

Mastek (UK) Limited
Annual Report for the year ended 31 March 2023

Registered Number 02731277

Mastek (UK) Limited
Company Information

Directors

S Sandilya (resigned on 03 March 2023)
A Singh (appointed w.e.f. 14 May 2020)
H Chandrana (appointed w.e.f. 12 July 2021)
D O'Brien (appointed w.e.f. 04 January 2022)
Judith Halkerston (appointed w.e.f. 13 October 2022)
Ashank Desai (Appointed w.e.f. April 14, 2023)
Rajeev Grover (appointed w.e.f. April 14, 2023)

Secretary

S Agarwal – Company Secretary (resigned on 13 December 2022)
Soutik Sarkar - Company Secretary (appointed w.e.f. 14 April 2023)

Auditors

Grant Thornton UK LLP
Chartered accountants and statutory auditors
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 2023

Business Review and future developments

The results for year ended 31 March 2023 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 4 service lines to build a core capability in each of the significant transformational areas.

On a like for like basis, the financial results have an increase in revenue of 8.88% in comparison with the prior year. The profitability profile continues to be healthy and has grown year on year through cost optimisation.

The acquisition of Evosys during the financial year 2019-20 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 focused on Government, Healthcare, Retail and Financial sectors. In particular the Government, Healthcare and Retail 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. Government pipeline is robust with number of deals extended for longer periods demonstrating continued customer trust with Mastek. We have secured multi-year Government deals in the Home office, NHS and Defence.

To enable further growth, we will continue our investment in sales and marketing in all the three sectors to step up our growth activities. Demand for digital transformation remains buoyant across Government, Healthcare and Commercial clients and the pandemic has only accelerated it further. We are investing in Digital Service design capability to position us as thought leaders with the customers to drive design led thinking, architecture and domain specializations. We are also focusing on UK Graduate programme and training to develop digital talent for the future.

Staff turnover: The pandemic had created a huge challenge in the market for talent specially in IT industry. Hence staff turnover continued to be an area of impact not only for Mastek but the wider industry. Mastek was affected by the global "Great resignation" phase as Masteekers moved for better prospects as Tech talent doors were opened in non tech domains creating further opportunities which resultant in substantial increase in staff turnover ratio. We have proactively addressed this with enhanced employee engagement measures, creating special work-life balance programmes, flexibility of hybrid work environment, Learning and development to up-skill and cross skill for career growth and enhance our employee experience for improvement in employee retention.

Client Satisfaction: The score slightly decreased from 93.75% to 92.08% as we addressed customer feedback about availability of talent by bringing in key initiatives for internal talent and competency build, robust learning and development, training and graduate on-boarding programmes.

Key Performance Indicators

KPI	2023	2022
Turnover increase/ (decrease)	8.88%	18.05%
Operating profit margin	19.48%	20.55%
Staff Turnover ratio	23.12%	28.50%
Client Satisfaction	92.08%	93.75%

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 in relation to operating business transaction
- The Company has assessed the impact of global economic condition 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, 2022 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. Also there have been no material changes in the financial reporting process followed by the Company. The Management and Director's are confident that the company will be able to remain operational throughout the foreseeable future and they will continue to closely monitor any material changes to the business due to future economic conditions.
- The company has made an additional investment of USD 50 million in the share capital of its wholly owned subsidiary, Mastek Inc. (formerly known as Digility Inc.) USA, for working capital and expansion of business by way of acquisition between March 31, 2022 and the date of approval of the financial statements.

Approved on behalf of the Board

.....
A Singh – Director

Date of Approval :

Mastek (UK) Limited
Directors' Report for the year ended 31 March 2022

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2022

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 £ 212,89,646 (2022: £ 20,006,594).

The Directors recommended the payment of final and interim dividend of £ 6,000,000 (2022: £ 4,700,000).

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.

