Target Group Limited

Annual report and consolidated financial statements
for the year ended 31 March 2020
Registered number 01208137

Contents

Strategic Report

This strategic report has been prepared for the Group as a whole ("Target"), so includes matters which are significant to Target Group Limited and its subsidiary undertakings.

Review of the business

Principal activities

The principal activities of Target are the provision of transformational outsourcing, business process management and managed services to the financial services sector. We enable clients to transform performance by delivering a world class combination of customer experience, regulatory compliance and productivity through our digital technology and process improvement capabilities. Our services are delivered in highly regulated mission critical environments, and our platform supports over £26bn of business. We have over 40 years' experience and are trusted by over 50 financial institutions, including some of the top 20 global banks.

Through Elderbridge Limited we act as Lender of Record on a number of lending portfolios, providing management services for portfolio owners in the FCA regulated environment.

Covid-19 Pandemic

During the Covid-19 pandemic we recognised we had a crucial role to play in helping administer financial accounts for millions of customers, many of whom were concerned about their finances during a difficult time. Our customer service, and the safety and well-being of our staff are our priorities. We successfully transitioned all our employees to home working, with just a skeleton staff remaining at our sites.

We are really proud of the way our teams came together during this difficult time, however to deliver this new way of working, it has had an impact on our financial results for the year ended 31 March 2020. We invested in £468k of capital expenditure, related to IT kit to transfer a number of our contact centre staff onto laptop computers to enable them to work from home. We incurred a further £324k in operating expenditure, primarily relating to IT and facilities costs, such as additional cleaning costs. We also incurred £265k in lost productivity, through providing full pay for all members of staff under a two-week isolation period in accordance with the government guidelines, where they were isolating prior to being provided kit to work from home.

A further impact of the Covid-19 pandemic was a requirement to prioritise resource during this challenging time. As a result, we prioritised our delivery of projects with upcoming go-live dates to ensure we met those timelines. As a result, some other project work was delayed, resulting in us not being able to recognise as much revenue as forecast during Q4. This has resulted in £1,583k of revenue being delayed into the year ended 31 March 2021.

As a result, revenue has decreased and costs have increased as a result of our response to the Covid-19 pandemic, with a total impact of £2,172k to our year-end results owing to delayed revenues, additional operating costs and lost productivity.

Financial review

The year ended 31 March 2020 has been challenging, particularly during Q4 as we balanced the delivery of a number of critical projects for our clients whilst managing the Covid-19 response and keeping our employees safe.

Turnover for the year ended 31 March 2020 of £69,490k (31 March 2019: £75,456k) represents a decrease of 8% (2019: increase of 8% on an annualised basis). The gross margin for the year was 24% (2019: 37%). The primary driver behind the loss was the booking of an onerous contract provision, where we have identified four contracts where the future economic benefit is expected to be lower than the incremental costs associated with delivering our contractual obligations. We are performing a deep dive on all identified contracts and are identifying actions plans with the aim of reducing the delivery costs or improving the revenue, but currently none of these are certain enough to be able to reduce the provision booked as at 31 March 2020. This resulted in an adverse impact of £5,538k on our March 2020 results, of this £694k of deferred costs were written off with the remaining £4,845k booked as a provision. The results were further impacted by delays in delivering new business, which was partly affected by delivery issues as a result of Covid-19 and therefore a portion of revenue (approximately £1,583k) expected in the year ended 31 March 2020 will now be recognised in the year ended 31 March 2021. Following a successful year of new business, we have had £819k additional costs in year related to people in order to deliver this new business, but the revenue for these will come in future years. Excluding the onerous contract provision, the impact of Covid-19 and the additional costs of delivering our new business, the gross margin percentage for the year is 36%.

Strategic Report (continued)

Operating profit decreased from £5,429k for the year ended 31 March 2019 to an operating loss of £9,992k for the year ended 31 March 2020. A further £2,991k of the decrease is explained in the movements noted above relating to new business wins and Covid-19. We have also continued to invest in our platforms and operating model during the year which will deliver future cost savings, but not all of our investment meets the capitalisation thresholds available. This has resulted in an additional £1,333k of costs in the year, but it is important investment to ensure we continuously improve our services to clients and customers, whilst driving efficiencies into our operations.

The following data illustrate the annualised comparison:

	2020	2019
	£000	£000
Revenue	69,490	75,456
EBITDA	(5,661)	10,798

Our markets

Our clients are predominantly providers of lending, payment, investment and insurance products, across both the public and private sectors. We service these markets through four key offerings; transformational outsourcing, business process outsourcing, managed services and software, all of which are supported by our professional services and consultancy teams.

Business performance

We have continued to work with Tech Mahindra, of which Target is a 100%-owned subsidiary, in bringing new technology to bear in helping our clients succeed. We have also expanded the range of industries we serve, with new clients in utilities and the public sector. We have been delighted that in our core markets existing and new clients have chosen to put more business with Target, enabling us to continue to grow our franchise and create additional, sustainable annuity revenue streams.

In our existing client portfolio, we saw several of clients chose to renew their contracts with Target, and a number also placed new business with us during the year. These are relationships that we value deeply. We expect that our continued focus on operational excellence will see us renew several further clients in the near future.

Brexit

Target is monitoring and planning for any impacts of Brexit through a *Brexit Governance Meeting*. The meeting was initially held monthly, but is now being held as required, in response to new information. The Brexit planning forms a part of our wider operational resilience planning. There is representation from across the business and the purpose is to identify potential risks and the mitigants should those risks transpire. The Brexit Governance Meeting considers both the potential impact on our operations, for example scenarios that may affect the demand on our operations (e.g. call volumes), and also potential impacts to our clients and suppliers.

