

**Mastek (UK) Limited**  
**Annual Report for the year ended 31 March 2017**

**Registered Number 02731277**

# Mastek (UK) Limited

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# Mastek (UK) Limited

## Strategic report for the year ended 31 March 2017

### Business Review and future developments

The results for year ended 31 March 2017 and the financial position of the Company are shown in the financial statements.

The Company is a software solutions provider which designs and develops high impact applications to enable companies to solve their complex, mission critical business problems with innovative solutions that sustain and grow their business.

During the year, the Company made some good qualitative progress on the business. The integration with IndigoBlue Consulting Limited continues with a clearer direction. The Digility operations (USA) are well established. Digility Inc., the company's wholly owned subsidiary, acquired TaisTech LLC, based in Dallas and Gurgaon. TaisTech specialises in implementation of Oracle ATG Digital commerce platform. With the onset of migration of the ATG platform to the Cloud, we expect that the business will be able to further establish in the US and expand some limited operations into the UK.

On a like for like basis, the financial results of the Company have been disappointing overall with revenue growth of 0.9% in comparison with the prior year. The Company has been able to recover from a troubled programme and stabilise its operations. Consequently the profitability of the business has improved over the last year. There has also been a cost impact following the depreciation of sterling post the EU referendum.

Nevertheless, the underlying business is strong. We have been able to grow revenue quarter on quarter all through the year, although not at the levels we would like to. We have also been able to secure contracts over the budgeted amount, which augurs well for the coming year.

The UK Branch operations ceased on 6 April 2016. This led to the transfer of 247 UK Branch employees to Mastek (UK) Limited.

We continue to be registered with the G Cloud and the GDS/DOS frameworks, which has helped create a good pipeline of opportunities in the government sector. The direct customers in the government sector value our capability and collaboration; so we continue to expect further growth in the coming year. In the retail sector, we have made further progress in one of our key accounts and we expect to move this to a strategic multi-year engagement. Financial services business continues to deliver good account growth.

As a part of our inorganic strategy we have created a pipeline of opportunities and we will continue to develop these in 2017/18. To enable further growth we will continue our investment in sales and marketing in all the three sectors to step up our growth activities.

During the year, there has been a change of leadership at the Group level with John Owen joining as the Group CEO, based in the UK. Under the Group CEO's guidance we have launched a 3-year strategic plan, Vision 2020, to deliver growth to the business. A number of initiatives have been launched as part of Vision 2020, to streamline the business, align the operations and create focus for specific outcomes. While the initiatives will take time to bed in, this will create a scalable target operating model for the current business as well as prospective inorganic corporate development.

# Mastek (UK) Limited

## Strategic report for the year ended 31 March 2017 (continued)

### Key Performance Indicators

KPI	2017	2016
Turnover increase/ (decrease)	0.9%	(8.5%)
Operating profit margin	6.0%	4.5%

### Principal Risks and Uncertainties

The principle risks are as follows:

- Cost pressures impacting our clients' ability to further invest in IT solutions.
- Potential risk of delays and change in policy direction due to the EU Referendum can impact the growth in government sector.

We have a stable team and a good pipeline, order backlog and customer base. We are confident that the team will have another successful year of operations.

Approved on behalf of the Board



R Venkataraman – Director  
18 April 2017

# Mastek (UK) Limited

## Directors' Report for the year ended 31 March 2017

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2017.

### 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 £2,344,733 (2016: loss of £2,945,147, which included the write-off of the investment in Legal Practice Technologies of £5,075,200).

The Directors paid an interim dividend of £290,000 (2016: £250,000). The Directors do not recommend a final dividend (2016: Nil).

### 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 the 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

The company does not have any borrowing facility from any bank, and the Directors consider the company has sufficient available funds for current operations and any planned expansions.

### Interest Rate Cash Flow Risk

The company has interest bearing assets and non-interest bearing liabilities. Interest bearing assets are only cash balances, all of which earn interest at variable rates.

# Mastek (UK) Limited

## Directors' report for year ended 31 March 2017 (continued)

### Directors

The Directors who held office during the year under review were:

#### Directors

R Venkataraman

A Desai

S Sandilya

P Koti

A Kanagat (appointed on 1 June 2016)

B Davison (resigned on 21 September 2016)

A Thakrar – Company Secretary (resigned on 7 February 2017)

S Agarwal – Company Secretary (appointed on 7 February 2017)

### 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 of the company and of the 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 United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

# Mastek (UK) Limited

## Directors' report for year ended 31 March 2017 (continued)

### Disclosure of information to auditors

In the case of each of the persons who are directors at the time when this report is approved, the following applies:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved on behalf of the Board



R Venkataraman – Director  
18 April 2017



# Mastek (UK) Limited

## Independent Auditors' report to the members of Mastek (UK) Limited

### Report on the financial statements

#### Our opinion

In our opinion, Mastek (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit and cash flows 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.

