

DILIGENTA LIMITED

Annual Report and Financial Statements

**For the year ended
31st December 2021**



Annual Report and Financial Statements for the year ended 31st December 2021

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COMPANY INFORMATION

Board of Directors

N G Subramaniam
Chairman

D Praveen
Chief Executive Officer

R Reid
Non-Executive Director

M Arthur
Non-Executive Director

S Muthuswami
Non-Executive Director

Company Secretary

A Jackson

Auditors

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL
United Kingdom

Registered Office

Lynch Wood
Peterborough
Cambridgeshire
PE2 6FY

Company Registration Number

05535029

Strategic Report

The Directors present their Strategic Report for the year to 31st December 2021.

Principal Activities

Diligenta Limited ("the Company") is a Private Company, limited by shares. The Company has continued to deliver successfully a range of Life and Pension (L&P) Administration services throughout the year. The Company contracts with major Life and Pension insurance companies in the UK and occupies an increasingly important position in the L&P sector in its provision of administration services to these companies and ultimately those companies' policy holders. Given the nature and scale of its business, the Company is regulated by the Financial Conduct Authority ("FCA"). As a subsidiary of Tata Consultancy Services Limited (TCS), the delivery of the Company's services is achieved through collaboration with other group companies.

The Directors are committed to explore other growth opportunities and continue to tender for contracts providing Life and Pension Administration services to the UK Financial Services sector.

Review of Business and Future Developments

The Company's focus has been to maintain strong Business, Operational & Financial Resilience while supporting employee wellbeing in the face of the challenges arising from the COVID-19 pandemic. The financial performance of the Company reflects the challenging environment in which the Company operates. Revenue was £383.4 million in the year (2020: £388.1 million), principally due to deferral of project decisions by clients.

Operating expenses increased to £368.7 million (2020: £353.1 million) primarily driven by increased costs in support of operational readiness for transformations and service recovery efforts. The Company's transformation work and normal customer service levels were adversely affected by the impact of COVID-19 throughout the financial year.

Operating profit reduced to £14.7 million (2020: £35.0 million).

Profit after tax was £12.6 million (2020: £28.2 million). Details of the results for the year ended 31 December 2021 and the previous year are set out in the financial statements and the related notes on pages 19 to 53.

Despite the turmoil caused by the pandemic, with the positive support of its clients, the Company remains optimistic about its ability to continue to deliver the large-scale transformation programmes currently underway, with key milestones in 2022 and also into 2023. The Company also sees further opportunities for organic growth, both in terms of extending the range of services to its existing client base as well as taking on new clients. In achieving such expansion, the Company recognises the need for continuing investment in its IT security and infrastructure and in ensuring that its regulatory compliance keeps pace with the growth in the business as well as new regulatory requirements.

Key Performance Indicators

In assessing the performance of the Company, the Directors monitor several key performance indicators, financial and non-financial. These are:

- **Policy numbers administered:** This key indicator is directly linked to revenue. During the year, the number of in-force policies being administered stood at 15.7 million (2020: 16.0 million).
- **Transformation milestones:** The Company has the KPI of delivering the agreed transformation roadmap as per the defined milestones with client. Due to continued pandemic impact across UK and India coupled with deferred project decisions from client, there has been realignment of the transformation milestones with consent from clients. Realigned key digital and policy migration transformation milestones have been delivered for the Phoenix Group, Sun Life of Canada (SLOC) and Aviva during the year with over 0.6 million policies being added to the Company's platform.
- **Revenue:** Revenue for the year was £383.4 million (2020: £388.1 million). While there has been a steady growth in policy administration and Change revenue streams, reprioritisation of a number of transformation programmes by clients have contributed to a reduction of 1.2% in overall revenue.
- **Liquidity:** The Company has the KPI to ensure that it has strong financial flexibility through liquid assets to cover its anticipated payment obligations and funding requirements. The Company regularly monitors its liquidity position to ensure that, even under stressed conditions, the Company has sufficient liquidity to meet its obligations. With no debt, the Company has adequate liquid assets to meet its obligations, including its Regulatory Capital requirement and after taking account of ring-fenced cash set aside to comply with FCA requirements.

- **IT Security:** The Company's IT security performance remains strong. The IT and security teams have been involved in a substantial amount of COVID-19 related activities including the enablement of corporate devices and enabling remote working capabilities. During the reporting period there has been no critical or high severity security incidents reported. The Directors are of the opinion that there are no significant unmitigated risks affecting the Company in executing its contracts.
- **Regulatory Breaches:** The Company and its clients have responsibility for regulatory compliance. Consequently, appropriate contractual arrangements are in place to provide clarity of respective responsibilities and information about regulatory matters flows from the Company to its clients and vice-versa. The Company has a dedicated Compliance function which provides continuous guidance to the business on compliance with regulatory matters. Regular, contractually required meetings between senior managers in the Company and its clients seek to identify issues at an early stage and act in concert both to prevent escalation or take necessary action.

Risk Management

Responsibility for setting as well as managing risk appetite and risk policy resides with the Board. The Board has delegated certain risk matters to the Risk Management and Compliance Committee which has a responsibility for oversight and monitoring management's implementation of the risk management framework within the Company.

This Company-wide risk management framework for the identification, assessment, measurement, and management of risk covers the full spectrum of risks that the Company is exposed to, with risks categorised as operational, strategic, regulatory, people, commercial or financial. Risks are entered in a register with each risk having a specified owner who is responsible for overseeing the necessary mitigating actions to keep the risk within the approved risk appetite. The status of risks is regularly assessed, at least once a quarter, to ensure that appropriate management actions are taken in an event that a key risk is deemed out of appetite.

The quarterly review of the risk register is done by the Senior Management team, Risk and Compliance Committee and the Board committees (Risk Management and Compliance Committee and Board Audit Committee). A risk dashboard is also provided to the Board.

The following Principal risks are currently registered and tracked:

- Business as usual service outcome risks
- Operational resilience risks
- Regulatory and legislative risks
- Transformation risks
- IT and Cyber Security threats
- HR risks

All these risks are actively managed via a robust process that includes strong program management, formal project life cycle processes and ring-fenced teams deployed, and Line 2 reviews of, and engagement within, key work streams undertaken.

The Company also mitigates these risks by reviewing management information on service level attainment and key performance indicators, with trends reviewed regularly. Formal contract management is in place and risks to service are identified and managed with contingency plans, if needed.

The operational risks are managed through controls being in place to protect the data and customer information with remediation plans on any breaches. It is also part of mandatory trainings to ensure the staff follows the required controls.

The IT risks are monitored through a regular Business Continuity Plan (BCP) and Disaster recovery testing to ensure the continuity of IT services are tested.

The HR risks are mitigated by ensuring that a succession planning process is undertaken annually; performance and development reviews are undertaken half yearly; by the use of recruitment partners; undertaking salary review through a remuneration committee; ensuring that appropriate HR strategies are in place; and retention actions taken, where needed.

Regulatory and Legislative risks are managed by ensuring that the Company's corporate incident management process operates effectively and management information on corporate incident trends is monitored through committees to oversee

regulatory and legislative change; by the application of the quality framework, mandatory training and competency schemes; undertaking output checking and root cause analysis on incidents and complaints.

Impact of COVID-19 on risks

The principal risks have been impacted and heightened by the current COVID-19 pandemic situation. The current key COVID-19 related operational risks for the Company are:

- Addressing the impacts of the current employment market, which is very volatile and has resulted in higher levels of attrition in the Company in key areas.
- Supporting employees' well-being following extended periods of home working and now through the challenges of returning to work.
- Controlling the threat of cyber-attacks is a continued risk on account of the fast-evolving nature of the threat. In addition to impact on business operations, a security breach could result in reputational damage, penalties, legal and financial liabilities.

To address the threat of cyber-attack, the Company has:

- invested in automated prevention and detection solutions, enhanced internal vulnerability detection, data leak prevention tools, defined and tested incident management and recovery processes
- deployed security governance tools on all devices used by employees while working remotely, to monitor the work and ensure compliance to company security policies and contractual obligations
- continued reinforcement of stringent security policies and procedures, including enhanced security measures and awareness building to combat pandemic-themed threats like phishing, soliciting for fraudulent causes or charities, suspicious pleas and communication through social media, text or calls; and
- enhanced Company-wide training and awareness programmes on Information Security.

Regulatory compliance

The Company operates in a highly regulated environment, its principal regulator being the Financial Conduct Authority ("FCA"). The Company's clients are regulated by both the FCA and the Prudential Regulatory Authority ("PRA").

Both the Company and its clients have responsibility for regulatory compliance. Consequently, appropriate contractual arrangements are in place to provide clarity of respective responsibilities and information about regulatory matters flowing from the Company to its clients and vice-versa.

The Company operates a '3 lines of defence' model. The Compliance function provides 2nd line oversight of, and guidance to, the business in respect of regulatory compliance, and carries out a programme of monitoring activities to assess regulatory compliance in the 1st line. Compliance also oversees: the timely implementation of regulatory change; the operation of the Senior Managers & Certification Regime; the Training & Competence Scheme; the timely fulfilment of all regulatory reporting requirements for the Company, as a regulated entity in its own right. All regulatory reporting is up to date.

Compliance has regular and frequent dialogue with the Company's Supervision Team at the FCA, encompassing the FCA's programme of proactive engagement with the Company. This is focussed on areas which include:

- The Company's strategy and growth ambitions and the risks that growth plans bring to the business.
- On-boarding of new clients and the importance of ensuring sufficient operational and control capacity.
- The effectiveness of the Company's Board. The Board has completed its annual review. The next independent triennial review of Board effectiveness will be completed in 2023.
- The Board's composition and diversity.

- Liquidity, stress testing and wind-down plans. Corporate Finance complete and submit monthly liquidity questionnaires. An amount of money has been ring-fenced as part of an FCA requirement for a liquidity backstop. Controls are in place to ensure that this is maintained.
- The programme of transformations (system migrations): risk management and decision making; how lessons learnt are shared across the programme.
- The need to review and assess whether the size and capabilities of the Audit, Risk and Compliance functions are keeping pace with the rate of change and complexity of the business.

As part of FCA's programme of proactive engagement, the Company is also required to submit a range of management information. This includes Board level committee packs and minutes; risk committee packs and minutes; change committee packs; internal and external audit reports. All management information submissions are up to date.

The increased regular contact with the FCA on operational matters, which began with COVID-19, has continued. Regular meetings focus on providing the regulator with assurance in the following areas:

- The maintenance of customer service, with an emphasis on good customer outcomes following system migrations.
- Operational and IT resilience.
- Cyber and information security.
- Staff wellbeing.

The meetings are supported by management information reports, submitted in advance, covering Company's service performance across client accounts.

Financial Risk Management

The Company is exposed to financial risk through its financial assets and liabilities and its contractual obligations to its clients.

As a result of the COVID-19 pandemic, some of the contractual transformation milestones, that were planned for delivery in 2021, have been re-baselined to 2022 and 2023, as per client priorities and in agreement with clients.