People

During the year we saw several key leadership changes at the board level. We appointed Catherine Rowe as our CEO as Ian Larkin stepped down after 5 years at the helm. In September 2020, Catherine Rowe resigned as a director and will be moving on to pursue other interests outside of Target. While Catherine has only been with Target a reasonably short time, on behalf of Target and Tech Mahindra, we want to thank her for what she has achieved in her short tenure. In September 2020, Roger Newman was appointed as CEO, subject to regulatory approvals. Roger is a senior business leader in Tech Mahindra and has been instrumental in leading several transformative customer engagements in the Banking, Financial Services and Insurance (BFSI) space. In March 2020, Chris Mills also joined as CFO to ensure a smooth handover with Iestyn Evans who left during June 2020. Both bring a wealth of ITO and BPO experience to strengthen our leadership capabilities. We also appointed Aileen Wallace as a Non-Executive Director to our board, and Aileen brings a strong expertise in digital business transformation across retail and commercial banking.

The average number of colleagues increased to support our new business wins in the year from 1,001 to 1,218. We continue to invest in our Management Graduate Scheme, welcoming 4 new graduates to Target in September 2019. This is a key element of our focus on developing the next generation leaders for the business. In addition, we launched a Technical Graduate scheme this year to provide the opportunity for those interested in a career within technology and 2 Technical graduates joined us in September 2019.

Strategic Report (continued)

Our culture programme continues to thrive. Built around a clear set of values and behaviours, our employee recognition scheme 'Target Wins' ensures we recognise individuals and teams that make an outstanding contribution across the business. In 2019-20 over 295 nominations were received. We also have a localised reward scheme, "MyRecognition" which provides small rewards to swiftly recognise great examples of our Target values and behaviours.

Engagements levels as measured by the Best Companies survey increased. We have placed a greater focus on colleague well-being through a range of initiatives and events, which has resulted in us being well placed to support colleagues through COVID-19.

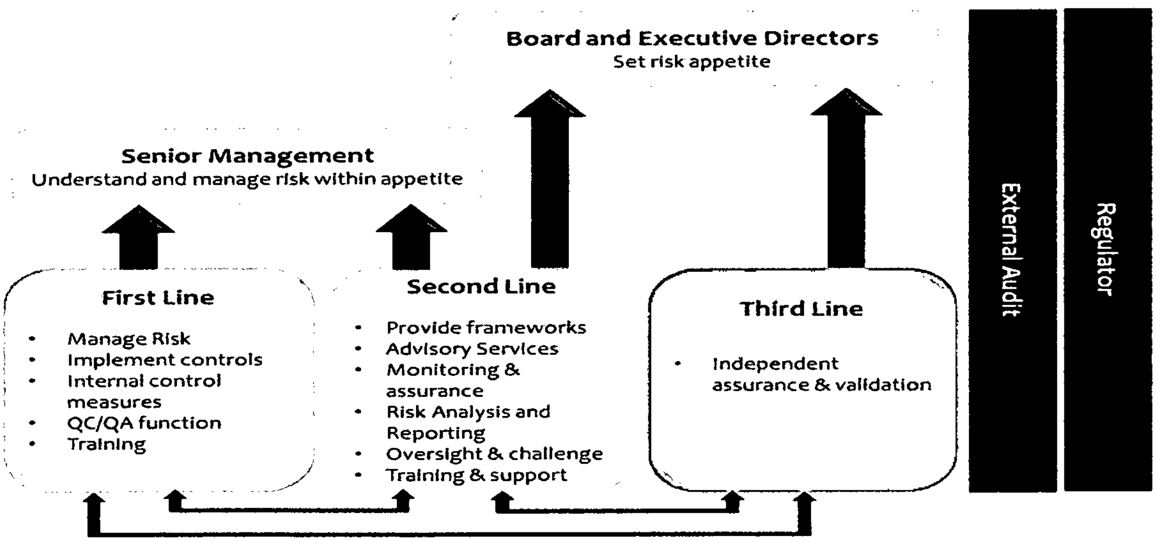
Our Diversity & Inclusion working group continues to drive initiatives at the heart of our values. At Target we are delighted to have a diverse workforce and our efforts were recognised by winning this category at the CIPD Wales awards. During the year Target participated in its first Pride Event as well as taking part in the Stonewall Employers Index. We have seen the 'Women in Target' network grow and thrive in its ambition to support and inspire the next generation of female leaders. In March 2019 we announced an increase in our mean gender pay gap from 22% to 25% since the previous year, primarily owing to the proportion of men in senior roles. However, following a year in which we appointed two females to our board of directors, and we have seen an increase in women working at Target across all levels, we plan to continue to work on this to close our Gender Pay Gap.

Corporate social responsibility
We continued to support charitable causes, with each office selecting a charity. In total, the Group raised over £15,000 for Latch, North Clwyd Animal Rescue, Awstin's Journey and Yorkshire Air Ambulance, whilst also raising over £5,000 for smaller charities. Our employees contributed to the local community through foodbank collections, clothing donations and volunteer work, during the year 15% of our colleagues participated in volunteering events. As a Group, we are passionate about engaging with our local community and taking responsibility for the environment around us.

Principal risks and uncertainties

Risk management in Target Group

Target seeks to embed effective risk management through the application of a 'Three Lines of Defence' model to manage and mitigate risks and provide assurance over preventative controls. The Framework is maintained by the Group Risk & Compliance function. Operation are the first line of defence and are responsible for day to day operational risk management. This is overseen by the Risk and Compliance Functions operating as the second line of defence. The third line is Internal Audit which operates as a co-sourced arrangement with Grant Thornton.



Outputs from risk management activities are reviewed through the Risk Governance Framework, culminating in escalation to the Board's Group Risk Committee or Group Audit Committee which are sub committees of the Target Group Board. We continue to review and evolve our Risk Management Framework, and as a result our Risk Governance Framework was updated during the year. The Framework is set out in the diagram below.

Strategic Report (continued)

Principal risk outlook

Target is not risk averse but aims to offer innovative technology-based servicing, software and product propositions, within the constraints of its financial resources and without compromising customer outcomes, its reputation or its brand. It only pursues opportunities that are well understood, that support the vision and strategy of the group and where risks can be effectively managed.