Directors

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

S Sandilya (resigned on 03 March 2023)

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

H Chandrana (appointed w.e.f. 12 July 2021)

D O'Brien (appointed w.e.f. 04 January 2022)

Judith Halkerston (appointed w.e.f. 13 October 2022)

Ashank Desai (Appointed w.e.f. April 14, 2023)

Rajeev Grover (appointed w.e.f. April 14, 2023)

S Agarwal – Company Secretary (resigned on 13 December 2022)

Soutik Sarkar - Company Secretary (appointed w.e.f. 14 April 2023)

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

.....
A Singh – Director

Date of Approval :

Mastek (UK) Limited**Statement of comprehensive income for the year ended 31 March 2023**

	Notes	Year ended 31 March 2023 £	Year ended 31 March 2022 £
Turnover	1	12,41,89,546	11,40,65,418
Cost of sales		(8,98,08,407)	(8,20,78,623)
Gross Profit		3,43,81,140	3,19,86,795
Administration expense		(1,01,86,086)	(85,51,435)
Operating profit	3	2,41,95,054	2,34,35,360
Interest received and similar income	5	21,07,020	12,50,631
Profit on ordinary activities before taxation		2,63,02,074	2,46,85,991
Tax on profit on ordinary activities	6	(50,12,428)	(46,79,397)
Profit for the financial year		2,12,89,646	2,00,06,594
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		-	-
Total other comprehensive income		-	-
Total comprehensive income for the year		2,12,89,646	2,00,06,594

The financial statements were approved by the Board of Directors on _____ and were signed on its behalf by:

A Singh - Director

Registered number: 02731277

The notes 1 to 24 form part of these financial statements.

Mastek (UK) Limited
Balance sheet as at 31 March 2023

	Notes	As at 31 March 2023 £	As at 31 March 2022 £
Non current assets			
Fixed assets-			
Tangible assets	7(a)	11,33,696	5,73,469
Intangible assets	7(b)	6,395	44,775
Capital work in progress		2,00,850	6,484
Investments	8	11,19,72,482	7,09,65,115
Prepaid expenses		524	2,097
		<u>11,33,13,949</u>	<u>7,15,91,940</u>
Current assets			
Debtors	9	2,90,64,606	2,77,84,250
Loan to related parties		6,28,335	15,24,156
Cash at bank and in hand	16	66,21,973	4,37,63,996
		<u>3,63,14,914</u>	<u>7,30,72,402</u>
Creditors-Amounts falling due within one year	10 (b)	(2,99,81,293)	(3,28,40,532)
Lease liability - current	12	(9,55,525)	(2,46,100)
		<u>53,78,097</u>	<u>3,99,85,770</u>
Net current assets			
		<u>11,86,92,045</u>	<u>11,15,77,710</u>
Total assets less current liabilities			
Borrowings	10 (a)	(50,00,000)	(1,18,75,000)
Lease liability - non current	12	-	-
Net assets		<u>11,36,92,045</u>	<u>9,97,02,710</u>
Capital and reserves			
Called up share capital	13	2,00,000	2,00,000
Capital contribution		6,95,959	6,95,959
Retained earning		11,29,29,483	9,76,39,837
Reserve on IBCL Merger		(2,69,685)	(2,69,685)
Excess tax benefit on share based payments		1,36,291	14,36,599
		<u>11,36,92,048</u>	<u>9,97,02,710</u>

The financial statements were approved by the Board of Directors on _____ and were signed on its behalf by:

A Singh - Director

Registered number: 02731277

The notes 1 to 24 form part of these financial statements.

