

ANALYSYS MASON LIMITED

Annual Report and Financial Statements

For the year ended 28 February 2021



**ANNUAL REPORT AND FINANCIAL STATEMENTS 2021
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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

J P Montanana (Chairman)
A C Moerman
F M Glennon
C A Stanford-Beale
S P Morris
T J Rudkin
J M Ruud
J A Obradors Samarra
P J McMenemy (appointed 14 April 2020)

COMPANY SECRETARY

T J Rudkin

REGISTERED OFFICE

North West Wing
Bush House
Aldwych
London
WC2B 4PJ

BANKERS

HSBC plc
60 Fenchurch Street
London
EC3M 4BA

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Hardman Street
Manchester
M3 3EB
United Kingdom

STRATEGIC REPORT

The directors in preparing this Strategic Report have complied with s414C of the Companies Act 2006.

This Strategic Report has been prepared for the Group (Analysys Mason) as a whole and therefore gives greater emphasis to those matters which are significant to Analysys Mason Limited (the Company) and its subsidiary undertakings when viewed as a whole.

EXECUTIVE VICE CHAIR'S STATEMENT

Analysys Mason is the world's leading management consultancy focused on TMT, a critical enabler of economic, environmental and social transformation.

We bring together unparalleled commercial and technical understanding to deliver bespoke consultancy on strategy, transaction support, transformation, regulation and policy, further strengthened by globally respected research.

Our clients value our advice which combines deep domain knowledge with global reach and local insight into markets to help them achieve meaningful business results.

We are committed to our clients, employees and communities – contributing to a world where technology delivers for all.

Analysys Mason provides value to its clients by solving some of their toughest problems. Headquartered in London, UK, with offices in Bonn, Cambridge, Dubai, Dublin, Hong Kong, Kolkata, Lund, Madrid, Manchester, Milan, New Delhi, New York, Oslo, Paris, Singapore and Stockholm.

THE YEAR IN REVIEW

Analysys Mason reported an increase in revenues to £56.6million (2020: £46.2million) with non-UK revenues contributing 79% (2020: 83%). The gross margin increased to 43% (2020: 40%). The business has generated EBITDA before management fees of £8.6million¹ (2020: £7.4million²) at a margin of 15.0% (2020: 16.1%) and a profit before tax of £4.4 million (2020: £4.3 million). These are the main key performance indicators for Analysys Mason and the strong performance during the year is due to an increase in revenue across Europe, as outlined in note 3.

Cash and cash equivalents have increased to £11.8million (2020: £4.9million) which resulted in an increase in net current assets to £9.8million (2020: £5.6million).

Analysys Mason continues to enjoy a good level of repeat custom with diversified revenues, maintaining a strong position in its market.

ACQUISITION OF ALLOLIO&KONRAD CONSULTING GMBH

On 1 April 2020, Analysys Mason Limited acquired 100% of the share capital Allolio&Konrad Consulting GmbH (Allolio&Konrad), a consulting company headquartered in Bonn, Germany. Allolio&Konrad has an extensive track record in the telecommunications industry, and its key services include the design, management and assurance of major business support systems (BSS) and operational support systems (OSS) transformation programmes and large-scale, multi-year IT strategy initiatives, alongside other solutions focussed on performance and operations management.

MARKETS

Demand for our services was subdued at the start of the year due to the outbreak of the global pandemic. However, we experienced a relatively quick rebound in Europe and the US, a stabilisation in the Middle East (compared to the previous year) and a decline in Asia.

Proposition-wise, demand for Transaction Support was strong globally with our expertise around fibre and 5G particularly in demand.

¹ Operating profit of £4,917,899 per the statement of comprehensive income + depreciation charge of £2,019,479 + amortisation charge of £1,289,905 + management fees of £238,711; therefore EBITDA before management fees = £8,465,994.

² Operating profit of £4,537,060 per the statement of comprehensive income + depreciation charge of £1,903,308 + amortisation charge of £708,420 + management fees £202,905; therefore EBITDA before management fees = £7,351,693.

STRATEGIC REPORT**STRATEGY**

Analysys Mason's approach is based on a unique combination of applied intelligence, independent opinions, a passion for problem-solving and consistently looking more closely and seeing further. This approach engenders strong long-term relationships with clients.

The key priority is to grow revenues whilst continuing to improve profitability without diluting the significant value propositions delivered by the business' exceptional talent. The overall strategy continues to be summarised as follows:

- Focus on core strengths, deepening expertise where already strong;
- Broaden the geographical footprint of core propositions;
- Extend core propositions carefully and incrementally to strengthen key client relationships;
- Increase the proportion of recurring revenue streams;
- Recruit, develop and retain talented staff;
- Foster real time operational visibility, cost vigilance and management agility;
- Balance individual performance management and accountability with a collaborative spirit;
- Increase the flexibility in staffing and staff remuneration models; and
- Uphold a high standard of business ethics.

PEOPLE

Analysys Mason's strongest asset is the expertise, experience, commitment and problem solving skills of its employees. Analysys Mason employs an impressive range of passionate, innovative and talented people from across the telecoms, media and IT industries.

FUTURE PROSPECTS

FY22 has shown a promising start with demand in line with expectations in all geographies. Although markets remain challenging and unpredictable in the short to medium term, management believes that the overall outlook is positive.

PRINCIPAL ACTIVITIES

The principal activities comprise bespoke consultancy on strategy, transaction support, transformation, regulation and policy, further strengthened by globally respected research.

The subsidiary undertakings that principally affect the profits or net assets of the company in the year are listed in note 16 to the consolidated financial statements.

BUSINESS REVIEW

The directors believe Analysys Mason's future prospects to be satisfactory. The Executive Vice Chair's statement also includes details of expected future developments in the business of the company. Net assets of Analysys Mason are shown in the consolidated statement of financial position on page 18 and have increased from £27.5million to £29.8million during the year. The movement is reconciled in the consolidated statement of changes in equity on page 16. The most significant movement was the retained profit for the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors consider the principal risks and uncertainties to be retaining the best people, maintaining Analysys Mason's leadership in the markets it serves, credit risk, liquidity risk and market risk.

Analysys Mason operates a number of share-based payment plans to attract and retain the best people. These are detailed in note 25 to the consolidated financial statements. Financial risks and management's approach to managing these risks are detailed in note 33 to the consolidated financial statements.

STRATEGIC REPORT

STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

The directors look to maintain Analysys Mason's reputation for high standards of business conduct. All employees receive annual training on the Code of Conduct (the Code) and the company promotes its values of excellence, partnership, innovation, integrity and empowerment all the time.

Suppliers and Customers

Analysys Mason sets policies for how supplier and customer relationships should be managed including policies on anti-bribery and corruption, anti-money laundering, the UK Modern Slavery Act and the UK Criminal Finances Act. Training on the Code and on anti-bribery and corruption was delivered during the year to all employees.

Analysys Mason monitors customer satisfaction by performing regular customer engagement reviews and adheres to a formal Quality Management System to ensure customers needs are met. Analysys Mason agrees payment terms with its suppliers when it enters into binding purchase contracts. Analysys Mason seeks to treat all its suppliers fairly and seeks to abide by the payment terms agreed with each supplier whenever it is satisfied that the supplier has provided the services in accordance with the agreed terms and conditions.

Employees

Analysys Mason 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 Analysys Mason. This is achieved through formal and informal meetings, the intranet and electronic communications.

Analysys Mason is as committed to delivering excellent services to clients as it is to providing excellence as an employer; ensuring an environment where learning is encouraged, career development is structured and on merit, and working practices are fair and flexible for all. Employees choose Analysys Mason for the opportunities to learn and progress, in a highly multicultural, professional and collaborative environment. They build expertise and gain client recognition globally, supported by their colleagues and management through the development in their professional and personal lives. Analysys Mason provide an environment where learning is encouraged, career development and working practices are fair and flexible for all (underpinned by a comprehensive suite of policies including the Code all employees sign up to).

In addition to exposure to industry defining clients and projects, development is supported by training programmes from day one (whether joining as an apprentice, through the graduate scheme or as an experienced hire) and continuing through to senior levels. Learning is further encouraged through access to external portals and opportunities to apply for sponsorship of relevant industry qualifications.

The business relies on regular and consistent communication. Individual performance feedback is shared on an ongoing basis, and supplemented by a biannual appraisal process. Business performance and cross-company initiatives are communicated and discussed at regular all-company briefings and team offsites, supplemented by internal social media and messaging channels. Analysys Mason undertakes an annual employee survey which consistently reflects high levels of employee satisfaction and engagement.

Analysys Mason is committed to giving full and fair consideration to applicants for employment, regardless of their race, nationality, sex, marital status, sexual orientation, religious belief, disability or age. Analysys Mason actively encourages a diverse range of applicants and commits to fair treatment of all applicants. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with Analysys Mason continues and that appropriate training is arranged. It is the policy of Analysys Mason that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Details on employee numbers are included within note 6 to the consolidated financial statements.

Shareholders

All Shareholders are represented on the Board. The Board meets throughout the year and receives reports on changes in the Company's share register. Each year the Executive Vice Chair and CFO of Analysys Mason present to the Shareholders on Analysys Mason's performance over the prior year, future strategy, the budget and other shareholder matters.

STRATEGIC REPORT**HEALTH AND SAFETY**

Analysys Mason takes seriously the health and safety of all its employees, clients, visitors, contractors and members of the public. The Company recognises and acknowledges that everyone has a vital role to play in the management and implementation of health and safety at work and that we therefore share responsibility for achieving and adhering to acceptable safety standards.

All major risk assessments have been completed on the organisation's activities and are monitored and reviewed on an annual basis, or sooner if the working environment or processes and procedures are affected by any changes. The Company has a Facilities/Health and Safety Manager who manages the health and safety activities; the Company also uses the services of external consultants who provide health and safety advice.

With regard to accident and incident rates, no dangerous occurrences have been reported, and only a small number of minor incidents were reported in the Accident Books. There have been no incidents reported under RIDDOR (the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995).

ENVIRONMENT

Analysys Mason recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce damage that might be caused by the Company's activities. Key environmental aspects have been identified, and actions to address them are discussed at regular management reviews. Initiatives designed to minimise the Company's impact on the environment include recycling, reducing energy consumption and, where feasible, procuring materials from sustainable sources.

Analysys Mason has an Environmental Policy to which senior management are committed. Policies and procedures are published on the Company intranet, and are intended to comply with Environment Management Standard ISO14001.

The Company is aware of the need to control our energy consumption and carbon emissions in order to minimise climate change. Staff are encouraged to follow our low-carbon travel policy, and avoid travel by air wherever practicable. The Company also encourages staff to hold meetings by telephone or via the internet, and staff regularly use teleconferencing and online document sharing.

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

Details of Analysys Mason's emission releasing activities can be found in the Datatec plc financial statements.

QUALITY

Within its Integrated Management System, the Company adheres to a formal Quality Management System (QMS). The QMS provides policies, procedures and guidelines that permit conformance with specific requirements and ensure that quality is planned, obtained and maintained; thus ensuring that the Company provides a service which fulfils client's needs and enhances their expectations. Within the UK and Ireland the QMS is certified to ISO9001:2015 by the British Standards Institution (BSI).

It is mandatory that all personnel carry out their activities in accordance with the QMS. Controlled copies of the policies and the procedures are available to all the staff via the Analysys Mason Sharepoint. The Risk and Compliance Manager audits all the offices, systems and activities within Analysys Mason in accordance with an integrated audit schedule. Our quality assurance processes contain the relevant systems for performance monitoring and management information.

INFORMATION SECURITY

The Company's business relies on knowledge and information in order to provide the kind of service our clients require, and it is most important that this information is protected. The Company manages its handling of client and personal data by implementing a formal Information Security Management System (ISMS), which is certified to ISO27001:2013 by the BSI for the Company's office in Manchester; the requirements of the ISMS apply to all the Company's locations. The ISMS uses procedures and controls that cover physical and electronic security and encompasses all forms of information security, such as electronic data, information transmitted across networks, printed or written on paper, stored on electronic or removable media, or spoken in conversation or over the telephone.

Within the ISMS the Company also has a business continuity plan (BCP), and to support this the Company's Crisis Management Team holds regular meetings to ensure that the Company is prepared for incidents at any of its locations, and that staff are made aware of actions to take and who to contact if an incident arises. An up-to-date version of the BCP is automatically loaded on to all staff laptops, so that they will always have a copy to hand should the need arise.

STRATEGIC REPORT

SECTION 172(1) STATEMENT

Section 172 of the Companies Act 2006 requires directors to promote the success of the Company for the benefit of the members as a whole and in doing so have regard to the interests of stakeholders including customers, shareholders, employees, suppliers, and the wider community in which it operates. The Board is focused on its responsibilities under s.172, and the impact of the business on key stakeholder groups in its decision making. The following table identifies where information on factors the Board believe demonstrate its compliance with section 172(1)(a)-(f) are contained in this report.

| | More information | Page |
|--|--|--------------|
| a) The likely consequences of any decisions in the long-term | Strategic report - Strategy | p. 3 |
| b) The interests of the company's employees | Strategic report - Employees - Quality & information security | p. 4 p. 5 |
| c) The need to foster the company's business relationships with suppliers, customers and others | Strategic report - Stakeholder relationships and engagement | p. 4 |
| d) The impact of the company's operations on the community and environment | Strategic report - Environment | p. 5 |
| e) The desirability of the company maintaining a reputation for high standards of business conduct | Strategic report - Strategy | p. 3 |
| f) The need to act fairly as between members of the company | Strategic report - Stakeholder relationships and engagement | p. 4 |

The Board's approach

The Board meets quarterly to review financial operational matters, business performance, growth and expansion plans, risk and compliance matters, discuss market conditions and review customer feedback. Other areas reviewed over the course of the year include the company's business plan, shareholder-related matters, employee engagement and remuneration schemes.

The company's key stakeholders are its customers, shareholders, employees, suppliers, and the wider community in which it operates. The views of and the impact of the company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. During the period we received information to help us understand the interests and views of the company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on our financial and operational performance, non-financial KPIs, risk, and the outcomes of specific pieces of engagement (for example, the results of customer and employee surveys). As a result of this we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our section 172 duty to promote success of the company.

STRATEGIC REPORT

Some of the key decisions made by the Board during the year include:

- The approval of the acquisition of Allolio&Konrad. As described in the Executive Vice Chair's statement, in March the Board finalised the acquisition of Allolio&Konrad. The acquisition provides Analysys Mason with a presence in Germany and also extends its proposition set to include transformation.
- The approval of the annual budget and three year plan. This year's budget and rolling three year plan were approved by the Board following a comprehensive review. Consideration was given to the long-term market for the company's services and customer demand for the services of the new investments. The Board carefully reviewed the remuneration and benefit packages to ensure employees were fairly rewarded. The Board took the opportunity to review and reconfirm the values of the company, including a commitment to investing in its people through training, and to innovation through investment in Analysys Mason's website and ERP.
- The approval of schemes to increase management shareholding of the Company. The Board reviewed and approved proposals incentivising senior employees in Analysys Mason to increase their shareholding of the Company.