The principal risks faced by the Group are summarised below:

Risk	Definition	Key mitigating actions
Conduct risk	The risk of a failure in our control and governance frameworks leading to unfair outcomes, detriment to our clients/customers and/or regulatory censure.	Target's governance and control frameworks are designed to minimise the risk of unfair outcomes. These frameworks are subject to regular review by Target, its clients and their auditors.
Information security risk	The risk of failure in our controls for protecting corporate, client and customer data, leading to loss of client and customer trust, material cost and reputational damage.	Target maintains extensive controls to safeguard data, including increasing employee awareness, physical and logical access controls and data encryption. We have also invested in additional controls and technology because of GDPR which will further mitigate this risk.
Operational risk	The risk of failing to effectively deliver the volume of simultaneous, complex change facing the business and thereby impacting on service delivery.	Target has a combined and comprehensive resource management approach that enables effective management of change across all business activities, while maintaining agreed standards of conduct and service level performance.

Strategic Report (continued)

Future developments

Target Group is in an excellent position to take advantage of opportunities arising in the coming year.

A rapidly changing financial services market will lead to opportunities with both established players and disruptive entrants. The continued strengthening of our senior leadership team and our relationship with Tech Mahindra during the year leaves us well positioned to secure these new client opportunities.

Ultimately the success of Target will be determined by the success of our clients and I would like to take this opportunity to thank our clients for their continued custom.

By order of the board

5-19 Target House
Cowbridge Road East
Cardiff CF11 9AU
Registered number 01208137

Chris Mills
Director

8 October 2020

Directors' Report

The directors present their annual report together with the financial statements and auditor's report, for the year ended 31 March 2020.

In accordance with Section 414C (11) of the Companies Act 2006, certain information around the trading activities of the Group are contained within the Strategic Report.

Results and dividends

The Group's results are set out in the consolidated profit and loss account on page 12 and the strategic report on page 1. The directors declared a dividend during the year of £5,453k as part of a group simplification exercise *(2019: £Nil).*

Directors

The directors who held office during the year were as follows:

P. M. Byrne	
I. D. Larkin	(resigned 31 December 2019)
T. A. Baxter	
V.S. Agarwal	
A.S. Doman	
I.D. Evans	(resigned 19 June 2020)
A. Wallace	(appointed 22 October 2019)
C. E. Rowe	(appointed 4 May 2020, resigned 7 September 2020)
C. A. Mills	(appointed 24 June 2020)
R. Newman	(appointed 31 July 2020)

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the prior period and remain in force at the date of this report.

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risks.

Cash flow risk

While the Group has exposure to exchange rate fluctuations due to its customers based in the Euro zone, this is limited due to a natural hedge, in that revenues are largely offset by expenditure in the local currencies. All treasury matters are now coordinated via the relevant group functions of our parent entity Tech Mahindra Limited.

There is minimal interest rate risk to the Group as we hold no external debt, except our finance leases.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The Group has no significant concentration of credit risk, with exposure spread over a large number of clients. Most of our clients are blue chip investment, retail banking, finance and insurance companies, and government bodies which represent a low credit risk.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses short-term debt finance, when required.

Regulatory risk

Target Servicing Limited holds FCA permissions as an IFPRU 125k limited licence firm to enable it to operate as a plan manager within the structured product arena under the Hartmoor Financial brand. Whilst the plan manager business was closed in November 2016, we have kept these permissions with the Financial Conduct Authority. Our risk function reviews our regulatory requirements on an ongoing basis to ensure compliance with all relevant permissions held.

Directors' Report (continued)

Political contributions

No political donations were made *(2019: £Nil)*.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitude of the applicant concerned. In the event of members of staff becoming disabled, every effort will be made to ensure their employment with the Group continues and that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings with the Executive Committee ("ExCo") in the form of Town Halls, Heads of Department Scrums and group e-mail communications. The Town Halls are open forums and are a way of consulting regularly with employees on a wide range of matters affecting their current and future interests.

Energy and Carbon Reporting

For the period from 1 April 2019 to 31 March 2020 the consumption of reportable energy for the Group was: Electricity 2,638,135 kWh, Gas 156,273 kWh, Oil 50,446 kWh and 455,534 miles of travel mileage reimbursements to employees.

This equates to 1,121,677 $kgCO_2$ for the financial reporting year.

Energy efficiency:

The Group does not own any of its buildings, nor are they run under finance leases. We have no authority to improve the energy efficiency of the buildings without agreement and investment from our landlords.

Whilst we encourage energy efficiency best practice with our employees, the health and welfare of our employees always comes first. We have driven some initiatives during the year to reduce staff travel time and mileage, including "no travel weeks", which reduces our associated CO_2 emissions.

Intensity Ratio:

The group uses on average 1 $kgCO_2$ for every £61.95 of turnover.

Methodology:

Our energy usage is invoiced directly from our energy suppliers, and we have taken the usage directly from the supplier invoices.

Statement of engagement with suppliers, customers and others in a business relationship with the group

We value our customer relationships deeply and all clients have specific Client Account Manager and Director to ensure regular and relevant engagement. Given that we are a business that provides long-term services to clients, the ability to develop and foster our client relationships is key to our success. We use client satisfaction surveys as a key metric to engage with our clients to monitor and continuously improve our services to them.

We proactively engage with our suppliers as we have a number of suppliers that are fundamental to the quality of our services, and therefore to ensuring that we meet the high standards of conduct that we set ourselves. We perform due diligence on our suppliers before entering a relationship to assess whether they meet the standards of conduct we expect. We conduct frequent supplier meetings, the regularity of which are done on a risk-based approach, with all suppliers tiered in accordance to their size and how business critical their services are to us.

Directors' Report (continued)

Section 172 Statement

Target Group is a trusted provider of outsourced services within the financial services sector and as such the group seeks to put the customers of its clients first, invests in its employees, supports the communities in which it operates and strives to generate sustainable profits for shareholders.

The Directors of the group have acted in accordance with their duties codified in law, which include their duty to act in the way in which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172(1) of the Companies Act 2006.

Section 172 considerations are embedded in decision making at Board level and throughout the Group. Issues, factors and stakeholders which the Directors have considered when discharging their duty under section 172(1) are detailed within the strategic report and directors' report within these annual statements.

