Zellis Holdings Limited

Company Registration No. 10975623

Report and Consolidated Financial Statements

For the year to 30 April 2019

Zellis Holdings Limited

Contents

Zellis Holdings Limited

Strategic report
For the year ended 30 April 2019

The Directors present their strategic report on the affairs of Zellis Holdings Limited ("the Group") for the year to 30 April 2019.

Business review

The principal activity of the Group is to provide technology solutions and services for human resources management. In addition, the Group acquired the Benefex business in September 2018, which provides technology solutions for employee benefits. The consolidated financial statements therefore includes its financial performance from September 2018 to 30 April 2019.

The results for the year to 30 April 2019 are set out in the consolidated income statement on page 10. Zellis Holdings closed the year with revenues of £139,662k and operating profit excluding exceptional costs and amortisation of acquired intangibles of £34,014k. After one-off exceptional costs of £31,083k including costs relating to the acquisition of Benefex, and amortisation of £25,009k, the Group reported an operating loss of £22,078k. Net financing costs are at £23,284k and the loss on ordinary activities before tax is £45,362k.

Exceptional spend related to one off costs which the group has incurred as a result of the purchase by Bain Capital in February 2018 and the subsequent purchase of Benefex in September 2018. The exceptional charges relate to activities in relation to the carve out of the NGA UK and Ireland business from the previous parent company, the implementation of new tools and systems, deal fees in relation to the purchase of Benefex and business transformation activities to drive return on investment. The classification of these costs as exceptional has been performed on the basis that there is an expectation for these to be one off costs and therefore non-recurring.

The Group continues to focus on certain key performance indicators, specifically on revenue growth (6% including Benefex acquisition on full year basis), Operating profit before exceptional costs and amortisation of acquired intangibles of £34.0m (2018: £12.3m) and Operating profit margin before exceptional costs and amortisation of acquired intangibles 24% (2018: 37%).

Principal risks and uncertainties

The Board has overall responsibility for the Group's approach to assessing risk and the systems of internal control, and for monitoring their effectiveness in providing its shareholders with a return that is consistent with a responsible assessment and mitigation of risks. This includes reviewing financial, operational and compliance controls and risk management procedures, which themselves include the security and controls around customer and internal data. The Board has established on-going processes for identifying, evaluating and managing the significant risks faced by the Group. The Group is looking towards provision of further independent assurance services and has plans to outsource an internal audit function, operating across the Group. All employees are accountable for operating within these policies.

Employees

The Group continues to enhance employability in our communities through Apprenticeships, Graduate Trainee Schemes, Careers Visits, Work Experience and partnership with companies. By doing this, the Group is addressing shortages of skilled staff, gender issues and supply chain issues, creating a skilled future workforce which will benefit IT sector growth.

The Directors recognise the importance of good communications with the Group's employees and of informing and consulting with them on a regular basis. This is mainly achieved through regular meetings, personal appraisals, e-mail communications and the 'Your Say' employee survey.

Health and safety

The Group has an established health and safety policy that focuses on the ability to measure performance and to pursue continuous improvement in managing health and safety. The policy is reviewed regularly by the Health and Safety Manager.

Zellis Holdings Limited

Strategic report (continued)
For the year ended 30 April 2019

Future developments and research and developments

The Group is committed to its principal products and will continue to invest in its product roadmap. The product strategy has been developed to provide our customers with a compliant, insightful and engaging experience through its flagship HR and payroll platforms.

In 2019 the Group has released enhancements that meet required legislative changes in the UK and Ireland, as well as enhancements that drive further efficiencies and engagement for employees, managers, HR administrators and senior decision makers.

This report was approved by the board of directors on 20th October 2019 and signed on its behalf by:

Alan Kinch

Director

Zellis Holdings Limited

Directors’ report
For the year ended 30 April 2019

The Directors present their annual report on the affairs of the Group together with the financial statements and auditor’s report for the year to 30 April 2019.

In accordance with s414(C) (11) of the Companies Act, included in the Strategic Report is information relating to future developments which would otherwise be required by Schedule 7 of the ‘Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008’ to be contained in a Directors’ Report.

Events after the balance sheet date

Details of significant events since the balance sheet date are contained in note 27 to the Group financial statements.

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including credit risk, interest rate risk and liquidity risk. The use of financial derivatives is governed by the Group’s policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group’s trade and other receivables from customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

Interest rate risk

Interest rate risk is the risk of increased net financing costs due to increases in market interest rates. The Group finances its operations and acquisitions through a mixture of retained profits, bank borrowings and equity; the Group’s main interest rate risk therefore comes from its bank borrowings, which the Group borrows principally in Sterling and The Group has an interest rate swap in place, to assist with the risk of increasing interest rates.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial commitments as they fall due.

The Group‘s objective is to ensure that adequate facilities are available through use of bank loans and finance leases. The Group manages liquidity risk through regular cash flow forecasting and monitoring of cash flows, management review and regular review of working capital and costs. The Group regularly monitors its available headroom under its borrowing facilities.

Dividends

The Board reviews, the dividend policy in conjunction with a policy of retaining significant funds for future growth. No dividends were declared during the year under review.

Research and development

The research and development performed by the Group is documented within the Strategic report on page 2.

Directors

The following Directors held office during the year, and to the date of signing this report, except as noted:

Mr Jakob Brevinge	
Mr John Petter	(appointed 18 July 2018)
Mr Alan Kinch	(appointed 29 June 2019)
Mt Jonathan Legdon	(resigned 9 July 2018)
Mr Nicholas Wain	(resigned 28 June 2019)

Director's indemnities

The Group has made qualifying third party indemnity provisions for the benefit of its Directors during the year; these remain in force at the date of this report.

Going concern

The Directors have a reasonable expectation that the Group and the company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements as detailed in note 2 on page 17 of the financial statements.

Details of the future developments of the Group are explained on page 2 in the strategic report.

Employees

We actively promote an internal recruitment process encouraging internal succession planning and career development. All UK employees have the opportunity to elect members to an Employee Consultation Group (ECG). The ECG meets formally with Zellis Holdings management on a quarterly basis to discuss issues of importance.

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the company. This is achieved through formal and informal meetings and company newsletters. Employees are consulted regularly on a wide range of matters affecting their current and future interests.

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

Donations

No donations were made to any political party in the year.

Zellis Holdings Limited

Directors' report (continued)
For the year ended 30 April 2019

Auditor

Each of the persons who are a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the group's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

The auditor, Ernst and Young LLP, has indicated their willingness to continue in office as auditor. Appropriate measures have been put in place for the auditor to be deemed reappointed in the absence of an Annual General Meeting.

Approval

This report was approved by the board of directors on 20th October 2019 and signed on its behalf by:

Alan Kinch

Director

Zellis Holdings Limited

Directors' responsibility statement
For the year ended 30 April 2019

The directors are responsible for preparing the Strategic Report, the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that year. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

By Order of the Board of Directors and signed on behalf of the Board:

Alan Kinch

Director

Date 20th October 2019

Zellis Holdings Limited

Independent auditor's report to the members of Zellis Holdings Limited

Opinion

We have audited the financial statements of Zellis Holdings Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 30 April 2019 which comprise Consolidated income statement, Consolidated statement of comprehensive income, the Consolidated and Parent company balance sheet, Consolidated statement of cash flows, the Consolidated and Parent company statement of changes in equity and the related consolidated notes 1 to 28 and company notes 1 to 7, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 30 April 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance in with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report to the members of Zellis Holdings Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent auditor's report to the members of Zellis Holdings Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities 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 auditor's 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.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Christine Chua (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

20 October 2019

Zellis Holdings Limited

Consolidated income statement
For the year ended 30 April 2019

	Note	Year ended 30 April 2019	21 Sept 2017 to 30 April 2018
		£'000	£'000
Revenue	3	141,762	33,308
Operating costs	4	(163,840)	(39,849)
Operating loss		(22,078)	(6,541)
Operating profit before exceptional items and amortisation of acquired intangibles		34,014	12,311
Amortisation of acquired intangibles	4	(25,009)	(5,950)
Exceptional items	5	(31,083)	(12,902)
Operating loss		(22,078)	(6,541)
Finance costs	8	(23,284)	(4,819)
Loss before tax		(45,362)	(11,360)
Tax	9	1,402	1,984
Loss for the period		(43,960)	(9,376)
Attributable to:			
Owners of the Company		(43,960)	(9,376)
		(43,960)	(9,376)

*See note 28 for details regarding the changes in accounting policies.

The notes on pages 16 to 61 are an integral part of these consolidated financial statements. All operations relate to continuing operations.

Zellis Holdings Limited

Consolidated statement of comprehensive income
For the year ended 30 April 2019

	Year ended 30 April 2019	21 Sept 2017 to 30 April 2018
	£'000	**£'000**
Loss for the period	(43,960)	(9,376)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit liability	(11,330)	13,468
Deferred tax arising on the actuarial loss recognised in the pension scheme	1,926	(376)
Change in tax rates	-	40
	(9,404)	13,132
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	31	(30)
Net loss on cashflow hedges	317	-
Total other comprehensive (loss)/income for the period net of tax	(9,056)	13,102
Total comprehensive (loss)/income for the period	(53,016)	3,726
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(53,016)	3,726

*See note 28 for details regarding the changes in accounting policies.