The Company does not use hedging for any type of transactions. The exposure of the Company to credit risk is managed through regular reviews of the level and age profiles of amounts outstanding.

The Directors do not consider that the Company and its activities are subject to any other significant financial risks.

COVID-19

The Company has continued to focus on the on-going impacts of the COVID-19 pandemic with the priority being to safeguard the health and wellbeing of its employees whilst continuing to support its clients' business critical activities. The Company has continued to regularly assess risks to both its ability to deliver services and the wellbeing of the employees, as the situation changed throughout the year. The Company's on-going resilience to events has proved robust and critical business services have continued to be delivered successfully both from within the offices and also as a result of the continued ability of employees to work from home through the TCS Secure Borderless Workplace (SBWS™) model adopted by the Company. This transformative model enables remote access for employees, sets up a suitable cybersecurity framework and all project management practices and systems needed to ensure that work allocation, monitoring and reporting continues without disruption.

As a result of the on-going COVID-19 pandemic and extended lockdowns during 2021, the Company has seen an increase in the number of mental health wellbeing issues. Where this has been identified, the impacted employees have been offered support including the safe facilitation of their return to the office and/or support from the Company's 'Employee Assist Programme'.

The Company has continued to undertake extensive staff communication ensuring that guidelines and working practices were continually reviewed and changes communicated. Employee forums have been put in place to maintain regular engagement with employees and to take feedback on areas of interest or concern. The rollout of the Company's Mental Health First Aider programme across all sites has been completed and will look to be further extended during 2022.

Planning is now underway to support a gradual return of more employees back to the office, following the end of the Governments 'Work from Home' guidance in January 2022, this includes the development of the Company's longer term working practices in consideration of a hybrid operating model.

The Company has taken into account all the possible impacts of COVID-19 in preparation of the financial statements, including but not limited to its assessment of, liquidity and going concern assumptions, recoverable values of its financial and non-financial assets, impact on revenue recognition owing to changes in cost budgets of fixed price contracts and impact on leases. The Company has carried out this assessment based on available internal and external sources of information up to the date of approval of these financial statements and believes that the impact of COVID-19 is not material to these financial statements and expects to recover the carrying amount of its assets. The impact of COVID-19 on the financial statements may differ from that estimated as at the date of approval of these financial statements owing to the nature and duration of COVID-19 impacts.

Section 172(1) Statement

The Directors acknowledge their duty to promote the success of the Company for the benefit of its shareholders, employees, clients, and regulator, as well as the wider community in which it operates.

Key requirements are:

- The interests of the Company's employees
- The need to foster the Company's business relationships with suppliers, customers and others
- The desirability of the Company maintaining a reputation for high standards of business conduct
- The need to act fairly as between members of the Company
- The impact of the Company's operations on the community and the environment
- The likely consequences of any decision in the long term

Employee engagement and well-being:

Employee engagement and proposition continue to be a key priority for the management team with return to office, retention and employee well-being at the centre of plans and execution. Several employee wellbeing initiatives are progressing. Corporate and local action plans were developed and being tracked for closures.

This calendar year has seen the introduction of a number of new initiatives across the Company's People Function including further building on greater levels of employee engagement. Employee forums have been a fundamental part of the Company's engagement with a specific focus on 'Wellbeing' forums and Company webinars to support the awareness of mental health and the importance of recognising both employee and team challenges, whilst working from home and in the office during the pandemic.

A particular focus has been given to the resilience of the Company's resourcing strategy given the significant recruitment challenges that are being seen across the global market. Transition to a new strategic resourcing partner has taken place to ensure appropriate access to talent and scalability in line with expected business demands.

The Company has also complied with its obligation to produce a Gender Pay Gap report, which has been reviewed by Directors to identify any issues that require to be addressed.

A diversity and inclusion council, made up of management and workforce, has continued to meet to ensure that the Company represents a truly diverse and inclusive culture, that opportunities are provided for all employees and that the Company strives to be a workplace that is understanding and welcoming of its diverse population with inclusion for all evident at the heart of its operations and culture.

The financial position of the Company's defined benefits pension scheme has been reviewed by Directors and the Company has continued to make the contributions, to ensure that the scheme's funding position remains strong.

Business relationships with customers, suppliers and others:

The Company's business relationships with its customers and suppliers are being maintained with high standards. Engagement with clients is frequent, at all levels of the Company's hierarchy, to ensure a full understanding of the Company's clients' needs and to foster good client relations and governance. On behalf of the Company's clients, Directors have supported the Company to develop and implement a new digital operating model (DOM), for delivery to the client's customers, online access to their financial arrangements and products in order to enhance the customer's access to important information.

The Company promotes the culture of good customer outcomes whilst working with customers, suppliers and others. Directors receive and consider information and data, from external agencies, around the client's customer's satisfaction with the services provided by the Company to ensure that high standards are both maintained and improved.

High standards of business conduct:

Culture: The Company recognises culture as the main driver of its conduct. Directors are leading a culture which puts fair customer outcomes at the heart of the business. 'The Diligenta Way' sets out Diligenta's practices and values and the 10 key principles that guide how employees work. It promotes the appropriate culture and behaviours in support of good customer outcomes.

SM&CR: The Company continues to make good progress on the Senior Managers & Certification Regime (SM&CR). This has set out Conduct Rules that apply to employees who must receive annual training on how the rules apply to their roles. These Conduct Rules set basic standards of good personal conduct.

Regulator: The Directors ensure that the Company's relationship with its regulator, the Financial Conduct Authority (FCA), is maintained and enhanced through regular and proactive interaction on all aspects of the Company's business. In this year, the Company has continued to fully participate in the regulator's evaluation of the Company's business which has seen a number of initiatives being implemented.

Suppliers: Full adherence of conflict-of-interest policy is in place at all management levels. The Company reviews and assesses its payment practices regarding supplier's invoices and these are biannually reported to Companies House. The Company has clear processes in place, which Director's monitor, to ensure payment of Company liabilities are made promptly in line with agreed timescales. Director's review and approve the Company's Procurement and Supplier Management policy regularly.

The need to act fairly as between members of the Company (i.e., TCS):

The Company recognises the need to meet the dividend expectations of its sole shareholder, Tata Consultancy Services Limited (TCS). The Company has returned to profit in the recent financial years, and this has enabled Directors to declare a dividend for its shareholder. TCS is regularly informed about performance, developments and the various initiatives within the Company.

The impact on the community and the environment:

The Company prioritised 'environmental sustainability' initiatives in the account of rapid acceleration in climate change and environmental degradation across the globe. The Company also provides priority to compliance with modern day slavery and health & safety requirements of employees.

The Company operates an annual charity partnership, raising funds through employee events which are fully supported by the Company. The Company has continued to operate a graduate engagement programme and participates in the Government's apprenticeship levy scheme.

Decisions in the long term:

The Company is operating with five-year plans and an annual operating plan (AOP) which demonstrates its strategic planning. Various aspects are being considered while making strategic decisions and these are: growth, investment vs return, locations, sustainability, impact on the community, etc.

The Directors receive feedback from the Company's executive management team, to assess the progress of various long term initiatives seeking views and inputs. Regular information is shared with the Directors to enable appropriate decisions and actions to be taken quickly where trends are identified.

The Directors, along with the executive management team, have engaged with clients to identify ways to improve their businesses, with the result that existing clients have entrusted the Company with significant new business opportunities, in particular to take on the administration of an open-book pensions portfolio which will see the Company progress into new lines of business in line with the Company's long-term strategy.

Approved by the Board and signed on its behalf by:



Daniel Praveen
Chief Executive Officer

11 March 2022

Directors' Report

The Directors have pleasure in presenting their annual report of the Company, together with the financial statements and auditor's report for the year ended 31 December 2021. The monetary amounts are reported in GBP (£) and are rounded to the nearest thousand.

Details of the results for the year ended 31 December 2021 and the comparative previous year are set out in the financial statements and the related notes.

Principal Activities

The principal activity of the Company is the provision of a range of life and pension administration services to the UK Financial Services sector.

Dividends

No Dividend payment is recommended for the year ended 31 December 2021 (2020: £5.0 million).

Directors

The Directors, who served through the year, were as follows:

N G Subramaniam
D Praveen
R Reid
M Arthur
S Muthuswami

Directors' Indemnities

The Company's parent undertaking Tata Consultancy Services Limited, has made qualifying third-party indemnity provisions for the benefit of certain Directors which were made during the period and remain in force at the date of this report.

Employees

The Company has an established practice of keeping its employees informed of matters affecting them and the financial and economic factors affecting the performance of the Company. This is achieved through comprehensive engagement and consultative communication, involving regular meetings between management and employees and information releases both formally and through team communications and employee portals.

The Company operates a 'zero tolerance' approach towards acts of bribery and corruption. The Company will not engage in any form of bribery or corrupt behaviour and will take firm and vigorous action against any individual who does not comply with this policy. This may involve disciplinary action being taken, which the Company will normally treat as gross misconduct, which may lead to dismissal, and legal action where appropriate. This action would be taken irrespective of whether criminal proceedings are pursued by the authorities.

It is the policy of the Company that training, career development and promotion opportunities are available to all employees.

The Company is committed to providing equal opportunities to all employees irrespective of their sex, age, sexual orientation, marital status, religion, race, or disability. It is the Company's policy to give positive consideration to disabled persons with respect to applications for employment, training, career development and promotion, having regard to each individual's particular aptitudes and abilities.

Employee Engagement

The Company operates a variety of different on-going employee engagement initiatives including interactions with various bespoke employee / management forums, trade union and regulative committee representatives, on an on-going basis that recognises and respects each other's separate and shared aims in the context of building a successful business. The Company recognises Unite the Union as the negotiating body for all its employees within the Bargaining Unit in various forms, each locational site having different recognition agreements in place from an information and consultation perspective applicability.

In summary, the Company and the employee representatives always seek to work together in a spirit of co-operation, wherever possible. This is achieved by timely and transparent communication, consulting, and sharing of information, as

well as listening and recognising the joint interests all parties have in making the Company a successful company and place to work.

The Company recognises that open and timely sharing of relevant information, including movements in the markets in which the Company operates, is fundamental to the creation of trust and confidence required to underpin the on-going relationship. This has been most evident throughout the current COVID-19 pandemic of 2020 and into 2021.

All employee representatives recognise they are likely to become privy to confidential information and all employee representatives have agreed to maintain the confidentiality of any information provided to them until they are advised that this information can be disclosed to any third parties, including other union members, members of staff or management.

Engagement with Customers, Suppliers, and others in a business relationship with the Company

The Directors have had regard to the need to foster the Company's business relationships with suppliers, clients, and others. Please refer to the detailed discussion under the Section 172(1) Statement, part of Strategic Report, on pages 8 to 10.

Creditor Payment Policy

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with. The Company publishes its Payments Practices Report biannually on the Gov.UK website.