Approved by the Board of Directors
and signed on behalf of the Board by:



A C Moerman
Director
30 November 2021

DIRECTORS' REPORT

The directors present their Annual Report on the affairs of Analysys Mason, together with the audited consolidated financial statements, for the year ended 28 February 2021.

SUBSEQUENT EVENTS

There are no events since the balance sheet date to be disclosed.

BUSINESS OVERVIEW

An indication of likely future developments in the business of Analysys Mason are included in the Strategic Report.

The principal risks and uncertainties of the company are presented in the Strategic Report. Financial risks and management's approach to managing these risks with financial instruments are detailed in note 33 to the consolidated financial statements. Employee information for Analysys Mason is presented in the Strategic Report.

GOING CONCERN

Analysys Mason made a profit on ordinary activities before taxation of £4,438,672 (2020: £4,269,271) and are generating positive cash outflows for the year ended 28 February 2021. Analysys Mason has net current assets of £9,830,161 and net assets of £29,840,876 as at 28 February 2021 respectively (2020: net current assets £5,579,161 and net assets of £27,479,196). Analysys Mason has cash at bank of £11,813,395 as at 28 February 2021 (2020: £4,866,491) and currently has internal borrowings of £7,797,926 and external borrowings of £nil (2020: internal borrowings of £1,127,435 and external borrowings of £186,879). There are no covenants on borrowings.

The directors of Analysys Mason have prepared cash flow forecasts for at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, Analysys Mason will have sufficient funds to meet its liabilities as they fall due for that year.

At 28 February 2021, Analysys Mason had available a £3.0m overdraft (2020: £3.0m) with HSBC plc ("HSBC"), although the overdraft is unutilised as at 28 February 2021 and at the date of signing. The HSBC overdraft is repayable on demand. There are no covenants attached to the HSBC facility. The Company and its subsidiaries manage their financing and cash requirements on a pooled basis, allocating cash between subsidiaries to meet short and medium term requirements. The Company and its trading subsidiaries act as guarantor to the HSBC facilities outlined above.

The directors are confident that Analysys Mason 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.

DIVIDENDS

The directors recommend a final dividend of £nil (2020: £nil). An interim dividend of £435,318 at £0.20 per share was paid in 2021 (2020: an interim dividend of £nil was paid).

DIRECTORS

Current directors, all of which served during the year and to the date of the signing the audit report, are set out on page 1.

CHARITABLE GIFTS

During the year Analysys Mason made charitable donations of £6,223 (2020: £1,689).

STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

The directors have considered the business relationships important to Analysys Mason and discussed them in the Strategic Report.

DIRECTORS' REPORT

INDEPENDENT AUDITORS

Each of the persons who are directors at the date of approval of this Annual Report confirms that:

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

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors
and signed on behalf of the Board by:



A C Moerman
Director
30 November 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

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

Approved by the Board of Directors
and signed on behalf of the Board by:



A C Moerman
Director
30 November 2021

Independent auditors' report to the members of Analysys Mason Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Analysys Mason Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 28 February 2021 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated statement of financial position and the company statement of financial position as at 28 February 2021; the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 28 February 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment and taxation legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and potential management bias in the selection and application of significant accounting judgements and estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- Reviewing minutes of meetings of those charged with governance.
- Challenging assumptions made by management in the selection and application of significant accounting judgements and estimates, in particular with regards to the valuation of the acquired intangible assets.
- Identifying and testing the validity of journal entries, in particular any journal entries posted with unusual account combinations. We also performed unpredictable audit procedures.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Dev Solanki (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
30 November 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 28 February 2021

| | Note | 2021 £ | 2020 £ |
|--|------|---------------------|---------------------|
| REVENUE | 2,3 | 56,574,409 | 46,216,442 |
| Cost of sales | | <u>(32,273,759)</u> | <u>(27,549,910)</u> |
| GROSS PROFIT | | 24,300,650 | 18,666,532 |
| Administrative expenses | | (19,749,749) | (14,487,521) |
| Other income | 2 | <u>366,998</u> | <u>358,049</u> |
| OPERATING PROFIT | | 4,917,899 | 4,537,060 |
| Finance income | 7 | 11,923 | 27,649 |
| Finance costs | 8 | (489,227) | (295,438) |
| Share of equity-accounted investment losses | 11 | <u>(1,923)</u> | <u>-</u> |
| PROFIT BEFORE TAX | 4 | 4,438,672 | 4,269,271 |
| Tax | 9 | <u>(1,287,313)</u> | <u>(1,245,549)</u> |
| PROFIT FOR THE YEAR | 29 | <u>3,151,359</u> | <u>3,023,722</u> |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation to presentation currency | | <u>(430,864)</u> | <u>-</u> |
| Total other comprehensive expense | | <u>(430,864)</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | 29 | <u>2,720,495</u> | <u>3,023,722</u> |
| Attributable to: | | | |
| Equity holders of the parent | | <u>2,720,495</u> | <u>3,023,722</u> |

The accompanying notes form an integral part of this consolidated statement of comprehensive income.

All activities arose from continuing operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 28 February 2021

| | Share capital (note 26) £ | Share premium account (note 27) £ | Own shares (note 28) £ | Retained earnings (note 29) £ | Total equity £ |
|--|------------------------------------|---|------------------------------|--|----------------------|
| Balance at 1 March 2019 | 25,528 | 18,491,375 | (1,424,529) | 6,522,222 | 23,614,596 |
| Profit for the year | - | - | - | 3,023,722 | 3,023,722 |
| Total comprehensive income for the year | - | - | - | 3,023,722 | 3,023,722 |
| Own shares acquired in the year | - | - | (182,736) | - | (182,736) |
| Own shares disposed in the year | - | - | 179,225 | - | 179,225 |
| Own shares transacted at a discount | - | - | 662,954 | (662,954) | - |
| Shares distributed on acquisition | - | - | 571,809 | - | 571,809 |
| Charge to equity for equity-settled share-based payments | - | - | 153,741 | 118,839 | 272,580 |
| Balance at 29 February 2020 | 25,528 | 18,491,375 | (39,536) | 9,001,829 | 27,479,196 |
| Profit for the year | - | - | - | 3,151,359 | 3,151,359 |
| Exchange differences arising on translation to presentation currency | - | - | - | (639,108) | (639,108) |
| Own shares acquired in the year | - | - | (673,515) | - | (673,515) |
| Own shares disposed in the year | - | - | 455,186 | - | 455,186 |
| Own shares transacted at a discount | - | - | 70,217 | (70,217) | - |
| Dividends paid during the year | - | - | - | (435,318) | (435,318) |
| Charge to equity for equity-settled share-based payments | - | - | 186,945 | 316,131 | 503,076 |
| Balance at 28 February 2021 | 25,528 | 18,491,375 | (703) | 11,324,676 | 29,840,876 |

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 28 February 2021

| | Share capital (note 26) £ | Share premium account (note 27) £ | Own shares (note 28) £ | Retained earnings (note 48) £ | Total equity £ |
|--|------------------------------------|---|---------------------------------|--|----------------------|
| Balance at 1 March 2019 | 25,528 | 18,491,375 | (1,424,529) | 11,199,910 | 28,292,284 |
| Profit for the year | - | - | - | 1,529,100 | 1,529,100 |
| Total comprehensive income for the year | - | - | - | 1,529,100 | 1,529,100 |
| Own shares acquired in the year | - | - | (182,736) | - | (182,736) |
| Own shares disposed in the year | - | - | 179,225 | - | 179,225 |
| Own shares transacted at a discount | - | - | 662,954 | (662,954) | - |
| Shares distributed on acquisition | - | - | 571,809 | - | 571,809 |
| Charge to equity for equity-settled share-based payments | - | - | 153,741 | 118,839 | 272,580 |
| Balance at 29 February 2020 | 25,528 | 18,491,375 | (39,536) | 12,184,895 | 30,662,262 |
| Profit for the year | - | - | - | 1,647,224 | 1,647,224 |
| Total comprehensive income for the year | - | - | - | 1,647,224 | 1,647,224 |
| Own shares acquired in the year | - | - | (673,515) | - | (673,515) |
| Own shares disposed in the year | - | - | 455,186 | - | 455,186 |
| Own shares transacted at a discount | - | - | 70,217 | (70,217) | - |
| Dividends paid during the year | - | - | - | (435,318) | (435,318) |
| Charge to equity for equity-settled share-based payments | - | - | 186,945 | 316,131 | 503,076 |
| Balance at 28 February 2021 | 25,528 | 18,491,375 | (703) | 13,642,715 | 32,158,915 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 28 February 2021

| | Note | 2021 | 2020 |
|--|------|---------------------|---------------------|
| | | £ | £ |
| NON-CURRENT ASSETS | | | |
| Goodwill | 10 | 21,360,546 | 18,048,675 |
| Investments | 11 | 1,241,886 | 1,318,469 |
| Property, plant and equipment | 12 | 694,794 | 870,697 |
| Right of use assets | 13 | 5,079,535 | 6,567,553 |
| Intangible assets | 14 | 3,295,821 | 1,420,733 |
| Long-term loans to related parties | 15 | 35,494 | 18,337 |
| Deferred tax assets | 17 | 1,499,277 | 1,088,583 |
| Net defined benefit pension scheme asset | 32 | 72,359 | - |
| | | <u>33,279,712</u> | <u>29,333,047</u> |
| CURRENT ASSETS | | | |
| Contract assets | 18 | 6,204,168 | 5,543,276 |
| Trade and other receivables | 19 | 11,766,372 | 11,462,732 |
| Current tax asset | | 343,635 | 77,892 |
| Cash and cash equivalents | 19 | 11,813,395 | 4,866,491 |
| | | <u>30,127,570</u> | <u>21,950,391</u> |
| TOTAL ASSETS | | <u>63,407,282</u> | <u>51,283,438</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 20 | (11,635,637) | (8,955,774) |
| Lease liabilities | 22 | (1,553,072) | (1,387,790) |
| Deferred consideration | 21 | - | (959,558) |
| Contract liabilities | 23 | (3,916,314) | (3,273,069) |
| Borrowings | 24 | - | (94,971) |
| Current tax liability | | (1,108,586) | (1,138,212) |
| Loan from parent company | 24 | (2,083,800) | (561,856) |
| | | <u>(20,297,409)</u> | <u>(16,371,230)</u> |
| NET CURRENT ASSETS | | <u>9,830,161</u> | <u>5,579,161</u> |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 24 | - | (91,908) |
| Lease liabilities | 22 | (3,902,700) | (5,112,217) |
| Liabilities for share-based payments | 25 | (2,799,131) | (1,388,019) |
| Deferred tax liabilities | 17 | (853,039) | (275,289) |
| Loan from parent company | 24 | (5,714,127) | (565,579) |
| | | <u>(13,268,997)</u> | <u>(7,433,012)</u> |
| TOTAL LIABILITIES | | <u>(33,566,406)</u> | <u>(23,804,242)</u> |
| NET ASSETS | | <u>29,840,876</u> | <u>27,479,196</u> |
| EQUITY | | | |
| Share capital | 26 | 25,528 | 25,528 |
| Share premium account | 27 | 18,491,375 | 18,491,375 |
| Own shares | 28 | (703) | (39,536) |
| Retained earnings | 29 | 11,324,676 | 9,001,829 |
| TOTAL EQUITY | | <u>29,840,876</u> | <u>27,479,196</u> |

The financial statements of Analysys Mason Limited, registered number 05177472, were approved by the Board of Directors and authorised for issue on 30 November 2021.

Signed on behalf of the Board of Directors

A C Moerman, Director

The accompanying notes form an integral part of the consolidated balance sheet.


COMPANY STATEMENT OF FINANCIAL POSITION
As at 28 February 2021

| | Note | 2021 £ | 2020 £ |
|--------------------------------------|------|---------------------|---------------------|
| NON-CURRENT ASSETS | | | |
| Goodwill | 42 | 12,707,561 | 12,707,561 |
| Property, plant and equipment | | 380,589 | 482,577 |
| Right of use assets | 44 | 3,815,077 | 4,397,949 |
| Intangible assets | | 248,696 | 156,214 |
| Long-term loans to related parties | | 18,337 | 18,337 |
| Investments in subsidiaries | 43 | 18,818,123 | 17,948,325 |
| Deferred tax assets | 45 | 750,000 | 504,415 |
| | | <u>36,738,383</u> | <u>36,215,378</u> |
| CURRENT ASSETS | | | |
| Contract assets | | 3,744,050 | 3,538,597 |
| Trade and other receivables | | 8,829,998 | 6,509,462 |
| Amounts due from group undertakings | 46 | 8,378,065 | 2,166,969 |
| Cash and cash equivalents | | 3,274,624 | 3,017,157 |
| | | <u>24,226,737</u> | <u>15,232,185</u> |
| TOTAL ASSETS | | <u>60,965,120</u> | <u>51,447,563</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | (7,109,316) | (4,146,156) |
| Lease liabilities | | (708,696) | (693,001) |
| Deferred consideration | | - | (959,558) |
| Contract liabilities | | (3,282,451) | (2,883,389) |
| Amounts due to group undertakings | 47 | (3,672,997) | (5,304,411) |
| Current tax liability | | (720,604) | (537,554) |
| Loan from parent company | 24 | (2,083,800) | (561,856) |
| | | <u>(17,577,864)</u> | <u>(15,085,925)</u> |
| NET CURRENT ASSETS | | <u>6,648,873</u> | <u>146,260</u> |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | (3,268,389) | (3,745,778) |
| Liabilities for share-based payments | | (2,245,825) | (1,388,019) |
| Loan from parent company | 24 | (5,714,127) | (565,579) |
| | | <u>(11,228,341)</u> | <u>(5,699,376)</u> |
| TOTAL LIABILITIES | | <u>(28,806,205)</u> | <u>(20,785,301)</u> |
| NET ASSETS | | <u>32,158,915</u> | <u>30,662,262</u> |
| EQUITY | | | |
| Share capital | 26 | 25,528 | 25,528 |
| Share premium account | 27 | 18,491,375 | 18,491,375 |
| Own shares | 28 | (703) | (39,536) |
| Retained earnings | 48 | 11,995,491 | 10,651,660 |
| Profit for the year | 48 | 1,647,224 | 1,533,235 |
| TOTAL EQUITY | | <u>32,158,915</u> | <u>30,662,262</u> |

These financial statements of Analysys Mason Limited, registered number 05177472, were approved by the Board of Directors and authorised for issue on 30 November 2021. As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own statement of comprehensive income for the year.

