Colour Bidco Limited

Company Registration No. 10975623

Report and Consolidated Financial Statements

For the period from 21 September 2017 to 30 April 2018

Colour Bidco Limited

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Strategic report

The Directors present their strategic report on the affairs of Colour Bidco Limited ("the Group") for the period from incorporation on 21 September 2017 to 30 April 2018.

Business review

The company was set up to be the vehicle to acquire UK MM and UK SMB from Northgate Information Solutions Limited. As a result the acquisition of UK MM and UK SMB has been treated as a business combination in the period from the date of acquisition on 31 January 2018. Whilst this company has prepared accounts for a 222 day period the results only include trading for a period of 89 days.

The principal activity of the Group is to provide technology solutions and services for human resources management. The consolidated financial statements therefore represent its first financial position as at 30 April 2018 and its financial performance for the period ended 30 April 2018.

The results for the period ended 30 April 2018 are set out in the consolidated income statement on page 9. Colour Bidco closed the period with revenues of £33,308k and operating profit excluding exceptional costs and amortisation of acquired intangibles of £12,311k. After one-off exceptional costs of £12,902k due to the acquisition by Bain Capital, and depreciation and amortisation of £5,950k, the Group reported an operating loss of £6,541k. Net financing costs are at £4,819k and the loss on ordinary activities before tax is £11,360k.

The Group continues to focus on certain key performance indicators, specifically on revenue growth, earnings before interest, tax, depreciation and amortisation (EBITDA), gross margin %, and annual recurring revenue growth. It has not been possible to provide revenue growth and recurring revenue growth figures due to the financial statements representing the first trading period of the Group and as such these KPI's have not been presented within these financial statements.

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. Further independent assurance is provided by an outsourced internal audit function, operating across the Group, and the Group's auditors. 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.

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Strategic report (continued)

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 2018 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 26th October 2018 and signed on its behalf by:

Director

Nick Wain

26th October 2018

Colour Bidco Limited

Directors' report

The Directors present their annual report on the affairs of the Group together with the financial statements and auditor's report for the period from incorporation on 21 September 2017 to 30 April 2018.

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.

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 period under review.

Research and development

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

Directors' report (continued)

Directors

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

Mr Jakob Brevinge	(appointed 30 November 2017)
Mr John Petter	(appointed 18 July 2018)
Mr Nicholas Wain	(appointed 31 January 2018)
Mr Christophe Jacobs Van Merlen	(appointed 21 September 2017, resigned 31 January 2018)
Mr Iain Ware	(appointed 21 September 2017, resigned 30 November 2017)
Mt Jonathan Legdon	(appointed 31 January 2018, resigned 9 July 2018)

Director's indemnities

The Group has made qualifying third party indemnity provisions for the benefit of its Directors during the period; 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 14 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 Colour Bidco's 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 period.

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Directors' report (continued)

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, KPMG 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 26th October 2018 and signed on its behalf by:

Director
Nick Wain
26th October 2018

Directors' responsibilities statement

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 period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, 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:

Director
26th October 2018

Independent auditor's report to the members of Colour Bidco Limited

Opinion

We have audited the financial statements of Colour Bidco Limited ("the company") for the period from 21 September 2017 (date of incorporation) to 30 April 2018 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated statement of changes in equity, Consolidated cashflow statement, Company balance sheet, Company statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2018 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Independent auditor's report to the members of Colour Bidco Limited (continued)

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

David Neale

David Neale (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
58 Clarendon Rd
Watford
WD17 1DE
Date: 26 October 2018

Colour Bidco Limited

Consolidated income statement
For the period from 21 September 2017 to 30 April 2018

	Note	£'000
Revenue	3	33,308
Operating costs	4	(39,849)
Operating loss		(6,541)
Operating profit before exceptional items and amortisation of acquired intangibles		12,311
Amortisation of acquired intangibles	4	(5,950)
Exceptional items	5	(12,902)
Operating loss		(6,541)
Finance costs	8	(4,819)
Loss before tax		(11,360)
Tax	9	1,984
Loss for the period		(9,376)
Attributable to:		
Owners of the Company		(9,376)
		(9,376)

The notes on pages 14 to 45 are an integral part of these consolidated financial statements. All operations relate to continuing operations.