Reporting in accordance with the Wates Corporate Governance principles for large Private Companies (the "Wates Principles")

The Company has applied the Wates Principles guidance in its entirety in the financial year ended 31 December 2021 and the report is set out below.

Purpose and Leadership

The Directors ensure that the Company operates with a clear sense purpose and collective vision by the continued publication of the Company's values to all stakeholders and through statements and communications issued by the Chief Executive Officer (CEO) and his Executive Management Team. The Directors have continued to hold dialogue with the workforce and wider stakeholders, through trade union information and consultation, management forums and the participation of the workforce in voluntary bespoke confidential surveys. The Directors, through the CEO, have provided updates and corporate messages to the workforce via the Company's intranet, through town hall sessions and through regular cascade messages to the workforce through the management team.

The Company's purpose and values have been explained and integrated into the different functions and operations of the business in a robust manner. The objective setting process forms the backbone of setting and adherence to the Company's core values, and these have continued to be reinforced via the intranet as well as through publicity material visible throughout the Company's sites. The Company has continued to monitor culture by, conducting employee surveys, engagement with trade unions, reviewing absenteeism rates, conducting exit interviews, and undertaking Board feedback sessions. The Directors have led on the establishment of transparent whistleblowing policies in relation to raising concerns about misconduct and unethical practices and put in place effective review processes.

Board Composition

The Directors, collectively, have continued to demonstrate an excellent understanding of the Company's business needs and stakeholder interests. The Company's Board of Directors is constituted of individuals with a wide range of industry and subject expertise. The chairman promotes open debate and facilitates constructive discussion. This enables the Board of Directors to be an open forum for discussion where varied views are tabled, and challenge is issued to the executive team on various matters. The Chairman ensures that all Directors have appropriate information, and that sufficient time is made available for meaningful discussion. Detailed inputs are provided five working days before the Board meets and meetings take place quarterly with sufficient time being allowed for discussion of issues to be covered. The Company has a commitment to the ongoing professional development of its directors who embrace such opportunities and ensure that they have sufficient time to discharge their duties.

The Company's policy on diversity and inclusion is underpinned throughout all the Company's corporate policies in both spirit and practice, inclusive of a bespoke diversity and inclusion council which drives this agenda forward.

Directors' Responsibilities

The Directors have established and maintained corporate governance practices that provide clear lines of responsibility for individual Directors, including the non-executive Directors, to support effective decision-making. The Company has a full suite of policies that it reviews regularly against a number of criteria, including regulation, best practice and alignment to client policies, which govern its internal affairs. Policies have formally assigned owners who are responsible to the Board of Directors. The Directors have established formal and robust internal processes to ensure systems and controls are operating effectively, and that the quality and integrity of information provided to it is reliable.

The Directors have agreed and set out how conflicts of interest should be identified and managed within the Company, through a conflicts of interest policy which is tested across the whole workforce every year.

Opportunity and Risk

The Directors have continued to consider and assess how the Company creates and preserves value over the long-term. The Company has processes for the identification of future opportunities for innovation and entrepreneurship, by operating in a variety of ways to ensure it remains innovative, including via market learning, in forums with its clients and by way of benefitting from the very extensive knowledge-based innovation of its parent company, Tata Consultancy Services Limited.

The Directors have oversight of risk, how it is managed, and appropriate accountability to stakeholders. There are clear areas of responsibility for individual Directors, including for the non-executive Directors, and all have identified areas of oversight over the key stakeholders and managers of the business. The Directors have established formal and robust internal processes to ensure systems and controls are operating effectively, and that the quality and integrity of information provided to them is reliable.

Remuneration

Remuneration for Directors and senior managers is aligned with performance, behaviours, and the achievement of Company purpose, values, and strategy. The Company utilises specialist external agencies to provide pay comparability methodologies to assist with determining remuneration throughout the Company.

In setting Director and senior manager remuneration, consideration has been given to remuneration throughout the organisation to reinforce a sense of shared purpose. The Directors have established clear policies on remuneration structures and practices which enable effective accountability to shareholders, taking account of the broader operating context, including the pay and conditions of the wider workforce and the Company's response to such matters as gender pay gap and the living wage.

Stakeholder Relationships and Engagement

The Company considers how its activities may impact both current and future stakeholders, including how these could impact on the environment in everything it does. This is carried out by consideration being given to the proposed activities at management and Board meetings before any initiative is implemented. Once implemented, the Company reviews and amends, as required, the Company's policies and seeks periodic inputs via workforce surveys; formal governance and feedback surveys with clients; end customer satisfaction results and analysis; regular meetings and audits with regulators.

The Company presents to stakeholders a fair, balanced, and understandable assessment of the Company's position and prospects and makes this available through intranet communications and messages from executive management and, results of workforce surveys.

The Directors ensure that there is a range of formal and informal channels in place to receive appropriate feedback from discussions with stakeholders. Workforce policies and practices are aligned with the Company's purpose and values.

Donations

The Company made no donations to charitable organisations in the year (2020: £Nil).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2020: £Nil).

Streamlined Energy and Carbon Reporting

The Company has obtained information from its landlord and a third-party Facilities Management Company, as shared facilities, who have provided the Company with details of the electricity and gas used during the financial year to 31st December 2021. In the previous reporting period, the company was under the category of low energy user i.e. 40MWH, however in this period it has increased however the company has only generated minimal transport emissions again due to the COVID-19 pandemic situation.

While the Company has little or no operational control over the energy use in the buildings it occupies, the Streamlined Energy and Carbon Reporting disclosure presents the Company's carbon footprint inside the UK across Scopes 1, 2 and 3 together with an appropriate intensity metric.

The total energy use from electricity and gas and an energy actions summary of actions taken during this financial year are set out below.

	kWh	Kg CO2	CO2 emissions tonnes	Intensity ratio (tonnes CO2e/per full time employee)
Emissions from combustion of gas (Scope 1 – tonnes of CO2e)	35,512	7,194	7.19	0.0015
Emissions from combustion of fuel for transport purposes (Scope 1 – tonnes of CO2e)	9,488	2,339	2.33	0.0004
Emissions from activities for which the company own or control including combustion of fuel & operation of facilities (Scope 1 – tonnes of CO2e)	0	0	0	0
Total Scope 1	45,000	9,533	9.53	0.0020
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2 – tonnes of CO2e)	343,015	72,088	72.08	0.0153
Total Scope 2	343,015	72,088	72.08	0.0153
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3 - tonnes of CO2e)	29,250	6,561	6.56	0.0014
Total Scope 3	29,250	6,561	6.56	0.0014
Total gross CO2e based on above	417,264	88,182	88.18	0.0187
Total Intensity ratio (kgCO2e/per full time employee)		18.7861		

Actions summary

The Company is committed to reducing carbon emissions through operational and technological improvements, wherever possible, including by way of example:

- The introduction of video conference communication to reduce business miles.
- Where possible, incentivising the selection of more fuel-efficient vehicles to electric or electric hybrid vehicles.
- The introduction of staff engagement initiatives.

Methodology

For the reporting period, the Company has used 2021 UK Government's Conversion Factors for Company Reporting. The Energy Institute Energy Savings Opportunity Scheme toolkit along with the Global Warming Potentials (GWPs) for CO2 has been consistent with those used in the 2021 UK Government Conversion Factors.

Reporting Period	1 st January 2021 – 31 st December 2021
Organisational boundary	Financial control approach
Alignment with financial reporting	SECR disclosure has been prepared in line with the annual accounts made up to 31 December 2021
Emissions factor source	DEFRA, 2020 for all emissions factors - https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021
Calculation method	Activity Data x Emission Factor = GHG emissions
Reason for the intensity measurement choice	The chosen metric is based on the number of employees – (4,694 employees)

Disclosure of information to auditors

The Directors who held office at the date of approval of this Director's report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Other information

An indication of likely developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 3.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. Further information on the adoption of the going concern basis is set out in Note 3(b) to these financial statements.

Approved by the Board and signed on its behalf by:



Daniel Praveen
Chief Executive Officer

Lynch Wood
Peterborough
Cambridgeshire
PE2 6FY

11 March 2022

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report, and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006 and applicable law.

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 estimates that are reasonable, relevant and reliable
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DILIGENTA LIMITED

Opinion

We have audited the financial statements of Diligenta Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and related notes.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.

- Considering remuneration incentive schemes and performance targets for management, directors and sales staff.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that management may be in a position to make inappropriate accounting entries; and
- the risk of bias in accounting estimates such as percentage of completion for revenue recognition.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries containing key words, those posted by individuals who are not authorized to post journal entries, those entries containing unusual pairings, and posting of backdated journal entries.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, and the Financial Conduct Authority (FCA) regulation of permitted activities and the related capital requirements due to the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit

in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 14, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

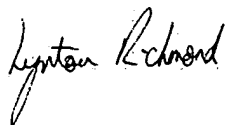
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest

extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Lynton Richmond". The signature is written in a cursive style with a large initial 'L'.

Lynton Richmond (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

11 March 2022

Statement of Financial Position
At 31 December 2021

	Note	31 December 2021 £'000	31 December 2020 £'000
ASSETS			
Non-current assets			
Right-of-use assets	8	7,804	10,970
Property, plant, and equipment	9(a)	12,428	16,110
Intangible assets	9(b)	3,276	2,056
Deferred tax assets(net)	12	2,380	1,804
Income tax assets(net)		690	248
Unbilled receivables		-	1,743
Other financial assets	7(d)	18,200	70
Other assets	9(c)	10,284	11,327
Contract assets	9(c)	12,799	31,374
Total non-current assets		67,861	75,702
Current assets			
Other assets	9(c)	10,181	14,139
Contract assets	9(c)	77,433	58,013
Other financial assets	7(d)	5,708	212
Unbilled receivables		19,444	6,451
Trade receivables	7(c)	34,299	29,110
Investments	7(b)	21,500	29,000
Cash and cash equivalent	7(a)	572	21,999
Total current assets		169,137	158,924
TOTAL ASSETS		236,998	234,626
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade payables	7(f)	83,436	84,430
Lease liabilities	7(f)	4,375	4,278
Other financial liabilities	7(e)	6,268	7,096
Unearned and deferred revenue		600	532
Employee benefit obligations	13(a)	1,810	1,959
Other liabilities	9(d)	5,728	7,255
Total current liabilities		102,217	105,550
Non-current liabilities			
Lease liabilities	7(f)	3,900	7,318
Total non-current liabilities		3,900	7,318
TOTAL LIABILITIES		106,117	112,868

Statement of Financial Position (continued)

Equity			
Share capital	7(i)	1,000	1,000
Share premium		25,000	25,000
Retained earnings		62,881	53,758
Other reserve	7(i)	42,000	42,000
TOTAL EQUITY		130,881	121,758
TOTAL LIABILITIES AND EQUITY		236,998	234,626

The financial statements were approved by the Board of Directors and authorised for issue on 11 March 2022.
They were signed on its behalf by:



