditions; in particular, estimates must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on further estimates, including the Company's future dividend policy, the timing with which

Such assumptions are based on management's best estimate of the respective parameters. Different assumptions about these factors to those made by the Company could materially affect the reported value of share-based payments.

22. Share options

Share options are granted to directors and to selected employees. Options are conditional on the employee completing in range of 3-4 years' service (the vesting period). The options are exercisable within a period of seven years from the date of vesting. The group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding, and their related weighted average exercise prices, are as follows:

	2020		2019	
	No. of options	Weighted Average exercise price	No. of options	Weighted Average exercise price
Outstanding at beginning of period	824,835	1.1	649,243	1.6
Granted during the period	110,750	0.1	228,900	0.1
Forfeited during the period	23,984	1.1	33,100	2.0
Exercised during the period	77,370	0.7	16,038	0.8
Expired during the period	3,750	0.5	4,170	0.6
Outstanding at the end of the period	830,481	1.0	824,835	1.1
Exercisable at the end of the period	440,307	1.3	383,809	1.2

The weighted average remaining contractual life in years is 6.6 years (2019: 7.0 years)

The weighted average fair value of options granted during the period, determined using the Black-Scholes valuation model, was £3.66.

The significant inputs into the model were weighted average share price of £4.07 (2019: £4.77) at the grant date, volatility of 49.7 % (2019: 51.8%), dividend yield of 2.5% (2019: 2.6%), an expected option life of 3-7 years (2019: 3-7 years) and an annual risk-free interest rate of 6.3% (2019: 7.4%).

Volatility: Volatility is a measure of the amount by which a price hedge fluctuated or is expected to fluctuate during the period. The measure of volatility is used in Black Scholes option pricing model is the annualised standard deviation of the continuously compounded rates of return on the stock over a period of time. Company considered the daily historical volatility of the Company's stock price on NSE over the expected life of each vest.

Risk free rate: The risk-free rate being considered for the calculation is the interest rate applicable for a maturity equal to the expected life of the options based on zero coupon yield curve for government securities.

Expected life of the options: Expected life of the options is the period for which the Company expects the options to be live. The minimum life of stock options is the minimum period before which the options can't be exercised and the maximum life of the option is the maximum period after which the options can't be exercised. The Company have calculated expected life as the average of the minimum and the maximum life of the options.

Dividend yield: Expected dividend yield has been calculated as a total of interim and final dividend declared in last year preceding date of grant.

Mastek (UK) Limited**Notes to the financial statements for the year ended 31 March 2020****23. Covid- 19 impact assessment**

The Company has assessed the impact of Covid-19 Pandemic on its operations as well as financial reporting process, including but not limited to the areas of financial controls, credit risk, impairment of financial and non-financial assets, and Cyber security pertaining to the remote access of information for the year ended March 31, 2020 and up to the date of approval of financial statements. While assessing the impact, Company has considered all internal and external sources of information like industry reports, economic forecast, credit reports and company's business forecast basis the global economic consensus. Company expects to recover the carrying amount of its assets. Further, there have been no material impact on the business, in fact the pandemic opens up the new opportunities for IT businesses as the perspective of the economy is shifting towards digitalisation. Also there have been no material changes in the financial reporting process followed by the company because of the pandemic. The impact of COVID-19 may be different from that estimated as on the date of approval of these financial statements. However, the Management and Director's are confident that the company will be able to remain operational throughout the pandemic and in foreseeable future and they will continue to closely monitor any material changes to the business due to future economic conditions.

24. Capital commitment

Estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2020 is £ 59,255 (March 31, 2019: £ 20,456)

25 Streamlined energy and carbon reporting (SECR) -

The company seeks to minimise the impact of its operations on the environment and is committed to reducing its greenhouse gas ("GHG") emissions.

Key sources of energy, primarily electricity to power our data centre estate, are monitored by the management for energy consumption.

The company has in place comprehensive environmental monitoring and control process, which measures environmental performance and focus on delivering improvements. The company has completed an ESOS assessment and is in the process of obtaining the ISO certification.

The table below shows the total gross GHG emissions in tonnes of CO₂ ("tCO₂e") in the year ended 31 March 2020:

Scope 1 - Emissions from combustion of Gas and fuel for transport purposes	-
Scope 2 - Emissions from purchased electricity (location-based)	25,071
Scope 3 - Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel	-
Total gross emissions (tCO₂e)	25,071
Total gross emissions (tCO ₂ e)	25,071
Total sales (£'000)	83,056
Carbon Intensity ratio (tCO₂e/£'000)	0.00030

Methodology

Scope 1 : Emissions from combustion of Gas and fuel for transport purposes - Not Applicable.

Scope 2 - Emissions from purchased electricity (location-based) - Converting the purchased electricity in kWh to CO₂e using Department of Energy conversion factors.

Scope 3 - Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel - Not applicable.

Using an operational approach, the Company identified its population to ensure that all activities and facilities, including data centres, are being recorded and reported in line with the mandatory GHG protocol corporate accounting and reporting standard. The validity, accuracy and completeness of the data was checked and used to calculate the GHG for the Company. Emissions are calculated as activity data multiplied by emissions factor (sourced from Government greenhouse gas reporting conversion factors).

The company uses total turnover to calculate the intensity ratio as this allows emissions to be monitored over time taking into accounts changes in the size of the Company. This factor provides the greatest degree of accuracy and is the metric best aligned to business growth.

Energy Efficiency

The Management of the company have clear view on controlling and reducing our GHG and carbon footprint. The Company aims to improve energy efficiency of its operations and ensure continued compliance with ESOS and other regulatory requirements. The Company is in the process of getting ISO certification for all of its data centres very soon.

- * setting targets and objectives for reducing energy use and maintaining an energy efficiency programme;
- * managing and reducing energy use relating to our business premises;
- * respecting all existing, applicable environmental regulations and meeting all new applicable regulations;
- * setting targets in the form of energy performance indicators for electricity and energy consumption and power usage effectiveness targets for each of our data centres.
- * providing training on good energy management practices and encouraging employee involvement in energy efficiency improvement initiatives; and
- * the Company participates in the Energy Saving Opportunities Scheme (ESOS) with annual ESOS audits carried out throughout the Company and is committed to meeting the requirements of the Streamlined Energy and Carbon Reporting (SECR) regulations