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Consolidated statement of comprehensive income
For the period from 21 September 2017 to 30 April 2018

	£'000
Loss for the period	(9,376)
Items that will not be reclassified subsequently to profit or loss:	
Remeasurement of net defined benefit liability	13,468
Deferred tax arising on the actuarial loss recognised in the pension scheme	(376)
Change in tax rates	40
	13,132
Items that may be reclassified subsequently to profit or loss:	
Exchange differences on translation of foreign operations	(30)
Total other comprehensive income for the period net of tax	13,102
Total comprehensive income for the period	3,726
Total comprehensive income attributable to:	
Owners of the Company	3,726

Colour Bidco Limited

Consolidated balance sheet
As at 30 April 2018

	Note	£'000
Non-current assets		
Goodwill	10	335,441
Intangible assets	10	175,332
Property, plant and equipment	11	4,371
Deferred tax asset	15	14,777
Other non-current financial assets	12(ii)	907
		530,828
Current assets		
Trade and other receivables	12(i)	43,988
Cash and bank balances	13	4,985
		48,973
Total assets		579,801
Current liabilities		
Borrowings	24	(14,000)
Finance lease liability	24&14	(1,739)
Provisions	19	(339)
Current tax liabilities		(129)
Trade and other payables	16	(34,974)
Deferred income	17	(21,509)
		(72,690)
Net current liabilities		(23,717)
Non-current liabilities		
Borrowings	24	(248,741)
Finance lease liability	24&14	(1,688)
Retirement benefit obligations	18	(44,503)
Provisions	19	(1,389)
Deferred tax liabilities	15	(27,276)
Deferred income	17	(3,069)
Total liabilities		(399,356)
Net assets		180,445
Equity		
Share capital	20	-
Share premium	21	176,719
Retained earnings		3,726
Total equity		180,445

The notes on pages 14 to 45 are an integral part of these consolidated financial statements.

The financial statements of Colour Bidco Limited (company registration number: 10975623) were approved and authorised for issue by the Board of Directors on 26 October 2018 and were signed on its behalf by:

Director NICK WAIN

Colour Bidco Limited

Consolidated statement of changes in equity
As at 30 April 2018

	Share capital (Note 20) £'000	Share premium (Note 21) £'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

*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.

Colour Bidco Limited

Consolidated cash flow statement
For the period from 21 September 2017 to 30 April 2018

	Note	2018 £'000
Cash flows from operating activities		
Loss for the period		(9,376)
Adjustments for:		
Amortisation of acquired intangibles	10	5,950
Amortisation of other intangibles	10	194
Depreciation	11	360
Loss on sale of fixed assets		1
Net financing costs		4,718
Tax expense		(1,984)
Net cash from operating activities before changes in working capital and provisions		(137)
Change in trade and other receivables		(7,179)
Change in trade and other payables		17,793
Settlement of sellers payables[1]		(64,470)
Change in provisions and employee benefits		(920)
Net cash used in operating activities		(54,913)
Investing activities		
Acquisition of subsidiary	26	(374,210)
Acquisition of intangible assets		(1,749)
Purchases of property, plant and equipment		(120)
Net cash used in investing activities		(376,079)
Financing activities		
Loan arrangement fees		(1,668)
Repayments of obligations under finance leases		(600)
Interest paid		(2,559)
Proceeds on issue of shares	21	176,719
New bank loans raised	24	264,085
Net cash from financing activities		435,977
Net increase in cash and cash equivalents		4,985
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	13	4,985

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

Notes to the consolidated financial statements
For the period from 21 September 2017 to 30 April 2018

1. General information

Colour Bidco 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 first 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 principal accounting policies adopted are set out below.

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 page1. In addition, note 25 to the financial statements include the Group's exposures to interest and liquidity risk.

Notwithstanding the net current liabilities of £23,717k 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 a loss for the period as a result of one off costs, including deal transaction fees, of which will not be on going. Subsequent to the year end, based on draft management accounts, the group has generated a profit before tax of £2.7m, including exceptional cost of £6.3m, for the period up to September 2018, and has been cash generative. The draft net asset position as the 30th September 2018 is estimated at £182.6m and the draft net current liability position is similar to that of year end. The Directors have prepared forecasts for the twelve month period to October 2019, which indicate the group is cash generative on a base and sensitised basis, taking into account reasonable possible changes in trading performance. The company should be able to operate within the level of its current Revolving Credit Facility. Additionally, the Group has held discussions with its bankers about potential future borrowing needs, should the need arise to support transformational activities, and no matters have been drawn to its attention to suggest that additional funding may not be forthcoming on acceptable terms. 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.

2. Accounting policies (continued)

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 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 therefore create volatility in reported earnings.

Exceptional costs relate to one off costs which the Group has incurred as a result of the acquisition of UK MM and UK SMB from Northgate Information Solutions Limited. 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) for the 222 day period ended 30 April 2018. 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

- 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.