Mastek (UK) Limited
Statement of Changes in Equity for the year ended 31 March 2023

	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 31 March 2021	2,00,000	6,95,959	8,47,383	-	(2,69,685)	8,23,33,243	8,38,06,900
Profit for the financial year	-	-	-	-	-	2,00,06,594	2,00,06,594
Net change in fair value of available for sale assets	-	-	-	-	-	-	-
Amount Transferred to Retained earnings	-	-	-	-	-	-	-
Reserve on IBCL Merger	-	-	-	-	-	-	-
ESOP Adjustment	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	2,00,06,594	2,00,06,594
Excess tax benefits on share based options	-	-	5,89,216	-	-	-	5,89,216
	-	-	5,89,216	-	-	2,00,06,594	2,05,95,810
Transactions with owners, recognised directly in equity							
Amount Transferred to Retained earnings	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	(47,00,000)	(47,00,000)
Total transactions with owners, recognised directly in equity	-	-	-	-	-	(47,00,000)	(47,00,000)
Balance as at 31 March 2022	2,00,000	6,95,959	14,36,599	-	(2,69,685)	9,76,39,837	9,97,02,710
Profit for the financial year	-	-	-	-	-	2,12,89,646	2,12,89,646
Total comprehensive income for the year	-	-	-	-	-	2,12,89,646	2,12,89,646
Excess tax benefits on share based options	-	-	(13,00,308)	-	-	-	(13,00,308)
Transactions with owners, recognised directly in equity	-	-	(13,00,308)	-	-	2,12,89,646	1,99,89,338
Dividends	-	-	-	-	-	(60,00,000)	(60,00,000)
Total transactions with owners, recognised directly in equity	-	-	(13,00,308)	-	-	1,52,89,646	1,39,89,338
Balance as at 31 March 2023	2,00,000	6,95,959	1,36,291	-	(2,69,685)	11,29,29,483	11,36,92,048

Cash flow statement for the year ended 31 March 2023

	Notes	Year ended 31 March 2023 £	Year ended 31 March 2022 £
Net cash generated from operating activities	14	1,95,56,345	2,32,06,527
Taxation paid		(38,27,220)	(25,95,802)
Cash flow from financing activities	15	(1,36,47,037)	(1,22,35,618)
Cash flow from investing activities	15	(4,12,60,191)	(4,22,567)
Increase in cash in the year		(3,91,78,103)	79,52,539
Cash and cash equivalents at the beginning of the year	16	4,37,63,996	3,45,08,424
Exchange gain/(loss) on cash and cash equivalent		20,55,754	12,47,717
Cash and cash equivalents at the end of the year		66,41,647	4,37,08,680

The notes 1 to 24 form part of these financial statements.

Mastek (UK) Limited
Notes to the Financial Statements for the year ended 31 March 2023

2. Staff costs

	Year ended 31 March 2023	Year ended 31 March 2022
	£	£
Wages and salaries	3,05,03,933	2,76,91,940
Social security costs	31,93,638	41,10,870
Other pension costs	8,18,408	5,89,234
	<u>3,45,15,980</u>	<u>3,23,92,044</u>

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

	2023 Number	2022 Number
Administrative and consultants	509	470
Directors	3	2
	<u>512</u>	<u>472</u>

3. Operating Profit

	Year ended 31 March 2023	Year ended 31 March 2022
	£	£
The operating profit is stated after charging:		
Other operating leases	2,97,485	2,36,264
Depreciation	4,33,728	3,87,488
Amortisation	49,970	55,317
Services provided by the Company's auditor	-	-
- fees payable for the audit	-	44,239
- fees payable for other non audit service	-	-

4. Director's emoluments

	Year ended 31 March 2023	Year ended 31 March 2022
	£	£
Aggregate emoluments	317,559	3,81,649
Pension contributions to money purchase scheme	9,833	10,722
	<u>3,27,392</u>	<u>3,92,371</u>

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

	Number	Number
Money purchase schemes	1	3

Within the year, one of directors has exercised 9,750 share option of shares(2022 - Nil).

Information regarding the highest paid director is as follows:

	£	£
Aggregate emoluments	2,75,892	2,43,130
Pension contributions to money purchase schemes	9,833	4,405
	<u>2,85,725</u>	<u>2,47,535</u>

During current period the highest paid director exercised 9,750 share options (previous years -Nil).