Daniel Praveen
Chief Executive Officer

Company registration number: 05535029

11 March 2022

Notes 1 to 18 form part of the financial statements

**Statement of Profit or Loss and other Comprehensive Income
For the year ended 31 December 2021**

	Note	31 December 2021	31 December 2020
		£'000	£'000
Revenue from operations	10	383,440	388,092
Operating expenses:			
Employee benefit expenses	13	(176,947)	(177,705)
Depreciation and amortisation expense	9(a),9(b)	(7,531)	(6,184)
Right of use assets depreciation	8	(4,198)	(3,532)
Other operating expenses	11	(180,025)	(165,709)
Total operating expenses		(368,701)	(353,130)
Operating profit		14,739	34,962
Other income / (expense):			
Finance and other income		50	158
Interest on lease liabilities		(253)	(321)
Other gains/loss (net)		(34)	(340)
Total other (expense) / income		(237)	(503)
Profit before tax		14,502	34,459
Income tax expense	12	(1,895)	(6,280)
Profit for the Year		12,607	28,179
Other comprehensive (losses) / income, net of taxes			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined employee benefit plans		2,022	(826)
Deferred tax on remeasurement of defined employee benefit plans		(506)	157
Total other comprehensive income / (losses), net of taxes		1,516	(669)
Total comprehensive income for the Year		14,123	27,510

Notes 1 to 18 form part of the financial statements

Statement of changes in Equity

	Share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2020	<u>1,000</u>	<u>25,000</u>	<u>42,000</u>	<u>36,248</u>	<u>104,248</u>
Profit for the year	-	-	-	28,179	28,179
Other comprehensive (loss)	-	-	-	(669)	(669)
Total comprehensive income	-	-	-	27,510	27,510
Dividend	-	-	-	(10,000)	(10,000)
Balance at 31 December 2020	<u>1,000</u>	<u>25,000</u>	<u>42,000</u>	<u>53,758</u>	<u>121,758</u>
Balance at 1 January 2021	<u>1,000</u>	<u>25,000</u>	<u>42,000</u>	<u>53,758</u>	<u>121,758</u>
Profit for the year	-	-	-	12,607	12,607
Other comprehensive income	-	-	-	1,516	1,516
Total comprehensive income	-	-	-	14,123	14,123
Dividend	-	-	-	(5,000)	(5,000)
Balance at 31 December 2021	<u>1,000</u>	<u>25,000</u>	<u>42,000</u>	<u>62,881</u>	<u>130,881</u>

Other reserve of £42,000,000 (2020: £42,000,000) relates to a capital redemption reserve following the redemption of preference shares in previous years. This is a non – distributable reserve.

Notes 1 to 18 form part of the financial statements

Statement of Cash Flows

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Cash flows from operating activities			
Profit for the year		12,607	28,179
Income tax expense	12	1,895	6,280
Adjustment to reconcile profit or loss to net cash provided by operating activities:			
Depreciation and amortisation expense	8, 9(a), 9(b)	11,729	9,716
Finance costs		253	321
Dividend income		(1)	(77)
Loss on modification of lease		-	185
Operating profit before working capital changes		26,483	44,604
Net change in:			
Trade receivables		(5,189)	(5,692)
Unbilled receivables		(11,250)	5,475
Other financial assets		(23,626)	285
Other assets		6,180	(24,790)
Trade payables		(994)	17,630
Unearned and deferred revenue		68	(11,753)
Other financial liabilities		(828)	4,184
Other liabilities and provisions		(1,676)	230
Cash (used in) / generated from operations		(10,832)	30,173
Taxes paid (net of refunds)		(3,420)	(10,725)
Net cash (used in) / generated from operating activities		(14,252)	19,448
Cash flows from investing activities			
Purchase of investments		(107,200)	(190,000)
Payment for purchase of property, plant and equipment	9(a)	(5,069)	(7,517)
Proceeds from disposal / redemption of investments		114,700	207,000
Dividend received		1	95
Net cash generated from investing activities		2,432	9,578
Cash flows from financing activities			
Dividend paid		(5,000)	(10,000)
Repayment of lease liabilities		(4,344)	(3,329)
Interest paid		(263)	(321)
Net cash used in financing activities		(9,607)	(13,650)
Net change in cash and cash equivalents		(21,427)	15,376
Cash and cash equivalents at the beginning of the year		21,999	6,623
Cash and cash equivalents at the end of the year		572	21,999

Notes 1 to 18 form part of the financial statements

Notes to the Financial Statements

1. General information

The Company is incorporated in the United Kingdom under the Companies Act. The address of the registered office is Lynch Wood, Peterborough, Cambridgeshire PE2 6FY and Company registration number is 05535029. The nature of the Company's operations and its principal activities are set out in the strategic and directors' reports.

2. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standard Board (IASB) and in accordance with the Companies Act 2006.

3.a Basis of preparation

These financial statements have been prepared on historical cost basis except for certain financial instruments which are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle. Based on the nature of services rendered to customers and time elapsed between deployment of resources and the realisation in cash and cash equivalents of the consideration for such services rendered, the Company has considered an operating cycle of 12 months.

Cash flows have been prepared using indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals, or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows. The Company classifies interest paid and interest and dividend received as cash flow from operating activities. The cash flows from operating, investing, and financing activities of the Company are segregated. The Company considers all highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value to be cash equivalents.

The functional and reporting currency of the company is GBP (£). Foreign currency transactions are recorded at exchange rates prevailing on the date of the transaction. Foreign currency denominated monetary assets and liabilities are retranslated at the exchange rate prevailing on the dates of statement of financial position and exchange gains and losses arising on settlement and restatement are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are not retranslated.

The significant accounting policies used in preparation of the consolidated financial statements have been discussed in the respective notes.

3.b Going concern

The directors have reviewed the budget and cash flow forecasts of the Company, taking account of reasonably possible downsides, for a period of not less than 12 months from the date of approval of these financial statements which indicate that the company will have sufficient funds, through its operating cash flows and liquid investments to meet its liabilities as they fall due for that period.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

4. Use of estimates and judgements

The preparation of financial statements in conformity with the recognition and measurement principles of International Financial Reporting Standards (IFRS) requires management to make estimates and judgements that affect the reported balances of assets and liabilities, disclosures of contingent liabilities at the date of the financial statements and the reported amounts of income and expenses for the periods presented.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, and future periods are affected.

Notes to the Financial Statements (continued)

The Company uses the following critical accounting estimates in preparation of its financial statements:

a. Revenue recognition

Revenue for fixed-price contracts is recognised using the percentage-of-completion method. The Company uses judgement to estimate the future cost-to-completion of the contracts which is used to determine the degree of completion of the performance obligation. [As contracts progress, the calculation of revenue recognition for the year being reported on becomes increasingly sensitive to the estimate of future costs required to complete the contract].

b. Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

c. Provision for income tax and deferred tax assets

The Company uses estimates and judgements based on the relevant rulings in the areas of allocation of revenue, costs, allowances, and disallowances which is exercised while determining the provision for income tax. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. Accordingly, the Company exercises its judgement to reassess the carrying amount of deferred tax assets at the end of each reporting period.

d. Provisions and contingent liabilities

The Company estimates the provisions that have present obligations as a result of past events, and it is probable that outflow of resources will be required to settle the obligations. These provisions are reviewed at the end of each reporting period and are adjusted to reflect the current best estimates.

The Company uses significant judgements to disclose contingent liabilities. Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle the obligation, or a reliable estimate of the amount cannot be made.

e. Employee benefits

The accounting of employee benefit plans in the nature of defined benefit requires the Company to use assumptions. These assumptions have been explained under the employee benefits note.

f. Leases

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of IFRS 16. Identification of a lease requires significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate.

The Company determines the lease term as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. In assessing whether the Company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Company revises the lease term if there is a change in the non-cancellable period of a lease.

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

Notes to the Financial Statements (continued)

5. Nature and purpose of reserves

a. Retained earnings

This reserve represents undistributed accumulated earnings of the Company as on the date of statement of financial position.

b. Share Premium

Share premium is used to record the premium on issue of shares.

c. Other reserve

Other reserve relates to a capital redemption reserve following the redemption of preference shares in previous years. This is a non-distributable reserve.

6. Recent accounting standards

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IAS 16	:	Property, plant and equipment: Proceeds before intended use ¹
Amendments to IAS 37	:	Onerous Contracts - Costs of Fulfilling a Contract ¹
Amendments to IFRS 3	:	Business Combinations - Reference to Conceptual Framework ¹
Annual Improvements to IFRS Standards 2018-2020	:	IFRS 9 and IFRS 16 ¹
Amendments to IAS 1	:	Classification of Liabilities ²
Amendments to IAS 1 and IFRS Practice Statement 2	:	Disclosure of Accounting Policies ²
Amendments to IAS 8	:	Definition of Accounting Estimates ²
Amendments to IAS 12	:	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²

¹ Effective for annual periods beginning on or after January 1, 2022.

² Effective for annual periods beginning on or after January 1, 2023.

IAS 16 – Proceeds before intended use

In May 2020, IASB amended IAS 16, which prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. The Company does not expect the amendments to have any impact in its recognition of its property, plant and equipment in its financial statements.

IAS 37 – Onerous Contracts - Costs of Fulfilling a Contract

In May 2020, IASB issued Onerous Contracts - Cost of Fulfilling a Contract, which specify that that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The amendment is essentially a clarification, and the Company does not expect the amendment to have any significant impact in its financial statements.

IFRS 3 – Reference to Conceptual Framework

In May 2020, IASB published Reference to Conceptual Framework, that update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. These changes do not significantly change the requirements of IFRS 3. The Company does not expect the amendment to have any significant impact in its financial statements.

IFRS 9 – Annual Improvements to IFRS Standards - 2018-2020

In May 2020, IASB amended IFRS 9 as part of its Annual Improvements to IFRS Standards 2018-2020. The amendment clarifies which fees an entity includes when it applies the '10 percent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. The Company does not expect the amendment to have any significant impact in its financial statements.

Notes to the Financial Statements (continued)

IFRS 16 – Annual Improvements to IFRS Standards - 2018-2020

In May 2020, IASB issued an amendment to Illustrative Example 13 accompanying IFRS 16, as part of its Annual Improvements to IFRS Standards - 2018-2020, which removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. The amendment is only as regards the Illustrated example; therefore, no effective date is stated. The Company does not expect the amendment to have any significant impact in its financial statements

IAS 1 – Classification of Liabilities

In January 2020, IASB issued the final amendments in Classification of Liabilities as Current or Non-Current, which affect only the presentation of liabilities in the statement of financial position.

IAS 1 – Disclosure of Accounting Policies

In February 2021, IASB issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' which is intended to help entities in deciding which accounting policies to disclose in their financial statements.

IAS 8 – Definition of Accounting Estimates

In February 2021, IASB issued 'Definition of Accounting Estimates (Amendments to IAS 8)' to help entities to distinguish between accounting policies and accounting estimates. The definition of a change in accounting estimates has been replaced with a definition of accounting estimates.