Our business purposes and the risks facing our organisation are set out in the strategic report, including those relating to our people and our social responsibilities practices, including examples of stakeholder engagement with employees and suppliers.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial period have been included in the Strategic Report on page 1.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

Auditor

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.

By order of the board

Target House
Cowbridge Road East
Cardiff CF11 9AU
Registered number 01208137

Chris Mills
Director

8 October 2020

Statement of directors' responsibilities in respect of the annual report and consolidated 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 group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 group and parent company and of the groups profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
Britannia Quay
Cardiff
CF10 4AX
United Kingdom

Independent auditor's report to the members of Target Group Limited

Opinion

We have audited the financial statements of Target Group Limited ("the company") for the year ended 31 March 2020 which comprise the consolidated profit and loss account and other comprehensive income, consolidated balance sheet, company balance sheet, consolidated statement of changes in equity, company statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 group 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 group or the company or to cease their operations, and as they have concluded that the group and 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 their 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

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:

Independent auditor's report to the members of Target Group Limited (continued)

- 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 9, 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 group and parent 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 group or the parent 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.

Jeremy Thomas

Jeremy Thomas (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff, CF10 4AX

8 October 2020

Consolidated Profit and Loss Account and Other Comprehensive Income

for the year ended 31 March 2020

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Turnover	*3*	**69,490**	**75,456**
Cost of sales		(52,612)	(47,689)
Gross profit		**16,878**	**27,767**
Administrative expenses		(26,870)	(22,338)
Operating (loss)/profit		**(9,992)**	**5,429**
Interest payable and similar expenses	*4*	(166)	(183)
Interest receivable and similar income	*5*	4	8
(Loss)/profit before taxation	*7*	**(10,154)**	**5,254**
Tax on profit	*10*	1,844	(1,635)
(Loss)/profit after taxation		**(8,310)**	**3,619**
Other comprehensive income		-	-
Total comprehensive income		**(8,310)**	**3,619**

All results relate to continued operations.

Notes on pages 17 to 38 form part of these financial statements.

Consolidated Balance Sheet

at 31 March 2020

	Note	**31 March 2020**		31 March 2019	
		£000	**£000**	£000	£000
Fixed assets					
Goodwill	*11*		220		373
Other intangibles	*11*		2,423		3,035
Tangible assets	*12*		6,024		5,674
			8,667		**9,082**
Current assets					
Debtors – due within one year	*14*	27,876		24,298	
Debtors – due after one year	*14*	1,848		923	
		29,724		25,221	
Cash at bank and in hand		1,362		11,175	
		31,086		**36,396**	
Creditors: amounts falling due within one year	*15*	(16,018)		(12,378)	
Net current assets			**15,068**		**24,018**
Total assets less current liabilities			**23,735**		**33,100**
Creditors: amounts falling due after more than one year	*16*		(3,670)		(4,117)
Provisions for other liabilities	*18*		(4,845)		-
Net assets			**15,220**		**28,983**
Capital and reserves					
Called up share capital	*19*		810		810
Share premium account			501		501
Capital redemption reserve			68		68
Profit and loss account			13,841		27,604
Shareholders' funds			**15,220**		**28,983**

These financial statements were approved by the board of directors on 8 October 2020 and were signed on its behalf by:

Chris Mills
Director

Company Balance Sheet

at 31 March 2020

	Note	31 March 2020		31 March 2019	
				£000	£000
Fixed assets					
Intangible assets	*11*		**2,282**		2,831
Tangible assets	*12*		**5,169**		4,489
Investment in subsidiary undertakings	*13*		**11,036**		14,887
			18,487		**22,207**
Current and non-current assets					
Debtors – due within one year	*14*	8,788		10,697	
Debtors – due after one year	*14*	368		796	
		9,156		**11,493**	
Cash at bank and in hand		842		10,648	
		9,998		22,141	
Creditors: amounts falling due within one year	*15*	(24,321)		(28,100)	
Net current (liabilities)			**(14,323)**		**(5,959)**
Total assets less current liabilities			**4,164**		**16,248**
Creditors: amounts falling due after more than one year	*16*		**(1,592)**		(1,125)
Net assets			**2,572**		**15,123**
Capital and reserves					
Called up share capital	*19*		**810**		810
Share premium account			**501**		501
Capital redemption reserve			**68**		68
Profit and loss account			**1,193**		13,744
Shareholders' funds			**2,572**		**15,123**

The loss for the financial year dealt with in the financial statements of the parent company was (£7,098k) *(2019:£145k profit).*

These financial statements were approved by the board of directors on 8 October 2020 and were signed on its behalf by:

Chris Mills
Director

Consolidated Statement of Changes in Equity

		Equity attributable to equity shareholders of the Group				
	Note	Share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	Total £000
Balance at 1 April 2018		810	501	68	23,985	25,364
Total comprehensive income for the year						
Profit for the year		-	-	-	3,619	3,619
Balance at 31 March 2019		**810**	**501**	**68**	**27,604**	**28,983**
Total comprehensive income for the year						
Dividend	*21*	-	-	-	(5,453)	(5,453)
Loss for the year		-	-	-	(8,310)	(8,310)
Balance at 31 March 2020		**810**	**501**	**68**	**13,841**	**15,220**

Company Statement of Changes in Equity

		Equity attributable to equity shareholders of the Company				
		Share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total
	Note	£000	£000	£000	£000	£000
Balance at 1 April 2018		810	501	68	13,599	14,978
Total comprehensive income for the year						
Profit for the year		-	-	-	145	145
Balance at 31 March 2019		**810**	**501**	**68**	**13,744**	**15,123**
Total comprehensive income for the year						
Dividend	*21*	-	-	-	(5,453)	(5,453)
Loss for the year		-	-	-	(7,098)	(7,098)
Balance at 31 March 2020		**810**	**501**	**68**	**1,193**	**2,572**

Notes to the financial statements

For the year ending 31 March 2020

1 Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General information and basis of accounting

Target Group Limited is a company incorporated in the United Kingdom under the Companies Act.

The Company is a private Company limited by shares and is registered in England and Wales. The address of the registered office is given on page 8.