Zellis Holdings Limited

Consolidated balance sheet
As at 30 April 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Goodwill	10	358,452	335,441
Intangible assets	10	169,404	175,332
Property, plant and equipment	11	3,444	4,371
Right of use assets	12	14,933	-
Contract assets	3 & 13	14,475	-
Deferred tax asset	15	21,999	14,777
Other non-current financial assets	13	-	907
		582,707	530,828
Current assets			
Trade and other receivables	13	34,797	43,988
Contract Assets	13	7,151	-
Other current financial assets	13	322	-
Corporation tax repayable	13	1,527	-
Cash and bank balances	14	7,525	4,985
		51,322	48,973
Total assets		634,029	579,801
Current liabilities			
Borrowings	24	39,000	14,000
Lease liabilities	24&12	4,984	1,739
Provisions	19	-	339
Current tax liabilities		255	129
Trade and other payables	16	45,530	34,974
Contract liabilities	3 & 17	31,531	21,509
		121,300	72,690
Net current liabilities		(69,978)	(23,717)
Non-current liabilities			
Borrowings	24	268,308	248,741
Lease liabilities	24 &12	11,419	1,688
Retirement benefit obligations	18	52,889	44,503
Provisions	19	1,648	1,389
Deferred tax liabilities	15	24,877	27,276
Contract Liabilities	3 & 17	48,326	3,069
		407,467	326,666
Total liabilities		528,767	399,356
Net assets		105,262	180,445

Zellis Holdings Limited

Consolidated balance sheet
As at 30 April 2019

	Note	2019 £'000	2018 £'000
Equity			
Share capital	20	-	-
Share premium	21	189,497	176,719
Cash flow hedge		317	-
Retained earnings		(84,552)	3,726
Total equity		105,262	180,445

The notes on pages 16 to 61 are an integral part of these consolidated financial statements.

The financial statements of Zellis Holdings Limited (company registration number: 10975623) were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

Alan Kinch
Director
20 October 2019

Consolidated statement of changes in equity
As at 30 April 2019

	Share capital (Note 20) £'000	Share premium (Note 21) £'000	Cash flow hedge reserve £'000	Retained earnings £'000	Total £'000
On incorporation**	-	-	-	-	-
Issue of shares	-	176,719	-	-	176,719
Loss for the period	-	-	-	(9,376)	(9,376)
Other comprehensive income for the period:	-	-	-	-	-
Remeasurement of net defined benefit liability	-	-	-	13,468	13,468
Deferred tax arising on the actuarial loss recognised in the pension scheme	-	-	-	(376)	(376)
Change in tax rates	-	-	-	40	40
Exchange differences on translation of foreign operations	-	-	-	(30)	(30)
At 30 April 2018	-	176,719	-	3,726	180,445
Issue of shares	-	12,778	-	-	12,778
Change in accounting policy*				(34,945)	(34,945)
Loss for the year	-	-	-	(43,960)	(43,960)
Other comprehensive income for the year:			-		
Remeasurement of net defined benefit liability	-	-	-	(11,330)	(11,330)
Deferred tax arising on the actuarial loss recognised in the pension scheme	-	-	-	1,926	1,926
Exchange differences on translation of foreign operations	-	-	-	31	31
Net loss on cashflow hedges	-	-	317	-	317
At 30 April 2019	-	189,497	317	(84,552)	105,262

*See note 28 for details regarding the changes in accounting policies.

**At the incorporation date, 21 September 2017, the company issued 100 shares at nominal value of £0.01 each. Subsequently, on 31 January 2018, 100 shares were allotted at nominal value of £0.01 each for a consideration of £1,767,186 per share, which generated a share premium of £176,718,603.

Zellis Holdings Limited

Consolidated cash flow statement
For the year ended 30 April 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Loss for the period		(43,960)	(9,376)
Adjustments for:			
Amortisation of acquired intangibles	10	25,009	5,950
Tax credit		(1,402)	(1,984)
Amortisation of other intangibles	10	2,647	194
Depreciation	11 & 12	5,169	360
Loss on sale of fixed assets		-	1
Net financing costs		23,284	4,718
Tax paid		(1,410)	-
Net cash from operating activities before changes in working capital and provisions		9,337	(137)
Change in contract assets, trade and other receivables		397	(7,179)
Change in contract liabilities, trade and other payables		(3,730)	17,793
Settlement of sellers payables[1]		-	(64,470)
Change in provisions and employee benefits		(6,122)	(920)
Net cash used in operating activities		(118)	(54,913)
Investing activities			
Acquisition of subsidiary net of cash acquired	26	(20,943)	(374,210)
Acquisition of intangible assets		(12,001)	(1,749)
Purchases of property, plant and equipment		(463)	(120)
Net cash used in investing activities		(33,407)	(376,079)
Financing activities			
Loan arrangement fees		(1,065)	(1,668)
Lease Payments		(7,468)	(600)
Interest paid		(13,180)	(2,559)
Proceeds on issue of shares	21	12,778	176,719
New bank loans raised		45,000	264,085
Net cash from financing activities		36,065	435,977
Net increase in cash and cash equivalents		2,540	4,985
Cash and cash equivalents at beginning of period		4,985	-
Cash and cash equivalents at end of period	14	7,525	4,985

[1] As part of the acquisition of NGA UK and Ireland business, the Group settled outstanding debts due to the sellers of £64,470k.

1. General information

Zellis Holdings Limited ("the Company") is a private company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act and is registered in England and Wales under the registration number 10975623. The company was incorporated on 21 September 2017, and therefore this represents its second financial statements. The address of the Company's registered office is Peoplebuilding 2, Peoplebuilding Estate, Marylands Avenue, Hemel Hempstead, HP2 4NW.

The principal activities of the Company and its subsidiaries (together, "the Group") and the nature of the Group's operations is set out in the strategic report on pages 1 to 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

2. Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with IFRSs adopted by the European Union "Adopted IFRS".

The financial statements have been prepared on the historical cost basis with the exception of the net assets acquired on business combinations. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents a transition note in respect of the financial position at the beginning of the current year when there is a modified retrospective application of an accounting policy. The additional statement of financial position as at 1 May 2018 is presented in note 28, change of accounting policies. This has occurred due to the modified retrospective application of accounting policies as a result of the adoption of IFRS 15 revenue from contracts with customers and IFRS 16 leases. The group have also applied a retrospective application of accounting policies as a result of the adoption of IFRS 9 financial instruments further details have been disclosed in note 28 change in accounting policy.

Reporting period

The consolidated accounts provide comparative information in respect of the previous period. The reporting length for the previous period was from incorporation 21 September 2017 to 30 April 2018, so bringing it in line with the rest of the group. As a result, the comparative represents a 7-month period and is not wholly comparable to the current year ended 30 April 2019.

The principal accounting policies adopted are set out below.

2. Accounting policies (continued)

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on page 1. In addition, note 25 to the financial statements include the Group's exposures to interest and liquidity risk.

Notwithstanding the net current liabilities of £70m the financial statements for the initial period after acquisition, have been prepared on a going concern basis for the following reasons:

The group has made an operating loss for the year £22.1m and generated operating profit before exceptional items and amortisation of intangibles of £34.0m. One off exceptional costs include deal transaction fees, restructuring costs and separation spend of which will not be on going in the longer term. Since the period end, there has been cash injections from the Ultimate Parent Company of £20m and an additional loan of £10m. The Directors have prepared forecasts for the twelve-month period to October 2020, which indicate the group should be able to operate within its current revolving facility.

The directors have a reasonable expectation that the company has adequate resources to continue as going concern for a period of at least twelve months from the date of signing of these financial statements. Therefore these accounts have been prepared on a going concern basis.

Non-GAAP performance measures

The board have presented 'Operating profit before exceptional items and amortisation of acquired intangibles' as an adjusted profit measure. They believe that this measure provides additional useful information for the shareholders on the underlying performance of the business. These measures are consistent with how the business performance is monitored internally. The adjusted operating profit is not a recognised profit measure under adopted IFRS and may not be directly comparable with 'adjusted' profit measures used by other companies. The adjustments made to operating profit have the effect of excluding exceptional income and charges, which are predominantly one-off in nature and create volatility in reported earnings.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) for the year ended 30 April 2019. 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 affects 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.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances

2. Accounting policies (continued)

Basis of consolidation (continued)

- in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:
- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control 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 the non-controlling interests having a deficit balance.

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss 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 the Group 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). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement*, when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

2. Accounting policies (continued)

Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively*;* and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group’s previously-held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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

2. Accounting policies (continued)

Intangible assets

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group'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 the 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 cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets excluding goodwill

Acquired intangibles and purchased software are stated at the cost less accumulated amortisation and impairment losses.

New intangibles recognised under IFRS 3 relating to customer contracts and relationships, existing technologies and trade names are amortised straight-line over a useful economic life of 5 - 8 years.

Amounts capitalised under purchased software are amortised straight-line over 5 years.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the year in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

2. Accounting policies (continued)

Impairment excluding deferred tax assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

Revenue

The Group generates revenue from three types of services:

- Payroll setup and services;
- Consulting services;
- Sale of licenses.

Payments and receivables related to implementation prior to go live of HR and administration services are deferred to the Balance Sheet along with associated cost until go live, as the implementation service does not deliver a performance obligation to the customer. Implementation is not a performance obligation, nor are any operations cost incurred prior to go live. The release of deferred implementation revenue and costs will be recognised on a straight line basis over the life of the contract. The adjusted monthly revenue from the provision of services will be recognised each month that we provide the service for a performance obligation.