IAS 12 – Income Taxes

In May 2021, IASB issued 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)', which clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

For IAS 1 and IAS 8, the Company does not expect this amendment to have any significant impact in its financial statements. For IAS 12, the Company will evaluate the impact, if any, in its financial statements.

7. Financial assets, financial liabilities and equity instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired.

Cash and cash equivalents

The Company considers all highly liquid financial instruments, which are readily convertible into known amounts of cash that are subject to an insignificant risk of change in value and having original maturities of three months or less from the date of purchase, to be cash equivalents. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

The Company has money ring-fenced as part of FCA requirement for a liquidity backstop in a deposit account. The same is reported under Other non-current financial assets as "Restricted cash".

Financial assets at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business whose objective is to hold these assets in order to collect contractual cash flows 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.

Notes to the Financial Statements (continued)

Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding and selling financial assets.

The Group has made an irrevocable election to present subsequent changes in the fair value of equity investments not held for trading in other comprehensive income.

Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss unless they are measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in statement of profit or loss.

The Company has deposits into Mutual Funds which are classified as financial assets measured through profit or loss. The Mutual Funds have a standard value of per unit which is the reference for any gains or losses on the holding. There has been no gain or loss on the holding of Mutual Funds.

Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method.

Equity instruments

An equity instrument is a contract that evidences residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments recognised by the Company are recognised at the proceeds received net of direct issue cost.

Impairment of financial assets (other than at fair value)

The Company assesses at each date of statement of financial position whether a financial asset or a group of financial assets is impaired. IFRS 9 requires expected credit losses to be measured through a loss allowance. The Company recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. In determining the allowances for doubtful trade receivables, the Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. The expected credit loss allowance is based on the ageing of the receivables that are due and allowance rates used in the provision matrix. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

a. Cash and cash equivalents

Cash and cash equivalents are held in a banking institution with a credit rating of AA- (Standard & Poor's) and consist of the following:

	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Cash in hand and at banks	<u>572</u>	<u>21,999</u>

Notes to the Financial Statements (continued)

b. Investments

Investments consist of the following:

Investments - Current	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Investments carried at fair value through profit or loss	£'000	£'000
Mutual fund units	21,500	29,000
Total	21,500	29,000

The mutual fund balances are deposits in a fund with daily liquidity, where the aim is to provide investors with security of capital together with an investment return which is comparable to normal Sterling-denominated money market interest rates.

c. Trade receivables

Trade receivables consist of the following:

Trade receivables – Current	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Trade receivables	34,299	29,110
Less: Allowance for doubtful trade receivables	-	-
Total	34,299	29,110

d. Other financial assets

Other financial assets consist of the following:

Other financial assets - Current	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Advance against Investments	5,500	-
Employee loans and advances	131	105
Security deposits	7	7
Sub lease receivable*	70	100
Total	5,708	212

Other financial assets - non-current	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Sub lease receivable*	-	70
Restricted cash with Bank **	18,200	-
Total	18,200	70

*Sub lease receivable relates to monies owned on the St Vincent Street premises in Glasgow (as per IFRS 16).

** Money ring-fenced as part of FCA requirement for a liquidity backstop in a deposit account and is not available for working capital requirements.

Notes to the Financial Statements (continued)

e. Other financial liabilities

Other financial liabilities consist of the following:

Other financial liabilities – Current	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Accrued payroll	6,268	7,096
Total	<u>6,268</u>	<u>7,096</u>

f. Financial instruments by category

The carrying value of financial instruments by categories as at 31 December 2021 is as follows:

	Fair value through profit or loss	Amortised cost	Total carrying value
	£'000	£'000	£'000
Financial assets			
Cash and cash equivalents	-	572	572
Trade receivables	-	34,299	34,299
Investments	21,500	-	21,500
Unbilled receivables	-	19,444	19,444
Other financial assets	-	23,908	23,908
Total	<u>21,500</u>	<u>78,223</u>	<u>99,723</u>
Financial liabilities			
Trade payables	-	83,436	83,436
Lease liability	-	8,275	8,275
Other financial liabilities	-	6,268	6,268
Total	<u>-</u>	<u>97,979</u>	<u>97,979</u>

The carrying value of financial instruments by categories as at 31 December 2020 is as follows:

	Fair value through profit or loss	Amortised cost	Total carrying value
	£'000	£'000	£'000
Financial assets			
Cash and cash equivalents	-	21,999	21,999
Trade receivables	-	29,110	29,110
Investments	29,000	-	29,000
Unbilled receivables	-	8,194	8,194
Other financial assets	-	282	282
Total	<u>29,000</u>	<u>59,585</u>	<u>88,585</u>

Notes to the Financial Statements (continued)

	Fair value through profit or loss	Amortised cost	Total carrying value
	£'000	£'000	£'000
Financial liabilities			
Trade payables	-	84,430	84,430
Finance lease liability	-	11,596	11,596
Other financial liabilities	-	7,096	7,096
Total	-	103,122	103,122

Carrying amounts of cash and cash equivalents, trade receivables, unbilled receivables and trade payables as at 31 December 2021 and 2020 approximate the fair value. The difference between carrying amounts and fair values of earmarked balances with banks, other financial assets and other financial liabilities subsequently measured at amortised cost is not significant in each of the years presented. Fair value measurement of lease liabilities is not required.

£60 million of the trade payables balances represents amounts due to related undertaking (2020: £61 million).

g. Fair value hierarchy

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable and consists of the following three levels:

- Level 1 — Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 — Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 — Inputs are not based on observable market data (unobservable inputs). Fair values are determined in whole or in part using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

The following table summarises financial assets and liabilities measured at fair value on a recurring basis and financial assets that are not measured at fair value on a recurring basis (but fair value disclosures are required):

As at 31 December 2021	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets:				
Mutual fund units	21,500	-	-	21,500
Total	21,500	-	-	21,500
As at 31 December 2020	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets:				
Mutual fund units	29,000	-	-	29,000
Total	29,000	-	-	29,000

The Company has not disclosed the fair values of financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value

Notes to the Financial Statements (continued)

h. Financial risk management

The Company is exposed primarily to fluctuations in foreign currency exchange rates, credit, liquidity and interest rate risks, which may adversely impact the fair value of its financial instruments. The Company has a risk management policy which covers risks associated with the financial assets and liabilities. The risk management policy is approved by the Board of Directors. The focus of the risk management committee is to assess the unpredictability of the financial environment and to mitigate potential adverse effects on the financial performance of the Company.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Such changes in the values of financial instruments may result from changes in the foreign currency exchange rates, interest rates, credit, liquidity and other market changes. The Company looks to mitigate the market risk by agreeing terms predominantly in the functional currency, securing fixed price borrowings and liquid investment.

- **foreign currency exchange rate risk**

The fluctuation in foreign currency exchange rates may have a potential impact on the statement of profit or loss and other comprehensive income and equity, where any transaction references more than one currency or where assets / liabilities are denominated in a currency other than the functional currency of the respective entities.

The Company's transactions are mainly in GBP, hence its exposure to foreign currency exchange rate risk is limited.

- **Interest rate risk**

The Company is not significantly exposed to interest rate risk.

Credit risk

Credit risk is the risk of financial loss arising from counterparty failure to repay or service debt according to the contractual terms or obligations. Credit risk encompasses, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled on a continuous basis by analysing credit limits and creditworthiness of customers to whom the credit has been granted after obtaining necessary approvals for credit.

Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables, unbilled receivables, investments, cash and cash equivalents and other financial assets. Investments include an amount of £21,500,000 held as mutual funds. None of the other financial instruments of the Company result in a material concentration of credit risk.

- **Exposure to credit risk**

The carrying amount of financial assets and contract assets represents the maximum credit exposure. The maximum exposure to credit risk was £189,955,000 and £177,972,000 as at 31 December 2021 and 31 December 2020, respectively, being the total of the carrying amount of balances with banks with high quality credit rating, investments, trade receivables, unbilled receivables, contract assets and other financial assets.

The entity's exposure to credit risk with regards to trade receivables, unbilled receivables and contract assets is influenced mainly by the individual characteristics of each customer in relation to the industry practices and business environment in which they operate. The entity limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 365 days for its customers after which they are in default (credit impaired). To manage this risk, the Company has a robust Credit Management process in place. The Company has adopted a policy of dealing only with creditworthy counterparties. The Company's exposure to the counterparties is continuously monitored and necessary changes to the credit terms are made. None of the customer balances have been written off and no customer balances have been credit impaired at the reporting date.

Notes to the Financial Statements (continued)

h. Financial risk management (continued)

The following customers form more than 10% of outstanding trade receivables, unbilled receivables and contract assets as at 31 December 2021 and 31 December 2020

	£'000		£'000	
	As at 31 December 2021		As at 31 December 2020	
	Amount	%	Amount	%
Customer A	36,009	25.01	3,948	10.58
Customer B	40,057	27.82	11,352	30.43
Customer C	46,911	32.58	16,080	43.10
Customer D	-	-	3,399	9.11

Geographic concentration of credit risk

Geographic concentration of trade receivables (gross and net of allowances), unbilled receivables and contract assets is as follows:

	As at 31 December 2021		As at 31 December 2020	
	Gross%	Net %	Gross %	Net %
United Kingdom	100	100	100	100

Geographical concentration of trade receivables, unbilled receivables and contract assets is allocated based on the location of the customers.

The Company uses an allowance matrix to measure the expected credit loss of trade receivable from customers. The expected credit loss allowance is based on the ageing of the days the receivables are due and are as follows:

As at 31 December 2021						£'Mn
	Weighted average loss rate	Gross carrying amount*	Provision balance adjusted	Net Amount	Loss amount	Credit impaired
Ageing						
Not Due	0%	31.20	-	31.20	-	-
1-90 days	0%	5.29	(3.48)	1.81	-	-
91-180 days	0%	0.89	(2.65)	(1.76)	-	-
181-272 days	0%	0.00	-	-	-	-
273-364 days	100%	0.00	-	-	-	-
>365 days	100%	0.00	-	-	-	-
TOTAL		<u>37.38</u>	<u>(6.13)</u>	<u>31.25</u>	<u>-</u>	<u>-</u>

* Gross carrying amount excludes inter-Company receivables

Liquidity risk

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company consistently generates sufficient cash flows from operations to meet its financial obligations including lease liabilities as and when they fall due.