5. Interest receivable and similar income

	Year ended 31 March 2023	Year ended 31 March 2022
	£	£
Bank interest	51,266	2,914
Exchange gain/(loss)	20,55,754	12,47,717
	<u>21,07,020</u>	<u>12,50,631</u>

6. Taxation

a) Analysis of tax charge in the year

	Year ended 31 March 2023	Year ended 31 March 2022
	£	£
Current tax:		
UK corporation tax on profit for the year	50,32,098	46,86,043
Adjustment in respect of prior year	-	-
	<u>50,32,098</u>	<u>46,86,043</u>

Mastek (UK) Limited**Notes to the Financial Statements for the year ended 31 March 2023****Deferred tax**

Origination and reversal of timing differences	(19,670)	10,544
Share based payments	-	(17,189)
Tax on profit on ordinary activities	50,12,428	46,79,398

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% (2022: 19%) and the differences are explained below:

	Year ended 31 March 2023	Year ended 31 March 2022
	£	£
Profit on ordinary activities before tax	2,63,02,074	2,46,85,991
Tax charge on profit at 19% (2021: 19%)	49,97,394	46,90,338
Effects of:		
Expenses not deductible for tax purposes	22,742	2,113
Capital allowances for period in excess of depreciation	(10,788)	(2,801)
Others	3,080	(10,253)
Total current tax charge for the year	50,12,428	46,79,397

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. 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

	Right to use Assets	Fixtures and fitting	Computer equipment	Total
	£	£	£	£
2022-2023				
Cost				
At 1 April 2022	8,07,471	4,14,832	7,74,554	19,96,857
Additions	8,16,294	14,850	1,74,944	10,06,089
Disposals	-	(5,044)	(7,089)	(12,134)
At 31 March 2023	16,23,765	4,24,638	9,42,409	29,90,812
Depreciation				
At 1 April 2022	5,76,612	3,11,593	5,35,183	14,23,388
Charge for the year	1,66,666	48,732	2,29,326	4,44,724
Reversal on disposal	-	(4,038)	(6,958)	(10,996)
At 31 March 2023	7,43,278	3,56,286	7,57,551	18,57,116
Net book value				
At 31 March 2023	8,80,487	68,352	1,84,858	11,33,697
At 31 March 2022	2,30,859	1,03,239	2,39,371	5,73,470

Mastek (UK) Limited
Notes to the Financial Statements for the year ended 31 March 2023

7(b). Intangible fixed assets
2022-2023

	Design and Software £	Total £
Cost		
At 1 April 2022	1,97,250	1,97,250
Additions	17,080	17,080
Deletions	(5,491)	(5,491)
At 31 March 2023	2,08,839	2,08,839
Depreciation		
At 1 April 2022	1,52,475	1,52,475
Charge for the year	49,970	49,970
Reversal	-	-
At 31 March 2023	2,02,444	2,02,444
Net book value		
At 31 March 2023	6,395	6,395
At 31 March 2022	44,775	44,775

Mastek (UK) Limited
Notes to the Financial Statements for the year ended 31 March 2023

8. Investments

Cost:	Non-current (£)
At 1 April 2022	7,09,65,115
Addition in Mastek INC	4,10,07,367
At 31 March 2023	11,19,72,482

	Country of incorporation	At 31 March 2023		At 31 March 2023	
		Holding %	NBV £	Holding %	
Directly held investments					
Mastek Inc. (formally known as Digility Inc.)	USA	100%	5,74,19,603	100%	
Mastek Arabia FZ LLC	UAE	100%	5,45,32,092	100%	
IndigoBlue Consulting Limited	UK	100%	20,788	100%	

	Country of incorporation	At 31 March 2023		At 31 March 2023	
		Holding %	NBV £	Holding %	
Indirectly held investments					
Trans American Information Systems Inc.**	USA	100%		100%	