The Group also enters into contracts with customers for installation, customisation, maintenance or other technical services or consultancy on third party software. Each promise under these contracts is a separate performance obligation and revenue is recognised for such contracts on time and material basis or percentage of completion method. Timing of payments tends to be similar to timing of revenue.

The sale of a read only licence is recognised at contract date, as the performance obligation is met on 'delivery' of the licence.

The Group recognises revenue based on 5 basic principles described in IFRS15:

- Identify the contract with a customer;
- Identify all the individual performance obligations within the contract;
- Determine the transaction price;
- Allocate the price to the performance obligations;
- Recognise revenue as the performance obligations are fulfilled.

2. Accounting policies (continued)

Revenue (continued)

If a customer pays, or the Group has an unconditional right to receive consideration before the performance obligation is completed, then the revenue is not recognised, and contract liability is recognised.

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the revenue is recognised, and accrued income.

There may be separate performance obligations within a single customer contract. Where the obligations are defined, these will be dealt with as a separate go live instance, and the transaction price will be apportioned appropriately. Where the separate obligations are not defined, then unless deemed to be material the contract will be treated as one performance obligation.

The transaction price for the contract is determined as the sum of fixed consideration, other variable items, less an estimate of volume discounts if any. Other variable items such as higher/ lower employee numbers for PEPM charge (per employee per month amount charged to customer), credits for service level, third party penalties or inflationary increases are taken in the month they are received or incurred. Termination fees are taken at a point in time when the termination is complete.

Costs on contracts with customers

An asset is recognised for incremental costs to obtain a contract (such as sales commissions), where the Group expects to recover the costs.

An asset is recognised for costs to fulfil contracts if the following criteria are met:

- the costs are directly related to a contract;
- the costs generate or enhance the Group's resources used in satisfying performance obligations in the future; and
- the costs are expected to be recovered.

The nature of costs that are eligible include direct labour and associated cost, sub-contractor costs, contract management and materials. Other costs such as general & administration, wasted resources and expenses that relate to satisfied performance obligations are all recognised as expenses.

The asset is amortised over the period that the benefit will be transferred to the customer. Assets are assessed for impairment.

Provisions

Contract Losses

A provision for contract losses is recognised on onerous contracts that are expected to make net losses for the remainder of the contract term, after taking into consideration impairment of contract assets.

2. Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

After initial recognition, the deferred gain or loss will be released to profit or loss such that it reaches a value of zero at the time when the entire contract can be valued using active market quotes or verifiable objective market information. The group will release the day 1 gain or loss in a reasonable fashion based on the facts and circumstances (e.g. using either straight-line or non-linear amortisation depending on the type of financial instrument).

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

• Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment

• Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

• Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

• There is 'an economic relationship' between the hedged item and the hedging instrument. • The effect of credit risk does not 'dominate the value changes' that result from that economic relationship. • The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item. Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

2. Accounting policies (continued)

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. IFRS 9.6.5.11

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised as other expense and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses. Refer to note 13 for more details.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

Loans and receivables

Trade receivables and unquoted loans are classified as ‘loans and receivables’. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised as the proceeds received, net of direct issue costs.

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.

2. Accounting policies (continued)

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value which is the proceeds received, net of direct issue costs. Subsequent to initial recognition, interest-bearing bank loans and overdrafts are stated net of issue costs, which are amortised over the period of the debt.

Finance charges are accounted for on an accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity.

Property, plant and equipment

Property, plant and equipment are stated at cost less any applicable discounts less accumulated depreciation and impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Fixtures, fittings and office equipment	2-10 years
Leasehold improvements	Life of the lease

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short term leases and leases of low value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. Accounting policies (continued)

Right-of-use assets

The group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Building	2-10 years
Equipment	1-3 years
Motor vehicles	1-3 years
Other	1-3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Finance costs

Finance costs comprise interest payable, interest on the defined benefit pension plan obligations and expected return on pension scheme assets (together referred to as net pension finance expense), and amortisation of issue costs on borrowings.

Interest payable is recognised in the income statement as it accrues, using the effective interest method.

2. Accounting policies (continued)

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

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 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 group 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 based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 Group intends to settle its current tax assets and liabilities on a net basis.

2. Accounting policies (continued)

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Retirement benefit costs

The Group operates various defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amounts charged to the income statement represent the contributions payable to the schemes in respect of the accounting period.

The Group also operates two defined benefit pension schemes. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of the economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

Net interest expense and other expenses related to the defined benefit plans are recognised in the profit and loss. When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received if the entity settles the obligation and the amount of the receivable can be measured reliably.

Property provisions

A property provision is recognised when the expected benefits to be derived from the property are lower than the unavoidable cost of meeting the contractual obligations on that property.

2. Accounting policies (continued)

New and amended standards and interpretations

The Group applied IFRS 16 Leases, IFRS 15 Revenue Recognition and IFRS 9 Financial Instruments for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. The Group has early adopted IFRS 16.

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. The Group's accounting policies for its revenue streams are disclosed in detail in note 3. As well as providing more extensive disclosures for the Group's revenue transactions, the application of IFRS 15 has had a significant impact on the financial position and financial performance of the Group.

This was done in accordance with the modified retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, for the group accounts this is 1 May 2018.

IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios, such as incremental costs of obtaining a contract, costs directly related to fulfilling contracts, dealing with licenses, material rights of customers to future services and variable consideration. Impact of the new requirements on the Group's consolidated financial statements are described in note 28. There has been no impact on the standalone Company balance sheet.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

The group have decided to early adopt IFRS 16 which is effective for the Group accounts from the year 1 May 2018. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Group applied IFRS 16 at the date of 1 May 2018.

2. Accounting policies (continued)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the Group applied prospectively, the Group has applied IFRS 9 retrospectively, with the initial application date of 1 May 2018 and adjusting the comparative information for the period beginning 1 September 2017.

There has been no material effect of adopting IFRS 9 other than reclassifications in the balance sheet.

Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criterial the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 May 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 May 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39.

There have been no further impairments or hedge accounting adjustments from the adoption of IFRS 9

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following sets out the key assumptions concerning the future and key sources of estimation and uncertainty at the balance sheet date that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year.

2. Accounting policies (continued)

Critical judgements

Revenue recognition

The measurement of revenue and resulting profit recognition – due to the size and complexity of some of the Group's contracts – requires significant judgements to be applied, including the measurement and timing of revenue recognition and the recognition of related balance sheet items (such as contract assets, accrued revenue and contract liabilities that result from the performance of the contract.

The Group is required to estimate the contract profitability, including the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific KPIs that could trigger variable consideration or service credits. The Group first assesses whether the contract assets are impaired and then further considers whether any onerous contract exists.

The implementation phase for Payroll and HR Admin services and for Consultancy takes between zero to 18 months, during which time the related performance obligation is not being delivered to the customer. Under the contracts, Zellis is entitled to bill the customer during the implementation phase and hence contract liabilities are created. Correspondingly, costs incurred during this phase are assessed and, where they create a contract asset, are capitalised. Where revenue in implementation phase had previously been accrued to match the percentage of completion of that phase, this is no longer applicable and hence accrued revenue is smaller.

To recognise the switch in recognising gross revenue and costs for sales of third-party license, to recognising a net commission. Also, to change the timing from the life of the license to the point in time where benefits of ownership transfer to our customer.

Deferred tax impacts of these changes are nil.

Sales commissions are incremental costs to obtain a contract and hence, where significant, are deferred and released over the life of the contract. There was no impact of the new accounting standard IFRS 15 on the Group's profit and loss or balance sheet.

Where the timing of revenue and profit recognition has changed the future estimated losses on any individual contract, the difference has been adjusted through provisions.

Provisional business combination accounting

The accounting for the acquisition of Benefex in accordance with IFRS 3 *Business Combinations* is based on provisional fair values due to the on-going work surrounding the assumptions and forecast regarding the valuation of identifiable intangibles and fair value assessments of financial assets and liabilities as disclosed in note 26.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

2. Accounting policies (continued)

Key sources of estimation uncertainty

Pensions

Details of the principal actuarial assumptions used in calculating the recognised liability for the defined benefit plans are given in note 18. Changes to the discount rate, mortality rates, fair value and actual return on plan assets may necessitate material adjustments to this liability in the future.

Provisions

Provisions are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events which can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances, which can be subject to change. Note 19 to the accounts contain information about the assumptions made concerning the Group's provisions.

Fair value measurement on a business combination

The measurement of fair values on a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities. The key judgements involved are the identification and valuation of intangible assets which require the estimation of future cash flows and the selection of a suitable discount rate.

Recognition of internally generated intangible assets from development

Under IFRS, internally generated intangible assets from the development phase are recognised if certain conditions are met. These conditions include the technical feasibility, intention to complete, the ability to use or sell the asset under development and the demonstration how the asset will generate probable future economic benefits. The cost of a recognised internally generated intangible asset comprises all directly attributable cost necessary to make the asset capable of being used as intended by management. In contrast, all expenditures arising from the research phase are expensed as incurred.