The nature of the group's operations and its principal activities are set out in the Directors' report and Strategic report on pages 1 to 8.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and the amendments to Company law made by the Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 have been applied.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The functional currency of Target Group Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling.

Target Group Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside these consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

The consolidated financial statements of Tech Mahindra Limited, within which this Company is included, can be obtained from the National Stock Exchange of India Ltd (NSE), The BSE Limited (BSE) and the company's website (www.techmahindra.com).

The Group proposes to continue to take advantage of the disclosure exemptions FRS 102 in its next financial statements.

Going concern

The directors have considered the use of the going concern basis in the preparation of the Group and Company financial statements in light of the current financial position of the Group and Company and their related forecast cash flows. They have concluded that it is appropriate at the date of signing the financial statements.

The Directors have considered the impact of the current COVID-19 pandemic on the business, with a particular focus on its effect on the Group's and Company's employees, customers and suppliers.

The Group's products and services are critical to customers during the pandemic and thereafter. The group has remained open and operational throughout the pandemic to date, continuing to provide customers with our services, some of which have been undertaken remotely with minimal disruption. It is expected that the Group will continue operating in this manner for the foreseeable future, at least until restrictions are lifted. In the meantime, we do not expect significant disruption to the services being delivered or to the Company's anticipated performance and strategic direction.

As discussed in the strategic report, the year ended 31 March 2020 has been challenging, particularly during Q4 as we balanced the delivery of a number of critical projects for our clients whilst managing the COVID-19 response and keeping our employees safe. In addition to this, an onerous contract provision was recognised to reflect the unavoidable cost of delivering a small number of contractual obligations that exceed the economic benefits expected to be received from them.

Notes *(continued)*

1 Significant accounting policies (continued)

Going concern (continued)

EBITDA for the year, before the contract loss provision and after adding back items related to the initial impact of COVID-19 and expensed investment on internal projects relating to improvements and automation of the company's platform and new business opportunities, indicates that the underlying business continues to be profitable.

However, the pandemic is having a significant economic impact throughout the global economy and as at the date of this report its duration and impact, as well as the effectiveness of government and central bank responses, remain unclear. As it is not possible to reliably estimate the pandemic's duration and severity, as well as its impact on the financial outlook of the Group for future periods, the directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these consolidated financial statements in order to assess the Group's ability to continue as a going concern. This includes modelling of severe downside scenarios such as a drop in new business activity and unmitigated increases in the cost base.

The ongoing impact of COVID-19 on revenues and our cost base has been considered and reflected in forecasts which show that whilst revenue is expected to continue in line with this year, there is continuing pressure on costs. As such, various cost optimisation / reduction programmes are being implemented that will impact both next year as well as the longer-term.

Given this situation and the continued investment in the company's platforms, operations and new business opportunities, the forecasts indicate that, after taking account of reasonably possible downsides, the Group and Company will post a similar result for the coming year with improvements being realised thereafter.

The company does not have any external debt or material financing arrangements in place currently and as a result, in this case, the forecasts, which have been prepared for a period of at least 12 months, indicate that the company will have sufficient funds through funding from its intermediate parent company, Tech Mahindra Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Tech Mahindra Limited providing additional financial support during that period. Tech Mahindra Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiary undertakings made up to 31 March 2020, and previously to 31 March 2019. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Notes *(continued)*

1 Significant accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign exchange differences arising on translation are recognised in the profit and loss account. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the company.

Intangible assets - Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life. Provisions are made for any impairment.

The directors consider each acquisition separately for the purpose of determining the amortisation period, being the period over which the directors estimate that economic benefit will continue to be derived from the purchase as:

Goodwill on consolidation arising on acquisition of subsidiary undertakings	5 – 10 years

Intangible assets – research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Group is expected to benefit. This period is between 2 and 5 years. Provisions are made for any impairment. See note 2 for further details.

Other intangible assets

Intangible assets acquired as part of a business acquisition are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition.

The intangible assets acquired have been valued using an income approach, using the multi-period excess earnings method for customer contracts, and the relief from royalty method for brands.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful economic lives as follows:

Customer contracts	5 years
Brand	5 years
Capitalised development costs	2 to 5 years

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

Notes *(continued)*

1 Significant accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less the estimated residual value, of each asset on a straight-line basis over their estimated useful economic lives from the point they are brought into use as follows:

Short leasehold property	-	the term of the lease
Computer equipment	-	3-7 years
Fixtures and fittings	-	3-10 years
Motor vehicles	-	2-4 years

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions, are subsequently measured at amortised cost using the effective interest method:

a. Returns to the holder are (i) a fixed amount; or (ii) a positive fixed rate of return over the life of the instrument; or (iii) a positive variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.

b. There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

c. Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.

d. There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

Notes *(continued)*

1 Significant accounting policies (continued)

Financial instruments (continued)

Debt instruments that are classified as payable or receivable within one year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments

In the Company balance sheet, investments in subsidiaries and associates are measured at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes *(continued)*

1 Significant accounting policies (continued)

Financial instruments (continued)

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the profit and loss as described below.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

The tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes *(continued)*

1 Significant accounting policies (continued)

Interest receivable and interest payable

Interest payable and similar charges include interest payable and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Turnover

Turnover represents the amounts, excluding value added tax, derived from the provisions of solutions to third party customers. Solutions can be provided in four ways: as software licence and related service sales, under facilities management contracts, under business transformation contracts and under business process outsourcing contracts.

Turnover for the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors.

Retirement benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Leases

Assets held under finance leases and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future obligations are recorded as liabilities, while the interest elements of the rental obligations are charged to the profit and loss account over the periods of the leases and to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged in the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. A provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Notes *(continued)*

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

Due to the complexity of some of the Group's contracts, there are judgements to be applied, including the measurement and timing of implementation revenue recognition and the recognition of assets and liabilities that result from the performance of the contract.