Signed on behalf of the Board of Directors

A C Moerman, Director



The accompanying notes form an integral part of this Company balance sheet.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 28 February 2021

| | Note | 2021 £ | 2020 £ |
|---|------|-------------------|--------------------|
| Net cash generated from operating activities | 30 | <u>7,771,193</u> | <u>4,639,894</u> |
| Investing activities | | | |
| Interest received | | 11,923 | 37,097 |
| Long-term related party loan | | - | 600,000 |
| Purchases of property, plant and equipment | 12 | (188,774) | (570,488) |
| Purchase of intangible assets | 14 | (219,965) | (112,631) |
| Net cash on acquisition of subsidiary | 35 | (133,350) | (346,662) |
| Net cash on investments | 11 | - | (1,250,900) |
| Net cash used in investing activities | | <u>(530,166)</u> | <u>(1,643,584)</u> |
| Financing activities | | | |
| Repayment of borrowings | | (5,450,437) | (35,412) |
| Repayment on lease obligation | | (1,525,470) | (1,554,127) |
| Interest paid on lease liabilities | | (146,136) | (220,565) |
| Loan from parent company | | 7,665,370 | - |
| Repayment of loan from parent company | | - | (507,366) |
| Dividends paid | | (435,318) | - |
| Net cash flow on purchase of own shares | 28 | (218,329) | 150,230 |
| Net cash used in financing activities | | <u>(110,320)</u> | <u>(2,167,240)</u> |
| Net increase in cash and cash equivalents | | 7,130,707 | 829,070 |
| Cash and cash equivalents at beginning of the year | | 4,866,491 | 4,037,421 |
| Translation differences on cash and cash equivalents | | <u>(183,803)</u> | <u>-</u> |
| Cash and cash equivalents at end of year | | <u>11,813,395</u> | <u>4,866,491</u> |

The accompanying notes form an integral part of this consolidated cash flow statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 28 February 2021****1. ACCOUNTING POLICIES****GENERAL INFORMATION**

Analysys Mason Limited is a private company, limited by shares and incorporated in England under the Companies Act 2006. The address of the registered office is given on page 1. The nature of Analysys Mason's operations and its principal activities are set out in the Executive Vice Chair's statement on pages 2 to 7. These financial statements are presented in Pounds Sterling as the functional currency of the primary economic environment in which Analysys Mason operates. Foreign operations are included in accordance with the policies set out below in note 1.6.

The accounting policies detailed below apply to both Analysys Mason and the Company financial statements.

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance on a going concern basis and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS").

The financial statements have been prepared on the historical cost basis, except where the individual accounting policies state otherwise. The principal accounting policies adopted are set out below. These policies have been consistently applied to both years presented unless otherwise stated.

The financial statements are prepared under the historical cost convention as modified by financial instruments recognised at fair value.

GOING CONCERN

Analysys Mason made a profit on ordinary activities before taxation of £4,438,672 (2020: £4,269,271) and are generating positive cash outflows for the year ended 28 February 2021. Analysys Mason has net current assets of £9,830,161 and net assets of £29,840,876 as at 28 February 2021 respectively (2020: net current assets £5,579,161 and net assets of £27,479,196). Analysys Mason has cash at bank of £11,813,395 as at 28 February 2021 (2020: £4,866,491) and currently has internal borrowings of £7,797,926 and external borrowings of £nil (2020: internal borrowings of £1,127,435 and external borrowings of £186,879). There are no covenants on borrowings.

The directors of Analysys Mason have prepared cash flow forecasts for at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, Analysys Mason will have sufficient funds to meet its liabilities as they fall due for that year.

At 28 February 2021, Analysys Mason had available a £3.0m overdraft (2020: £3.0m) with HSBC plc ("HSBC"), although the overdraft is unutilised as at 28 February 2021 and at the date of signing. The HSBC overdraft is repayable on demand. There are no covenants attached to the HSBC facility. The Company and its subsidiaries manage their financing and cash requirements on a pooled basis, allocating cash between subsidiaries to meet short and medium term requirements. The Company and its trading subsidiaries act as guarantor to the HSBC facilities outlined above.

The directors are confident that Analysys Mason 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

1. ACCOUNTING POLICIES (continued)

ADOPTION OF AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS

Analysys Mason adopted the following amendments to existing standards and interpretations:

- Amendments to IFRS 3 *Definition of a business*;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – *Interest rate benchmark reform (Phase 1)*
- Amendments to IAS 1 and IAS 8 *Definition of Material*; and
- *Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards*.

The application of the amendments to the existing standards and the interpretation had no material impact on the disclosures or amounts recognised in Analysys Mason's consolidated financial statements.

NEW OR REVISED ACCOUNTING STANDARDS AND AMENDMENTS TO EXISTING STANDARDS NOT YET EFFECTIVE

At the date of authorisation of these annual financial statements, the following new or revised accounting standards and amendments to existing standards applicable to Analysys Mason were in issue but not yet effective:

- Covid-19-Related Rent Concessions Amendments (Amendments to IFRS 16 is effective for annual reporting periods beginning on or after 1 April 2021)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS 2018 – 2020 – IFRS 9 Financial Instruments; IFRS 16 *Leases*
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Proceeds before intended use – (Amendments to IAS 16)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

Analysys Mason does not currently believe that the adoption of these amendments will have a material impact on the consolidated results or financial position of Analysys Mason.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

1. ACCOUNTING POLICIES (continued)

SIGNIFICANT ACCOUNTING POLICIES

1.1. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries controlled by the Company made up to the end of February each year. Control is achieved when the Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable return from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in non-controlling interests having a deficit balance.

The operating results of Analysys Mason entities are included from the effective date of acquisition to the effective date of disposal. All significant inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

When Analysys Mason loses control of a subsidiary, the gain or loss on disposal recognised in the statement of comprehensive income is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if Analysys Mason had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with Analysys Mason's accounting policies.

1.2. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by Analysys Mason in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions of recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of consideration transferred over Analysys Mason's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, Analysys Mason's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the consideration transferred, the excess is recognised immediately in profit and loss. Costs associated with the acquisition are expensed, and may include such costs as advisory, legal, accounting, valuation and other professional costs associated with the transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021**1. ACCOUNTING POLICIES (continued)****1.2 Business combinations (continued)**

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Contingent consideration is measured at fair value at the acquisition date and included as part of the consideration transferred in a business combination. Subsequent adjustments to the consideration are recognised against the cost of the acquisition, with corresponding adjustments against goodwill, only to the extent that they arise from new information obtained within the measurement period (which is not more than 12 months from the acquisition date) about facts and circumstances that existed at the acquisition date. All other subsequent adjustments that do not qualify as measurement period adjustments, classified as assets or liabilities, are measured at fair value and are recognised in profit or loss.

A non-controlling interest in the acquiree is initially measured at the proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, Analysys Mason reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (refer above) or additional assets or liabilities are recognised to reflect new information obtained about the facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

1.3. Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over Analysys Mason's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly-controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of Analysys Mason's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly-controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs (1 March 2006) has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1 March 2006 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021**1. ACCOUNTING POLICIES (continued)****1.4. Investments in associates**

An associate is an entity over which Analysys Mason has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Analysys Mason's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Analysys Mason's share of post-acquisition accumulated profits or losses of associated companies in the carrying amount of the investments

1.5. Revenue recognition

Revenue is stated net of VAT and trade discounts. Revenue from customers is recognised in accordance with the following 5 steps per IFRS 15:

Step 1 : Identify the contract(s) with a customer;

Step 2 : Identify the performance obligations in the contract;

Step 3 : Determine the transaction price;

Step 4 : Allocate the transaction price to the performance obligations in the contract;

Step 5 : Recognise revenue when (or as) the entity satisfies a performance obligation.

Sale of services

Revenue is earned from professional services contracts with customers which are categorised by "Milestone", "Time and Material" and "Block Hour" contracts. Customers gain immediate use of the output of the service once the professional service has been rendered. The revenue is earned either through external clients or through performing services for other group companies. The revenue for external clients is either on a fixed price arrangement or time and materials basis. The revenue for performing services for other group companies is on a time and materials basis.

The performance obligations are recognised over time where the performance obligation complies with the criteria under IFRS 15 of providing an asset with no alternative use. The revenue on the performance obligation is recognised based on the stage of completion of the contract. Time and materials contracts are recognised at a point in time as the hours/days are delivered.

The directors have assessed that the stage of completion is determined by the amount of time that is needed to complete the performance obligation. Where a performance obligation does not meet the necessary criteria under IFRS 15 to be able to recognise the revenue over-time, it will be recognised at a point in time once the performance obligation has been satisfied and delivered to the customer.

Where recorded revenue exceeds amounts invoiced to clients, the excess is classified as accrued income (contract asset) and where recorded revenue is less than the amounts invoiced to clients, the difference is classified as deferred income (contract liability).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021**1.6. Foreign currencies**

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in Pounds Sterling, which is the functional currency of Analysys Mason, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Where appropriate, in order to minimise its exposure to foreign exchange risks, Analysys Mason enters into forward exchange contracts. Any gains or losses arising are recognised in the statement of comprehensive income.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

1.7. Operating profit

Operating profit is stated after charging restructuring costs but before finance income and finance costs.

1.8. Finance income

Finance income mainly arises from bank and other deposits. Finance income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit assets, finance income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

1.9. Retirement benefit costs

Analysys Mason operates defined contribution pension schemes for a number of its staff and directors. Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where Analysys Mason's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Analysys Mason operates a defined benefits pension scheme for some staff in Analysys Mason. Payments to the defined benefit scheme are charged as an expense as they fall due. Any liabilities due to the scheme are settled in the year in which they fall due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

1. ACCOUNTING POLICIES (continued)

1.10. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current taxation comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantially enacted at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where Analysys Mason is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity, respectively. Where current tax or deferred tax arises from the initial accounting for business combination, the tax effect is included in the accounting for a business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Analysys Mason intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

1. ACCOUNTING POLICIES (continued)

1.11. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

| | |
|---------------------------|---|
| Leasehold improvements | over the shorter of the lease term or their useful life |
| Capitalised leased assets | over the shorter of the lease term or their useful life |
| Fixtures and equipment | over two to five years |

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

1.12. Leasing

This standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee is required to recognise right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to former practice; i.e. lessors continue to classify leases as finance or operating leases.

Analysys Mason leases various property, plant and equipment. Rental contracts are typically entered for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a range of terms and conditions. Analysys Mason recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, Analysys Mason recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is measured initially at the present value of the lease payments that are not paid at commencement date, discounted at Analysys Mason's incremental borrowing rate, unless the rate implicit in the lease is readily determinable. The lease liability is subsequently increased by interest costs and decreased by lease payments made.

The right-of-use asset is measured initially at cost and subsequently at cost less any accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that Analysys Mason expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Analysys Mason has elected to apply the practical expedient in IFRS 16 and accounts for lease and non-lease components as a single lease.

Analysys Mason has applied judgement to determine the lease term for some of the lease contracts, in which it is a lessee, that include renewal options. The assessment of whether Analysys Mason is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognised.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or to not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the lessee. The majority of extension and termination options held are exercisable only by Analysys Mason and not by the respective lessor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

1. ACCOUNTING POLICIES (continued)

1.13. Intangible assets

Intangible fixed assets are stated at cost less accumulated amortisation and any recognised impairment loss. An intangible asset is recognised when it meets the following criteria:

- (a) It is identifiable;
- (b) The entity has control over the asset;
- (c) It is probable that economic benefits will flow to the entity; and
- (d) The cost of the asset can be measured reliably.

Amortisation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

| | |
|-----------------------|------------------------|
| Software | over three years |
| Customer relationship | over one to five years |
| Technology based | over seven years |

Intangible assets which do not meet the criteria listed above are recognised as expenses in the period in which they are incurred.

The carrying value of intangible assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, Analysys Mason reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

1. ACCOUNTING POLICIES (continued)

1.14. Financial instruments

Financial assets and financial liabilities are recognised in the Analysys Mason's balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Financial instruments are valued at either fair value through profit and loss ("FVTPL") or at amortised cost. Analysys Mason determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing financial assets and their contractual cashflow characteristics. Financial liabilities are measured at amortised cost unless they are required to be measured at FVTPL (such as derivatives).

Financial assets

Financial assets are classified into the following specified categories: "Trade and other receivables" and "Cash and Cash Equivalents". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value.

Trade and other receivables

Trade and other receivables are measured on initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Impairment of financial assets

A financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Analysys Mason assesses on a forward looking basis the expected credit losses, defined as the contractual cashflows and the cashflows that are expected to be received associated with its assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The simplified approach has been applied to trade receivables as permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of trade receivables.

The expected credit loss model applies a percentage, based on an assessment of historical default rates and certain forward-looking information, against receivables that are grouped into certain age brackets. This method for calculating a provision is further supplemented by a specific review against higher value and aged trade receivables where there are other more specific risk factors identified from publicly available information such as insolvency proceedings. Other, specific risk factors considered in this assessment are the age past due of the receivable, the probability of default by reference to past experience, the extent to which the customer is engaging in discussions to settle the debt or conversely whether there is a dispute ongoing as well as the macro-economic environment of the geography/market in which the customer is located.

Derecognition of financial assets

Analysys Mason derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021**1. ACCOUNTING POLICIES (continued)****1.14. Financial instruments (continued)****Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of Analysys Mason after deducting all of its liabilities. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities

Other financial liabilities (trade and other payables), including borrowings, are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

Analysys Mason derecognises financial liabilities when, and only when, Analysys Mason's obligations are discharged, cancelled or they expire.

Deferred consideration

Deferred consideration represents purchase considerations owing in respect of acquisitions. These purchase considerations are to be settled with the vendors in cash or shares on fulfilment of agreed performance criteria. Deferred consideration is included in the purchase consideration at acquisition and, to the extent that agreed performance criteria are not met, affect the profit or loss in the period in which that determination is made. Deferred consideration is stated at fair value with any gains or losses on remeasurement recognised in profit or loss.

Derivative financial instruments

Analysys Mason uses derivative financial instruments to mitigate its foreign currency and not for speculative or trading purposes. Derivatives are not designated as accounting hedges. All derivatives are recognised as assets or liabilities and measured at fair value in Analysys Mason's consolidated balance sheet. Derivatives are classified within other debtors and other creditors to the extent that they mature within 12 months of the balance sheet date. Changes in the fair value of derivatives are included in the consolidated statement of comprehensive income in the period in which they occur.