We believe that the determination whether internally generated intangible assets from development are to be recognised as intangible assets requires significant judgement, particularly in the following areas:

- The determination whether activities should be considered research activities or development activities;
- The determination whether the conditions for recognising an intangible asset are met requires assumptions about future market conditions, customer demand and other developments;
- The term 'technical feasibility' is not defined in IFRS, and therefore the determination whether completing an asset is technically feasible requires a company-specific and necessary judgemental approach;
- The determination of the future ability to use or sell the intangible asset arising from the development and the determination of probability of future benefits from sale or use, and
- The determination whether a cost is directly or indirectly attributable to an intangible asset and whether a cost is necessary for completing a development.

2. Accounting policies (continued)

Key sources of estimation uncertainty

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

The recoverable amounts of the CGUs are determined from value-in-use calculations which use discounted pre-tax cash flows from approved budgets and three-year forecasts and extrapolated cash flows for the periods beyond these using estimated long term growth rates.

The key assumptions are:

- Long term average growth rates are used to extrapolate cash flows. Growth rates are determined with reference to internal approved budgets and forecasts;
- Discount rates are specific to the CGU and reflect the individual nature and specific risks relating to the market in which it operates;
- Gross margins are based on past performance and management's expectations of market development. No improvements to margins beyond periods covered by approved budgets and forecasts have been assumed.

The Directors are required to review the goodwill at least annually for impairment of the carrying value as compared to the recoverable amount. The pre-tax discount rate used is 9.9%, 5 year forecasts and terminal growth rate of 2.5%.

The surplus headroom above the carrying value of goodwill at 30 April 2019 was satisfactory. No impairment arises from either an increase in discount rate to 11.2%, a terminal growth rate of 0.5% or a reduction in average margin by 10%.

3. Revenue

An analysis of the group's revenue is as follows:

	2019 £'000	2018 £'000
Continuing operations		
Licence, support and payroll services (UK)	141,762	33,308

Deferred Income /costs to contract assets& liabilities	2019 £'000	1 May 2018 £'000
Contract assets - current	7,151	286
Contract asses – non-current	14,475	20,656
Contract liabilities - current	(31,531)	(47,452)
Contract liabilities – non-current	(48,326)	(29,646)
Net contract assets (liabilities)	(58,231)	(56,156)

Significant judgements in relation to revenue recognition have been disclosed in note 2.

Contract assets are costs to fulfil contracts. The nature of costs that are eligible include direct labour and associated costs, sub-contractor costs, contract management and materials. Other costs such as general & administration, wasted resources and expenses that relate to satisfied performance obligations are all recognised as expenses.

Under the contracts, Zellis is entitled to bill the customer during the implementation phase, but revenue is not recognised until performance obligation is satisfied (at go live); hence contract liabilities are recognised for amounts billed during the implementation phase.

Revenue recognised in relation to contract liabilities	2019 £'000	1 May 2018 £'000
Revenue recognised that was included in the contract liability balance at the beginning of the periods	29,646	29,238

No revenue has been recognised from performance obligations satisfied in previous periods.

Unsatisfied long-term contracts	2019 £'000	1 May 2018 £'000
Aggregate amount of contracts partially or fully unsatisfied as at 30 April	242,865	-

3. Revenue (continued)

Management expects that of the transaction price allocated to the unsatisfied contracts as of 30 April 2019 of £242m will be recognised as revenue in the next reporting period. £99m, £57m, £39m, £27m, £16m and £4m will be recognised as revenue in reporting periods ending 30 April 2020, 30 April 2021, 30 April 2022, 30 April 2023, 30 April 2024 and 30 April 2025 respectively.

Assets recognised from costs to fulfil a contract	2019 £'000	2018 £'000
Asset recognised from costs incurred to fulfil contracts at 30 April	21,625	20,942
Amortisation recognised as cost of providing services during the period	5,624	4,853

Performance obligations

A performance obligation is deemed the goods or services that we have agreed within the customer contract and are deemed fulfilled when the customer can utilise those goods or services. This is where the technology can be utilised for it's intended purpose (project go live) or when the service has been completed (running an outsource payroll).

There may be separate performance obligations within a single customer contract. Where the obligations are defined, these will be dealt with as a separate go live instance, and the transaction price will be apportioned appropriately. Where the separate obligations are not defined, then unless deemed to be material the contract will be treated as one performance obligation.

4. Operating costs

	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	958	360
Depreciation of leased assets	4,211	-
Amortisation of acquired intangibles	25,009	5,950
Amortisation of other intangibles	2,647	194
Staff costs (see note 7)	73,521	16,401
Exceptional costs (see note 5)	31,083	12,902

5. Exceptional items

The group incurred the following costs in the year which are exceptional in nature:

	2019 £'000	2018 £'000
Severance and restructuring	1,563	132
Business transformation and integration	27,309	6,177
Deal related fees	2,211	6,593
	31,083	12,902

Exceptional spend related to one off costs which the group has incurred as a result of the purchase by Bain Capital in February 2018 and the subsequent purchase of Benefex in Sept 2018. The exceptional charges relate to activities in relation to the carve out of the NGA UK and Ireland business from the previous parent company, the implementation of new tools and systems, deal fees in relation to the purchase of Benefex and business transformation activities to drive return on investment.

The classification of these costs as exceptional has been performed on the basis that there is an expectation for these to be one off costs and therefore non-recurring.

6. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2019 £'000	2018 £'000
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts	60	65
Fees payable to the company's auditor and their associates for other services to the group		
–The audit of the company's subsidiaries	245	122
Total audit fees	305	187
Other assurance services	409	-
Total non-audit fees	409	-

7. Staff costs

The average monthly number of employees (including executive directors) was:

	2019 Number	2018 Number
Sales	193	136
Managed services	876	686
Technology support	376	279
Implementation services	172	186
Administration	100	53
	1,717	1,340

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	61,517	14,180
Social security costs	6,015	1,356
Other pension costs	5,989	865
	73,521	16,401

'Other pension costs' include only those defined benefit scheme costs included within operating costs and the defined contribution scheme charge.

7. Staff costs (continued)

Directors' emoluments

	2019 £'000	2018 £'000
Directors' emoluments	1,213	270
Company contributions to money purchase pensions plans	54	7
	1,267	277

The aggregate emoluments of the highest paid director were £585k (2018: £187k) including £11k (2018: £3k) paid into a money purchase pension plan. During the year, two directors accrued benefits under the money purchase scheme.

8. Finance costs

	2019 £'000	2018 £'000
Interest on bank overdrafts and loans	19,257	4,327
Amortisation of issue costs on bank loans	1,437	324
Unwind of provision	158	30
Pension servicing costs	1,052	-
Interest on obligations under leases	1,174	37
Foreign exchange loss	206	101
	23,284	4,819

9. Tax

The tax charged/(credited) to the income statement is as follows:

	2019 £'000	2018 £'000
Corporation tax:		
Current period	63	211
Overseas tax charge	1,503	-
Adjustment in respect of prior year	118	-
	1,684	211
Deferred tax (see note 15)		
Origination and reversal of temporary differences	(4,707)	(2,352)
Adjustment in respect of prior year	1,276	-
Effect of changes in tax rates	345	157
	(1,402)	(1,984)

The standard rate of corporation tax applied to reported profit is 19%. Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017 and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Notes to the consolidated financial statements
For the year ended 30 April 2019

9. Tax (continued)

The tax charge/ (credit) for the year can be reconciled to the loss in the income statement as follows:

	2019 £'000	2018 £'000
Loss before tax on continuing operations	(45,362)	(11,360)
Tax at the UK corporation tax rate of 19%	(8,619)	(2,158)
Effect of change in local corporation tax rate	-	158
Tax effect of expenses that are not deductible in determining taxable profit	636	661
Tax effect of income not taxable in determining taxable profit	(8)	(886)
Losses	1,035	-
Adjustments in respect of previous periods	1,394	-
Effect of changes in tax rate	345	-
Depreciation on assets not qualifying for tax allowances	68	121
Corporate interest restriction	3,311	-
Deferred tax acquired on new acquisition	19	171
Effect of overseas tax rates	417	(51)
Tax credit for the year	(1,402)	(1,984)

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income:

	2019 £'000	2018 £'000
Deferred tax charge/ (credit):		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of net defined benefit liability	(1,926)	336

10. Intangible assets and goodwill

	Goodwill £'000	Purchased software £'000	Acquired intangibles £'000	Develop-ment costs £'000	Total £'000
Cost:					
At 21 September 2017	-	-	-	-	-
Acquired through business combinations	335,441	3,000	178,502	-	516,943
Additions	-	-	-	1,749	1,749
Internally generated	-	-	-	-	-
At 30 April 2018	335,441	3,000	178,502	1,749	518,692
Amortisation:					
At 21 September 2017	-	-	-	-	-
Acquired through business combinations	-	(1,775)	-	-	(1,775)
Charge for the year	-	(150)	(5,950)	(44)	(6,144)
At 30 April 2018	-	(1,925)	(5,950)	(44)	(7,919)
Net book value					
At 30 April 2018	335,441	1,075	172,552	1,705	510,773

10. Intangible assets and goodwill (continued)

	Goodwill £'000	Purchased software £'000	Acquired intangibles £'000	Develop-ment costs £'000	Total £'000
Cost:					
At 30 April 2018	335,441	3,000	178,502	1,749	518,692
Acquired through business combinations	-	-	12,428	-	12,428
Additions	23,011	3,196	-	8,804	35,011
Transfers to right to use assets	-	(3,821)	-	-	(3,821)
At 30 April 2019	358,452	2,375	190,930	10,553	562,310
Amortisation:					
At 30 April 2018	-	(1,925)	(5,950)	(44)	(7,919)
Acquired through business combinations	-	-	-	-	
Charge for the year	-	(930)	(25,009)	(1,717)	(27,656)
Transfers to right to use assets	-	1,121	-	-	1,121
At 30 April 2019	-	(1,734)	(30,959)	(1,761)	(34,454)
Net book value					
At 30 April 2019	358,452	641	159,971	8,792	527,856

Further details behind the Goodwill acquired through business combinations has been disclosed in note 26.

