

Mastek Systems Company Limited
Annual Report for the year ended 31 March 2024

Registered Number 07559069

Mastek Systems Company Limited
Company Information

Directors

Singh, Abhishek w.e.f. Septemeber 21, 2023
Desai, Ashank w.e.f. Septemeber 21, 2023
Grover, Rajeev w.e.f. Septemeber 21, 2023
Chandrana, Hiral w.e.f. Septemeber 21, 2023
Sarkar, Soutik- Company Secretary appointed w.e.f. August 9, 2023
Rao, Priti - resigned w.e.f. May 31, 2023
Bhinde, Yashodhar - resigned w.e.f. July 22, 2023
Nahata, Umang Tejkaran - resigned w.e.f. October 1, 2023

Auditors

Grant Thornton UK LLP
Chartered accountants and statutory auditor
110 Queen Street
Glasgow
G1 3BX

Bankers

ICICI Bank UK plc
47, Ealing Road
Wembley
Middlesex
HA0 4BA

Registered office

Harrow Business Centre
429-433 Pinner Road,
North Harrow
Middlesex
HA1 4HN

Registered Number

07559069

Mastek Systems Company Limited

Directors' Report for the year ended 31 March 2024

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2024

Dividends

No Dividends were paid by the company during the current or prior year.

Events since the balance sheet date

There have been no significant events affecting the financial position of the company after year end.

Directors

The following persons served as directors during the year:

Singh, Abhishek w.e.f. Septemeber 21, 2023

Desai, Ashank w.e.f. Septemeber 21, 2023

Grover, Rajeev w.e.f. Septemeber 21, 2023

Chandrana, Hiral w.e.f. Septemeber 21, 2023

Sarkar, Soutik- Company Secretary appointed w.e.f. August 9, 2023

Rao, Priti - resigned w.e.f. May 31, 2023

Bhinde, Yashodhar - resigned w.e.f. July 22, 2023

Nahata, Umang Tejkaran - resigned w.e.f. October 1, 2023

Directors' indemnities and insurance

Mastek UK 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

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.

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms 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.

This report was approved by the board on _____ and signed on its behalf.

Singh, Abhishek
Director

Mastek Systems Company Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual 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.

Mastek Systems Company Limited

Strategic Report

The directors present the strategic report of the company for the year ended 31 March 2024

Principal activity

The principal activity of the company was that of providing consulting services in the field of Information Technology for Oracle applications across public and private sector.

Business Review and future developments

The company's turnover has continued to increase over the last few years as set out below: Year Ended 31 March:

2019	13,260,904
2020	18,915,754
2021	21,059,002
2022	26,055,726
2023	32,500,280
2024	28,732,190

The company has continued to grow in a competitive market by securing business and increase revenue streams. The company continued to focus on its business objectives by critical analysis of its policies, procedures and by ascertaining how to enhance the quality of services provided. The company's strategy to grow in the industry by securing new contracts and manage projects cost effectively has rewarded the company with continuing profits.

The profit for the year after taxation amounted to £ 3,854,253 (2023 : £ 5,859,198)

The Trade receivables of the Company has increased by GBP 2,120,321. The Company has positive operating cash flows which has led to an increase in Cash and Cash Equivalents by GBP 3,429,680 (net of taxes). There are no additional investments made in the current year and hence has no movement in these balances.

The excess cash is remunerated to group companies for expansion of business and working capital requirement, leading to increase in intercompany receivables.

The company did not pay any dividends during the year with the aim to retain reserves and finances for future expansion.

According to Data Bridge Market Research report, the global oracle services market is expected to witness market growth at a rate of approximately 13.60% in the forecast period of 2021 to 2028 and is expected to reach USD 21,278.49 million by 2028. UK is a key market in the Oracle space, fueled by the rising demand for cloud-based services. The Company is well placed in the Oracle EBM and cloud space to leverage these opportunities.

Being a part of the Mastek group, has significantly extended the company's global customer reach in digital cloud services and Oracle Software-as-a-Service areas. Our wide digital services offerings will enable co-sell and cross-sell opportunities in the future. Combined service offerings will enable the company to grow on the back of larger wallet share with existing customers.