Notes to the Financial Statements (continued)

h. Financial risk management (continued)

The tables below provide details regarding the contractual maturities of significant financial liabilities as at 31 December 2021:

	Due 1 st year	Due 2 nd year	Due 3 rd to 5 th year	Due after 5 th year	Total
	£'000	£'000	£'000	£'000	£'000
Non derivative financial liabilities:					
Trade payables	83,436	-	-	-	83,436
Lease liability	4,377	2,180	1,827	-	8,384
Other financial liabilities	6,268	-	-	-	6,268
Total	94,081	2,180	1,827	-	98,088

The tables below provide details regarding the contractual maturities of significant financial liabilities as at 31 December 2020:

	Due 1 st year	Due 2 nd year	Due 3 rd to 5 th year	Due after 5 th year	Total
	£'000	£'000	£'000	£'000	£'000
Non derivative financial liabilities:					
Trade payables	84,430	-	-	-	84,430
Lease liability	4,368	3,934	3,618	-	11,920
Other financial liabilities	7,096	-	-	-	7,096
Total	95,894	3,934	3,618	-	103,446

Other risk – Impact of COVID-19

Financial assets carried at fair value as at 31 December 2021 is £21,500,000 and financial assets carried at amortised cost as at 31 December 2021 is £78,223,000. A significant part of the financial assets carried at fair values are classified as Level 1 having fair values of £ 21,500,000 as at 31 December 2021. The fair value of these assets is marked to an active market which factors the uncertainties arising out of COVID-19. The financial assets carried at fair value by the Company are mainly investments in liquid securities and accordingly, any material volatility is not expected.

Financial assets of £18,772,000 as at 31 December 2021 carried at amortised cost is in the form of cash and cash equivalents, bank deposits and earmarked balances with banks where the Company has assessed the counterparty credit risk. Trade receivables of £34,299,000 as at 31 December 2021 forms a significant part of the financial assets carried at amortised cost which is valued considering provision for allowance using expected credit loss method. In addition to the historical pattern of credit loss, we have considered the likelihood of delayed payments, increased credit risk and consequential default considering emerging situations while arriving at the carrying value of these assets due to COVID-19. This assessment is not based on any mathematical model but an assessment considering the nature of verticals, impact immediately seen in the demand outlook of these verticals and the financial strength of the customers. The Company closely monitors its customers who are going through financial stress and assesses actions such as change in payment terms, discounting of receivables with institutions on no-recourse basis, recognition of revenue on collection basis etc., depending on severity of each case. The collections pattern from the customers in the current period does not indicate stress beyond what has been factored while computing the allowance for expected credit losses. The same assessment is done in respect of unbilled receivables and contract assets of £109,676,000 as at 31 December 2021 while arriving at the level of provision that is required. Basis this assessment, no credit loss allowance for trade receivables as at 31 December 2021 is considered.

Notes to the Financial Statements (continued)

i. Equity instruments

The authorised, issued, subscribed and fully paid-up share capital consist of the following:

	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
(a) Authorised		
Ordinary equity shares 2,000,000 of £1 each	2,000	2,000
Redeemable preference shares 50,000,000 of £1 each	50,000	50,000
(b) Issued, Subscribed and Paid Up		
1,000,001 ordinary equity shares of £1 each	1,000	1,000

Other reserve of £42,000,000 (2020: £42,000,000) relates to a capital redemption reserve following the redemption of preference shares in previous years. This is a non-distributable reserve.

The Company's objective for capital management is to maximise shareholder value, safeguard business continuity and support the growth of the Company. The Company determines the capital requirement based on annual operating plans, long-term and other strategic investment plans. The funding requirements are met through equity and operating cash flows generated. The Company is not subject to any externally imposed capital requirements.

The Company is required by the Financial Conduct Authority (FCA) to hold sufficient resources to undertake regulated activities on behalf of its clients. As a regulated firm, the Company has a robust governance framework in place, underpinned by several governance committees which report into the Risk Management and Compliance Committee, the Board Audit Committee and ultimately to the Board of Directors. There was no revision in the regulatory capital requirement during the year and no change since the year end; it stands at £27m.

Rights, preferences and restrictions attached to shares

The Company has one class of equity shares having nominal value of £1 each. Each member has one vote for every share of which he is the holder. The Company may by ordinary resolution declare dividends in accordance with the respective rights of members. Every dividend shall be distributed to the appropriate shareholder pro rata according to the number of shares held by them. The Company may by ordinary resolution appropriate a sum resolved to be capitalised to the members who would have been entitled to it if it were distributed by way of a dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company in proportion to their shareholding.

8. Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset representing its right-to-use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or site on which it is located. The right-of-use asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date over the shorter of lease term or its useful life. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in profit or loss.

Notes to the Financial Statements (continued)

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses an incremental borrowing rate. For leases with reasonably similar characteristics, the Company, on a lease-by-lease basis, may adopt either the incremental borrowing rate specific to the lease or the incremental borrowing rate for the portfolio as a whole. The lease payments shall include fixed payments, variable lease payments, residual value guarantees, exercise price of a purchase option where the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The Company recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and profit or loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in profit or loss.

The Company has elected not to apply the requirements of IFRS 16 to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Company as a lessor

At the inception of the lease, the Company classifies each of its leases as either an operating lease or a finance lease. The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term. In case of a finance lease, finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. When the Company is an intermediate lessor it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 Revenue from contracts with customers to allocate the consideration in the contract.

The details of the right-of-use asset held by the Company are as follows:

	Additions for the year ended 31 December 2021	Net Carrying amount as at 31 December 2021
	£'000	£'000
Buildings	1,032	7,405
Computer Equipment	-	-
Vehicles	-	-
Office equipment	-	399
Total	1,032	7,804

	Additions for the year ended 31 December 2020	Net Carrying amount as at 31 December 2020
	£'000	£'000
Buildings	2,067	10,429
Computer Equipment	-	-
Vehicles	-	1
Office equipment	-	540
Total	2,067	10,970

Notes to the Financial Statements (continued)

Depreciation on right-of-use asset is as follows:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Buildings	4,056	3,344
Computer Equipment	-	37
Vehicles	1	10
Office equipment	141	141
Total	4,198	3,532

Amounts recognised in the statement of profit and loss:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Depreciation	4,198	3,532
Interest on lease liability	253	321
Expense relation to short term lease and lease of low value asset	63	122
Total	4,514	3,975

Amount recognised in statement of cash flow:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Total cash outflow for leases	4,667	3,772

The Company has lease term extension options that are not reflected in the measurement of lease liabilities. The present value of future cash outflows for such extension periods is £5.09 million and £5.19 million as at 31 December 2021 and 31 December 2020, respectively.

Lease contracts entered into by the Company largely relate to buildings taken on to conduct its business in the ordinary course. The Company does not have any lease restrictions and commitment towards variable rent.

9. Non-financial assets and non-financial liabilities

a. Property, plant and equipment

Property, plant and equipment are stated at cost comprising of purchase price and any initial directly attributable cost of bringing the asset to its working condition for its intended use, less accumulated depreciation (other than freehold land) and impairment loss, if any.

Depreciation is provided for property, plant and equipment on a straight-line basis so as to expense the cost less residual values over their estimated useful lives based on a technical evaluation. The estimated useful lives and residual values are reviewed at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis.

The estimated useful lives are as mentioned below:

Type of asset	Method	Useful lives
Leasehold improvements	Straight line	Lease term
Computer equipment	Straight line	4 years
Furniture and fixtures	Straight line	5 years
Office equipment and other assets	Straight line	5 years

Depreciation is not recorded on capital work-in-progress until construction and installation are complete and the asset is ready for its intended use. Capital work-in-progress includes capital advances.

Notes to the Financial Statements (continued)

Property, plant and equipment with finite life are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. 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 (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

Property, plant and equipment consist of the following:

	Computer equipment	Leasehold Improvements	Capital work in progress	Total
	£'000	£'000	£'000	£'000
Cost as at 1 January 2021	34,426	1,395	37	35,858
Additions	2,720	-	445	3,165
Cost as at 31 December 2021	37,146	1,395	482	39,023
Accumulated Depreciation as at 1 January 2021	19,091	657	-	19,748
Depreciation for the year	6,561	286	-	6,847
Accumulated Depreciation as at 31 December 2021	25,652	943	-	26,595
Net carrying amount as at 31 December 2021	11,493	452	482	12,428
	Computer equipment	Leasehold Improvements	Capital work in progress	Total
	£'000	£'000	£'000	£'000
Cost as at 1 January 2020	27,117	1,223	-	28,340
Additions	7,309	172	37	7,518
Cost as at 31 December 2020	34,426	1,395	37	35,858
Accumulated Depreciation as at 1 January 2020	13,541	356	-	13,897
Depreciation for the year	5,550	301	-	5,851
Accumulated Depreciation as at 31 December 2020	19,091	657	-	19,748
Net carrying amount as at 31 December 2020	15,335	738	37	16,110

Notes to the Financial Statements (continued)

b. Other Intangible assets

Intangible assets purchased are measured at cost as at the date of acquisition, as applicable, less accumulated amortisation and accumulated impairment, if any.

Intangible assets consist of Pre-contract costs, rights under licensing agreement and software licences.

The following table summarises the nature of intangibles and their estimated useful lives.

Nature of intangible	Useful lives
Pre-contract costs	10-12 years
Software licence	Licence period
Rights under licensing agreement	2-5 years

Intangible assets are amortised on a straight-line basis over the period of its economic useful life.

Intangible assets with finite life are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. 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 (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

Intangible assets consist of the following:

	Rights under licensing agreement and software licences
	£'000
Cost as at 1 January 2021	6,905
Additions	1,904
Cost as at 31 December 2021	8,809
Accumulated amortisation as at 1 January 2021	4,849
Amortisation for the year	684
Accumulated amortisation as at 31 December 2021	5,533
Net carrying amount as at 31 December 2021	3,276
	£'000
Cost as at 1 January 2020	6,905
Cost as at 31 December 2020	6,905
Accumulated amortisation as at 1 January 2020	4,516
Amortisation for the year	333
Accumulated amortisation as at 31 December 2020	4,849
Net carrying amount as at 31 December 2020	2,056

Notes to the Financial Statements (continued)

c. Other assets

Other assets consist of the following:

Other assets – Current	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Advance to suppliers	-	151
Indirect tax recoverable	230	210
Prepaid expenses	2,323	2,742
Contract fulfilment costs *	7,628	11,036
	<u>10,181</u>	<u>14,139</u>
Contract assets	77,433	58,013
Total	<u>87,614</u>	<u>72,152</u>

Other assets – Non-current	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Prepaid expenses	81	741
Contract fulfilment costs	4,248	7,074
Net pension asset – refer note 14b	5,955	3,512
	<u>10,284</u>	<u>11,327</u>
Contract assets	12,799	31,374
Total	<u>23,083</u>	<u>42,701</u>

* Contract fulfilment costs of £12,996k and £10,092k for the year ended 31 December 2021 and 2020, respectively, have been amortised in the profit or loss

d. Other liabilities

Other liabilities – Current	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Indirect tax payable and other statutory liabilities	5,694	7,186
Others	34	69
Total	<u>5,728</u>	<u>7,255</u>

Notes to the Financial Statements (continued)

10. Revenue recognition

The Company earns revenue primarily from providing IT services, consulting and business solutions. The Company offers a consulting-led, cognitive powered, integrated portfolio of IT, business and engineering services and solutions.

Revenue is recognised upon transfer of control of promised products or services to customers in an amount that reflects the consideration that the Company expects to receive in exchange for those products or services.