Transfers relate to the change in accounting policy for IFRS16, these have been reclassified as right to use assets and have now been disclosed in note 12. This was for Group's obligations under finance leases.

11. Property, plant and equipment

	Leasehold improvements £'000	Fixtures & fittings and computer equipment £'000	Total £'000
Cost:			
At 21 September 2017	-	-	-
Acquired through business combinations	1,702	7,417	9,119
Additions	-	120	120
Eliminated on disposals	-	(1)	(1)
At 30 April 2018	1,702	7,536	9,238
Depreciation:			
At 21 September 2017	-	-	-
Acquired through business combinations	(719)	(3,788)	(4,507)
Charge for the year	(40)	(320)	(360)
Eliminated on disposals	-	-	-
At 30 April 2018	(759)	(4,108)	4,867
Net book value			
At 30 April 2018	943	3,428	4,371

11. Property, plant and equipment (continued)

	Leasehold improvements £'000	Fixtures & fittings and computer equipment £'000	Total £'000
Cost:			
At 30 April 2018	1,702	7,536	9,238
Acquired through business combinations	-	1,122	1,122
Additions	-	463	463
Transfers	-	(4,657)	(4,657)
At 30 April 2019	1,702	4,464	6,166
Depreciation:			
At 30 April 2018	(759)	(4,108)	(4,867)
Acquired through business combinations	-	(870)	(870)
Charge for the year	(135)	(823)	(958)
Transfers	-	3,973	3,973
At 30 April 2019	(894)	(1,828)	(2,722)
Net book value			
At 30 April 2019	808	2,636	3,444

Transfers relate to the change in accounting policy for IFRS16, these have been reclassified as right to use assets and have now been disclosed in note 12. This was for Group's obligations under finance leases.

12. Leases

This note provides information for leases where the group is a lessee. The Group has lease contracts for various items of buildings, plant, machinery, vehicles and other equipment used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The balance sheet shows the following amounts relating to leases:

	30 April 2019 £'000	01 May 2018 £'000
Right-of-use asset		
Building	10,248	8,946
Equipment	4,407	3,261
Vehicles	262	379
Other	16	-
	14,933	12,586
Lease liabilities		
Current	4,984	3,837
Non-current	11,419	11,473
	16,403	15,310

The income statement shows the following amounts relating to leases:

	2019 £'000
Depreciation charge of right-of-use asset	
Building	2,146
Equipment	1,948
Vehicles	117
Other	-
	4,211
Interest expense	1,199
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	10
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	48
Total recognised in the profit and loss	5,468

The total cash outflow for leases was £7,468 in 2019. The Group also had non-cash additions of right to use assets and lease liabilities of £8,478k.

13. Trade and other receivables

	2019 £'000	2018 £'000
Debt instruments at amortised costs		
Trade receivables	24,514	18,952
Less allowance for expected credit losses	(703)	(382)
Net trade receivables	23,811	18,570
Accrued income	3,982	13,803
Prepayment and other receivables	8,564	10,782
Other receivables	-	833
Total trade and other receivables	**36,357**	**43,988**

Trade receivables can be analysed as follows:

	2019 £'000	2018 £'000
Amount receivable not past due	19,585	16,164
Amount receivable past due but not impaired*	4,313	2,015
Amount receivable impaired (gross)	616	773
Less impairment	(703)	(382)
Total	23,811	18,570

*Amounts receivable past due but not impaired represents undisputed balances less than 90 days overdue.

Movement in the allowance for expected credit losses

	2019 £'000	2018 £'000
At 30 April 2018	382	-
Acquired through business combination	-	470
Provision for expected credit losses	875	(60)
Utilised in period	(554)	(28)
At 30 April 2019	703	382

13. Trade and other receivables (continued)

Ageing of impaired trade receivables

	2019 £'000	2018 £'000
Current	-	88
0 - 89 days	464	415
90 - 179 days	97	14
180 - 269 days	40	111
270 – 359 days	37	38
360+ days	65	107
Total	703	773

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

13(i). Financial assets

	2019 £'000	2018 £'000
Trade and other receivables	23,811	18,570
Accrued Income	3,982	13,803
Derivatives designated as hedging instruments		
Interest rate swaps	322	-
Total	28,115	32,373

Derivatives designated as hedging instruments reflect the positive change in fair value of interest rate swap contracts, designated as cashflow hedges to hedge against variable interest rates.

Hedging activities and derivatives

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are interest rate risk.

The Company is partially funded using floating rate GBP loans that expose the Company to potential variability in interest rates. The Company's risk management strategy is to protect the Company against adverse fluctuations in interest rates utilising pay fixed receive float interest rate swaps to reduce its exposure to variability in cash flows on the Company's floating-rate debt to the extent that it is practicable and cost effective to do so.

The Company expects that for all designated hedge relationships, changes in value of both the Hedging Instrument and the Hedged Transaction will offset and systematically move in opposite directions given the critical terms of the Hedging Instrument and the Hedged Transactions are closely aligned. The Company performs periodic qualitative prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument.

The potential sources of hedge ineffectiveness are as follows:

13(i). Financial assets (continued)

1. Movements in the Company's and hedging counterparty's credit spread that would result in movements in fair value of the Hedging Instrument that would not be reflected in the movements in the value of the Hedged Transactions.
2. The possibility of changes to the critical terms (eg. reset dates, index mismatches, payment dates) of the Hedged Transactions due to a refinancing or debt renegotiation such that they no longer match those of the Hedging Instrument. The Company would reflect such mismatch when modelling the hypothetical derivative and this could be a potential source of hedge ineffectiveness.
3. The variable interest rate of the swap (i.e. 6 month GBP-LIBOR) is not subject to a floor whereas the Borrowings from which the Hedged Transactions are expected to flow are subject to a floor of 0% on 6 month GBP-LIBOR. At the inception of the hedging relationship, the floor had no intrinsic value and would not impact the measurement of hedge ineffectiveness. However, the Company will incorporate the floor when modelling of the hypothetical derivative as this could be a potential source of hedge ineffectiveness going forward.

Each hedging instrument is designated in a 1:1 hedge ratio against an equivalent notional amount of hedged item. Should an insufficient amount of hedged item be available the hedging instrument will be dedesignated or proportionally designated as appropriate.

Fair value estimates of derivatives are based on relevant market information and information about the financial instruments which are subjective in nature. The fair value of these financial instruments is estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the reporting date.

The inputs for the valuation of interest rate swaps are forward curves for 6 month GBP-LIBOR.

Derivative valuations are adjusted to reflect the impact of both counterparty credit risk the Company's non-performance risk as required by IFRS 13.

The impact of the hedging instrument on the statement of financial position as at 30 April 2019 is, as follows:

	Notional amount	Carrying amount	Line item in statement of financial position	Change in fair value measuring ineffectiveness in the year (profit and loss impact)	Change in fair value measuring effectiveness in the year OCI impact	Total change in fair value
	£,000	£,000		£,000	£,000	£,000
Interest rate swap	210,000	322	Other financial assets	5	317	322

14. Cash and bank balances

	2019 £'000	2018 £'000
Cash at bank and in hand	7,525	4,985

The fair value of cash and cash equivalents which corresponds to its carrying value is £7,525k.

The variation in cash and cash equivalents recorded during the year is reported in the consolidated statement of cash flows.

15. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current reporting period.

	Accelerated tax depreciation £000	Deferred development costs £000	Other £000	Retirement benefit obligations £000	Tax losses £000	Total £000
At incorporation	-	-	-	-	-	-
Acquisition of subsidiary	4,735	(28,216)	1,113	7,544	466	(14,358)
Charge/(credit) to profit or loss	98	940	(156)	22	1,446	2,350
Credit to other comprehensive income	-	-	(376)	-	-	(376)
Effect of change in tax rate:						
- income statement	(10)	-	-	1	(146)	(155)
- equity	-	-	40	-	-	40
At 30 April 2018	4,823	(27,276)	621	7,567	1,766	(12,499)
Adoption of accounting policy	-	-	-	-	6,570	6,570
Acquisition of subsidiary	-	(1,852)	-	-	-	(1,852)
Adjustment in respect of prior years	(338)	-	(75)	-	(860)	(1,273)
Charge/(credit) to profit or loss	(832)	4,251	(448)	-	1,279	4,250
Credit to other comprehensive income	-	-	-	1,926	-	1,926
At 30 April 2019	3,653	(24,877)	98	9,493	8,755	(2,878)

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 £'000	2018 £'000
Deferred tax liabilities	(24,877)	(27,276)
Deferred tax assets	21,999	14,777
	(2,878)	(12,499)

As at 30th April 2019, the group has unused tax losses of £51,737k available for offset against future profits. A deferred tax asset has been recognised in respect of these losses.