UK is expected to witness a robust rate of cloud adoption by small and large enterprises. Customer value proposition includes increasing operational productivity, lower costs and short implementation cycles.

Another area which will fuel future demand is the digitization of e-commerce space. Our unique combination of Oracle e-commerce with Oracle CRM as an offering, makes a differential value proposition to the customer. The other key focus is the SAP Compete market from a share of wallet perspective.

The company will continue to focus on managed service offerings, not only by converting or creating managed services on cloud applications for our install-based customers, but also by competing and winning customers who have platforms which have been implemented by other large consulting firms.

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 being minimised.

· There is no significant adjusting or non adjusting event occurred between 31 March 2023 and the date of approval of the financial statements.

The process of risk acceptance and risk management is addressed through a comprehensive framework of procedures and policies built as an internal control within the management of the company.

Financial risk management

The company faces various financial risks inherent with the nature of the business such as credit risk to customers, liquidity risk, exchange rate, interest rate, laws and regulations and operational risk.

Credit risk :

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. On occasions the company receives payments in advance on commencement of projects. Also, the company has Credit risk insurance.

Liquidity risk:

The liquidity risk is managed by the finance department of the company by ensuring the projects are invoiced on a timely manner on reaching the milestones and payments collected. Receiving payments in advance on commencement of projects reduces the need of working capital and improve liquidity. Generally, the fact that the projects have been profitable, the company has build a strong a bank balance and maintained a positive cashflow.

Exchange rate risk

The company's contracts and expenses are mainly in the United Kingdom with transactions in UK Sterling. The exposure to foreign currency transactions is minimum.

Interest risk

The business does not have any borrowing and hence the interest risk is at its minimum.

Laws and regulations

The company operates in a market which is subject to various regulations. The company has an in-house legal team which reviews legal trading contracts and licensing laws. The company retains human resource department together with the support of an out sourced human resource advisors complies with the employment law. The company complies with the General Data Protection Act 2016 (GDPR) and Privacy and Electronic Communications Regulations 2003 (PECR) to ensure the security of private data held with in the company. The company has a due diligence procedure to identify identity of customers and business associates as required by the Money Laundering Regulations 2007 (MLR) and follow the principles and guidance of the Bribery Act 2010 when considering receipts or offering of gifts or hospitality (if any).

Operational risk

The company has retained a very strong team of well qualified staff who are well trained and experienced to deliver the services provided by the company. Together with the experience in the industry and continuing review procedures the operation risk to deliver contract of services are at minimum.

Key financial indicators

The company uses a range of key performance indicators to monitor and measure the performance of the business

	2024	2023
Turnover	2,87,32,190	3,25,00,280
Direct cost	2,00,70,803	2,18,64,737
Gross profit margin	<u>86,61,388</u>	<u>1,06,35,543</u>
Gross profit margin %	30%	33%
Profit Before Tax	<u>52,10,756</u>	<u>71,93,703</u>

The financial results have a decrease in revenue of 11.59% in comparison with the prior year.

Singh, Abhishek
Director

Mastek Systems Company Limited
Notes to the Financial Statements for the year ended 31 March 2024

		Year ended	Year ended
	Notes	31 March 2024	31 March 2023
		£	£
Turnover	2	2,87,32,190	3,25,00,280
Cost of sales		<u>(2,00,70,803)</u>	<u>(2,18,64,737)</u>
Gross profit		86,61,388	1,06,35,543
Administration expense		<u>(41,06,449)</u>	<u>(37,28,657)</u>
Operating profit	4	45,54,938	69,06,886
Other income	6	<u>6,55,818</u>	<u>2,86,817</u>
Profit on ordinary activities before taxation		52,10,756	71,93,703
Tax on profit on ordinary activities	7	<u>(13,56,503)</u>	<u>(13,34,505)</u>
Profit for the financial year		38,54,253	58,59,198
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>38,54,253</u>	<u>58,59,198</u>

Umang Nahata

- Director

Registered number: 07559069

The notes 1 to 19 form part of these financial statements.