#### What we have audited

The financial statements, included within the Annual Report, comprise:

- the balance sheet as at 31 March 2017;
- the profit and loss account and other comprehensive income for the year then ended;
- the cash flow statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### 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.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

### Other matters on which we are required to report by exception

#### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

#### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.



# **Mastek (UK) Limited**

## **Independent Auditors' report to the members of Mastek (UK) Limited (continued)**

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Sam Taylor (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Reading

18 April 2017

## Mastek (UK) Limited

### Profit and loss account and other comprehensive income for the year ended 31 March 2017

	Notes	2017 £	2016 £
Turnover	1	46,542,861	46,112,364
Cost of sales		<u>(35,867,280)</u>	<u>(35,322,296)</u>
<b>Gross profit</b>		<b>10,675,581</b>	10,790,068
Administrative expenses		<u>(7,889,755)</u>	<u>(8,704,605)</u>
<b>Operating profit</b>	3	<b>2,785,826</b>	2,085,463
Interest receivable and similar income	5	159,314	44,590
Amounts written off investments	8	<u>-</u>	<u>(5,075,200)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>2,945,140</b>	(2,945,147)
Tax on profit/(loss) on ordinary activities	6	<u>(600,407)</u>	-
<b>Profit/(loss) for the financial year</b>		<b>2,344,733</b>	(2,945,147)
Other comprehensive income for the year		<u>-</u>	<u>-</u>
<b>Total comprehensive income/(expense) for the year</b>		<b>2,344,733</b>	(2,945,147)

All results relate to continuing operations.

The notes on pages 13 to 24 form part of these financial statements.

# Mastek (UK) Limited

## Balance sheet as at 31 March 2017

	Notes	2017 £	2016 £
<b>Fixed Assets</b>			
Tangible assets	7	87,110	86,658
Investments	8	9,854,860	6,608,990
		<u>9,941,970</u>	<u>6,695,648</u>
<b>Current Assets</b>			
Debtors	9	10,247,326	12,208,489
Cash at bank and in hand	16	4,187,102	5,361,768
		<u>14,434,428</u>	<u>17,570,257</u>
<b>Creditors: Amounts falling due within one year</b>	10	<b>(7,737,539)</b>	<b>(9,681,779)</b>
<b>Net current assets</b>		<u>6,696,889</u>	<u>7,888,478</u>
<b>Total assets less current liabilities</b>		<b>16,638,859</b>	<b>14,584,126</b>
<b>Net assets</b>		<u>16,638,859</u>	<u>14,584,126</u>
<b>Capital and Reserves</b>			
Called up share capital	13	200,000	200,000
Capital contribution		695,959	695,959
Profit and loss account		15,742,900	13,688,167
<b>Total equity</b>		<u>16,638,859</u>	<u>14,584,126</u>

The financial statements on pages 9 to 24 were approved by the Board of Directors on 18 April 2017 and were signed on its behalf by:



R Venkataraman – Director

Registered number: 02731277

# Mastek (UK) Limited

## Statement of changes in equity for the year ended 31 March 2017

	Called up share capital £	Capital contribution £	Profit and loss account £	Total equity £
Balance as at 1 April 2015	200,000	213,371	16,883,314	17,296,685
<b>Total comprehensive income for the year</b>				
Loss for the financial year	-	-	(2,945,147)	(2,945,147)
Total comprehensive expense for the year	-	-	(2,945,147)	(2,945,147)
<b>Transactions with owners, recognised directly in equity</b>				
Capital contribution	-	482,588	-	482,588
Dividends	-	-	(250,000)	(250,000)
Total transactions with owners, recognised directly in equity	-	482,588	(250,000)	232,588
<b>Balance as at 31 March 2016</b>	<b>200,000</b>	<b>695,959</b>	<b>13,688,167</b>	<b>14,584,126</b>
<b>Total comprehensive income for the year</b>				
Profit for the financial year	-	-	2,344,733	2,344,733
Total comprehensive income for the year	-	-	2,344,733	2,344,733
<b>Transactions with owners, recognised directly in equity</b>				
Dividends	-	-	(290,000)	(290,000)
Total transactions with owners, recognised directly in equity	-	-	(290,000)	(290,000)
<b>Balance as at 31 March 2017</b>	<b>200,000</b>	<b>695,959</b>	<b>15,742,900</b>	<b>16,638,859</b>

The capital contributions for the year ended 31 March 2016 (£482,588) represented the transfer of R&D tax credit from Mastek Limited.