Fair value of financial instruments

The Company uses fair values to measure certain financial instruments. In addition, certain non-financial instruments are accounted for at fair value on a non-recurring basis.

Fair value is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021**1. ACCOUNTING POLICIES (continued)****1.14. Financial instruments (continued)**

IFRS 7 Financial Instruments: Disclosures (“IFRS 7”) describes three levels of inputs that may be used to measure fair value:

- Level 1- inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 – inputs are observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities. Level 2 assets and liabilities include derivative contracts whose value is determined using a pricing model or discounted cash flow methodologies with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- Level 3 – inputs are unobservable inputs that are supported by little or no market activity. Valuation of Level 3 assets and liabilities requires significant management judgment to develop estimates of fair value. Estimates are not necessarily indicative of the amounts the Company could realise in a current market transaction.

Derivative financial instruments are recognised and measured at fair value in the Company’s consolidated balance sheet. Carrying amounts of receivables, payables, accrued expenses and short-term debt approximate to their fair values.

1.15. Share-based payments

Analysys Mason has applied the requirements of IFRS 2 *Share-based Payment*.

Analysys Mason issues equity-settled and cash-settled share-based payments to certain employees as part of their total remuneration. Fair value is measured using either the Black Scholes model or the binomial pricing model, whichever is most appropriate to the award. The fair values are charged to the statement of comprehensive income on a straight-line basis over the vesting period with an increase in equity reserves for equity-settled share-based payments (included in retained earnings) and an increase in non-current liabilities for cash-settled share-based payments (shown separately in the consolidated and Company Balance Sheet). Management reviews the fair value estimate each year based on its estimate of shares that will eventually vest.

In applying IFRS 2 *Share-based Payment*, the directors have used employee churn rate for different options based on previous experience to arrive at the estimate of shares that will eventually vest. The valuation is conducted by an independent advisor, based on certain assumptions, such as volatility and dividend yield. In the absence of historic share price information and historic dividends for the Company, these estimates are based on comparable companies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

1. ACCOUNTING POLICIES (continued)

1.16. Critical accounting judgements and key sources of estimation uncertainty

In the application of Analysys Mason's accounting policies, which are described above, 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 key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years, are discussed below.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key areas of estimation included in Analysys Mason's annual financial statements, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Acquired intangible assets - estimates made in determining the recoverable amount of acquired intangible assets included in the consolidated balance sheet (disclosed in note 14). Analysys Mason continually assesses the carrying value of its intangible assets recognised as part of historical acquisitions. This requires an estimation of the value in use, based on estimated future cash flows and discount rates of the asset or cash-generating units to which these assets belong.

Goodwill impairment - estimates made in determining the recoverable amount of goodwill included in the consolidated balance sheet (disclosed in note 10). Similar to acquired intangible assets, this requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Analysys Mason's cash-generating units are consistent with those segments disclosed in note 10 to the annual financial statements.

Revenue recognition – Analysys Mason recognises revenue when, or as, it satisfies a performance obligation by transferring control of the service to a customer. The judgement of when to recognise revenue is intrinsically linked to the performance obligation assessment because revenue can only be recognised when or as the performance obligation is satisfied. For revenue, which is recognised over time, Analysys Mason frequently uses an input method to measure progress which relies on Analysys Mason's internal measure of progress compared to total anticipated costs. The estimate of total anticipated costs is subjected to a high level of review at all stages in a project life cycle. The ability to estimate the final cost outcome is critical and if it cannot be reliably estimated revenue should be constrained to the extent of costs recognised only, with no margin recognised. This estimation of total anticipated costs is inherently judgmental and depends upon the complexity of work being undertaken and any customisations being made to service.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

5. AUDITORS' REMUNERATION

The analysis of auditors' remuneration is as follows:

| | 2021 £ | 2020 £ |
|---|----------------|---------------|
| Fees payable to the Company's auditors for the audit of the Company's financial statements | 151,595 | 80,500 |
| Fees payable to the Company's auditors and their associates for other services to Analysys Mason: | | |
| - Audit of the Company's subsidiaries pursuant to legislation | 5,380 | 9,500 |
| <i>Total audit fees</i> | <u>156,975</u> | <u>90,000</u> |
| - Taxation compliance services | - | 15,962 |
| <i>Total non-audit fees</i> | <u>-</u> | <u>15,962</u> |
| Prior year auditors' remuneration relates to Deloitte LLP. | | |

6. STAFF COSTS

| | 2021 No. | 2020 No. |
|--|-------------|-------------|
| The average monthly number of employees (including directors) was: | | |
| Office and management | 317 | 264 |
| This is split between direct employees and non-direct employees: | | |
| Direct employees | 266 | 216 |
| Non-direct employees | 51 | 48 |

| | 2021 £ | 2020 £ |
|---|-------------------|-------------------|
| Their aggregate remuneration comprised: | | |
| Wages and salaries | 32,418,705 | 24,417,419 |
| Share-based payments and retention scheme (note 25) | 3,137,996 | 1,617,612 |
| Social security | 3,217,894 | 2,663,709 |
| Other pension costs | 1,427,942 | 1,309,255 |
| | <u>40,202,537</u> | <u>30,007,995</u> |

Non-direct employees are not directly involved in the production of billed services. The directors' remuneration has been disclosed separately in note 34.

7. FINANCE INCOME

| | 2021 £ | 2020 £ |
|--|---------------|---------------|
| Interest receivable on bank deposits | 11,923 | 2,079 |
| Interest receivable on related party loans | - | 25,570 |
| | <u>11,923</u> | <u>27,649</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

8. FINANCE COSTS

All finance costs relate to financial instruments measured at amortised cost.

| | 2021 £ | 2020 £ |
|--|----------------|----------------|
| Interest paid on bank overdrafts and other loans | 21,619 | 17,435 |
| Finance charges on finance lease obligations | 146,136 | 220,565 |
| Interest paid on loan from parent | 321,472 | 57,438 |
| | <u>489,227</u> | <u>295,438</u> |

9. TAX

| | 2021 £ | 2020 £ |
|---------------------------------------|------------------|------------------|
| Corporation tax | | |
| Current year | 2,129,410 | 1,874,459 |
| Adjustments in respect of prior years | (63,476) | (78,426) |
| Deferred tax | | |
| Current year | (913,229) | (525,644) |
| Adjustments in respect of prior years | 134,608 | (24,840) |
| Total tax charge | <u>1,287,313</u> | <u>1,245,549</u> |

The charge for the year can be reconciled to the profit before tax in the statement of comprehensive income as follows:

| | 2021 £ | 2021 % | 2020 £ | 2020 % |
|--|------------------|-------------|------------------|-------------|
| Profit before tax | <u>4,438,672</u> | | <u>4,269,271</u> | |
| Standard rate as a percentage of profit before tax | 843,348 | 19.0 | 811,161 | 19.0 |
| Effects of: | | | | |
| Non-deductible expenses | 22,648 | 0.5 | 78,336 | 1.8 |
| Utilisation of losses previously not recognised | - | - | (7,327) | (0.2) |
| Deferred tax not recognised | - | - | 4,074 | 0.1 |
| Non-recoverable withholding taxes | 116,792 | 2.6 | 298,333 | 7.0 |
| Different tax rates of subsidiaries operating in other jurisdictions | 305,292 | 6.9 | 163,779 | 3.8 |
| Change in rate of deferred tax | (71,899) | (1.6) | - | - |
| Change in rate of income tax | - | - | 458 | - |
| Adjustments in respect of prior years | 71,132 | 1.6 | (103,266) | (2.4) |
| Tax expense and effective tax rate for the year | <u>1,287,313</u> | <u>29.0</u> | <u>1,245,549</u> | <u>29.1</u> |

The Finance Act 2020, which provides that the UK corporation tax rate be maintained at 19% from 1 April 2020, was substantively enacted on 17 March 2020. UK deferred tax balances at 28 February 2021 have therefore been measured at a rate of 19%.

The Finance Act 2021 was substantively enacted after the balance sheet date, on 24 May 2020. This raises the UK corporation tax rate to 25% from 1 April 2023. This will not materially increase the UK deferred tax assets at the next balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

10. GOODWILL

| | £ |
|--|--------------------------|
| Cost | |
| At 1 March 2019 | 20,167,403 |
| Other movements | 7,737 |
| Additions | <u>1,259,718</u> |
| At 29 February 2020 | 21,434,858 |
| Acquisitions | <u>3,311,871</u> |
| At 28 February 2021 | <u><u>24,746,729</u></u> |
| Accumulated impairment losses | |
| At 1 March 2019, 29 February 2020 and 28 February 2021 | <u><u>3,386,183</u></u> |
| Carrying amount | |
| At 28 February 2021 | <u><u>21,360,546</u></u> |
| At 29 February 2020 | <u><u>18,048,675</u></u> |

Further information on acquisitions in the year are disclosed on note 35.

Analysys Mason tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and risks. Analysys Mason operates as a group of cash generating units as the entities have the same principal activity. The discount rate used was 14.36% (2020: 14.25%), which was supported by advice from external consultants. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and reasonable expectations of future changes in the market.

Analysys Mason prepares cash flow forecasts derived from the most recent financial budgets for the next three years which are approved by the board of directors. After three years, a long-term growth rate of 1.80% is used to calculate the terminal value.

As a result of the impairment analyses, it was concluded that no impairments were required to be recorded in the year.

11. INVESTMENTS

Investment in Directus AS

The principal activity of Directus AS is consulting and the company of incorporation is Norway. Directus AS' year-end is 31 December, which was the reporting date when the investment in Directus AS was made. Analysys Mason does not control Directus AS and cannot amend its year-end date. On 21 December 2020, Analysys Mason transferred the NOK 15,000,000 investment in Directus AS to Analysys Mason AS. Analysys Mason AS funded this transaction by increasing the value of its share capital, held by Analysys Mason.

The registered address of Directus AS is Tjuvholmen allé 3,0252 Oslo, Norway.

Analysys Mason's total share of the equity accounted losses for Directus AS is £1,923 (2020: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

11. INVESTMENTS (continued)

| | Effective ownership % | Carrying value £ |
|---|-----------------------------|------------------------|
| Directus AS Investment at the beginning of the year | 41.4 | 1,318,469 |
| Share of current year loss | - | (1,923) |
| Revaluation of investment on transfer | - | (74,660) |
| Directus AS Investment at the end of the year | <u>41.4</u> | <u>1,241,886</u> |

12. PROPERTY, PLANT AND EQUIPMENT

| | Capitalised leased assets £ | Leasehold improvements £ | Fixtures and equipment £ | Total £ |
|---|-----------------------------------|--------------------------------|--------------------------------|------------------|
| Cost | | | | |
| At 1 March 2019 | 241,378 | 1,041,647 | 1,119,302 | 2,402,327 |
| Additions | - | 237,890 | 332,599 | 570,489 |
| Disposals | - | (63,371) | (228,523) | (291,894) |
| Acquisition of subsidiary | - | - | 29,006 | 29,006 |
| Capitalised leased assets transferred to right-of-use assets on adoption of IFRS 16 | (241,378) | - | - | (241,378) |
| At 29 February 2020 | - | 1,216,166 | 1,252,384 | 2,468,550 |
| Additions | - | - | 188,774 | 188,774 |
| Disposals | - | (146,965) | (120,236) | (267,201) |
| Acquisition of subsidiary | - | - | 81,261 | 81,261 |
| Exchange adjustments | - | (980) | (43,202) | (44,182) |
| At 28 February 2021 | <u>-</u> | <u>1,068,221</u> | <u>1,358,981</u> | <u>2,427,202</u> |
| Accumulated depreciation | | | | |
| At 1 March 2019 | 194,444 | 614,257 | 909,661 | 1,718,362 |
| Charge for the year | - | 187,312 | 153,482 | 340,794 |
| Eliminated on disposals | - | (63,371) | (228,267) | (291,638) |
| Acquisition of subsidiary | - | - | 24,779 | 24,779 |
| Capitalised leased assets transferred to right-of-use assets on adoption of IFRS 16 | (194,444) | - | - | (194,444) |
| At 29 February 2020 | - | 738,198 | 859,655 | 1,597,853 |
| Charge for the year | - | 178,410 | 200,138 | 378,548 |
| Eliminated on disposals | - | (146,965) | (120,152) | (267,117) |
| Acquisition of subsidiary | - | - | 48,848 | 48,848 |
| Exchange adjustments | - | (650) | (25,074) | (25,724) |
| At 28 February 2021 | <u>-</u> | <u>768,993</u> | <u>963,415</u> | <u>1,732,408</u> |
| Carrying amount | | | | |
| At 28 February 2021 | <u>-</u> | <u>299,228</u> | <u>395,566</u> | <u>694,794</u> |
| At 29 February 2020 | <u>-</u> | <u>477,968</u> | <u>392,729</u> | <u>870,697</u> |

Capitalised leased assets relate to IT equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

13. RIGHT OF USE ASSETS

| | Land and buildings £ | Computer equipment £ | Total £ |
|--|-------------------------------------|-------------------------------------|--------------------|
| Cost | | | |
| At 1 March 2019 | - | - | - |
| Take-on balances on adoption of IFRS 16 | 7,158,415 | 26,586 | 7,185,001 |
| Capitalised leased assets transferred from property, plant and equipment on adoption of IFRS 16 | - | 241,378 | 241,378 |
| Additions | 830,269 | 67,863 | 898,132 |
| At 29 February 2020 | 7,988,684 | 335,827 | 8,324,511 |
| Additions | 132,621 | 173,581 | 306,202 |
| Revaluation | 58,581 | - | 58,581 |
| Exchange adjustments | (165,297) | - | (165,297) |
| At 28 February 2021 | <u>8,014,589</u> | <u>509,408</u> | <u>8,523,997</u> |
| Accumulated depreciation | | | |
| At 1 March 2019 | - | - | - |
| Capitalised leased assets transferred from property, plant and equipment on adoption of IFRS 16 | - | 194,444 | 194,444 |
| Charge for the year | 1,497,484 | 65,030 | 1,562,514 |
| At 29 February 2020 | 1,497,484 | 259,474 | 1,756,958 |
| Charge for the year | 1,569,404 | 71,527 | 1,640,931 |
| Impairment | 119,567 | - | 119,567 |
| Exchange adjustments | (72,994) | - | (72,994) |
| At 28 February 2021 | <u>3,113,461</u> | <u>331,001</u> | <u>3,444,462</u> |
| Carrying amount | | | |
| At 28 February 2021 | <u>4,901,128</u> | <u>178,407</u> | <u>5,079,535</u> |
| At 29 February 2020 | <u>6,491,200</u> | <u>76,353</u> | <u>6,567,553</u> |