Mastek Systems Company Limited
Balance sheet as at 31 March 2024

		As at	As at
	Notes	31 March 2024	31 March 2023
		£	£
Non current assets			
Fixed assets-			
Tangible assets	8	46,857	77,215
Investments	9	87	87
Deferred tax assets	12	1,06,013	64,970
		<u>1,52,957</u>	<u>1,42,272</u>
Current assets			
Debtors	10	3,15,51,214	2,94,30,893
Cash at bank and in hand	16	41,55,212	21,51,860
		<u>3,57,06,425</u>	<u>3,15,82,753</u>
Creditors-amounts falling due within one year	11	<u>(63,07,803)</u>	<u>(60,27,699)</u>
Net current assets		<u>2,93,98,621</u>	<u>2,55,55,054</u>
Total assets less current liabilities		<u>2,95,51,579</u>	<u>2,56,97,326</u>
Net assets		<u>2,95,51,579</u>	<u>2,56,97,326</u>
Capital and reserves			
Called up share capital	13	100	100
Retained earning		<u>2,95,51,479</u>	<u>2,56,97,226</u>
Total Equity		<u>2,95,51,579</u>	<u>2,56,97,326</u>

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

Umang Nahata

- Director

Registered number: 07559069

The notes 1 to 19 form part of these financial statements.

Mastek Systems Company Limited

Statement of Changes in Equity for the year ended 31 March 2024

	Called up share capital	Retained earning	Total
Balance as at 31 March 2022	100	1,98,38,028	1,98,38,128
Profit for the financial year	-	58,59,198	58,59,198
Total comprehensive income for the year	100	2,56,97,226	2,56,97,326
Balance as at 31 March 2023	100	2,56,97,226	2,56,97,326
Profit for the financial year	-	38,54,253	38,54,253
Total comprehensive income for the year	100	2,95,51,479	2,95,51,579
Balance as at 31 March 2024	100	2,95,51,479	2,95,51,579

Cash flow statement for the year ended 31 March 2024

	Notes	Year ended 31 March 2024	Year ended 31 March 2023
Net cash (used in)/generated from operating activities	14	£ 34,29,680	£ (94,46,443)
Taxation paid		(13,97,546)	(30,21,538)
Cash flow from financing activities	15	(6,110)	(3,940)
Cash flow from investing activities	15	(22,672)	(32,859)
(Decrease)/Increase in cash in the year		20,03,352	(1,25,04,780)
Cash and cash equivalents at the beginning of the year	15	21,51,860	1,46,56,640
Cash and cash equivalents at the end of the year		41,55,212	21,51,860

The notes 1 to 19 form part of these financial statements.

Mastek Systems Company Limited
Notes to the Financial Statements for the year ended 31 March 2024

1. Accounting Policies

Mastek Systems Company Limited is a private limited company and is incorporated and domiciled in the UK. The address of its registered office is Harrow Business Centre, 429-433 Pinner Road, North Harrow, Middlesex, HA1 4HN.

These financial statements were prepared in accordance with Financial Reporting Standard 101 ("FRS 101") and applicable law.

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.

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.

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 services. The company's management have considered the impact of current economic condition and have reviewed the forecasts and projections of the company for future years after taking into consideration the reasonably possible changes in business performance, show that the future business has no impact and the company should be able to operate within the level of its current cash reserves. 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.

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.

Mastek Systems Company Limited

Notes to the Financial Statements for the year ended 31 March 2024

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.

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.

	2024	2023
	£	£
Licence Revenue	-	-
Service Revenue	2,87,32,190	3,25,00,280
Grand Total	2,87,32,190	3,25,00,280

Other Income

Other income comprises of client reimbursement income.

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	20% 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.

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.

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.

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.

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

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 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.

Impairment

Non Financial Instrument

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.