## Mastek (UK) Limited

### Cash flow statement for the year ended 31 March 2017

	Notes	2017 £	2016 £
Net cash generated from operating activities	14	<b>1,770,830</b>	648,757
Taxation refunded/(paid)		<b>500,864</b>	(345,000)
Cash flow from financing activities	15	<b>(224,097)</b>	(205,410)
Cash flow from investing activities	15	<b>(3,315,674)</b>	(2,984,300)
Decrease in cash in the year		<b>(1,268,077)</b>	(2,885,953)
Cash and cash equivalents at the beginning of the year		<b>5,361,768</b>	8,247,721
Exchange gains on cash and cash equivalents		<b>93,411</b>	-
<b>Cash and cash equivalents at the end of the year</b>		<b>4,187,102</b>	5,361,768

# Mastek (UK) Limited

## Notes to the financial statements for the year ended 31 March 2017

### 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 group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

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.

#### Going concern

The company meets its day-to-day working capital requirements through its cash reserves and borrowings. The current economic conditions continue to create uncertainty particularly over the level of demand for the company's products. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that 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.

# Mastek (UK) Limited

## Notes to the financial statements for the year ended 31 March 2017

### 1. Accounting policies (continued)

#### Turnover

Turnover represents the value of goods and services provided in the year, and is stated exclusive of value added tax. Revenue derived from long term contracts is recognised by reference to a contract's stage of completion at the balance sheet date, only when the outcome of the contract can be measured reliably and it is probable that the economic benefits will flow to the company. Any losses on contracts are recognised when foreseen. The stage of completion of a contract is determined by using the percentage of completion method, based on the proportion of costs incurred for work performed to date, compared to the estimated total cost of the contract.

Turnover relates to one class of business, all within the UK.

#### 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
Computer equipment	-	50% - 100% on straight line

#### 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.

#### Deferred taxation

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to a liability to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised are not discounted.

#### Leasing commitments

Rental paid under operating leases are charged to the profit and loss account as incurred.

#### Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged to the profit and loss account.



# **Mastek (UK) Limited**

## **Notes to the financial statements for the year ended 31 March 2017**

### **1. Accounting policies (continued)**

#### **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:**

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. Provision is made when there is objective evidence that the Company will not be able to recover balances in full, with the charge being recognised in the profit and loss account. Balances are written off when the probability of recovery is assessed as being remote.

##### **Trade and other creditors:**

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### **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.

#### **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 group. 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**

Investments are carried at the lower of cost and recoverable amount. Investments are tested for impairment by comparing the carrying value of the investment with its recoverable amount on an annual basis at the balance sheet date.

# Mastek (UK) Limited

## Notes to the financial statements for the year ended 31 March 2017

### 2. Staff costs

	2017	2016
	£	£
Wages and salaries	15,885,295	4,289,504
Social security costs	1,707,943	600,492
Other pension costs (Note 18)	119,731	76,426
	<u>17,712,969</u>	<u>4,966,422</u>

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

	2017	2016
	Number	Number
Administrative and consultants	317	39
Directors	3	3
	<u>320</u>	<u>42</u>

### 3. Operating profit

	2017	2016
	£	£
The operating profit is stated after charging:		
Other operating leases	53,681	77,547
Depreciation – owned assets	69,352	108,688
Services provided by the Company's Auditor		
– fees payable for the audit	60,000	62,000
– fees payable for other services	27,900	22,400

# Mastek (UK) Limited

## Notes to the financial statements for the year ended 31 March 2017

### 4. Directors' emoluments

	2017 £	2016 £
Aggregate emoluments	598,860	572,234
Pension contributions to money purchase schemes	<u>37,120</u>	<u>33,019</u>
	<u>635,980</u>	<u>605,253</u>
	Number	Number
The number of Directors to whom retirement benefits were accruing was as follows:		
Money purchase schemes	<u>1</u>	<u>1</u>
Within the year, no director exercised share options (2016 - Nil).		
	£	£
Information regarding the highest paid Director is as follows:		
Aggregate emoluments	172,065	204,728
Pension contributions to money purchase schemes	<u>27,873</u>	<u>28,977</u>
	<u>199,938</u>	<u>233,705</u>