As at 30th April 2019 the group has deductible temporary differences of £21,422k that have not been recognised as a deferred tax asset.

16. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	5,774	2,674
Loans from group undertakings	584	-
Other payables	819	551
Accruals	29,381	24,257
Other taxes and social security costs	8,972	7,492
	45,530	34,974

Trade and other payables are valued at amortised cost. The directors consider that the carrying amount of trade payables approximates to their fair value.

17. Contract Liabilities

	2019 £'000	2018 £'000
Balance to be recognised within one year	31,531	21,509
Balance to be recognised after one year	48,326	3,069
Contract Liabilities	79,857	24,578

18. Employee benefits

For details on the related employee benefit expenses see note 7.

The Group contributes to the following post-employment defined benefit plans: Northgate HR Pension Scheme ('the Northgate Scheme') and the Rebus Group Pension Scheme ('the Rebus Scheme'). The schemes are closed to new employees, who are instead eligible to join another defined contribution scheme.

Benefits are related to salary close to retirement or leaving service (if earlier) and also to years of pensionable service. Assets are held in separate, trustee administered funds. Employer contributions to the schemes are determined on the basis of regular valuations undertaken by independent, qualified actuaries. As the schemes are closed to new entrants for pension accrual, under the method used to calculate pension costs in accordance with IAS19, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Funding

Both plans are funded by the Group's subsidiaries. Over the next year, the Group will pay estimated contributions of £5.45m to the defined benefit schemes. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. This includes the additional contributions aimed at removing the deficit of the Schemes. Contributions to the defined contribution schemes are in addition to the contributions to the UK defined benefit schemes.

18. Employee Benefits (continued)

Movements in the net defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit and its components.

	Defined benefit obligation £'000	Fair value of plan assets £'000	Net defined benefit liability £'000
At 30 April 2018	263,205	(218,702)	44,503
Acquired through business combinations			
Included in income statement			
Current service cost	875	-	875
Past service	2,500	416	2,916
Interest cost	7,014	(5,962)	1,052
	10,389	(5,546)	4,843
Included in statement of comprehensive income:			
Remeasurement loss (gain):			
Financial assumptions	21,302	-	21,302
Demographic	(1,429)	-	(1,429)
Experience adjustment	(188)	-	(188)
Impact of asset ceiling	-	(1,868)	(1,868)
Return on plan assets excluding interest income	-	(6,487)	(6,487)
	19,685	(8,355)	11,330
Other			
Contribution paid by the employer	-	(7,787)	(7,787)
Benefits paid	(6,427)	6,427	-
	(6,427)	(1,360)	(7,787)
Net book value			
At 30 April 2019	286,852	(233,963)	52,889

18. Employee benefits (continued)

Fair value of plan assets

The plan assets are all in investment funds which do not have quoted prices, although the majority of assets held within those funds will have quoted prices. The assets with the funds are split as follows:

	2019 £'000	2018 £'000
Equities	19,228	38,206
LDI Funds	56,895	60,987
Multi-asset credit	15,046	22,542
Private credit	15,747	-
Property	23,362	21,831
Asset backed securities	22,124	-
Emerging market multi asset	-	18,777
Diversified growth funds	44,413	46,564
Cash and current assets	37,178	11,662
	233,963	220,569

The expected rate of return on pension plan assets is determined as the Group's best estimate of the long term return of the major asset classes - equities, bonds, LDI, and diversified growth funds - weighted by the current strategic allocation at the measurement date less expenses.

Defined benefit obligation

Actuarial assumptions

The principal actuarial assumptions at the balance sheet date were:

	Northgate HR scheme pa	Rebus scheme pa
Discount rate	2.5%	2.7%
Future salary increases	1.0%	1.0%
Retail price inflation	3.3%	3.1%
Consumer price inflation	2.5%	2.0%
Future pension increases (2.5% LPI)	1.9%	1.7%
Future pension increases (5%LPI)	2.5%	2.1%

The weighted average durations of the expected benefit payments is about 18 years for the Northgate Scheme and 20 years for the Rebus Scheme. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows.

	Northgate HR scheme Years	Rebus scheme Years
Life expectancy at age 65 now		
Males	22.1	22.1
Females	24.4	24.4
Life expectancy at age 65 in 20 years		
Males	23.4	23.4
Females	25.8	25.8

18. Employee benefits (continued)

Sensitivity analysis

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

	£'000 Increase	£'000 Decrease
Discount rate (0.1% movement)	(5,278)	5,421
Inflation and related future pension growth (0.1% movement)	2,308	(2,323)
Future salary growth (0.1% movement)	-	(376)
Life expectancy (1 year movement)	11,097	(11,045)

Although the analysis does not take account of the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

19. Provisions

	Property provision £'000
At 30 April 2018	1,728
Acquired through business combinations	60
Utilisation of provision	(298)
Unwinding of discount	158
At 30 April 2019	1,648
Analysed as:	
Current	-
Non-current	1,648
At 30 April 2019	1,648

The provision relates to Group properties that have either been sublet or are vacant. It consists of the discounted value of the differential between future liabilities on the property less any expected future sublet receipts extrapolated to the earliest break point in the contract. In addition there is a dilapidations provision to make the property good at the end of the lease.

20. Share capital

	2019 £	2018 £
Authorised, issued and fully paid:		
400 Ordinary (2018: 200) shares of £0.01 each	4	2

The Company has one class of ordinary shares which carry no right to fixed income.

21. Share premium

	£'000
At incorporation	-
Premium arising on issue of equity shares	176,719
At 30 April 2018	176,719
Premium arising on issue of equity shares	12,778
At 30 April 2018	189,497

At the incorporation date, 21 September 2017, the company issued 100 shares at nominal value of £0.01 each. Subsequently, on 31 January 2018, 100 shares were allotted at nominal value of £0.01 each for a consideration of £1,767,186 per share, which generated a share premium of £176,718,603. In the year ended 30 April 2019, on 14 September 2018, 100 shares were allotted at a nominal value of £0.01 each for consideration of £105,000 per share, this generated a share premium of £10,499,999. On the same day, an additional 100 shares were allotted at a nominal value of £0.01 each for consideration of £22,784 per share, this generated a share premium of £2,278,363.

22. Commitments and contingencies

The Group and its subsidiaries are contingently liable with respect to lawsuits and other matters that arise in the normal course of business. The Group has assessed any potential liability and currently no amounts have been provided, as they are not material, but the potential liability will continue to be monitored.

23. Related party disclosures

Management fees amounting to £1,500k were charged to the Group by Bain Capital, no balances were outstanding at the year end.

The remuneration of key management (deemed to be the directors) for the year was £1,213k emoluments and £54k contributions to defined contribution pension schemes. This includes directors' emoluments disclosed in note 7 to these accounts.

A full list of subsidiary and associated undertakings is included in note 2 to the Company accounts on page 66.

24. Borrowings

	2019 £'000	2018 £'000
Secured borrowing at amortised cost		
Bank loans	307,308	262,741
Lease liabilities (see note 12)	16,403	3,427
	323,711	266,168
Total borrowings		
Amount due for settlement within 12 months	43,984	15,739
Amount due for settlement after 12 months	279,727	250,429

The other principal features of the group's borrowings are as follows:

i) The group has three principal bank loans:

   a. a loan of £260 million with a repayment date of 31 January 2025. The loan is secured by a fixed and floating charge over the assets of Zellis Holdings Limited and its material subsidiaries. The loan carries a variable rate of LIBOR plus a margin ranging between 4.75 – 5.25% depending on the Senior Secured Net Leverage Ratio.

   b. a revolving credit facility of £40 million of which £39 million was drawn down at year end. The nature of the facility means that the loan is repayable in the next 12 months. The loan carries variable interest rate of LIBOR plus a margin ranging between 3.25% - 4.25% determined by the Senior Secured Net Leverage Ratio.

   c. a loan of £20m with a repayment date of 31 January 2025. The loan is secured by a fixed and floating charge over the assets of Zellis Holdings Limited and its material subsidiaries. The loan carries a variable rate of LIBOR plus a margin of 8.5%.

ii) The facilities are subject to the covenant restriction :Ratio of earnings before interest and tax(EBITDA) to net debt. The financial covenants were tested on the 31st Oct 2018 with net debt 5.80 times of the consolidated pro forma EBIDTA and subsequently on the 30th April 2019 with net debt 6.06 times of the consolidated pro forma EBITDA,confirming all facility agreements have been compiled with.

iii) The bank loan of £268,308k includes the principal of £260,000k and second lien of £20,000k, and is presented net of capitalised fees of £11,692k. All borrowings are denominated in UK Pounds.

iv) Lease liabilities inclusive of IFRS 16 lease liabilities are secured by the assets leased. The borrowings are a mix of variable and fixed interest rate debt with repayment periods not exceeding ten years.

The weighted average interest rates paid during the year for the bank loans were 6.3%.