9. Debtors: amounts falling due within one year

	As at 31 March 2023	As at 31 March 2022
	£	£
Trade debtors	1,15,97,708	1,24,56,192
Reimbursements	-	-
Advance to suppliers	8,87,453	14,625
Prepayments	1,75,210	1,45,979
Employee advances	15,284	85,589
Deferred Taxation (refer note 11)	5,18,382	17,99,020
Contract Assets	1,39,92,963	1,32,82,845
Amount due from group undertaking	18,77,606	
	2,90,64,606	2,77,84,250

10(a). Borrowings

	As at 31 March 2023	As at 31 March 2022
	£	£
Term loan from Standard chartered bank (refer note below)	-	18,75,000
Term loan from Citi bank (refer note below)	50,00,000	1,00,00,000
	50,00,000	1,18,75,000

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 6.56 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 was 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.

Mastek (UK) Limited

Notes to the Financial Statements for the year ended 31 March 2023

Terms of repayment

Half yearly repayment with 1 year moratorium-first drawdown at the beginning of 19 months was 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

	As at 31 March 2023	As at 31 March 2022
	£	£
Trade creditors	83,619	6,00,634
Capital creditors	23,648	18,250
Amounts due to group undertakings	28,90,866	47,55,905
Social security and other taxes	43,32,499	44,83,042
Corporation taxation	41,62,238	29,77,030
Term loan from Standard chartered bank	18,75,000	18,75,000
Term loan from Citi bank	50,00,000	50,00,000
Inter-company loan	20,94,942	-
Interest accrued on term loan	68,809	-
Accruals and contract liabilities	88,71,794	1,13,95,606
Unearned revenue	5,77,879	17,35,065
	<u>2,99,81,293</u>	<u>3,28,40,532</u>

11. Deferred taxation

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

	£
At 1 April 2022	17,99,020
Credited to the profit and loss account	19,670
Tax benefit from share based payments (including transfer from IBCL)	<u>(13,00,308)</u>
At 31 March 2023	<u>5,18,382</u>

	As at 31 March 2023	As at 31 March 2022
	£	£
The deferred taxation assets comprises:		
Accelerated capital allowances	(42,359)	(62,029)
Tax benefit from share based payments	5,60,741	18,61,049
At 31 March 2023	<u>5,18,382</u>	<u>17,99,020</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:

Particulars	Buildings £
As at 1 April 2022	2,30,859
Additions	8,16,294
Depreciation expenses	<u>1,66,666</u>
As at 31 March 2023	<u>8,80,487</u>

Mastek (UK) Limited
Notes to the Financial Statements for the year ended 31 March 2023

ii) Below are the carrying amounts of operating lease liabilities (included under financial liabilities) and the movements during the period:

Particulars	£
As at 1 April 2022	2,46,100
Additions	-
Accretion of interest	8,34,111
Payments	1,24,686
As at 31 March 2023	9,55,525
Current	2,04,105
Non-current	7,51,420

Maturity analysis of lease liability :

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

Particulars	As at 31 March 2023	As at 31 March 2022
	£	£
Less than one year	2,04,105	1,43,382
More than 1 Year but less than 5 years	7,51,420	1,02,718
More than 5 years	-	-
ty 116	9,55,525	2,46,100

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

Particulars	Year ended 31 March 2023
	£
Depreciation expense for right-of-use assets	1,66,666
Finance expense on lease liabilities	8,34,111
Expense relating to short-term, low value and variable leases	-
Total amount recognised in profit or loss	10,00,777

13. Called up share capital

Authorized	Number	Class	Nominal value	As at 31 March 2023	As at 31 March 2022
				£	£
	10,00,000	Ordinary	£ 1	10,00,000	10,00,000
Allotted, issued and fully paid:				2023	2022
	Number	Class		£	£
	2,00,000	Ordinary	£ 1	2,00,000	2,00,000