Research and development costs

In line with FRS 102, the Group capitalises expenditure on development activities where that expenditure meets the requirements of the standard i.e. a product or process is technically and commercially feasible, the Group intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and the Group can measure reliably the expenditure attributable to the intangible asset during its development. Projects are assessed on an individual basis to determine which activities meet the eligibility criteria for capitalisation as an intangible asset. The days attributable to eligible activities based on the time recording system, together with management assessment of percentage attributable where required, are multiplied by the relevant day rate for that period and capitalised. Eligible non-staff costs are also capitalised where relevant.

There are also judgements applied to the period over which the costs will be recovered. This determines the amortisation period appropriate for the asset.

3 Turnover

Turnover by destination was UK £68,378k *(2019: £73,913k)* and rest of the world £1,112k *(2019: £1,543k)*.

The table below sets out information for each of the group's industry segments:

	Software		Services		Total	
	2020	2019	**2020**	2019	**2020**	2019
	£000	£000	**£000**	£000	**£000**	£000
Turnover	**18,100**	22,937	**51,390**	52,519	**69,490**	75,456

Notes *(continued)*

4 Interest payable and similar expenses

	Year Ended 31 March 2020 £000	Year ended 31 March 2019 £000
Bank interest and charges	**5**	15
Hire purchase and finance interest	**106**	139
Other finance costs	**55**	29
	166	183

5 Interest receivable and similar income

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Other interest receivable and similar income	**4**	8
	4	8

6 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year was as follows:

	Number of employees	
	Year ended 31 March 2020	Year ended 31 March 2019
Technical and operational	**940**	870
Sales, marketing, management and administration	**142**	131
	1,218	1,001

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Wages and salaries	**32,498**	30,464
Social security costs	**3,035**	3,012
Pension costs	**1,772**	1,625
	37,305	35,101

Notes *(continued)*

7 (Loss) / Profit before taxation

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Profit before taxation is stated after charging/(crediting):		
Amortisation of goodwill (note 11)	**155**	158
Amortisation of other intangible assets (note 11)	**1,685**	2,693
Depreciation (note 12)		
Owned	**1,839**	1,511
Leased	**652**	1,010
Rentals under operating leases - property	**1,116**	1,085
Foreign exchange loss / (gain)	**55**	21
Auditor's remuneration:		
Audit of these financial statements	**37**	37
Audit of financial statements of other group companies pursuant to legislation	**37**	37
Other assurance services	**19**	19

Auditor's remuneration in respect of the company was £37k *(2019: £37k)*. Audit of other group companies relates to the audit fees for the subsidiaries Harlosh Limited, Target Servicing Limited, Target Financial Systems Limited and Elderbridge Limited and the parent companies Target TG Investments Limited.

Amortisation and impairment charge

The amortisation, impairment charge and impairment reversals are recognised in the following line items in the profit and loss account:

	2020 £000	2019 £000
Administrative expenses	**1,840**	2,851

8 Profit and loss account of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account or statement of other comprehensive income is presented in respect of the parent Company. The profit attributable to the Company is disclosed in the footnote to the Company's balance sheet.

Notes *(continued)*

9 Directors' remuneration

Emoluments of the directors were as follows:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Directors' emoluments	**889**	850
Company contributions to money purchase pension scheme	**26**	40
	915	890

The number of directors who:		
Are members of a money purchase pension scheme	**3**	3
Had awards receivable in the form of shares under a long-term incentive scheme	**3**	3

The aggregate of emoluments of the highest paid director were £263k *(2019: £281k)* and company pension contributions of £11k *(2019: £16k)* were made to a money purchase pension plan on his behalf.

10 Taxation

Total tax for the year comprises:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Current tax		
UK Corporation tax on (loss)/profit for the year	**-**	997
Adjustments in respect of prior periods	**(274)**	(26)
Total current tax (credit)/charge	**(274)**	971
Deferred tax:		
Origination and reversal of timing differences	**(1,186)**	55
Adjustments in respect of prior periods	**(384)**	609
Total deferred tax (credit)/charge	**(1,570)**	664
Total tax (credit)/charge on (loss)/profit	**(1,844)**	1,635

Notes *(continued)*

10 Taxation *(continued)*

The tax (credit)/charge is lower *(2019: higher)* than the standard rate of corporation tax in the UK of 19% *(2019: 19%)* as explained below:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
(Loss)/Profit for the year	**(8,310)**	3,619
Total tax (credit)/charge	**(1,844)**	1,635
(Loss)/Profit excluding taxation	**(10,154)**	5,254
Tax at 19% *(2019:19%)*	**(1,929)**	998
Effects of:		
Expenses not deductible for tax purposes	**743**	46
Group relief claimed	**-**	-
Tax losses utilised in the year	**-**	8
Adjustments in respect of prior periods	**(658)**	583
Total charge for the year as above	**(1,844)**	1,635

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The deferred tax balance as at 31 March 2020 has been calculated based on this rate.

Notes *(continued)*

11 Intangible Fixed Assets

Group	Development costs	Brand	Customer contracts	Goodwill	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2019	6,783	145	213	5,917	**13,058**
Additions	1,073	-	-	-	**1,073**
Disposals	-	-	-	(5,141)	**(5,141)**
At 31 March 2020	**7,856**	**145**	**213**	776	**8,990**
Amortisation					
At 1 April 2019	3,921	75	110	5,544	**9,650**
Charge for the year	1,613	29	43	155	**1,840**
Disposals	-	-	-	(5,143)	**(5,143)**
At 31 March 2020	**5,534**	**104**	**153**	**556**	**6,347**
Net book value					
At 31 March 2020	**2,322**	**41**	**60**	**220**	**2,643**
At 31 March 2019	2,862	70	103	373	3,408

Company	Development costs	Total
	£000	£000
Cost		
At 1 April 2019	6,581	**6,581**
Additions	1,033	**1,033**
Disposals	-	-
At 31 March 2020	**7,614**	**7,614**
Amortisation		
At 1 April 2019	3,750	**3,750**
Charge for the year	1,582	**1,582**
Disposals	-	-
At 31 March 2020	**5,332**	**5,332**
Net book value		
At 31 March 2020	**2,282**	**2,282**
At 31 March 2019	2,831	2,831

Notes *(continued)*

11 Intangible Fixed Assets *(continued)*

Development costs have been capitalised in accordance with the requirements of FRS 102 and are therefore not treated, for dividend purposes, as a realised loss. These costs are being amortised over the life of the project to which they relate on a straight-line basis, which is no more than 5 years.