- Revenue from time and material and job contracts is recognised on an output basis measured by units delivered, efforts expended, number of transactions processed, etc.
- Revenue related to fixed price maintenance and support services contracts where the Company is standing ready to provide services is recognised based on time elapsed mode and revenue is straight lined over the period of performance.
- In respect of other fixed-price contracts, revenue is recognised using the percentage-of-completion method ('POC method') of accounting with contract cost incurred determining the degree of completion of the performance obligation. The contract cost used in computing the revenues includes the cost of fulfilling warranty obligations.
- Revenue from the sale of distinct internally developed software and manufactured systems and third-party software is recognised upfront at the point in time when the system / software is delivered to the customer. In cases where implementation and / or customisation services rendered significantly modifies or customises the software, these services and software are accounted for as a single performance obligation and revenue is recognised over time on a POC method.
- Revenue from the sale of distinct third-party hardware is recognised at the point in time when control is transferred to the customer.

The solutions offered by the Company may include supply of third-party equipment or software. In such cases, revenue for the supply of such third-party products is recorded either on a gross or net basis depending on whether the Company is acting as the principal or as an agent of the customer respectively.

Revenue is measured based on the transaction price, which is the consideration, adjusted for volume discounts, service level credits, performance bonuses, price concessions and incentives, if any, as specified in the contract with the customer. Revenue also excludes taxes collected from customers.

The Company's contracts with customers could include promises to transfer multiple products and services to a customer. The Company assesses the products / services promised in a contract and identifies distinct performance obligations in the contract. Identification of the distinct performance obligations involves judgement to determine the deliverables and the ability of the customer to benefit independently from such deliverables.

Judgement is also required to determine the transaction price for the contract and to ascribe the transaction price to each distinct performance obligation. The transaction price could be either a fixed amount of customer consideration or variable consideration with elements such as volume discounts, service level credits, performance bonuses, price concessions and incentives. The transaction price is also adjusted for the effects of the time value of money if the contract includes a significant financing component. Any consideration payable to the customer is adjusted to the transaction price, unless it is a payment for a distinct product or service from the customer. The estimated amount of variable consideration is adjusted in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and is reassessed at the end of each reporting period. The Company allocates the elements of variable considerations to all the performance obligations of the contract unless there is observable evidence that they pertain to one or more distinct performance obligations.

The Company exercises judgement in determining whether the performance obligation is satisfied at a point in time or over a period of time. The Company considers indicators such as how a customer consumes benefits as services are rendered or who controls the asset as it is being created or the existence of an enforceable right to payment for performance to date and any alternate use of such product or service, transfer of significant risks and rewards to the customer, acceptance of delivery by the customer, etc.

Contract fulfilment costs are generally expensed as incurred except for certain software licence costs which meet the criteria for capitalisation. Such costs are amortised over the contractual period or useful life of licence, whichever is less. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recovered.

Contract assets are recognised when there is excess of revenue earned over billings on contracts. Contract assets are classified as unbilled receivables (only act of invoicing is pending) when there is unconditional right to receive cash, and only passage of time is required, as per contractual terms.

Unearned and deferred revenue ("contract liability") is recognised when the billing is in excess of recognised revenue.

Notes to the Financial Statements (continued)

The billing schedules agreed with customers include periodic performance-based payments and / or milestone-based progress payments. Invoices are payable within a contractually agreed credit period.

In accordance with IAS 37, the Company recognises an onerous contract provision when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits to be received.

Contracts are subject to modification to account for changes in specification and requirements. The Company reviews any modification in conjunction with the original contract, basis which the transaction price could be allocated to a new performance obligation or the transaction price of an existing obligation could undergo a change. In the event that the transaction price is revised for an existing obligation, a cumulative adjustment is accounted for.

The Company disaggregates revenue from contracts with customers by nature of services, industry verticals and geography.

The Company generates revenue through the supply of outsourcing services to the UK Financial Services sector primarily in the Life and Pension industry.

Revenue disaggregation by nature of services is as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Consultancy Services	<u>383,440</u>	<u>388,092</u>
Total	<u>383,440</u>	<u>388,092</u>

Revenue disaggregation by industry vertical is as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Banking, financial services and insurance	<u>383,440</u>	<u>388,092</u>
Total	<u>383,440</u>	<u>388,092</u>

Revenue disaggregation by geography is as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
United Kingdom	<u>383,440</u>	<u>388,092</u>
Total	<u>383,440</u>	<u>388,092</u>

Geographical revenue is allocated based on the location of the customers.

While disclosing the aggregate amount of transaction price yet to be recognised as revenue towards unsatisfied (or partially satisfied) performance obligations, along with the broad time band for the expected time to recognise those revenues, the Company has applied the practical expedient in IFRS 15. Accordingly, the Company has not disclosed the aggregate transaction price allocated to unsatisfied (or partially satisfied) performance obligations which pertain to contracts where revenue recognised corresponds to the value transferred to customer typically involving time and material, outcome based and event-based contracts.

Unsatisfied (or partially satisfied) performance obligations are subject to variability due to several factors such as terminations, changes in scope of contracts, periodic revalidations of the estimates, economic factors (changes in currency rates, tax laws etc.). The aggregate value of transaction price allocated to unsatisfied (or partially satisfied) performance obligations is £109,782,074 out of which 58.77% is expected to be recognised as revenue in next year and the balance thereafter. No consideration from contracts with customers is excluded from the amount mentioned above.

Notes to the Financial Statements (continued)

Changes in contract assets are as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Balance at the beginning of the year	89,387	64,746
Invoices raised that were included in the contract assets balance at the beginning of the year	(44,791)	(55,532)
Increase due to revenue recognised during the year, excluding amounts billed during the year	45,636	80,173
Balance at the end of the year	90,232	89,387

Changes in unearned and deferred revenue are as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Balance at the beginning of the year	532	12,285
Revenue recognised that was included in the unearned and deferred revenue at the beginning of the year	(532)	(12,285)
Increase due to invoicing during the year, excluding amounts recognised as revenue during the year	600	532
Balance at the end of the year	600	532

11. Cost recognition

The costs of the Company are broadly categorised into employee benefit expenses, depreciation and amortisation and other operating expenses. Employee benefit expenses include remuneration, allowances, contribution to various funds and staff welfare expenses. Other operating expenses primarily include fees to external consultants, project expenses, software expenses, facility expenses, travel expenses, communication expenses, and other expenses.

Expenses by nature

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Employee benefit expenses	176,947	177,705
Project expenses	105,103	102,825
Software expense	18,219	18,821
Fees to external consultants and others	26,247	14,710
Facility expenses	6,577	4,648
Depreciation and amortisation expense	7,531	6,184
Right of use assets depreciation	4,198	3,532
Travel expenses	139	644
Communication expenses	6,903	6,881
Other expenses	16,837	17,180
Total	368,701	353,130

Refer note 13 for function wise bifurcation of employee cost.

Notes to the Financial Statements (continued)

Auditor's remuneration:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
As auditor *	145	145
As adviser		
- Other assurance services	91	-
Total	236	145

* This includes a portion of fee paid by the Company's immediate Parent Company to the auditor's associate in India.

12. Income taxes

Income tax expense comprises current tax expense and the net change in the deferred tax asset or liability during the year. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Current income taxes

Current tax is based on the taxable profit for the year and is calculated using tax rates that have been enacted by the year end date.

Advance taxes and provisions for current income taxes are presented in the statements of financial position after off-setting advance tax paid and income tax provision.

Deferred income taxes

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

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be received or settled.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements (continued)

The income tax expense consists of the following:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Current tax		
Current tax charge	2,951	6,613
Prior period adjustment	26	-
	2,977	6,613
Deferred tax		
Deferred tax credit	(1,082)	(333)
	(1,082)	(333)
Income tax expense	1,895	6,280

The reconciliation of estimated income tax expense at the statutory income tax rate to income tax expense reported in the statement of profit or loss is as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Profit before tax	14,502	34,459
Statutory income tax rate	19%	19%
Expected income tax expense	2,755	6,547
Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense		
Income exempt from tax	47	(2)
Tax on income at different rates	(938)	(265)
Prior period adjustment	26	-
Disallowable expenses	5	-
Income tax expense	1,895	6,280

On 24 May 2021, a change to the future corporation tax rate was substantively enacted. The corporation tax rate is to increase from 19% to 25% for the tax years starting on or after 1 April 2023. The deferred tax assets and liabilities at 31 December 2021 have been calculated based on these rates.

Deferred tax balance on defined benefit plan has been calculated at 25% basis the Company's intention to buy-out the plan with an insurance company to secure all benefits at an appropriate time.

Significant components of net deferred tax assets and liabilities for the year ended 31 December 2021 are as follows:

	Opening balance	Recognised in profit or loss	Recognised in / other comprehensive income	Closing Balance
	£'000	£'000	£'000	£'000
Deferred tax assets / (liabilities) in relation to				
Property, plant and equipment and intangible assets	1,739	1,242	-	2,981
Provision for employee benefits and compensated absences	(294)	(236)	(506)	(1,036)
IFRS 16	63	-	-	63
Others	296	76	-	372
Total deferred tax assets / (liabilities)	1,804	1,082	(506)	2,380

Notes to the Financial Statements (continued)

	Assets	Liabilities	Total
	£'000	£'000	£'000
As at 31 December 2021			
Property, plant and equipment and intangible assets	2,981	-	2,981
Provision for employee benefits and compensated absences	453	(1,489)	(1,036)
IFRS 16	63	-	63
Others	372	-	372
Total deferred tax asset / (liabilities)	3,869	(1,489)	2,380

Significant components of net deferred tax assets and liabilities for the year ended 31 December 2020 are as follows:

	Opening balance	Recognised in profit or loss	Recognised in / other comprehensive income	Closing Balance
	£'000	£'000	£'000	£'000
Deferred tax assets / (liabilities) in relations to				
Property, plant and equipment and intangible assets	1,389	350	-	1,739
Provision for employee benefits and compensated absences	(423)	(28)	157	(294)
IFRS 16	63	-	-	63
Others	285	11	-	296
Total deferred tax assets / (liabilities)	1,314	333	157	1,804

	Assets	Liabilities	Total
	£'000	£'000	£'000
As at 31 December 2020			
Property, plant and equipment and intangible assets	1,739	-	1,739
Provision for employee benefits and compensated absences	372	(666)	(294)
IFRS 16	63	-	63
Others	296	-	296
Total deferred tax asset / (liabilities)	2,470	(666)	1,804

13. Employee Benefits

Defined benefit plans

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the date of each statement of financial position. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Past service cost, both vested and unvested, is recognised as an expense at the earlier of (a) when the plan amendment or curtailment occurs; and (b) when the entity recognises related restructuring costs or termination benefits.