24. Borrowings (continued)

At the balance sheet date, the group had bank loans, which fall due as follows:

	2019 £'000	2018 £'000
Within one year	39,000	14,000
In the second to fifth years inclusive	-	-
After five years	280,000	260,000
	319,000	274,000

	Loans and borrowings £'000	Lease liabilities £'000
Balance at 30 April 2018	262,741	3,427
Changes from financing cash flows		
Proceeds from loans and borrowings	45,000	-
Acquisition of subsidiary	-	1,125
IFRS 16 Lease non-cash additions	-	8,478
Change in accounting policy – IFRS 16	-	11,883
Payment of lease liabilities	-	(7,468)
Total changes from financing cash flows	45,000	14,018
Other changes		
Capitalised borrowing costs	(1,065)	-
Unwinding of capitalised borrowing costs	1,436	-
Interest expense	12,376	132
Interest paid	(13,180)	(1,174)
Total other changes	(433)	(1,042)
Balance at 30 April 2019	307,308	16,404

Represented by

Current liabilities	39,000	4,985
Non-current liabilities	268,308	11,419
	307,308	16,404

25. Financial instruments

The Group's financial assets and liabilities mainly comprise bank borrowings, cash, liquid resources and various items, such as trade and other receivables and trade and other payables that arise directly from operations.

The main financial market risks arising from the Group's operations are credit risk, interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

a) Interest rate risk

Interest rate risk is the risk of increased net financing costs due to increases in market interest rates. The Group finances its operations and acquisitions through a mixture of retained profits, bank borrowings and equity; the Group's main interest rate risk therefore comes from its bank borrowings, which the Group borrows principally in Sterling.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. Management are of the view that the key interest rate risk is the variability of LIBOR on both the term loan and RCF.

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are interest rate risk.

The Company is partially funded using floating rate GBP loans that expose the Company to potential variability in interest rates. The Company's risk management strategy is to protect the Company against adverse fluctuations in interest rates utilising pay fixed receive float interest rate swaps to reduce its exposure to variability in cash flows on the Company's floating-rate debt to the extent that it is practicable and cost effective to do so. Further details on this hedging arrangement have been disclosed in note 13.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial commitments as they fall due.

The Group's objective is to ensure that adequate facilities are available through use of bank loans and finance leases. The Group manages liquidity risk through regular cash flow forecasting and monitoring of cash flows, management review and regular review of working capital and costs.

The Group regularly monitors its available headroom under its borrowing facilities. At 30 April 2019, £26m of undrawn facilities and cash were available (see note 24).

In respect of the Group's financial liabilities including estimated interest where applicable, the table below includes details (at the balance sheet date) of the periods in which they mature.

	Less than 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	5+ years £'000	Total £'000
30 April 2019						
Lease liability and estimated interest	4,984	3,130	1,818	1,567	4,904	16,404
Revolving credit facility	39,000	-	-	-	-	39,000
Term loan and estimated interest	17,138	17,138	17,138	17,138	328,202	396,754
	61,142	20,141	18,836	18,574	332,667	451,360

25. Financial instruments (continued)

*The variable interest rate is determined by LIBOR and a variable margin as detailed in note 24. Management have deemed the margin to be consistent each year based on best estimates and forecasts.

(c) Fair values of financial assets and financial liabilities

The table below analyses financial instruments, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Note	Carrying amount total £'000	Fair value total £'000
Trade and other receivables	13	36,357	36,357
Other current financial assets	13	322	322
Cash and cash equivalents	14	7,525	7,525
Secured bank loans	24	(307,308)	(307,308)
Lease liabilities	12	(16,403)	(16,403)
		(279,507)	(279,507)

Estimation of fair values

Except as detailed in the table above, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values:

(d) Capital management

The Group's objectives when managing capital (retained profits and bank borrowings) are to safeguard the group's ability to continue as a going concern, support the growth of the business and to maintain an optimal capital structure to reduce the cost of borrowing. The Group finances its operations through a combination of retained profits, equity and bank borrowings.

(e) Credit risk

The Group's provides expected credit losses on debt on the following basis:

Non disputed debt	0%
90 to 179 Days	25%
180 to 269 Fays	50%
270 to 359 Days	75%
360+ Days	100%
Disputed Debt	
All (blended rate)	45%

25. Financial instruments (continued)

In addition to these principals we provide additional expected credit losses on a case by case basis where the risk would not fall under these general provision rates. Management hold regular reviews concerning debt and collections management and thus we have a clear view of the circumstances that may require additional provision.

Management also review at least annually the provision rates to ensure they are providing coverage of the potential credit risk.

26. Acquisition of subsidiary

In 2018, the amounts recognised in respect of the identifiable assets acquired and liabilities on the acquisition on the 31 January 2018, where the company acquired 100 per cent of the issued share capital of UK Mid-Market and UK SMB(Moorepay) businesses obtaining control of Northgatearinso UK Limited, Moorepay Group Limited and PRO-IV Technology LLC. UK Mid-Market and UK SMB (Moorepay) are now considered final with a fair value adjustment of £1,319k to Goodwill. This adjustment has been illustrated below.

On 14 September 2018 the Group acquired 100% of the share capital and voting rights of Benefex Holdings Limited. Benefex Holdings Limited is a provider of employee benefit solutions for businesses and public sector organisations in the UK.

	2018 £'000	**Fair value adjustment £'000**	**Benefex Acquisition £'000**	**2019 £'000**
Tangible fixed assets	4,612	-	245	4,857
Intangible fixed assets	179,728	-	12,427	192,155
Cash	2,142		1,602	3,744
Trade and other debtors	33,725	(13)	3,039	36,751
Loans and borrowings	(64,470)	-	(7,860)	(72,330)
Finance leases	(2,162)	-	-	(2,162)
Provisions and employee benefits	(60,558)	-	(77)	(60,635)
Trade and other creditors	(56,068)	(1,306)	(7,959)	(65,333)
Total identifiable assets	36,949	(1,319)	1,417	37,047
Goodwill	335,441	1,319	21,692	358,452
Acquisition costs	-	-	1,715	1,715
Total consideration	372,390	-	24,824	397,214

Purchase consideration

Satisfied by:				
Cash	372,360	-	22,545	394,905
Loan notes	-	-	2,279	2,279
Total consideration transferred	372,360	-	24,824	397,184
Net cash outflow arising on acquisition:				
Initial Cash consideration	376,352	-	22,545	398,897
Completion cash consideration	(3,992)	-	-	(3,992)
Less: cash and cash equivalent	(2,142)	-	(1,603)	-
balances acquired	-	-	-	(3,745)
	370,218	-	20,942	391,160

26. Acquisition of subsidiary (continued)

The goodwill of £21,697k arising from the acquisition consists of the future economic benefits arising from assets which the recognition of discrete intangible assets is not permitted or that cannot be identified individually and recognised separately. None of the goodwill is expected to be deductible for income tax purposes.

Acquisition-related costs amount to £1,715k.

The Benefex entities contributed £8,956k revenue and £100k profit to the Group's loss for the year between the date of acquisition and the balance sheet date. The Group believes it is impracticable to disclose the revenue and profit for the year if the acquisition had taken place at the beginning of the year. Due to the nature of the carve out process performed no like for like information is available.

27. Post balance sheet events

Post year end the group has obtained additional funding from The Ultimate Parent group of £20m and an additional loan of £10m aligned to the terms of the existing senior facility.

28. Changes in accounting policies

The Group applied IFRS 15, IFRS 9 and IFRS16 for the first time. The nature and effects of the changes as a result of adoption of these new accounting standards are described below.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. With the exception of hedge accounting, which the Group applied prospectively, the Group has applied IFRS 9 retrospectively, with the initial application date of 21 September 2017. The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's financial assets:

Trade receivables and Other non-current financial assets previously classified as Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. Whilst the Group applied this retrospectively, there have been no changes in the companies financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures. Further details behind these changes can be found in the accounting policies.

The Group adopted IFRS 15 using the modified retrospective method of adoption to only the most current year presented in the financial statements. The cumulative effect of the changes has been made to the consolidated balance sheet as at 1 May 2018. The impact on the balance sheet for the adoption of IFRS 15 has been illustrated in a table at the end of this note.

IFRS16 Leases

The Group has adopted IFRS 16 using the modified retrospective approach from 1 May 2018, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 May 2018. The new accounting policies are disclosed in this note.

28. Changes in accounting policies (continued)

IFRS16 Leases (continued)

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 *Leases.* These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 May 2018. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 May 2018 was 8.65%.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. This resulted in remeasurements as illustrated below:

Measurement of lease liabilities	**1 May 2018 £’000**
Operating Lease commitments disclosed as at 30 April 2018	13,009
Discounted using the lessees incremental borrowing rate	(1,126)
Add finance lease liabilities as at 30 April 2018	3,427
Lease liability recognised at 01 May 2018	15,310
Current lease liability	3,837
Non-current lease liability	11,473
Total	15,310

28. Changes in accounting policies (continued)

Effect on the consolidated balance sheet of adopting accounting policies on 1 May 2018:

Balance sheet	30 April 2018 As originally stated	IFRS 16 Impact	IFRS 15 Impact	1 May 2018 After transition
Non-current assets				
Goodwill	335,441	-	-	335,441
Intangible Assets	175,332	-	-	175,332
Property, plant and equipment	4,371	(703)	-	3,668
Right of use assets	-	12,586	-	12,586
Deferred tax asset	14,777	-	6,570	21,347
Other non-current financial assets	907	-	-	907
Contract Assets	-	-	286	286
Current assets				
Trade and other receivables	43,988	-	(9,937)	34,051
Cash and bank balances	4,985	-	-	4,985
Contract Assets		-	20,656	20,656
Total Assets	579,801	11,883	17,575	609,259
Current liabilities				
Borrowings	14,000	-	-	14,000
Finance lease liabilities	1,739	(1,739)	-	-
Lease liabilities	-	3,837	-	3,837
Provisions	339	-	-	339
Current tax liabilities	129	-	-	129
Trade and other payables	34,974	-	-	34,974
Deferred income	21,509	-	(21,509)	-
Contract Liabilities	-	-	29,646	29,646
Non-current liabilities				
Borrowings	248,741	-	-	248,741
Finance lease liabilities	1,688	(1,688)	-	-
Lease liabilities	-	11,473	-	11,473
Retirement benefit obligations	44,503	-	-	44,503
Provisions	1,389	-	-	1,389
Deferred tax liabilities	27,276	-	-	27,276
Deferred income	3,069	-	(3,069)	-
Contract Liabilities	-	-	47,452	47,452
Total liabilities	399,356	11,883	52,520	463,759
Net assets	180,445	-	(34,945)	145,500
Equity				
Share premium	176,719	-	-	176,719
Retained earnings	3,726	-	(34,945)	(31,219)
Total Equity	180,445	-	(34,945)	145,500

The combined effect of adopting IFRS 15 and IFRS 16 on the consolidated net assets and retained earnings is a total deduction of £34,945k, this has been separately disclosed in the statement of changes in equity.