Mastek (UK) Limited

Notes to the Financial Statements for the year ended 31 March 2023

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

	Year ended 31 March 2023	Year ended 31 March 2022
	£	£
Operating profit	2,41,95,054	2,46,83,077
Depreciation and amortisation expense	4,83,698	3,87,488
Exchange loss/(gain)	-	(12,47,717)
Decrease/(increase) in debtors	(25,59,422)	(34,05,813)
Add- Finance cost	6,47,351	4,53,253
Add- Leases finance cost IFRS 16	8,34,111	15,045
Increase/(decrease) in creditors	(40,44,447)	23,21,193
Net cash inflow from operating activities	<u>1,95,56,345</u>	<u>2,32,06,527</u>

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

	Year ended 31 March 2023	Year ended 31 March 2022
	£	£
Cash flows from investing activities		
Purchase of fixed assets net of right to use assets and capital work in progress	(11,99,911)	(3,52,823)
Sale of fixed assets	-	217
Proceeds from /(Loan to) Mastek Inc.	8,95,821	(72,875)
Purchase of Investment	(4,10,07,367)	
Interest received	51,266	2,914
Net cash outflow from investing activities	<u>(4,12,60,191)</u>	<u>(4,22,567)</u>
Issue of Share capital		-
Dividends paid to ordinary shareholders	(60,00,000)	(47,00,000)
Proceeds/(repayment) from/of borrowings	(68,75,000)	(68,75,000)
Lease payment as per IFRS 16	(1,24,686)	(1,92,320)
Finance cost	(6,47,351)	(4,68,298)
Net cash outflow from financing activities	<u>(1,36,47,037)</u>	<u>(1,22,35,618)</u>

16. Analysis of change in net funds

	As at 31 March 2022	Cash flow	Exchange gain on cash and cash equivalent	As at 31 March 2023
	£	£	£	£
Net cash:				
Cash at bank and in hand	4,37,63,996	-3,91,97,777	20,55,754	66,21,973
Short Term debt*	68,75,000	-	-	68,75,000
Total				

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

Mastek (UK) Limited

Notes to the Financial Statements for the year ended 31 March 2023

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 **£ 818,408** (2022: **£ 589,234**)

An amount of **£ 208,080** (2022: **£ 191,801**) is included in accruals which represents the excess of the accumulated pension cost over the payment of contributions to the pension fund.

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 **£ 6,000,000** (2022: **£ 4,700,000**), **£ 30** per **£ 1** share (2022: **£ 23.5** 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 measure progress towards completion as there is a direct relationship between input and productivity. (Also refer Note 1).

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.

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.

Mastek (UK) Limited**Notes to the Financial Statements for the year ended 31 March 2023****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:

	As at 31 March 2023		As at 31 March 2022	
	No. of options	Weighted Average exercise price	No. of options	Weighted Average exercise price
Outstanding at beginning of period	1,93,203	1.3	4,51,888	0.7
Granted during the period	3,730	5.0	-	-
Forfeited during the period	8,962	84.5	94,847	0.1
Exercised during the period	1,02,488	177.7	1,62,588	0.2
Expired during the period	2,500	53.1	1,250	0.4
Outstanding at the end of the period	82,983	78.3	1,93,203	1.3
Exercisable at the end of the period	66,423	96.5	1,67,588	1.5

The weighted average remaining contractual life in years is 4.3 years (2022: 4.7 years)

The weighted average fair value of options granted during the period, determined using the Black-Scholes valuation model, was ₹21.6.

The significant inputs into the model were weighted average share price of ₹21.60 (2022: ₹23.99) at the grant date, volatility of 50.04 % (2022: 51.35 %), dividend yield of 0.73% (2022: 0.58%), an expected option life of 3-7 years (2022: 3-7 years) and an annual risk-free interest rate of 7.03% (2022: 5.9%).

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.

23. Capital commitment

Estimated amount of contracts remaining to be executed on capital account and not provided for as at 31 March 2023 is ₹ 261,278 (31 March 2022: ₹ 55.11)