Goodwill arising on the acquisition of Harlosh Ltd was amortised fully in the prior year, it was being amortised evenly over the directors' estimate of its useful economic life of 10 years.

Goodwill arising on the acquisition of Commercial First Mortgages Ltd's trade and assets is being amortised evenly over the directors' estimate of its useful economic life of 5 years.

12 Tangible fixed assets

Group	Short leasehold property	Computer equipment	Fixtures and fittings	Total
	£000	£000	£000	£000
Cost				
At 1 April 2019	315	21,896	2,328	24,539
Additions	10	2,577	254	2,841
Disposals	(75)	(3,343)	(726)	(4,144)
At 31 March 2020	**250**	**21,130**	**1,856**	**23,236**
Depreciation				
At 1 April 2019	222	16,813	1,830	18,865
Charge for the year	28	2,229	234	2,491
Disposals	(75)	(3,343)	(726)	(4,144)
At 31 March 2020	**175**	**15,699**	**1,338**	**17,212**
Net book value				
At 31 March 2020	**75**	**5,431**	**518**	**6,024**
At 31 March 2019	93	5,083	498	5,674

The Group has leased IT equipment and infrastructure which are considered to meet the definition of finance leases and are accounted for accordingly.

Included in tangible fixed assets of the Group are assets held under hire purchase and finance lease agreements with a cost and net book value at 31 March 2020 of £7,191K and £589k respectively *(2019: £7,243k and £1,422k)*. The associated depreciation for the period on those assets was £652k (*2019: £1,010k*).

Notes *(continued)*

12 Tangible fixed assets *(continued)*

Company	Short leasehold property £000	Computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
At 1 April 2019	255	15,122	1,111	16,488
Additions	-	2,446	99	2,545
Disposals	(75)	(1,884)	(238)	(2,197)
At 31 March 2020	**180**	**15,684**	**972**	**16,836**
Depreciation				
At 1 April 2019	201	10,962	836	11,999
Charge for the year	22	1,728	115	1,865
Disposals	(75)	(1,884)	(238)	(2,197)
At 31 March 2020	**148**	**10,806**	**713**	**11,667**
Net book value				
At 31 March 2020	**32**	**4,878**	**259**	**5,169**
At 31 March 2019	54	4,160	275	4,489

Included in tangible fixed assets of the Company are assets held under hire purchase and finance lease agreements with a cost and net book value at 31 March 2019 of £6,735k and £2,030k respectively *(2019: £5,331k and £1,361k)*. The associated depreciation for the period on those assets was £620k *(2019: £940k)*.

13 Investment in subsidiary undertakings

Company	2020 £000	2019 £000
Cost		
At 1 April 2019 and 31 March 2020	17,888	17,888
Provisions		
Provision for investment in Harlosh Limited	(6,852)	(3,001)
Net book value		
At 31 March 2019 and 31 March 2020	**11,036**	**14,887**

During the year, the directors of company decided to focus on its core activities within lending and investment. The insurance sector is no longer considered a key strategic area for the Target Group and the activities of its subsidiary entity, Harlosh Limited, have either ceased or have been transferred to another group entity. As a result, Harlosh Limited is not considered a going concern and a provision has been recognised for the full cost of investment in Harlosh Limited. The directors assessed the carrying value of the company's investment in other subsidiaries at year-end and are of the opinion that they are not worth less than the carrying value in the financial statements.

Notes *(continued)*

13 Investment in subsidiary undertakings (continued)

The company's wholly owned subsidiaries at 31 March 2020 were:

	Country of incorporation	Principal activity	Class of shares	Percentage ownership
Subsidiary undertakings				
Target Servicing Limited	UK	Provision of business process outsourced services	Ordinary	100%
Harlosh Limited	UK	Provision of computer applications software and related services	Ordinary	100%
Target Financial Systems Limited	UK	Management of owned loan portfolios	Ordinary	100%
Elderbridge Limited	UK	Lender of record for loan portfolios	Ordinary	100%

The registered office of all subsidiary companies is Target House, Cowbridge Road East, Cardiff, CF11 9AU.

14 Debtors

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Trade debtors	**9,276**	7,226	**1,630**	748
Gross amount due from customers for contract work**	**13,862**	4,601	**2,596**	1,957
Other debtors	**101**	86	**8**	5
Prepayments and accrued income	**2,454**	7,496	**1,648**	1,952
Deferred tax asset (note 17) **	**1,723**	155	**421**	53
Corporation Tax	**1,120**	-	**1,331**	-
Amounts due from group undertakings	**1,188**	5,657	**1,522**	6,778
	29,724	25,221	**9,156**	11,493

** Included in the above figures are the following amounts due after more than one year:

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Gross amount due from customers for contract work	-	923	-	796
Deferred tax asset (note 17)	**1,848**	-	**368**	-
	1,848	923	**368**	796

Notes *(continued)*

15 Creditors: amounts falling due within one year

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Obligations under finance leases	**716**	669	**716**	669
Trade creditors	**3,293**	1,047	**2,111**	472
Corporation tax	**-**	826	**-**	301
Other taxes and social security costs	**1,205**	1,818	**(655)**	(5)
Other creditors	**267**	178	**256**	174
Accruals and deferred income	**10,118**	7,840	**7,739**	2,580
Amounts due to group undertakings	**419**	-	**14,154**	23,909
	16,018	12,378	**24,321**	28,100

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Obligations under finance leases (amounts payable in the second to fifth years inclusive)	**1,592**	1,125	**1,592**	1,125
Accruals and deferred income	**2,078**	2,992	**-**	-
	3,670	**4,117**	**1,592**	**1,125**

Notes *(continued)*

17 Deferred taxation

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
At beginning of year - asset	**155**	818	**53**	772
(Charge) / credit for the year in the P&L account	**1,568**	(663)	**368**	(719)
At end of year – asset (note 14)	**1,723**	155	**421**	53