The impairment recorded in 2021 relates to Access Markets International (AMI) Partners Inc.'s leased office in New York. AMI Partners has chosen to vacate this office and sublet an office from a related party, Datatec plc. Impairment commenced at the point in time AMI Partners made this decision. The impaired lease expires on 28 February 2023 and the right of use asset has been depreciated in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

14. INTANGIBLE ASSETS

| | Software £ | Customer relationships £ | Technology based £ | Total £ |
|---------------------------|----------------|--------------------------------|--------------------------|------------------|
| Cost | | | | |
| At 1 March 2019 | 874,023 | 1,489,169 | 299,405 | 2,662,597 |
| Additions | 112,631 | - | - | 112,631 |
| Disposals | (89,903) | - | - | (89,903) |
| Acquisition of subsidiary | - | 912,854 | - | 912,854 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 29 February 2020 | 896,751 | 2,402,023 | 299,405 | 3,598,179 |
| Additions | 219,965 | - | - | 219,965 |
| Disposals | (583,580) | - | - | (583,580) |
| Acquisition of subsidiary | - | 2,943,028 | - | 2,943,028 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 28 February 2021 | <u>533,136</u> | <u>5,345,051</u> | <u>299,405</u> | <u>6,177,592</u> |
| Amortisation | | | | |
| At 1 March 2019 | 769,516 | 734,029 | 54,424 | 1,557,969 |
| Charge for the year | 61,296 | 602,803 | 44,321 | 708,420 |
| Eliminated on disposals | (88,943) | - | - | (88,943) |
| Acquisition of subsidiary | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 29 February 2020 | 741,869 | 1,336,832 | 98,745 | 2,177,446 |
| Charge for the year | 126,155 | 1,117,427 | 44,323 | 1,289,905 |
| Eliminated on disposals | (583,580) | - | - | (583,580) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 28 February 2021 | <u>285,444</u> | <u>2,454,259</u> | <u>143,068</u> | <u>2,881,771</u> |
| Carrying amount | | | | |
| At 28 February 2021 | <u>248,692</u> | <u>2,890,792</u> | <u>156,337</u> | <u>3,295,821</u> |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 29 February 2020 | <u>154,882</u> | <u>1,065,191</u> | <u>200,660</u> | <u>1,420,733</u> |

During the year Analysys Mason acquired Allolio&Konrad, a consultancy based in Germany. Details can be found in note 35. The intangible assets that were acquired have been recognised above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

15. LOANS TO RELATED PARTIES

| | 2021 £ | 2020 £ |
|---|---------------|---------------|
| Directus AS | 35,494 | 18,337 |
| Total related party loans | 35,494 | 18,337 |
| Amounts due for settlement within 12 months | - | - |
| Amounts due for settlement after 12 months | 35,494 | 18,337 |

The settlement currency from Directus AS is Norwegian Krone. Directus AS may repay any amounts which it has borrowed from Analysys Mason at any point in time prior to 31 December 2025 (the termination date). The loan bears interest at 0.5% over the 3 months NIBOR and becomes payable upon the termination date

16. SUBSIDIARIES

A list of the investments in subsidiaries, including the name, principal activity, registered address and country of incorporation is shown below:

| Name of company | Principal activity | Country of incorporation | Address of registered office |
|---|--------------------|--------------------------|------------------------------|
| Analysys Mason Pte Limited | Consulting | Singapore | 1 |
| Analysys Mason Limited | Consulting | Ireland | 2 |
| Analysys Limited | Consulting | UK | 3 |
| OSS Observer LLC | Dormant | USA | 4 |
| Analysys Mason FZ LLC | Consulting | UAE | 5 |
| Analysys Mason (Mauritius) Limited | Consulting | Mauritius | 6 |
| Analysys Mason India Pvt Limited* | Consulting | India | 7 |
| Analysys Mason Limited | Consulting | Hong Kong | 8 |
| Analysys Mason AB* | Consulting | Sweden | 9 |
| Analysys Mason AS | Consulting | Norway | 10 |
| Analysys Mason Spain SLU | Consulting | Spain | 11 |
| Analysys Mason SRL | Consulting | Italy | 12 |
| Access Markets International (AMI) Partners Inc. | Research | USA | 13 |
| Analysys Mason Consulting AB | Consulting | Sweden | 14 |
| Analysys Mason Holding AB | Consulting | Sweden | 15 |
| Analysys Mason SAS* | Consulting | France | 16 |
| Analysys Mason GmbH | Consulting | Germany | 17 |
| Analysys Mason Ventures Nordic 1 AS* | Consulting | Norway | 18 |
| Analysys Mason Ventures Nordic AS | Consulting | Norway | 19 |

Each of the subsidiaries is 100% owned by Analysys Mason with the exception of Analysys Mason Ventures Nordic AS (60%).

*The Company indirectly owns all of the issued ordinary shares of these subsidiary undertakings.

All shareholdings at the year-end related to ordinary shares in subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

16. SUBSIDIARIES (continued)

Registered addresses of the subsidiaries:

- 1 77 Robinson Road, #13-00 Robinson 77, Singapore, 068896
- 2 5 Harbourmaster Place, International Financial Services Centre, Dublin 1, Ireland
- 3 8 Exchange Quay, Salford, Manchester, M5 3EF, UK
- 4 1500 District Avenue, Burlington, MA 01803, USA
- 5 3414 Al Shatha Tower, Dubai Internet City, PO Box 502064, Dubai, UAE
- 6 4th Floor, Hennessy Tower, Pope Hennessy Street, Port Louis, Mauritius
- 7 First Floor, Building No.10, Tower"C" ,DLF Cyber City Phase II, Gurgaon - 122002(Haryana) ,India
- 8 Room 1006, 10th Floor, Wharf T&T Centre, 7. Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
- 9 Tändstickspalatset, Västra Trädgårdsgatan 15, Stockholm, 111 53, Sweden
- 10 Tjuvholmen Allé 19, 0252 Oslo, Norway
- 11 José Abascal 57 7^oD, 28003 Madrid, Spain
- 12 Corso Venezia n. 37, 20 121 Milano (MI), Italy
- 13 505 Eighth Avenue, Suite 1705, New York, NY10018, USA
- 14 Västra Trädgårdsgatan 15. 111 53 Stockholm.
- 15 Sankt Eriksgatan 63, 9th Floor, Stockholm, 112 34, Sweden
- 16 25 rue d'Artois, 75008 Paris, France
- 17 Annabergerstr. 28, 53175 Bonn, Germany
- 18 Tjuvholmen Allé 19, 0252 Oslo, Norway
- 19 Tjuvholmen Allé 19, 0252 Oslo, Norway

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

17. DEFERRED TAX

| | Accelerated tax depreciation £ | Provisions £ | Losses £ | Intangible assets £ | Total £ |
|--|---|-------------------------|---------------------|------------------------------------|--------------------|
| At 1 March 2019 | 143,054 | 310,912 | 226,884 | (223,053) | 457,797 |
| Recognition of intangible assets (Charge)/ credit to income | - | - | - | (194,987) | (194,987) |
| | (6,182) | 56,613 | 357,301 | 142,752 | 550,484 |
| At 29 February 2020 | 136,872 | 367,525 | 584,185 | (275,288) | 813,294 |
| Recognition of intangible assets | - | - | - | (882,895) | (882,895) |
| Credit to income | 18,308 | 227,278 | 227,888 | 305,144 | 778,618 |
| Exchange adjustments | (7,894) | (21,197) | (33,688) | - | (62,779) |
| At 28 February 2021 | 147,286 | 573,606 | 778,385 | (853,039) | 646,238 |

Certain deferred tax assets and liabilities have been offset. The following analysis of the deferred tax balances (after offset) for financial reporting purposes:

| | 2021 £ | 2020 £ |
|--------------------------|-------------------|-------------------|
| Deferred tax assets | 1,499,277 | 1,088,583 |
| Deferred tax liabilities | (853,039) | (275,289) |
| | <u>646,238</u> | <u>813,294</u> |

Deferred tax assets of £778,385 (2020: £578,299) have been recognised in respect of losses incurred by entities that were loss making in both the current and prior year. The recognition of the deferred tax asset on tax losses is based on the strong probability that future profits will arise based on budgets, in excess of the profits arising on the reversal of existing taxable differences, against which these losses can be offset. The deferred tax liabilities relate to different jurisdictions of the deferred tax assets.

At the balance sheet date, Analysys Mason has unused and unrecognised tax losses of £488,135 (2020: £1,213,361) available for offset against future profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

18. CONTRACT ASSETS

| | 2021 | 2020 |
|---|------------------|------------------|
| | £ | £ |
| Contract assets | <u>6,204,168</u> | <u>5,543,276</u> |
| | | |
| Reconciliation of contract assets | 2021 | 2020 |
| | £ | £ |
| Contract asset at the beginning of the year | 5,543,276 | 2,972,415 |
| Change in time frame for a performance obligation to be satisfied | (5,543,276) | (2,972,415) |
| Amounts recognised during the year | <u>6,204,168</u> | <u>5,543,276</u> |
| | <u>6,204,168</u> | <u>5,543,276</u> |

All contract assets relate to work that has been performed but not yet classified to a receivable. Once a contract reaches certain milestones Analysys Mason will invoice the customer and transfer the contract asset to trade receivables.

At the end of the year there were no contracts where the revenue could not be recognised due to the performance obligations being unsatisfied (or partially unsatisfied). All contract assets are expected to be received within one year.

19. OTHER FINANCIAL ASSETS

| Trade and other receivables | 2021 | 2020 |
|---|-------------------|-------------------|
| | £ | £ |
| Amounts receivable for the sale of services | 9,712,088 | 9,695,845 |
| Allowance for doubtful debts | <u>(378,431)</u> | <u>(223,283)</u> |
| | <u>9,333,657</u> | <u>9,472,562</u> |
| Other debtors and prepayments | 2,095,753 | 1,835,336 |
| Amounts due from related party (note 34) | <u>336,962</u> | <u>154,834</u> |
| | <u>11,766,372</u> | <u>11,462,732</u> |

Trade receivables

The average credit period taken on sales of services is 62 days (2020: 60 days). Trade receivables greater than 30 days are provided for based on expected credit loss from the sale of services, determined by reference to past default experience. As at 28 February 2021 no trade receivables were classified as held for sale (2020: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

19. OTHER FINANCIAL ASSETS (continued)

Included in Analysys Mason's trade receivable balance are debtors with a carrying amount of £3,394,274 (2020: £4,442,393) which are past due at the reporting date for which Analysys Mason has not provided against. As there has not been a significant change in credit quality and the amounts are still considered recoverable. Analysys Mason does not hold any collateral over these balances. An analysis of these amounts is shown below. The directors consider that the carrying amount of trade receivables approximates to their fair value.

| | 2021 £ | 2020 £ |
|---------------|------------------|------------------|
| 30 - 60 days | 1,355,280 | 3,044,511 |
| 60 - 90 days | 817,702 | 762,626 |
| 90 - 120 days | 403,092 | 434,344 |
| 120+ days | 556,775 | 550,666 |
| | <u>3,132,849</u> | <u>4,792,147</u> |

In determining the recoverability of a trade receivable Analysys Mason considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Included in Analysys Mason's trade receivable balance are the following debtors against which Analysys Mason has made a provision:

| | 2021 £ | 2020 £ |
|--|----------------|-----------|
| Gross value of debtors that have a credit loss allowance | 524,975 | 223,283 |
| Credit loss allowance against these debtors | (378,431) | (223,283) |
| | <u>146,544</u> | <u>-</u> |

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debt.

| | 2021 £ | 2020 £ |
|--|------------------|------------------|
| Movement in expected credit losses: | | |
| Balance at the beginning of the year | (223,283) | (179,560) |
| Net increases in expected credit loss allowances during the year | (166,785) | (48,323) |
| Amount written off as uncollectable | 10,000 | 4,620 |
| Exchange differences | 1,637 | (20) |
| Balance at the end of the year | <u>(378,431)</u> | <u>(223,283)</u> |

Cash and cash equivalents

Cash and cash equivalents comprise cash held by Analysys Mason and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

| | 2021 £ | 2020 £ |
|---------------------------|-------------------|------------------|
| Cash and cash equivalents | <u>11,813,395</u> | <u>4,866,491</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

20. TRADE AND OTHER PAYABLES

| | 2021 £ | 2020 £ |
|--------------------------|------------|-----------|
| Trade and other payables | 11,635,637 | 8,955,774 |

Trade and other payables principally comprise amounts outstanding for trade purchases, social security on employment costs, value added taxes and ongoing costs. The directors consider that the carrying amount of trade payables approximates to their fair value.

21. DEFERRED CONSIDERATION

| | 2021 £ | 2020 £ |
|------------------------|-----------|-----------|
| Amounts due to vendors | - | 959,558 |

Effective 1 March 2019, Analysys Mason acquired Stelacon Holding AB, a consultancy based in Sweden. The consideration payable comprised an initial consideration of £1.10 million (the equivalent SEK13.0 million), paid as a mix of cash and Analysys Mason shares, and deferred cash consideration of up to £0.98 million (SEK12.0 million). £0.96 million (SEK11.8 million) was agreed as the final deferred consideration based on certain targets being met. The final deferred consideration was paid in 2021.

22. LEASE LIABILITIES

| | 1 March 2020 £ | Cash flow £ | FX movement £ | Other non-cash movement £ | 28 February 2021 £ |
|--------------------------------|----------------------|------------------|---------------------|------------------------------------|--------------------------|
| Land & buildings | (6,480,623) | 1,581,490 | (188,409) | (191,202) | (5,278,744) |
| Equipment | (19,384) | 84,808 | - | (242,452) | (177,028) |
| Total lease liabilities | (6,500,007) | 1,666,298 | (188,409) | (433,654) | (5,455,772) |

During the year, Analysys Mason had various lease agreements in existence. The lease terms vary from two to seven years. Analysys Mason's obligation under finance leases are secured by the lessors' title to the leased assets.

| | Land & buildings | | Equipment | | Total | |
|-------------------------------------|------------------|------------------|----------------|---------------|------------------|------------------|
| | 2021 £ | 2020 £ | 2021 £ | 2020 £ | 2021 £ | 2020 £ |
| Within one year | 1,532,458 | 1,377,339 | 135,052 | 10,451 | 1,667,510 | 1,387,790 |
| In second to fifth years | 3,719,946 | 4,969,914 | 47,529 | 8,933 | 3,767,475 | 4,978,847 |
| After five years | 346,956 | 133,370 | - | - | 346,956 | 133,370 |
| Total | 5,599,360 | 6,480,623 | 182,581 | 19,384 | 5,781,941 | 6,500,007 |
| Total short-term liabilities | 1,421,980 | 1,377,339 | 131,092 | 10,451 | 1,553,072 | 1,387,790 |
| Total long-term liabilities | 3,856,763 | 5,103,284 | 45,937 | 8,933 | 3,902,700 | 5,112,217 |

Where an interest rate has not been agreed by the lessor, Analysys Mason applied an incremental borrowing rate of 2.10%. (2020: 2.75%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

23. CONTRACT LIABILITIES

| | 2021 | 2020 |
|--|------------------|------------------|
| | £ | £ |
| Contract liabilities | <u>3,916,314</u> | <u>3,273,069</u> |
| | | |
| Reconciliation of contract liabilities | 2021 | 2020 |
| | £ | £ |
| Contract liabilities at the beginning of the year | 3,273,069 | 2,612,282 |
| Change in time frame for a performance obligation to be satisfied. | (3,273,069) | (2,612,282) |
| Amounts recognised during the year | <u>3,916,314</u> | <u>3,273,069</u> |
| | <u>3,916,314</u> | <u>3,273,069</u> |

All contract liabilities relate to payments on account and deferred revenue where there is still a performance obligation to satisfy so the revenue on the contract cannot be recognised. All contract liabilities are expected to be recognised within one year.