Zellis Holdings Limited

Company balance sheet
As at 30 April 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Investments in subsidiaries	2	391,941	367,014
Current assets			
Trade and other receivables	3	125,828	113,905
Cash and bank balances		325	1,373
Deferred tax asset		3,038	1,084
		129,191	116,362
Total assets		521,132	483,376
Current liabilities			
Trade and other payables	4	63,644	52,512
Borrowings	5	39,000	14,000
		102,644	66,512
Net current assets		26,547	49,850
Non-current liabilities			
Borrowings	5	268,307	248,741
Total liabilities		370,951	315,253
Net assets		150,181	168,123
Equity			
Share capital	6	-	-
Share premium	6	189,497	176,719
Retained earnings		(39,316)	(8,596)
Equity attributable to owners of the Company		150,181	168,123

As permitted by section 408 of the Companies Act 2006, the income statement of the company has not been presented in the financial statements. The loss for the financial year was £30.7m (2018: £9.3m).

The financial statements of Zellis Holdings Limited (company registration number: 09062481) were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

Alan Kinch

Director

Date 20th October 2019

Zellis Holdings Limited

Company statement of changes in equity
As at 30 April 2019

	Share capital (Note 6) £'000	Share premium (Note 6) £'000	Retained earnings £'000	Total £'000
On incorporation*	-	-	-	-
Issue of shares	-	176,719	-	176,719
Loss for the period and total comprehensive loss	-	-	(8,596)	(8,596)
At 30 April 2018	-	176,719	(8,596)	168,123
Issue of shares	-	12,778	-	12,778
Loss for the year and total comprehensive loss	-	-	(30,720)	(30,720)
At 30 April 2019	-	189,497	(39,316)	150,181

* At the incorporation date, 21 September 2017, the company issued 100 shares at nominal value of £0.01 each. Subsequently, on 31 January 2018, 100 shares were allotted at nominal value of £0.01 each for a consideration of £1,767,186 per share, which generated a share premium of £176,718,603. In the year ended 30 April 2019, on 14 September 2018, 100 shares were allotted at a nominal value of £0.01 each for consideration of £105,000 per share, this generated a share premium of £10,499,999. On the same day, an additional 100 shares were allotted at a nominal value of £0.01 each for consideration of £22,784 per share, this generated a share premium of £2,278,363.

Notes to the company financial statements
For the year ended 30 April 2019

1. Accounting policies

Basis of preparation

Zellis Holdings Limited (the “Company”) is a private company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the Company’s registered office is shown on page 16.

The nature of Zellis Holdings Limited’s operations and its principal activities are set out in the strategic report on page 1.

The Company meets the definition of a qualifying entity under FRS 100 ‘Application of Financial Reporting Requirements’ issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 ‘Reduced Disclosure Framework’.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Business Combinations;
- Financial instruments;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

The accounting policies are consistent with those given on pages 16 – 33.

Fees payable to the group's auditor and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

The Company has no employees other than Directors.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the company applied prospectively, the company has applied IFRS 9 retrospectively, with the initial application date of 1 May 2018 and adjusting the comparative information for the period beginning 1 September 2017.

There has been no material effect of adopting IFRS 9 other than reclassifications in the balance sheet.

Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criterial the company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the company's business model was made as of the date of initial application, 1 May 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 May 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the company. The company continued measuring at fair value all financial assets previously held at fair value under IAS 39.

There have been no further impairments or hedge accounting adjustments from the adoption of IFRS 9

Critical accounting judgements and key sources of estimation uncertainty

There are no key assumptions made by the management concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. Investments in subsidiaries

	Subsidiary undertakings £'000
Cost:	
At 30 April 2018	367,014
Acquired through business combinations	24,927
At 30 April 2019	391,941
Impairment:	
At 30 April 2018	-
Charge for the year	-
At 30 April 2019	-
Net book value	
At 30 April 2019	391,941

The subsidiary undertakings at 30 April 2019, the nature of whose business is the sale of computer solutions and services (except as noted) and the ordinary share capital, of all of which are wholly-owned and consolidated were:

Entity	Country of incorporation	% Shareholding
Held Directly:		
Zellis India Holdco Limited	United Kingdom	100%
Zellis UK Limited	United Kingdom	100%
Moorepay Group Limited	United Kingdom	100%
Benefex Holdings Limited	United Kingdom	100%
Colour Bidco (US) Inc***	US	100%
Zellis HR India Private Limited**	India	99.99%

Held Indirectly:		
Mills associates Limited	United Kingdom	100%
Moorepay Limited	United Kingdom	100%
Business Information Management Limited	United Kingdom	100%
Jamy Investments limited	United Kingdom	100%
Moorepay Compliance Limited	United Kingdom	100%
Zellis Information Solutions Company*	Ireland	100%
Zellis Ireland Limited*	Ireland	100%
Cara Information Technology Limited	United Kingdom	100%
Engage Technologies Limited*	Ireland	100%
Engage Technologies Support Limited*	Ireland	100%
Zellis Services Ireland Limited*	Ireland	100%
Zellis Dormco Limited	United Kingdom	100%
PRO-IV Technology LLC****	US	100%
Benefex Limited*****	United Kingdom	100%
Benefit Administration Centre Limited*****	United Kingdom	100%
Benefit Administration Services Limited*****	United Kingdom	100%
PES (Bristol) Limited*****	United Kingdom	100%
Benefit Administration Gateway Limited*****	United Kingdom	100%
Benefex Financial Solution*****	United Kingdom	100%

*The registered office for these companies is Behan House, 10 Mount St Lower, Dublin 2, Ireland
**The registered office for these companies is 4th floor Kakkanad, Kochi 682042, Kerala, India
*** The registered office for these companies 4001 Kennett Pike, Suite 302, Wilmington, New Castle , Delaware, 19807
****The registered office for these companies is 251 Little Falls Drive, Wilmington, New Castle DE 19808

***** The registered office for these companies is Mountbatten House, Grosvenor Square, Southampton, Hampshire, SO15 2JU

Zellis Holdings Limited

Notes to the company financial statements (continued)
For the year ended 30 April 2019

2. Investments in subsidiaries (continued)

Companies incorporated in the United Kingdom have the same registered address as Zellis Holdings Limited, shown on page 16. The Directors have considered the value in use of the investments using a combination of Income Approach and Market valuation methodologies and have concluded that an impairment in investment value is not applicable.

3. Trade and other receivables

	2019 £'000	2018 £'000
Amounts owed by subsidiary undertakings	124,406	108,894
Prepayment and other receivables	1,100	5,011
Other Current Financial	322	-
Total trade and other receivables	125,828	113,905

4. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	2,196	100
Amounts owed to subsidiary undertakings	51,715	7,149
Accruals	9,446	15,831
Other payables	287	29,432
Total trade and other payables	63,644	52,512

5. Borrowings

The details of the loans are disclosed within note 24 of the consolidated financial statements and should be regarded as an integral part of the financial statements.

6. Share capital

	Number	£
Authorised, issued and fully paid:		
400 Ordinary (2018: 200) shares of £0.01 each	400	4

The Company has one class of ordinary shares which carry no right to fixed income.

Share premium

	£'000
At incorporation	-
Premium arising on issue of equity shares	176,719
At 30 April 2018	176,719
Premium arising on issue of equity shares	12,778
At 30 April 2018	189,497

At the incorporation date, 21 September 2017, the company issued 100 shares at nominal value of £0.01 each. Subsequently, on 31 January 2018, 100 shares were allotted at nominal value of £0.01 each for a consideration of £1,767,186 per share, which generated a share premium of £176,718,603. In the year ended 30 April 2019, on 14 September 2018, 100 shares were allotted at a nominal value of £0.01 each for consideration of £105,000 per share, this generated a share premium of £10,499,999. On the same day, an

additional 100 shares were allotted at a nominal value of £0.01 each for consideration of £22,784 per share, this generated a share premium of £2,278,363.

7. Ultimate controlling party

Zellis TopCo Limited is the parent company of Zellis Holdings limited.

The smallest and largest undertaking for which the company is a member and for which group financial statements are prepared is Zellis TopCo Limited.

The ultimate controlling party of the group as at 30 April 2019 was Bain Capital Europe Fund IV LP.