		Group		Company
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
The deferred tax asset comprises				
Tax losses carried forward	**1,848**	-	**368**	-
Other timing differences	**(125)**	155	**53**	53
	1,723	155	**421**	53

A further deferred tax asset of £41k (*2019: £41k*) for the group and £41k (*2019: £41k*) for the company has not been recognised due to uncertainty over its future utilisation. It is made up as follows:

	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
The unprovided deferred tax asset comprises				
Tax losses carried forward	**41**	41	**41**	41
	41	41	**41**	41

Notes *(continued)*

18 Provision for liabilities

The group had the following provisions during the year:

	Group	
	Onerous contract provision £000	Total £000
As at 1 April 2019	-	-
(Charge) / credit for the year in the P&L account	(4,845)	(4,845)
As at 31 March 2020	(4,845)	(4,845)

Onerous contract provision
The group provides for any contract where the unavoidable cost of delivering our contractual obligations exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net costs of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Company
The Company had no provision for liabilities as at 31 March 2020.

19 Share capital

	Ordinary shares of 5p each Number	'A' shares of 5p each Number	'B' shares of 5p each Number	Total Number
Allotted, called up and fully paid				
At 31 March 2019 and 31 March 2020	11,557,417	1,476,287	3,161,200	16,194,904

	Ordinary Shares of 5p each £000	'A' Shares of 5p each £000	'B' Shares of 5p each £000	Total £000
Allotted, called up and fully paid				
At 31 March 2019 and 31 March 2020	578	74	158	810

Both the 'A' and 'B' shares carry no right to vote at, attend or receive notice of general meetings of the company. They have rights to income or capital only on a sale of the business for a value above specific defined thresholds.

The Group and Company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

The capital redemption reserve is a statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.

Notes *(continued)*

20 Financial instruments

The carrying values of the Group and Company's financial assets and liabilities are summarised by category below:

	Group		Company	
Financial assets	**2020**	2019	**2020**	2019
	Total	Total	**Total**	Total
	£000	£000	**£000**	£000
Measured at undiscounted amount receivable				
Amounts due from customers (see note 14)	**23,138**	11,827	**4,226**	2,705
Amounts due from related undertakings (see note 14)	**1,188**	34,742	**4,116**	6,778
Other amounts	**5,398**	7,737	**3,409**	4,122
	29,724	54,306	**11,751**	13,605

	Group		Company	
Financial liabilities	**2020**	2019	**2020**	2019
	Total	Total	**Total**	Total
	£000	£000	**£000**	£000
Measured at amortised cost				
Finance lease liabilities (see notes 15 & 16)	**2,308**	1,794	**2,308**	1,794
Measured at undiscounted amount payable				
Trade and other creditors	**21,756**	14,701	**9,452**	3,522
Amounts owed to related undertakings	**469**	29,085	**16,748**	23,909
	24,533	45,580	**28,508**	29,225

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group	
Financial assets	**2020**	2019
Interest income and expense	**Total**	Total
	£000	£000
Total interest income for financial assets at amortised cost	**-**	-
Total interest expense for financial liabilities at amortised cost	**106**	(139)

The interest expense includes £nil (*2019: £nil)* of interest that was recognised within cost of sales in Target Financial Systems Limited. The remainder relates to bank and other finance costs (note 4).

Notes *(continued)*

21 Dividend

On 8 August 2019, the directors of the Company approved an interim dividend of £5,452,491 (2019: £nil). The dividend was paid as part of the group simplification exercise which resulted in the removal of Target Topco Limited. The dividend represents an earnings per share £0.4717 (2019: £nil).

22 Commitments

Group capital commitments authorised and contracted at 31 March 2020 were £nil *(2019: £nil)*.

Group total future minimum lease payments under non-cancellable operating leases are as follows:

	2020 Total £000	2019 Total £000
Group:		
In the first year	**1,072**	1,103
Between one and five years	**3,949**	4,155
After five years	**1,025**	1,949
	6,046	7,207

Total future minimum lease payments under non-cancellable finance leases are as follows:

	2020 £000	2019 £000
Company only:		
In the first year	**447**	698
Between one and five years	**1,680**	1,096
After five years	**295**	-
	2,422	1,794

Annual commitments at 31 March 2020 relate to property and car leases. The majority of leases of land and buildings are subject to rent reviews.

The company had no capital commitments or annual commitments at the year-end *(2019: £Nil)*.

Notes *(continued)*

23 Pensions

The assets of the pension schemes to which the group contributes on behalf of its employees are held within independently administered funds. The schemes are all defined contribution schemes thus the group's obligation is solely to make contributions based on a percentage of salary. Employer contributions to the schemes for the year amounted to £1,772k *(2019: £1,625k).*

24 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Creditors falling due after more than one year				
Finance lease liabilities (see note 16)	**1,592**	1,125	**1,592**	1,125
Creditors falling due within less than one year				
Finance lease liabilities (see note 15)	**716**	669	**716**	669

Terms and debt repayment schedule

Group	**Currency**	**Nominal interest rate**	**Year of maturity**	**Repayment schedule**	**2020**	**2019**
					£000	**£000**
Finance lease liabilities	GBP	6%	2019 – 2023	Quarterly	2,308	1,794

Company	**Currency**	**Nominal interest rate**	**Year of maturity**	**Repayment schedule**	**2020**	**2019**
					£000	**£000**
Finance lease liabilities	GBP	6%	2019 – 2023	Quarterly	2,308	1,794

25 Ultimate controlling party

The immediate parent company is Target TG Investments Limited, a company incorporated in Great Britain and registered in England and Wales, with a registered office at Target House, Cowbridge Road East, Cardiff, CF11 9AU.

The ultimate parent company and largest group in which the results of the company are consolidated is Tech Mahindra Limited. The consolidated financial statements of Tech Mahindra Limited are available to the public on the National Stock Exchange of India Ltd (NSE), The BSE Limited (BSE) and the company's website (www.techmahindra.com). Tech Mahindra Limited is also the ultimate parent company and its registered office is Gateway Building, Apollo Bunder, Mumbai – 400001, India.