24. BORROWINGS

| | 2021 | 2020 |
|---|------------------|------------------|
| | £ | £ |
| Secured borrowings at amortised cost | | |
| Bank loan | - | 118,984 |
| Finance lease | - | 67,895 |
| Unsecured borrowings at amortised cost | | |
| Loan from the parent company | <u>7,797,927</u> | <u>1,127,435</u> |
| Total borrowings | <u>7,797,927</u> | <u>1,314,314</u> |
| | | |
| Bank loan | - | 64,922 |
| Finance lease | - | 30,049 |
| Loan from the parent company | <u>2,083,800</u> | <u>561,856</u> |
| Amounts due for settlement within 12 months | <u>2,083,800</u> | <u>656,827</u> |
| | | |
| Bank loan | - | 54,062 |
| Finance lease | - | 37,846 |
| Loan from the parent company | <u>5,714,127</u> | <u>565,579</u> |
| Amounts due for settlement after 12 months | <u>5,714,127</u> | <u>657,487</u> |

The settlement currency for the borrowings is US Dollars. (2020: Swedish Krone and US Dollars).

Analysys Mason Limited has a £3.0 million overdraft facility (2020: £3.0 million), and bears interest at a rate of 2.0% over the Bank of England base rate. The overdraft is secured by a debenture comprising fixed and floating charges over all assets and undertakings of Analysys Mason Limited and Analysys Limited. The overdraft is unutilised as at 28 February 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

24. BORROWINGS (continued)

There is a composite guarantee between HSBC plc, Analysys Mason Limited, Analysys Limited, Analysys Mason Limited (Ireland), Analysys Mason FZ LLC, Analysys Mason Pte Limited and Analysys Mason (Mauritius) Limited, as well as a guarantee given by Datatec plc to HSBC limited to £5 million which covers Analysys Mason Limited.

On 1 July 2018 Datatec plc granted Analysys Mason Limited a loan totalling \$3.5 million repayable over three years. This bears interest at a rate of 2.0% over the USD LIBOR base rate. On 18 March 2020 Datatec plc granted Analysys Mason Limited a loan totalling \$7.8 million repayable over seven years. This bears interest at a rate of 4.0% over the USD LIBOR base rate. On 16 April 2020 Datatec plc granted Analysys Mason Limited a loan totalling \$1.2 million repayable over four years. This bears interest at a rate of 4.0% over the USD LIBOR base rate. At 28 February 2021 the value of the loan outstanding to Datatec plc was \$10,860,129 (£7,797,927) (2020: \$1,443,206).

25. SHARE-BASED PAYMENTS

Performance shares scheme (cash and equity settled)

The Company has a performance shares scheme for certain employees of Analysys Mason. Performance shares are exercisable at a price equal to the market price of the Company's shares on the vesting date. Performance shares are forfeited if the employee leaves Analysys Mason before they vest.

For each year of issue 25% of the performance share grant, the unconditional portion, automatically vest three years from the date of grant and will be equity settled. The balance of 75% is conditional upon the performance of Analysys Mason and can be settled by way of cash, equity, or a mix of both to be elected by the holders.

Details of performance shares outstanding during the year are as follows:

| | 2021 | 2020 |
|------------------------------------|----------------------------|----------------------------|
| | Number of share options | Number of share options |
| Outstanding at beginning of year | 233,177 | 218,660 |
| Granted during the year | 87,015 | 86,529 |
| Exercised during the year | (69,288) | (56,304) |
| Expired during the year | (5,309) | (15,708) |
| | <hr/> | <hr/> |
| Outstanding at the end of the year | 245,595 | 233,177 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Exercisable at the end of the year | - | - |
| | <hr/> <hr/> | <hr/> <hr/> |

The weighted average share price at the date of exercise for share options exercised during the year was £25.27. The options outstanding at 28 February 2021 had a weighted average exercise price of £0 (2020: £0), and a weighted average remaining contractual life of 1.0 years (2020: 1.1 years). In 2021, options were granted on 1 March 2020. The aggregate of the estimated fair values of the options granted on those dates is £2,198,869 (2020: £1,584,346).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

25. SHARE-BASED PAYMENTS (continued)

Analysys Mason recognised total expenses of £2,567,094 (2020: £1,617,612) for the cash and equity settled Performance Shares scheme. In 2021, Analysys Mason has recorded liabilities of £2,245,825 (2020: £1,388,019) in “Liabilities for share-based payments” with the balance of £966,174 (2020: £650,043), being the equity portion, included in retained earnings (note 29).

Retention

Analysys Mason recognised total expenses of £570,902 (2020: £nil) relating to retention agreements for senior management of the acquired business, Allolio&Konrad. Analysys Mason has recorded liabilities of £553,306 (2020: £nil) in “Liabilities for share-based payments”.

| Summary | Expenses £ | 2021 Liability | | 2020 Liability | |
|--------------------|------------------|-------------------|------------------|-------------------|----------------|
| | | Equity £ | Cash £ | Equity £ | Cash £ |
| Performance shares | 2,567,094 | 966,174 | 2,245,825 | 1,617,612 | 650,043 |
| Retention | 570,902 | - | 553,306 | - | - |
| | <u>3,137,996</u> | <u>966,174</u> | <u>2,799,131</u> | <u>1,617,612</u> | <u>650,043</u> |

26. SHARE CAPITAL

Authorised

10,000,000 (2020: 10,000,000) ordinary shares of 1p each
 376,250 (2020: 376,250) deferred shares of 1p each

Issued and fully-paid

2,176,588 (2020: 2,176,588) ordinary shares of 1p each
 376,250 (2020: 376,250) deferred shares of 1p each

| | 2021 £ | 2020 £ |
|--|---------------|---------------|
| | 21,766 | 21,766 |
| | 3,762 | 3,762 |
| | <u>25,528</u> | <u>25,528</u> |

The Company has two classes of ordinary shares which carry no rights to fixed income.

Shareholders present in person or by proxy have one vote for every ordinary share held. Votes may be exercised by a show of hands or a poll.

In the event of liquidation any assets of the Company remaining after the payment of its liabilities shall first be due to the ordinary shareholders. Deferred shares are entitled to a payment of £1 in aggregate.

27. SHARE PREMIUM ACCOUNT

| | £ |
|--|-------------------|
| At 1 March 2019, 29 February 2020 and 28 February 2021 | <u>18,491,375</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

28. OWN SHARES

| | £ |
|---|-------------------|
| At 1 March 2019 | 1,424,529 |
| Acquired in the year | 182,736 |
| Disposed in the year through cash settlement | (179,225) |
| Shares distributed on acquisition | (571,809) |
| Shares vested in the year | (153,741) |
| Revaluation of shares transacted by the Employee Benefit Trust at a discount, taken straight to equity reserves | <u>(662,954)</u> |
| At 29 February 2020 | 39,536 |
| Acquired in the year | 673,515 |
| Disposed in the year through cash settlement | (455,186) |
| Shares vested in the year | (186,945) |
| Revaluation of shares transacted by the Employee Benefit Trust at a discount, taken straight to equity reserves | <u>(70,217)</u> |
| At 28 February 2021 | <u><u>703</u></u> |

The Analysys Mason Limited Employee Benefit Trust (“Trust”) was established on 17 November 2006. In accordance with the terms of the Trust Deed, the Trust was established as part of a remuneration arrangement in order to facilitate the recruitment, retention and motivation of employees of Analysys Mason Limited and its subsidiaries.

The Trust is funded by a loan of £703 (2020: £39,536) from Analysys Mason Limited. At the financial year end, the Trust held nil ordinary shares of 1p each and 65,000 (2020: 65,000) deferred shares of 1p each in Analysys Mason Limited.

The own shares reserve represents the cost of shares in Analysys Mason Limited purchased from employees leaving the Company and held by the Trust.

29. RETAINED EARNINGS

| | £ |
|--|--------------------------|
| At 1 March 2019 | 6,522,222 |
| Net profit for the year | 3,023,722 |
| Charge to equity for equity-settled share-based payments | 118,839 |
| Shares in Employee Benefit Trust transacted at a discount | <u>(662,954)</u> |
| At 29 February 2020 | 9,001,829 |
| Net profit for the year | 3,151,359 |
| Exchange differences arising on translation to presentation currency | (639,108) |
| Charge to equity for equity-settled share-based payments | 316,131 |
| Dividends paid during the year | (435,318) |
| Shares in Employee Benefit Trust transacted at a discount | <u>(70,217)</u> |
| At 28 February 2021 | <u><u>11,324,676</u></u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

30. NET CASH FROM OPERATING ACTIVITIES

| | 2021 £ | 2020 £ |
|--|------------------|------------------|
| Profit for the year | 3,151,359 | 3,023,722 |
| Adjustment for: | | |
| Finance income | (11,923) | (27,649) |
| Finance costs | 489,227 | 295,438 |
| Income tax expense | 1,287,313 | 1,245,549 |
| Depreciation of property and equipment | 378,548 | 340,792 |
| Depreciation of right of use assets | 1,640,931 | 1,562,513 |
| Impairment of right of use assets | 119,567 | - |
| Amortisation of intangible assets | 1,289,905 | 708,420 |
| Share-based payments expense and retention scheme | 3,137,996 | 1,617,612 |
| Unrealised foreign exchange (gains)/losses | (678,126) | 39,922 |
| Share of equity-accounted investment losses | 1,923 | - |
| Loss on disposal of property and equipment | 84 | 256 |
| Loss on disposal of software | - | 960 |
| Amounts paid to vendors | - | (154,355) |
| Operating cash flows before movements in working capital | 10,806,804 | 8,653,180 |
| Decrease/ (increase) in contract assets | 502,966 | (2,570,861) |
| Increase in contract liabilities | 643,245 | - |
| Increase in trade and other receivables | (176,657) | (1,133,622) |
| (Decrease)/ increase in trade and other payables | (1,193,507) | 598,296 |
| Cash from operations | 10,582,851 | 5,546,993 |
| Income tax paid | (2,790,039) | (811,111) |
| Interest paid | (21,619) | (95,988) |
| Net cash from operating activities | <u>7,771,193</u> | <u>4,639,894</u> |

Cash and cash equivalents comprise cash and short term bank deposits. No bank accounts are overdrawn at the year end.

31. CONTINGENT LIABILITIES

Analysys Mason issues bid and performance guarantees in compliance with contracts held with its UK and overseas clients. The amount of outstanding guarantees at the financial year end was £336,236 (2020: £224,757).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

32. RETIREMENT BENEFITS

Analysys Mason operates defined contribution pension schemes for staff and directors. Contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the schemes.

During the year Analysys Mason contributed £1,401,461 (2020: £1,291,803) to defined contribution pension schemes and had outstanding contributions of £91,913 as at 28 February 2021 (2020: £132,924).

Analysys Mason also has a defined benefit pension scheme. This scheme is closed to new members. Analysys Mason has not disclosed the IAS19 requirements as they are not considered to be material

At 28 February 2021, the balance of the defined benefit pension asset is £840,478 and the balance of the defined pension obligation is £768,118. The scheme has a net asset balance of £72,359.

The total cost charged to the statement of comprehensive income in 2021 in respect of the defined benefit scheme is £53,514. As at 28 February 2021 £13,978 of contributions were due to the scheme.

33. FINANCIAL INSTRUMENTS

33.1 Financial risk management objectives

Analysys Mason's senior management is responsible for monitoring and managing the financial risks relating to the operations of Analysys Mason. This is achieved through the use of internal risk analyses which analyse exposures by likelihood and magnitude of risks. These risks include market risk (including currency and interest risk), credit risk and liquidity risk.

Analysys Mason seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. Compliance with policies and exposure limits is reviewed by Datatec Limited's (the senior parent company) internal auditors on a continual basis. Analysys Mason does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

When appropriate, management reports regularly to Datatec Limited's audit, risk and compliance committee. Analysys Mason's financial instruments consist mainly of cash and cash equivalents, accounts receivable, accounts payable, borrowings and derivative instruments.

33.2 Capital risk management

Analysys Mason and the Company manages its capital to ensure that entities in Analysys Mason will be able to continue as a going concern while maximising the return to stakeholders. The capital structure of Analysys Mason consists of debt, which includes the borrowings disclosed in note 24, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. Analysys Mason is not subject to any externally imposed capital requirements. Analysys Mason's capital structure is reviewed on at least an annual basis by the Board.

33.3 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

33. FINANCIAL INSTRUMENTS (continued)

33.4 Categories of financial instruments

| | 2021 | 2020 |
|------------------------------------|-----------------------------|-----------------------------|
| | £ | £ |
| Financial assets | | |
| Long-term loans to related parties | 35,494 | 18,337 |
| Trade and other receivables | 9,735,755 | 10,477,861 |
| Cash and cash equivalents | 11,813,395 | 4,866,491 |
| | <u> </u> | <u> </u> |
| Financial liabilities | | |
| Current lease liabilities | 1,553,072 | 1,417,839 |
| Trade and other payables | 1,939,340 | 2,146,764 |
| Non-current lease liabilities | 3,902,700 | 5,150,063 |
| | <u> </u> | <u> </u> |

33.5 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Analysys Mason and the Company. Analysys Mason and the Company has adopted a policy of dealing only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

In assessing whether the credit risk on trade receivables have increased significantly since initial recognition, Analysys Mason compares the risk of a default occurring at the reporting date with the risk of default occurring at the date of initial recognition. Analysys Mason considers both quantitative and qualitative information that is reasonable and supportable including historical and forward -looking information that is available without undue cost or effort.