Mastek Systems Company Limited
Notes to the Financial Statements for the year ended 31 March 2024

2. Analysis of turnover

	Year ended 31 March 2024	Year ended 31 March 2023
	£	£
Rendering of services	2,87,32,190	3,25,00,280
By geographical market:		
UK	2,87,14,967	3,24,67,980
Europe	17,056	28,182
Rest of world	-	4,118
	<u>2,87,32,024</u>	<u>3,25,00,280</u>

3. Staff costs

	Year ended 31 March 2024	Year ended 31 March 2023
	£	£
Wages and salaries-Direct cost	95,507	92,34,765
Social security costs	11,15,774	11,81,117
Other pension costs	3,08,985	2,56,074
	<u>15,20,267</u>	<u>1,06,71,956</u>

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

	2024 Number	2023 Number
Administration and consultants	109	113
Director	1	1
	<u>110</u>	<u>114</u>

4. Operating Profit

	Year ended 31 March 2024	Year ended 31 March 2023
	£	£
The operating profit is stated after charging:		
Other operating leases	3,125	10,022
Depreciation	-	672
Services provided by the Company's Auditor - fees payable for the audit	20,370	22,130

5. Director's emoluments

	Year ended 31 March 2024	Year ended 31 March 2023
	£	£
Aggregate emoluments	1,66,093	3,53,687
Company contributions to defined contribution pension plans	2,294	6,413
	<u>1,68,387</u>	<u>3,60,100</u>

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

	Number	Number
Defined contribution plans	1	1

6. Other Income

	Year ended 31 March 2024	Year ended 31 March 2023
	£	£
Client reimbursement income	25,000	26,049
Other income	6,30,818	2,60,768
	<u>6,55,818</u>	<u>2,86,817</u>

Mastek Systems Company Limited
Notes to the Financial Statements for the year ended 31 March 2024

7. Taxation

a) Analysis of tax charge in the year

	Year ended 31 March 2024	Year ended 31 March 2023
Current tax:	£	£
UK corporation tax on profit for the year	13,27,351	13,93,565
Adjustment in respect of prior year	70,195	
	<u>13,97,546</u>	<u>13,93,565</u>
Deferred tax		
Origination and reversal of timing differences	(41,043)	(59,060)
Tax on profit on ordinary activities	<u>13,56,503</u>	<u>13,34,505</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 19% (2021: 19%) and the differences are explained below:

	Year ended 31 March 2024	Year ended 31 March 2023
	£	£
Profit on ordinary activities before tax	52,10,756	71,93,703
Tax charge on profit at 25% (2022: 19%)	13,02,689	13,66,804
Effects of:		
Expenses not deductible for tax purposes	12,358	(30,426)
Capital allowances for period in excess of depreciation	-	(1,873)
Adjustment in respect of prior year-Current Tax	70,195	-
Adjustment in respect of prior year-Deferred Tax	(28,739)	-
Total current tax charge for the year	<u>13,56,503</u>	<u>13,34,505</u>

8. Tangible fixed assets

	Fixtures and fitting £	Computer equipment £	Right to use Assets £	Total £
2023-2024				
Cost				
At 1 April 2023	8,386	1,31,215	-	1,39,601
Prior period additions				
Additions	-	22,672	-	22,672
Less: Deletion	-	-	-	-
At 31 March 2024	8,386	1,53,888	-	1,62,274
Depreciation				
At 1 April 2023	8,386	54,000	-	62,386
Prior period charge				
Charge for the year	-	53,030	-	53,030
Less: Deletion	-	-	-	-
At 31 March 2024	8,386	1,07,030	-	1,15,416
Net book value				
At 31 March 2024	-	46,857	-	46,857
At 31 March 2023	-	77,215	-	77,215
2022-2023				
Cost				
At 1 April 2022	8,386	98,356	1,06,733	2,13,475
Additions	-	32,859	-	32,859
Less: Deletion	-	-	(1,06,733)	(1,06,733)
At 31 March 2023	8,386	1,31,215	-	1,39,601
Depreciation				
At 1 April 2022	8,386	33,035	1,06,061	1,47,482
Charge for the year	-	20,965	672	21,637
Less: Deletion	-	-	(1,06,733)	(1,06,733)
At 31 March 2023	8,386	54,000	-	62,386
Net book value				
At 31 March 2023	-	77,215	-	77,215

Mastek Systems Company Limited
Notes to the Financial Statements for the year ended 31 March 2024