The retirement benefit obligations recognised in the statement of financial position represents the present value of the defined benefit obligations reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

Notes to the Financial Statements (continued)

The Directors believe there is a right to recognise a pension surplus on an accounting basis under the Trust deeds and rules. The Directors do not believe that the surplus in the Pension scheme on an accounting basis will result in a surplus on an actuarial funding basis. However, the Directors are required to account for the plans based on the Group's legal right to benefit from a surplus, using long-term actuarial funding assumptions current at the reporting date, as required by IFRS and IFRIC 14. This is a technical adjustment made on an accounting basis. There is no cash benefit from the surplus.

Defined contribution plans

Contributions to defined contribution plans are recognised as expense when employees have rendered services entitling them to such benefits.

Compensated absences

Compensated absences that are expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as an undiscounted liability at the date of statement of financial position.

Employee benefit expenses consist of the following:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Salaries, incentives and allowances	150,937	149,984
Social security and pension costs	23,231	24,701
Staff welfare expenses	2,779	3,020
Total	176,947	177,705

The average number of employees was as follows:

	Year ended 31 December 2021 No.	Year ended 31 December 2020 No.
Administration	5,000	5,028

Employee benefit obligations consist of the following:

a. Employee benefit obligations – Current

	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Compensated absences	1,810	1,959
Total	1,810	1,959

b. Employee benefit obligations – non-current

	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Net defined benefit pension asset	5,955	3,512
Total	5,955	3,512

Defined contribution scheme

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total cost charged to the profit and loss account of £11,248,627 (2020: £11,619,657) represents contributions payable to these schemes.

Notes to the Financial Statements (continued)

Employee benefit plans

The following table sets out the details of the defined benefit retirement plans and the amount recognised in the financial statements.

The Company operates a defined benefit pension scheme for the benefit of certain employees. The scheme is closed to new joiners. During 2007/8 certain employees transferred under Transfer of Undertaking (Protection of Employment) TUPE to TCS Limited. Therefore, the pension scheme is a group scheme. As a majority of staff remained within the Company and consolidated accounts including TCS are not available in the UK, the pension scheme has been reported fully in these financial statements.

The plan closed to future accrual on 31 March 2014 with current active members receiving a deferred pension in the plan. The pension scheme assets are held in a separate Trustee administered fund to meet long term pension liabilities to past and present employees. The Trustees of the fund are required to act in the best interests of the fund's beneficiaries. The appointment of Trustees to the fund is determined by the scheme's trust documentation.

Costs and liabilities of the scheme are based on actuarial valuations. The latest full actuarial valuation was carried out as of 31 March 2018 and updated to 31 December 2021 by a qualified independent actuary.

The Company contributes to the scheme expenses and makes contributions to achieve the scheme secondary funding target of self-sufficiency. This enables the company to be aware of its liabilities to the scheme and helps its intension to buy-out with an insurance company to secure all benefits at an appropriate time.

The movement in the present value of defined benefit obligations during the year were as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Plan liabilities at the beginning of the year	40,967	33,814
Interest costs	506	671
Actuarial loss / (gain) on liabilities	(2,679)	7,052
Benefits paid from plan assets	(905)	(570)
Plan liabilities at the end of the year	37,889	40,967

The movement in the fair value of scheme assets during the year was as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Fair value of assets at the beginning of the year	44,479	37,716
Actuarial return on assets	(225)	6,838
Employer contributions	495	495
Benefits paid	(905)	(570)
Fair value of assets at the end of the year	43,844	44,479

The amount included in the balance sheet arising from the Company's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Fair value of assets	43,844	44,479
Present value of scheme liabilities	(37,889)	(40,967)
Net pension asset	5,955	3,512

Notes to the Financial Statements (continued)

The analysis of the scheme assets at the balance sheet date was as follows:

	Fair value of assets	
	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Bonds	15,858	15,703
Cash	2,382	342
Diversified Growth Funds	12,312	11,731
Liability Driven Investment	13,292	16,703
Total	43,844	44,479
The amounts charged to the profit and loss account in the year were:	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Current scheme expenses	121	140
Total	121	140
Other finance cost comprises:	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Interest on plan liabilities	506	671
Expected return on assets in the plan	(553)	(752)
Total	(47)	(81)
The amount recognised in the other comprehensive income is:	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Actual return less interest on pension scheme assets	(657)	6,226
Change in the assumptions underlying the present value of the scheme liabilities	2,679	(7,052)
Total before adjustment for tax	2,022	(826)
Adjustment for tax	(506)	157
Total gain / (loss) recognised in the statement of comprehensive income	1,516	(669)

The cumulative amount of actuarial gains and losses recognised in other comprehensive income since the creation of the pension scheme is £5,235,000 (December 2020: £3,719,000).

The main assumptions used by the actuary were:

	31 December 2021 % p.a.	31 December 2020 % p.a.
Discount rate	1.80	1.25
Rate of increase of pensions in payment	2.80	2.35
Retail Price Index (RPI) inflation	3.40	2.90

The Company has updated its approach since the prior year to setting its CPI inflation assumptions in light of the RPI reform consultation published on the 25th November 2020 by the UK Chancellor and UK Statistics Authority.

Notes to the Financial Statements (continued)

Based on the discount of 1.80% the estimate duration of the defined benefit obligation as at December 2021 is 20 years.

Estimated contributions to be made to the plan by the Company in the year ending 31 December 2022 amount to £495k. This estimate is in line with the annual employer contribution of £495k, made up of funding contributions of £375k and scheme expenses of £120k, that was approved by the Board in April 2019.

COVID-19 had a potential impact on the Plans investments in 2020, but that didn't materialise fully. Going forward COVID-19 seems to be a less relevant risk when compared to other continuing risk factors to investments.

Risks associated with the pension scheme

The defined benefit scheme exposes the Company to various risks, with the key risks set out below:

Asset volatility: the plan's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields, however the plan invests significantly in Diversified Growth Funds ('DGFs'). These assets are expected to outperform corporate bonds in the long-term but provide volatility and risk in the short-term.

Changes in bond yields: a decrease in corporate bond yields would increase the plan's defined benefit obligation, however this would be offset by an increase in the value of the plan's LDI assets. Although the LDI assets are linked with gilt yields, there is still expected to be a strong correlation with corporate bond yields.

Inflation risk: a significant proportion of the plan's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place). The majority of the plan's LDI assets are also correlated with inflation and therefore changes to inflation would have minor impacts on the plan's funding.

Life expectancy: if plan members live longer than expected, the plan's benefits will need to be paid for longer, increasing the plan's defined benefit obligation.

The Trustees manage risks in the plan through the following strategies:

- Diversification: investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.
- Investment strategy: the Trustees are required to review their investment strategy on a regular basis.

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions while holding other assumptions constant would have affected the defined benefit obligation by the amounts shown below.

	31 December 2021 Increase £'000	31 December 2021 Decrease £'000	31 December 2020 Increase £'000	31 December 2020 Decrease £'000
Discount rate (0.5% movement)	(3,410)	4,168	(4,097)	4,506
RPI Inflation (0.5% movement)	1,137	(1,516)	2,458	(2,868)
Assumed life expectancy (1 year)	1,137	-	1,638	-

Assumptions

The mortality assumptions have been updated based on the preliminary results of the 2021 actuarial valuation (but using a best estimate assumption) and are consistent with the previous period.

Expected Lifetime at 31 December 2021

The expected lifetime of a participant who is age 60 and the expected lifetime (from age 60) of a participant who will be aged 60 in 20 years are shown in years below:

Age	Males	Females
60	26.2	28.2
60 in 20 years	27.3	29.4

Notes to the Financial Statements (continued)

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Movement in related deferred tax liability		
Related deferred tax liability at beginning of year	(651)	(736)
Recognised through profit and loss account	(332)	(71)
Recognised through statement of comprehensive income	(506)	156
Related deferred tax liability at end of year	(1,489)	(651)

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Projected benefits payable in future years from the end of the current year		
1 st following year	486	477
2 nd following year	484	560
3 rd following year	551	549
4 th following year	723	649
5 th following year	724	813
Years 6 to 10	5,001	4,811

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
The movement in the surplus during the year was:		
Surplus in the plan at the beginning of the year	3,512	3,902
Current service costs	(121)	(140)
Contributions paid	495	495
Other finance income	47	81
Actuarial gain / (loss)	2,022	(826)
Surplus in the plan at the end of the year	5,955	3,512

14. Directors Remuneration

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Remuneration in respect of directors during the year was as follows:		
Emoluments (excluding pension contributions)	528	405
Company contributions to defined contribution schemes	12	11
	540	416

During the year, no directors (2020: none) participated in defined benefit pension schemes.

The emoluments disclosed in the notes to these accounts are in respect of the directors with qualifying services for the Company and in relation to those directors comprises their total emoluments in respect of services to the Company.

Notes to the Financial Statements (continued)

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Highest paid director's remuneration:		
Aggregate amount of emoluments (excluding pension contributions)	458	333
Pension contributions to defined contribution schemes	12	11
	470	344

15. Commitments and contingencies

Commitments

The Company has contractually committed £672,215 and £584,774 as at 31 December 2021 and 2020, respectively, for purchase of property, plant and equipment.

Contingencies

The Company has no material contingencies to the best knowledge of the Directors as at 31 December 2021 and 31 December 2020.

16. Related party transactions

The Company's principal related parties consist of its holding company TCS Limited, its subsidiaries, key managerial personnel, directors and their dependents. All transactions are conducted on normal commercial terms and settled through cash payments / receipts. None of the balances are secured. No expense has been recognised in the current or prior period for bad or doubtful debts in respect of amounts owed by related parties.

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Services received from TCS Limited	100,476	99,359
Services provided to TCS Limited	3,676	3,503
Expenses recharged to TCS Limited	1,269	308
Expenses recharged by TCS Limited	2,581	2,585
Dividend paid to TCS Limited	5,000	10,000
Services received from TCS Ireland Limited	117	-
	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Amounts due from TCS Limited	3,286	832
Amounts owed to TCS Limited	59,964	61,915
Amounts owed to TCS Ireland Limited	117	-

Tata Communications Limited ("TCOM") is fellow subsidiary of TCS Limited and Titan Company Limited ("TITAN") is associate of holding company of TCS Limited. The following transactions and balances are all conducted on an arm's length basis and settled through cash payments.

Notes to the Financial Statements (continued)

	Year ended 31 December 2021	Year ended 31 December 2020
	£'000	£'000
Services received from TCOM	1,404	1,279
Services received from TITAN	3	-

There are no amounts due to TCOM and TITAN as on 31 December 2021.

17. Subsequent Events

There are no adjusting or non-adjusting post balance sheet event that require disclosure.

18. Parent Undertakings

The Company's immediate parent undertaking and controlling entity is Tata Consultancy Services Limited ("TCS"), a Company incorporated in India which is registered as a foreign Company in the United Kingdom. The registered office is 9th Floor, Nirmal Building, Nariman Point, Mumbai, 400 021, India. The Company's ultimate parent undertaking and controlling entity is Tata Sons Private Limited whose registered office is Bombay House, 24 Homi Mody Street, Mumbai, 400 001, India. The smallest and largest Company accounts in which these results are consolidated are TCS and Tata Sons Private Limited respectively.