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

### 5. Interest receivable and similar income

	2017 £	2016 £
Bank interest	35,694	36,144
Interest on loan to subsidiary	30,209	8,446
Exchange gain	93,411	-
	<u>159,314</u>	<u>44,590</u>

# Mastek (UK) Limited

## Notes to the financial statements for the year ended 31 March 2017

### 6. Taxation

#### a) Analysis of tax charge in the year:

	2017 £	2016 £
<b>Current Tax:</b>		
UK Corporation tax on profits of the period	593,247	-
Adjustment in respect of prior year	8,783	-
	<u>602,030</u>	<u>-</u>
<b>Deferred Tax:</b>		
Origination and reversal of timing differences	(1,623)	-
Tax on profit on ordinary activities	<u>600,407</u>	<u>-</u>

#### 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 20% (2016: 20%) and the differences are explained below:

	2017 £	2016 £
Profit/(loss) on ordinary activities before tax	2,945,140	(2,945,147)
Profit/(loss) on ordinary activities before tax at 20% (2016 – 20%)	589,028	(589,029)
Effects of:		
- Expenses not deductible for tax purposes	7,826	205,024
- Capital allowances for period in excess of depreciation	(3,607)	4,390
- Losses not utilised	-	379,615
- Adjustments to tax charge in respect of previous period	8,783	-
- Deferred tax credit	(1,623)	-
Total current tax charge for the year	<u>600,407</u>	<u>-</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 2016 on 7 September 2016. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 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.

# Mastek (UK) Limited

## Notes to the financial statements for the year ended 31 March 2017

### 7. Tangible fixed assets

	Fixtures and fittings £	Computer Equipment £	Total £
<b>Cost:</b>			
At 1 April 2016	226,886	330,918	557,804
Additions	3,424	66,380	69,804
<b>At 31 March 2017</b>	<b>230,310</b>	<b>397,298</b>	<b>627,608</b>
<b>Depreciation:</b>			
At 1 April 2016	178,058	293,088	471,146
Charge for the year	24,906	44,446	69,352
<b>At 31 March 2017</b>	<b>202,964</b>	<b>337,534</b>	<b>540,498</b>
<b>Net Book Value:</b>			
<b>At 31 March 2017</b>	<b>27,346</b>	<b>59,764</b>	<b>87,110</b>
At 31 March 2016	48,828	37,830	86,658

### 8. Fixed asset investments

	£
<b>Cost:</b>	
At 1 April 2016	11,684,190
Additions	3,245,870
<b>At 31 March 2017</b>	<b>14,930,060</b>
<b>Provisions:</b>	
At 1 April 2016	5,075,200
Impairment for the year	-
<b>At 31 March 2017</b>	<b>5,075,200</b>
<b>Net Book Value:</b>	
<b>At 31 March 2017</b>	<b>9,854,860</b>
At 31 March 2016	6,608,990

	Country of incorporation	At 31 March 2017		At 31 March 2016	
		Holding %	NBV £	Holding %	NBV £
<b>Directly held Investments</b>					
MajescoMastek	USA	16.5%	3,696,682	16.5	3,696,682
Digility Inc.	USA	100%	3,237,559	-	-
IndigoBlue Consulting Limited	UK	100%	2,920,619	100%	2,912,308
<b>Indirectly held Investments</b>					
TaisTech LLC	USA	100%	\$9,246,988	-	-
Trans American Information Systems Inc.	USA	100%	\$3,003,012	-	-

# Mastek (UK) Limited

## Notes to the financial statements for the year ended 31 March 2017

### 8. Fixed asset investments (continued)

Additions represent £3,237,559 in relation to share capital of Digility Inc and £8,311 of additional investment in IndigoBlue Consulting Limited.

### 9. Debtors: amounts falling due within one year

	2017	2016
	£	£
Trade debtors	4,839,054	8,570,935
Amounts due from group undertakings	571,559	563,446
Prepayments and accrued income	4,612,621	2,370,148
Amounts recoverable on contracts	224,092	102,436
Corporation taxation recoverable	-	601,524
	<u>10,247,326</u>	<u>12,208,489</u>

Amounts due from group undertakings are interest free, unsecured and repayable on demand.