9. Investments

Cost:	Current (£)	Non-current (£)
At 1 April 2023		87
At 31 March 2024	-	87

Directly held investments	Country of incorporation	At 31 March 2024		At 31 March 2023	
		Holding %	NBV £	Holding %	NBV £
Evolutionary Systems Netherlands BV	Netherlands	100.0%	87	100.0%	87

10. Debtors: amounts falling due within one year

	As at 31 March 2024	As at 31 March 2023
Trade debtors	£ 35,44,058	£ 49,33,968
Less: Provision for doubtful debts	(3,97,526)	(3,78,667)
	<u>31,46,532</u>	<u>45,55,301</u>
<u>Other Debtors</u>		
Amount recoverable on contracts	74,80,363	90,47,275
Amounts from group undertakings	2,07,54,625	1,53,64,115
Prepayments	36,661	74,125
Deposits	21,739	23,529
Corporation taxation	77,037	3,57,349
Other current assets	34,257	9,199
	<u>3,15,51,214</u>	<u>2,94,30,893</u>

11. Creditors: amounts falling due within one year

	As at 31 March 2024	As at 31 March 2023
Trade creditors	£ 1,71,730	£ 1,37,081
Amounts due to group undertakings	13,02,388	18,55,996
Social security and other taxes	12,37,195	15,11,531
Other creditors	13,05,619	10,34,661
Advances received from Customer	-	43,274
Accruals and deferred income	22,90,872	14,45,156
	<u>63,07,803</u>	<u>60,27,699</u>

12. Deferred taxation

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

At 31 March 2023	£ (64,970)
Credited to the profit and loss account	(41,043)
At 31 March 2024	<u>(1,06,013)</u>

The deferred taxation assets comprises:

	As at 31 March 2024	As at 31 March 2023
Accelerated capital allowances	£ (1,06,013)	£ (64,970)
At 31 March 2024	<u>(1,06,013)</u>	<u>(64,970)</u>

13. Called up share capital

Authorized		As at 31 March 2024	As at 31 March 2023
Number	Class	£	£
100	Ordinary	100	100
Allotted, issued and fully paid:		2023	2023
Number	Class	£	£
100	Ordinary	100	100

Mastek Systems Company Limited
Notes to the Financial Statements for the year ended 31 March 2024

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

	Year ended 31 March 2024	Year ended 31 March 2023
	£	£
Operating profit	38,54,253	58,59,198
Depreciation and amortisation expense	53,030	21,637
Tax on profit on ordinary activities	13,56,503	13,34,505
Decrease/(increase) in debtors	(21,20,321)	(1,84,14,845)
Add- Finance cost	6,110	3,936
Add- Leases finance cost IFRS 16	-	4
Increase/(decrease) in lease liabilities	-	(4,166)
Increase/(decrease) in creditors	2,80,104	17,53,288
Less: Corporation tax paid	(13,97,546)	(30,21,538)
Net cash inflow from operating activities-(A)	20,32,134	(1,24,67,981)

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

Cash flows from investing activities

Sale/(Purchase) of fixed assets net of right to use assets	(22,672)	(32,859)
Net cash outflow from investing activities (B)	(22,672)	(32,859)

Cash flows from financing activities

Finance cost	(6,110)	(3,940)
Net cash outflow from financing activities (C)	(6,110)	(3,940)

Net cash generated (A+B+C)	20,03,352	(1,25,04,780)
Cash and cash equivalent at 1 April	21,51,860	1,46,56,640
Cash and cash equivalent at 31 March	41,55,212	21,51,860

16. Analysis of change in net funds

	2023	Cash flow	Exchange gain on cash and cash equivalent	2024
	£	£	£	£
Net cash:				
Cash at bank and in hand	-	21,51,860	-	41,55,212
Total	-	21,51,860	-	41,55,212
Analysed in Balance Sheet				
Cash at bank and in hand	-	21,51,860	-	41,55,212

17. Ultimate parent company

The holding company and ultimate parent of Mastek Systems Company 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. Vidyalyaya, 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 £ 259,556 (2022: £ 251,159).

19. 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