Analysys Mason and the Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Analysys Mason and the Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 10% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Analysys Mason assesses trade receivables as a low risk of default if the trade receivable has enough capacity to settle their debts. A customer is deemed to be in default once the due date for payment per agreed terms and conditions is missed, and no alternative method or timetable for settlement has been agreed to. When the debtor is in severe financial difficulty, there is no prospect of recovering the debt and every effort has been made to recover the debt the debt will be written off. If the debtor is placed into liquidation the debt will be written off immediately. Management makes the decision based on the information that is available to them.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

33. FINANCIAL INSTRUMENTS (continued)

33.5 Credit risk management (continued)

The carrying amount of financial assets recorded in the financial statements (see note 19), which is net of impairment losses, represents Analysys Mason's maximum exposure to credit risk without taking account of the value of any collateral obtained. Further information on the concentration of credit risk is detailed in the following table:

| | UK £ | Europe £ | North America £ | South America £ | Asia Pacific £ | Africa/ Middle East £ | Total £ |
|-----------------------------------|------------------|-------------------|-----------------------|-----------------------|----------------------|-----------------------------|-------------------|
| 2021 | | | | | | | |
| Gross trade accounts receivable | 637,629 | 5,284,225 | 1,087,752 | 130,861 | 995,171 | 1,576,450 | 9,712,088 |
| Less: allowance for bad debts | - | (57,055) | (11,144) | - | (28,595) | (281,637) | (378,431) |
| Other receivables | 67,978 | 201,140 | 35,352 | - | 94,989 | 2,639 | 402,098 |
| Forward exchange contracts | 107,309 | - | - | - | - | - | 107,309 |
| Cash and cash equivalents | 3,319,683 | 7,070,171 | 99,710 | - | 1,121,476 | 202,355 | 11,813,395 |
| Maximum on balance sheet exposure | <u>4,132,599</u> | <u>12,498,481</u> | <u>1,211,670</u> | <u>130,861</u> | <u>2,183,041</u> | <u>1,499,807</u> | <u>21,656,459</u> |
| 2020 | | | | | | | |
| Gross trade accounts receivable | 631,876 | 4,498,322 | 360,729 | 175,935 | 1,390,447 | 2,638,536 | 9,695,845 |
| Less: allowance for bad debts | - | - | - | - | - | (223,283) | (223,283) |
| Other receivables | 478,783 | 340,007 | 37,326 | - | 327,875 | 2,926 | 1,186,917 |
| Forward exchange contracts | 47,898 | - | - | - | - | - | 47,898 |
| Cash and cash equivalents | 3,007,295 | 1,149,246 | 40,576 | - | 389,300 | 280,074 | 4,866,491 |
| Maximum on balance sheet exposure | <u>4,165,852</u> | <u>5,987,575</u> | <u>438,631</u> | <u>175,935</u> | <u>2,107,622</u> | <u>2,698,253</u> | <u>15,573,868</u> |

The maximum off balance sheet exposure is £nil (2020: £nil).

Analysys Mason and the Company does not consider there to be any significant credit risk, which has not been adequately provided for at the balance sheet date. Furthermore, there has been no material change to Analysys Mason's exposure to credit risks or the manner in which it manages and measures the risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

33. FINANCIAL INSTRUMENTS (continued)

33.6 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of Analysys Mason's short, medium and long-term funding and liquidity requirements. Analysys Mason and the Company manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities and by continuously monitoring forecast and actual cash flows.

Analysys Mason is dependent on its bank overdraft to operate. These facilities generally consist of either a fixed term or fixed period but are repayable on demand and are secured against the assets of the Company to which the facility is made available.

The following tables detail Analysys Mason's remaining contractual maturity for its non-derivative and derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Analysys Mason can be required to pay. The table includes both interest and principal cash flows.

| | 0 – 1 year £ | 1 – 2 years £ | 2 – 5 years £ | > 5 years £ | Total £ |
|----------------------------|--------------------|---------------------|---------------------|-------------------|--------------------|
| 2021 | | | | | |
| Trade payables | (870,526) | - | - | - | (870,526) |
| Lease liabilities | (1,553,072) | (2,150,375) | (1,417,477) | (334,848) | (5,455,772) |
| Forward exchange contracts | - | - | - | - | - |
| Other | (1,181,761) | - | - | - | (1,181,761) |
| | <u>(3,605,359)</u> | <u>(2,150,375)</u> | <u>(1,417,477)</u> | <u>(334,848)</u> | <u>(7,508,059)</u> |
| 2020 | | | | | |
| Trade payables | (820,848) | - | - | - | (820,848) |
| Lease liabilities | (1,417,840) | (1,310,186) | (3,706,507) | (133,370) | (6,567,903) |
| Forward exchange contracts | (126,581) | - | - | - | (126,581) |
| Other | (2,285,474) | - | - | - | (2,285,474) |
| | <u>(4,650,743)</u> | <u>(1,310,186)</u> | <u>(3,706,507)</u> | <u>(133,370)</u> | <u>(9,800,806)</u> |

Analysys Mason continues to actively monitor its exposure to liquidity risks and the manner in which it manages and measures the risk. The 'other' category in the above table largely relates to accrued expenses.

33.7 Market risk management

The activities of Analysys Mason and the Company expose it primarily to the financial risks of changes in foreign currency exchange rates (see note 33.8) and interest rates (see note 33.9). Analysys Mason uses forward foreign exchange contracts to hedge the exchange rate risk arising on transactions denominated in foreign currency.

There has been no material change to Analysys Mason's exposure to market risks or the manner in which it manages and measures the risk.

33.8 Foreign exchange risk management

Analysys Mason and the Company operates in the global business environment and undertakes many transactions denominated in foreign currencies. Analysys Mason is exposed to the risk of fluctuating exchange rates and seeks to actively manage this exposure, within approved policy parameters and through the use of derivative instruments. These instruments primarily comprise forward exchange contracts. Forward exchange contracts require a future purchase or sale of foreign currency at a specified price. Analysys Mason does not trade with forward exchange contracts for speculative purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

33. FINANCIAL INSTRUMENTS (continued)

33.8 Foreign exchange risk management (continued)

Fluctuations in exchange rates also affect the translation of the profits of subsidiaries whose reporting currency are not the Pound Sterling.

The carrying amounts of Analysys Mason's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| | Liabilities | | Assets | |
|------------------|--------------|-------------|------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| | £ | £ | £ | £ |
| Other currencies | (10,737,333) | (4,401,119) | 18,680,009 | 11,584,543 |

Forward foreign exchange contracts

It is the policy of Analysys Mason to enter into foreign exchange contracts to cover specific foreign currency payments and receipts based on the known exposure generated. Analysys Mason also enters into foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to approximately three months within 100% of the anticipated exposure generated. All forward contracts are held by the Company. Analysys Mason and the Company do not apply any hedge accounting. During the year Analysys Mason made gains on foreign exchange contracts of £185,992 (2020: losses of £78,682) which have been recognised in administrative expenses within the consolidated statement of comprehensive income.

The following table details the forward foreign currency contracts outstanding as at the year-end:

| Outstanding contracts | Average exchange rate | | Foreign currency | | Notional value | | Fair value | |
|-----------------------|-----------------------|-------|------------------|-----------|----------------|-----------|----------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | | | | | £ | £ | £ | £ |
| Sell USD | | | | | | | | |
| Less than 3 months | 1.393 | 1.311 | (6,051,000) | 3,297,000 | (4,278,545) | 1,648,564 | 66,270 | (57,199) |
| Sell EUR | | | | | | | | |
| Less than 3 months | 1.154 | 1.171 | 2,238,000 | 1,654,000 | 2,238,000 | 3,214,565 | 41,039 | (9,509) |
| Sell SAR | | | | | | | | |
| Less than 3 months | - | 4.984 | - | 1,584,000 | - | 317,843 | - | (11,642) |
| Buy AED | | | | | | | | |
| Less than 3 months | - | 4.695 | - | (556,000) | - | (118,426) | - | (333) |
| | | | | | | | <u>107,309</u> | <u>(78,683)</u> |

The fair value amounts are included within other debtors and prepayments or other payables on the balance sheet as appropriate. These forward foreign exchange contracts are classified as level 1 financial instruments.

33.9 Interest rate risk management

Analysys Mason is exposed to interest rate risk on any drawn balances of the general overdraft facility amounting to £3.0million (2020: £3.0million), bearing interest at the UK base rate plus 2.0%. Interest rate risk is not currently considered significant, however management review interest rate risk on a regular basis and would take action if this became the case.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

34. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions with fellow group undertakings of the ultimate parent, Datatec Limited, are disclosed below.

Sale/purchase of goods and services to/from related parties were made at a competitive rate discounted to reflect the relationships between the parties. No transactions occurred that might affect decisions made by users of the financial statements.

The amounts outstanding will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of amounts owed by related parties.

| Trading transactions | Sales of services | | Purchase of services | | Amounts owed by related parties | | Amounts owed to related parties | |
|------------------------------------|-------------------|-------------------|----------------------|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Datatec Limited | - | 70,000 | - | - | - | - | - | - |
| Datatec Financial Services Limited | 60,000 | 60,000 | - | - | 60,000 | 60,000 | - | - |
| Datatec plc | 477,855 | 280,095 | 238,711 | 280,038 | 275,381 | - | 7,910,873 | 1,195,126 |
| Datatec International Services FZE | - | - | - | - | 1,581 | 1,734 | - | - |
| Mason Advisory Limited | - | - | - | - | - | 93,100 | - | - |
| Directus AS | - | - | - | - | 35,494 | 18,337 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

All sales and purchases relate to admin services supplied and received other than those explicitly detailed below:

Consultancy fees charged to Datatec plc of £250,000 (2020: £nil).

Loan interest charged to Mason Advisory Limited of £nil (2020: £25,570).

Loan interest charged by Datatec plc of £321,472 (2020: £57,438).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

34. RELATED PARTY TRANSACTIONS (continued)

Remuneration of key management personnel

The remuneration of the directors, who are deemed to be the key management personnel of Analysys Mason, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

| | 2021 | 2020 |
|---|------------------|------------------|
| | £ | £ |
| Short-term employee benefits | 2,389,533 | 1,701,262 |
| Post-employment benefits | 107,380 | 96,244 |
| Share-based payments | 410,829 | 284,839 |
| Benefit in kind arising on the purchase of ordinary shares at a discount | 36,443 | 448,766 |
| | <u>2,944,185</u> | <u>2,531,111</u> |

The highest paid director received total emoluments of £600,550 (2020: £611,160), of which £10,000 were post-employment benefits (2020: £10,000). The highest paid director received part of their emoluments by way of 6,823 ordinary shares (2020: 5,413 shares) in the year upon the exercise of performance shares. The number of directors included within the company pension scheme during the year was seven.

During the year directors of the Company entered into sale and purchase transactions of Analysys Mason Limited's shares, a summary of which is disclosed below.

| 2021 | Sale transaction | | | Purchase transaction | | | |
|--------------------|------------------|-------------|------------------|----------------------|-------------|------------------|-------------------|
| | Type | Date | Number of shares | Price per share £ | Date | Number of shares | Price per share £ |
| A C Moerman | Ordinary | - | - | - | 10 Aug 2020 | 857 | 14.65 |
| C A Stanford-Beale | Ordinary | - | - | - | 10 Aug 2020 | 1,100 | 14.65 |
| J M Ruud | Ordinary | 10 Aug 2020 | 4,888 | 18.31 | - | - | - |
| P J McMenemy | Ordinary | - | - | - | 10 Aug 2020 | 8,000 | 14.65 |

| 2020 | Sale transaction | | | Purchase transaction | | | |
|----------------------|------------------|------|------------------|----------------------|------------|------------------|-------------------|
| | Type | Date | Number of shares | Price per share £ | Date | Number of shares | Price per share £ |
| A C Moerman | Ordinary | - | - | - | 6 Jan 2020 | 5,145 | 1.40 |
| F M Glennon | Ordinary | - | - | - | 6 Jan 2020 | 5,145 | 1.40 |
| T J Rudkin | Ordinary | - | - | - | 6 Jan 2020 | 5,145 | 1.40 |
| C A Stanford-Beale | Ordinary | - | - | - | 6 Jan 2020 | 5,145 | 1.40 |
| J M Ruud | Ordinary | - | - | - | 6 Jan 2020 | 5,145 | 1.40 |
| J A Obradors Samarra | Ordinary | - | - | - | 6 Jan 2020 | 5,145 | 1.40 |

Dividends totalling £20,652 (2020: £nil) in respect of ordinary shares held by the Company's directors were paid in the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

34. RELATED PARTY TRANSACTIONS (continued)

On 6 January 2020, Analysys Mason provided loans to the Company directors. The loans were provided to help the directors finance the tax burden of a discounted share purchase. During the year, £140,550 was repaid by the directors towards the loans. The loans are repayable over three years and the aggregated balance at 28 February 2021 were as follows:

| | 2021 | 2020 |
|-----------------------------|---------------|----------------|
| | £ | £ |
| Loans provided to directors | <u>17,400</u> | <u>157,950</u> |

On 6 January 2020, Analysys Mason provided an advanced payment to a director of the Company. The advance payment was provided to help the director finance the tax burden of a discounted share purchase. During the year, £18,768 was repaid by the director towards the advanced payment. The advanced payment will be repaid by salary reductions over three years. The balance at 28 February 2021 was as follows:

| | 2021 | 2020 |
|-------------------------------|---------------|---------------|
| | £ | £ |
| Advanced payment to directors | <u>37,613</u> | <u>56,381</u> |

One director, through a limited company Ruud Industrier AS, has a 5.18% equity share in Directus AS. Analysys Mason has a 41.38% equity share in Directus AS. The director received no payments from Directus AS during the year ended 28 February 2021.

There were no other material transactions or balances between Analysys Mason and its key management personnel or members of their close family.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

35. ACQUISITION OF SUBSIDIARY

On 1 April 2020 Analysys Mason Limited acquired 100% of the share capital of Allolio&Konrad, a consulting company headquartered in Bonn, Germany. Consideration of EUR0.9m was paid as cash. EUR0.3m of cash was paid on 31 March 2020 and a further payment of EUR0.6m was paid on 1 July 2020.

A further EUR6m of consideration was paid to settle debt of Allolio&Konrad with the seller. Post-acquisition, the Company have agreed revised loan terms with Allolio&Konrad.