### 10. Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	648,301	166,322
Amounts due to group undertakings	831,457	4,508,345
Social security and other taxes	1,233,148	1,596,634
Corporation taxation payable	501,370	-
Accruals and deferred income	4,516,184	3,401,776
Deferred tax liability (see note 11)	7,079	8,702
	<u>7,737,539</u>	<u>9,681,779</u>

Amounts due to group undertakings are interest free, unsecured and repayable on demand.

### 11. Deferred taxation

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

	£
At 1 April 2016	(8,702)
Credited to the profit and loss account	1,623
At 31 March 2017	<u>(7,079)</u>

The deferred taxation liability comprises:

	2017	2016
	£	£
Accelerated capital allowances	<u>(7,079)</u>	<u>(8,702)</u>

# Mastek (UK) Limited

## Notes to the financial statements for the year ended 31 March 2017

### 12. Obligations under leasing agreements

At 31 March 2017, the company had commitments under non-cancellable operating leases expiring as follows:

	Operating leases Land and buildings	
	2017	2016
	£	£
Within one year	174,730	89,773
Between one and five years	358,514	-
	<u>533,244</u>	<u>89,773</u>

### 13. Called up share capital

Authorised:			2017	2016
Number:	Class:	Nominal value:	£	£
1,000,000	Ordinary	£1	<u>1,000,000</u>	1,000,000
Allotted, issued and fully paid:			2017	2016
Number:	Class:		£	£
200,000	Ordinary	£1	<u>200,000</u>	200,000

### 14. Reconciliation of operating profit to operating cash flows

	2017	2016
	£	£
Operating profit	2,785,826	2,085,463
Depreciation	69,352	108,688
Loans capitalised	-	(4,675,200)
Decrease in debtors	1,359,639	2,557,560
(Decrease)/increase in creditors	(2,443,987)	572,246
Net cash inflow from operating activities	<u>1,770,830</u>	<u>648,757</u>



# Mastek (UK) Limited

## Notes to the financial statements for the year ended 31 March 2017

### 15. Analysis of cash flows for headings netted in the cash flow statement

	2017	2016
	£	£
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(69,804)	(71,992)
Investment in IndigoBlue Consulting Ltd	(8,311)	(2,912,308)
Investment in Digility Inc.	(3,237,559)	-
<b>Net cash outflow from investing activities</b>	<b>(3,315,674)</b>	<b>(2,984,300)</b>
<b>Cash flows from financing activities</b>		
Interest received	65,903	44,590
Dividends paid to ordinary shareholders	(290,000)	(250,000)
<b>Net cash outflow from financing activities</b>	<b>(224,097)</b>	<b>(205,410)</b>

### 16. Analysis of changes in net funds

	2016	Cash flow	2017
	£	£	£
Net cash:			
Cash at bank and in hand	5,361,768	(1,174,666)	<b>4,187,102</b>
Total	<u>5,361,768</u>	<u>(1,174,666)</u>	<u><b>4,187,102</b></u>
<b>Analysed in Balance Sheet</b>			
Cash at bank and in hand	5,361,768		<b>4,187,102</b>
	<u>5,361,768</u>		<u><b>4,187,102</b></u>

### 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, Unit Number 106, SDF IV, Seepz, Andheri East, Mumbai, 400 096, India.

### 18. Pension commitments

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 £119,731 (2016: £76,426).

An amount of £15,751 (2016: £6,576) 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 2017

### 19. Control relationships

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. The ultimate controlling partners of Mastek Limited are A Desai, K Mehta, S Ram and R Sundar who together own 49.22% (2016: 50.03%) of the share capital of Mastek Limited.

### 20. Dividends

The Directors recommended the payment of an interim dividend of £290,000 (2016: £250,000), £1.45 per £1 share (2016: £1.25 per £1 share). The Directors do not recommend the payment of a final dividend (2016: Nil).

### 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:

Revenue derived from long term contracts is recognised by reference to a contract's stage of completion at the balance sheet date, only when the outcome of the contract can be measured reliably and it is probable that the economic benefits will flow to the company. Any losses on contracts are recognised when foreseen. The stage of completion of a contract is determined by using the percentage of completion method, based on the proportion of costs incurred for work performed to date, compared to the estimated total cost of the contract. The estimated total cost of the contract is based on management's budgeting processes using their historic budgeting processes and experience.

Valuation of investments:

The Company tests annually whether its investments has 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.