Allolio&Konrad has an extensive track record in the telecommunications industry, and its key services include the design, management and assurance of major business support systems (BSS) and operational support systems (OSS) transformation programmes and large-scale, multi-year IT strategy initiatives, alongside other solutions focussed on performance and operations management.

| Consideration transferred | EUR | £ |
|--|-------------|-------------|
| Cash | 935,972 | 846,289 |
| | <hr/> | <hr/> |
| Identifiable assets acquired, and liabilities assumed | EUR | £ |
| Acquired intangibles assets | 3,307,158 | 2,944,360 |
| Property, plant and equipment | 36,502 | 32,413 |
| Trade receivables | 1,031,695 | 918,087 |
| Other receivables | 1,416,575 | 1,260,586 |
| Cash | 801,160 | 712,939 |
| Long-term loan | (5,994,774) | (5,334,646) |
| Deferred tax | (992,147) | (882,895) |
| Trade payables | (161,574) | (143,782) |
| Other payables | (2,218,822) | (1,972,644) |
| | <hr/> | <hr/> |
| Total identifiable net liabilities acquired | (2,774,227) | (2,465,582) |
| | <hr/> | <hr/> |
| Goodwill | 3,710,199 | 3,311,871 |
| | <hr/> | <hr/> |

The acquired subsidiary contributed £9.3million revenue and profits of £3.2million to Analysys Mason's operating profit from the acquisition date to the balance sheet date. All receivables acquired are measured at amortised cost. The carrying value of trade receivables balances equals its fair value, therefore no fair value disclosures are provided.

Acquired other receivables includes contract assets where the carrying value differed to Analysys Mason's valuation. Pre-acquisition, the contract asset recognised was equal to the costs incurred against performance obligations not yet fully delivered. Post-acquisition, the contract asset is equal to the revenue that can be recognised for work performed but not yet classified as a trade receivable. The difference of EUR0.5million has been recognised as a fair value adjustment, debiting contract assets.

Acquisition-related costs of £0.26million have been incurred and are included in administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

36. SUBSEQUENT EVENTS

There are no events since the balance sheet date to be disclosed.

37. ULTIMATE PARENT COMPANY

The ultimate parent company and controlling party of Analysys Mason is Datatec Limited, a company incorporated in South Africa. Datatec Limited is the largest group in which the results of the Company are consolidated. Analysys Mason Limited is the smallest group in which the results of the Company are consolidated. Consolidated financial statements can be obtained from the registered address North West Wing, Bush House, Aldwych, London, WC2B 4PJ. Financial statements for Datatec Limited are publicly available for PO Box 76226, Wendywood, Johannesburg 2144, South Africa.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 28 February 2021

38. GENERAL INFORMATION

The Company is a private company, limited by shares and incorporated in England, the United Kingdom, under the Companies Act 2006. The ultimate parent company and controlling party of the Company is Datatec Limited. The Company is included in the Datatec Limited consolidated financial statements, which are publicly available.

The address of the Company's registered office is shown on page 1. The nature of the Company's operations and principal activities are set out in the strategic report on page 3.

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by Financial Reporting Council (FRC) incorporating Amendments to FRS 101 issued by FRC in July 2015 and then amendments to Company law made by the Companies, Partnerships and Group (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

BASIS OF ACCOUNTING

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 (FRS 101) issued by the council. These financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

39. SIGNIFICANT COMPANY ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been consistently applied in the current and preceding years.

Accounting convention

The financial statements are prepared on the historical cost basis, except where the individual accounting policies state otherwise.

Going concern

The Company has net current assets of £6,648,873 and net assets of £32,158,915 as at 28 February 2021 respectively (2020: net current assets £146,260 and net assets of £30,662,262). The Company has cash at bank of £3,274,624 as at 28 February 2021 (2020: £3,017,157) and currently has internal borrowings of £7,797,927 and external borrowings of £nil (2020: internal borrowings of £1,127,435 and external borrowings of £nil). There are no covenants on borrowings.

The directors of the Company have prepared cash flow forecasts for at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that year.

At 28 February 2021, the Company had available a £3.0m overdraft (2020: £3.0m) with HSBC plc ("HSBC"), although the overdraft is unutilised as at 28 February 2021 and at the date of signing. The HSBC overdraft is repayable on demand. There are no covenants attached to the HSBC facility. The Company and its subsidiaries manage their financing and cash requirements on a pooled basis, allocating cash between subsidiaries to meet short and medium term requirements. The Company and its trading subsidiaries act as guarantor to the HSBC facilities outlined above.

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.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 28 February 2021

Revenue recognition

Revenue is stated net of VAT and trade discounts. Revenue from customers is recognised in accordance with the following 5 steps per IFRS 15:

- Step 1 : Identify the contract(s) with a customer;
- Step 2 : Identify the performance obligations in the contract;
- Step 3 : Determine the transaction price;
- Step 4 : Allocate the transaction price to the performance obligations in the contract;
- Step 5 : Recognise revenue when (or as) the entity satisfies a performance obligation.

Sale of services

Revenue is earned from professional services contracts with customers which are categorised by “Milestone”, “Time and Material” and “Block Hour” contracts. Customers gain immediate use of the output of the service once the professional service has been rendered. The revenue is earned either through external clients or through performing services for other group companies. The revenue for external clients is either on a fixed price arrangement or time and materials basis. The revenue for performing services for other group companies is on a time and materials basis.

The performance obligations are recognised over time where the performance obligation complies with the criteria under IFRS 15 of providing an asset with no alternative use. The revenue on the performance obligation is recognised based on the stage of completion of the contract. Time and materials contracts are recognised at a point in time as the hours/days are delivered.

The directors have assessed that the stage of completion is determined by the amount of time that is needed to complete the performance obligation. Where a performance obligation does not meet the necessary criteria under IFRS 15 to be able to recognise the revenue over-time, it will be recognised at a point in time once the performance obligation has been satisfied and delivered to the customer.

Where recorded revenue exceeds amounts invoiced to clients, the excess is classified as accrued income (contract asset) and where recorded revenue is less than the amounts invoiced to clients, the difference is classified as deferred income (contract liability).

Foreign exchange

In preparing the financial statements transactions in currencies other than the Company’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Where appropriate, in order to minimise its exposure to foreign exchange risks, the Company enters into forward exchange contracts. Any gains or losses arising are recognised in the statement of comprehensive income.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

39. SIGNIFICANT COMPANY ACCOUNTING POLICIES (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current taxation comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantially enacted at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity, respectively. Where current tax or deferred tax arises from the initial accounting for business combination, the tax effect is included in the accounting for a business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

39. SIGNIFICANT COMPANY ACCOUNTING POLICIES (continued)

FRS 101 Exemptions

As permitted by FRS 101, The Company has taken advantage of the following disclosure exemptions from the requirements of IFRS in the preparation of these financial statements, where relevant, equivalent disclosures have been made in group accounts of the ultimate parent company at the reporting date, in accordance with FRS 101:

- Presentation of a statement of comprehensive income;
- Presentation of a cash flow statement and related note;
- Disclosure of the objectives, policies and processes for managing capital;
- Inclusion of an explicit and unreserved statement of compliance with IFRS;
- Disclosure of key management compensation;
- Disclosure of the categories of financial instruments and nature and extent of risks arising on these financial instruments;
- Related party disclosures for transactions with the parent or wholly owned members of the group;
- Disclosure of the future impact of new IFRSs in issue but not yet effective at the reporting date; and
- Disclosure of the effect of financial instruments
- Disclosure of revenue recognised from contracts with customers, changes in contracts assets and liabilities during the period, certain information relating to performance
- obligations and the transaction price, and judgements made in applying IFRS 15; and
- comparative information in respect of intangible and tangible fixed assets.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described above, 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 key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years, are discussed below.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key areas of estimation included in the Company's annual financial statements, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**For the year ended 28 February 2021****39. SIGNIFICANT COMPANY ACCOUNTING POLICIES (continued)**

Estimates made in determining the recoverable amount of investment in subsidiaries included in the company only balance sheet (disclosed in note 43). For investments that indicate impairment, Analysys Mason performs value in use calculation to determine the estimated carrying value of the investment in subsidiary.

Estimates made in determining the recoverable amount of goodwill included in the consolidated balance sheet (disclosed in note 10). Similar to acquired intangible assets, this requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Analysys Mason's cash-generating units are consistent with those segments disclosed in note 10 to the annual financial statements.

For revenue recognition, the Company recognises revenue when, or as, it satisfies a performance obligation by transferring control of the service to a customer. The judgement of when to recognise revenue is intrinsically linked to the performance obligation assessment because revenue can only be recognised when or as the performance obligation is satisfied. For revenue, which is recognised over time, the Company frequently uses an input method to measure progress which relies on the Company's internal measure of progress compared to total anticipated costs. The estimate of total anticipated costs is subjected to a high level of review at all stages in a project life cycle. The ability to estimate the final cost outcome is critical and if it cannot be reliably estimated revenue should be constrained to the extent of costs recognised only, with no margin recognised. This estimation of total anticipated costs is inherently judgmental and depends upon the complexity of work being undertaken and any customisations being made to service.

40. PROFIT FOR THE YEAR

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own statement of comprehensive income for the year. Analysys Mason Limited reported a profit for the year ended 28 February 2021 of £1,647,224 (2020: £1,533,235) which included dividends received from subsidiaries of £nil (2020: £nil).

41. STAFF COSTS

| | 2021 | 2020 |
|--|-------------------|-------------------|
| | No. | No. |
| The average monthly number of employees (including directors) was: | | |
| Office and management | 140 | 130 |
| This is split between direct employees and non-direct employees: | | |
| Direct employees | 101 | 93 |
| Non-direct employees | 39 | 37 |
| | <u> </u> | <u> </u> |
| | £ | £ |
| Their aggregate remuneration comprised: | | |
| Wages and salaries | 14,251,709 | 9,621,769 |
| Social security | 2,022,965 | 1,213,244 |
| Pension costs | 705,431 | 647,680 |
| | <u> </u> | <u> </u> |
| | <u>16,980,105</u> | <u>11,482,693</u> |

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

42. GOODWILL

| Carrying amount | £ |
|--|------------|
| At 1 March 2019, 29 February 2020 and 28 February 2021 | 12,707,561 |

The Company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead an annual impairment test is performed and any impairment that is identified is recognised in the statement of comprehensive income.

43. INVESTMENTS IN SUBSIDIARIES

| Cost and net book value | £ |
|--------------------------------|-------------------|
| At 1 March 2019 | 14,108,490 |
| Additions | 3,839,835 |
| | <u>17,948,325</u> |
| At 29 February 2020 | 17,948,325 |
| Additions | 2,188,266 |
| Disposal | (1,318,468) |
| | <u>18,818,123</u> |
| At 28 February 2021 | 18,818,123 |

The investments in subsidiaries are all stated at cost. Details of the Company's subsidiaries are given in note 16 of the consolidated financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

44. RIGHT OF USE ASSETS

| | Land and buildings £ | Computer equipment £ | Total £ |
|--|-------------------------------------|-------------------------------------|--------------------|
| Cost | | | |
| At 1 March 2019 | - | - | - |
| Take-on balances on adoption of IFRS 16 | 5,024,115 | 26,586 | 5,050,701 |
| Capitalised leased assets transferred from property, plant and equipment on adoption of IFRS 16 | - | 241,378 | 241,378 |
| Additions | - | 67,863 | 67,863 |
| | <hr/> | <hr/> | <hr/> |
| At 29 February 2020 | 5,024,115 | 335,827 | 5,359,942 |
| Additions | - | 173,581 | 173,581 |
| Revaluation | 22,359 | - | 22,359 |
| | <hr/> | <hr/> | <hr/> |
| At 28 February 2021 | <u>5,046,474</u> | <u>509,408</u> | <u>5,555,882</u> |
| Accumulated depreciation | | | |
| At 1 March 2019 | - | - | - |
| Capitalised leased assets transferred from property, plant and equipment on adoption of IFRS 16 | - | 194,444 | 194,444 |
| Charge for the year | 702,518 | 65,030 | 767,548 |
| | <hr/> | <hr/> | <hr/> |
| At 29 February 2020 | 702,518 | 259,474 | 961,992 |
| Charge for the year | 707,286 | 71,527 | 773,813 |
| | <hr/> | <hr/> | <hr/> |
| At 28 February 2021 | <u>1,409,804</u> | <u>331,001</u> | <u>1,740,805</u> |
| Carrying amount | | | |
| At 28 February 2021 | <u>3,636,670</u> | <u>178,407</u> | <u>3,815,077</u> |
| At 29 February 2020 | <u>4,321,597</u> | <u>76,352</u> | <u>4,397,949</u> |

45. DEFERRED TAX ASSETS

| | Accelerated tax depreciation £ | Provision £ | Total £ |
|---------------------|---|------------------------|--------------------|
| At 1 March 2019 | 143,054 | 310,931 | 453,985 |
| Credit to income | 44,670 | 5,760 | 50,430 |
| | <hr/> | <hr/> | <hr/> |
| At 29 February 2020 | 187,724 | 316,691 | 504,415 |
| Credit to income | 31,041 | 214,544 | 245,585 |
| | <hr/> | <hr/> | <hr/> |
| At 28 February 2021 | <u>218,765</u> | <u>531,235</u> | <u>750,000</u> |

At the balance sheet date, the Company has unused tax losses of £nil (2020: £nil) available for offset against future profits for which a deferred tax asset of £nil has been recognised (2020: £nil).

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)
For the year ended 28 February 2021

46. AMOUNTS DUE FROM GROUP UNDERTAKINGS

At the balance sheet date amounts receivable from fellow Group companies were £8,378,065 (2020: £2,166,969). The carrying amount of these assets approximates their fair value. There are no past due or impaired receivables balances (2020: £nil). Amounts due are unsecured, repayable on demand and are interest free.

47. AMOUNTS DUE TO GROUP UNDERTAKINGS

At the balance sheet date amounts payable to fellow Group companies were £3,672,997 (2020: £5,304,411). The carrying amount of these assets approximates their fair value. There are no past due or impaired receivables balances (2020: £nil). Amounts owed are unsecured, repayable on demand and are interest free.

48. RETAINED EARNINGS

| | £ |
|---|-------------------|
| At 1 March 2019 | 11,199,910 |
| Debit to equity for equity-settled share-based payments | 118,839 |
| Shares in Employee Benefit Trust transacted at discount | (662,954) |
| Net profit for the year | <u>1,529,100</u> |
| At 29 February 2020 | <u>12,184,895</u> |
| Debit to equity for equity-settled share-based payments | 316,131 |
| Dividends paid during the year | (435,318) |
| Shares in Employee Benefit Trust transacted at discount | (70,217) |
| Net profit for the year | <u>1,647,224</u> |
| At 28 February 2021 | <u>13,642,715</u> |