Notes to the consolidated financial statements (continued)
For the period from 21 September 2017 to 30 April 2018

2. Accounting policies (continued)

Basis of consolidation (continued)

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.

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.

When the consideration transferred by the Group in a business combination includes asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Notes to the consolidated financial statements (continued)
For the period from 21 September 2017 to 30 April 2018

2. Accounting policies (continued)

Business combinations (continued)

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.

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.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

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.

Notes to the consolidated financial statements (continued)
For the period from 21 September 2017 to 30 April 2018

2. Accounting policies (continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period 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 period 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.

Impairment excluding inventory and 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.

Notes to the consolidated financial statements (continued)
For the period from 21 September 2017 to 30 April 2018

2. Accounting policies (continued)

Revenue

Revenue on the outright sale of equipment and standard software, where no significant vendor obligations exist, is recognised on despatch. Revenue on non-standard software or where significant vendor obligations exist is recognised on customer acceptance. All revenue is reported exclusive of value added tax and other sales tax.

The Group's approach to revenue recognition is that revenue is only recognised when:

1. persuasive evidence of an arrangement exists;
2. the price to the customer is fixed or determinable;
3. any services deliverable under the supply arrangement are clearly separable from the software supply;
4. physical delivery has occurred or services have been rendered; and
5. collectability is reasonably assured and there are no material outstanding conditions or contingencies attaching to the receipt of monies due.

Revenue from the sale of perpetual software product licences is recognised at the time the software licence is granted in accordance with agreed contractual triggers, typically the supply of the software product to the customer. Revenue from the sale of term software product licences is recognised over the term of the license. Revenues from the attendant installation, maintenance and support services are recognised proportionately over the period that the services are provided with due regard for future anticipated costs. Payments received in advance of services are recorded in the balance sheet as deferred income.

Revenue from professional services (project management, implementation and training) is recognised as the services are performed. Revenue from software support and hardware maintenance agreements is recognised rateably over the term of the agreement.

On contracts involving a combination of products and services, revenue is recognised separately on each deliverable in accordance with the above policy, unless all deliverables are considered to be interdependent when revenue is recognised on final acceptance.

On major contracts extending over more than one accounting period, revenue is taken based on the stage of completion when the outcome of the contract can be foreseen with reasonable certainty and after allowing for costs to completion. The stage of completion is estimated based on the days required to complete the contract versus the total contract days.

Foreign currencies

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

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

2. Accounting policies (continued)

Foreign currencies (continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

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 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).

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.

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.

Notes to the consolidated financial statements (continued)
For the period from 21 September 2017 to 30 April 2018

2. Accounting policies (continued)

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.

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are included in the balance sheet at fair value or, if lower, at the present value of the minimum lease payments, each determined at inception of the lease less depreciation and impairment losses. These assets are depreciated in accordance with the Group's normal accounting policy for the class of asset concerned or over the period of the lease if shorter. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the income statement over the period of the lease in proportion to the balance of capital repayments outstanding. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

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.

Current tax and deferred tax for the period

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.

2. Accounting policies (continued)

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 revised IFRSs in issue but not yet effective

The IASB and IFRIC have issued the following standards and interpretations with an effective date on or after the date of these financial statements. The Group intends to adopt these standards, if applicable, when they become effective.

		Effective date*
IFRS 15	Revenue from Contract with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 9	Financial Instruments	1 January 2018

*The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the group's discretion to early adopt standards.

Other than IFRS15 and IFRS16, the Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods. The Directors are in the process of determining the impact of the adoption of IFRS15 and IFRS16 standards and interpretations on the consolidated accounts in the period of initial application, which may have a material impact in the future.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, 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.

Critical accounting judgements

Revenue recognition

The revenue and profit of fixed price contracts is recognised on a percentage completion basis when the outcome of a contract can be estimated reliably. Management exercises judgement in determining whether a contract's outcome can be estimated reliably. Management also make some estimates in the calculation of future contract costs, which are used in determining the value of amounts recoverable on contracts. Estimates are continually revised based on changes in the facts relating to each contract.

Provisional business combination accounting

The accounting for the acquisition of UK MM and UK SMB 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.

Notes to the consolidated financial statements (continued)
For the period from 21 September 2017 to 30 April 2018

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.

Notes to the consolidated financial statements (continued)
For the period from 21 September 2017 to 30 April 2018

3. Revenue

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

	£'000
Continuing operations	
Licence, support and payroll services	33,308

4. Operating costs

	£'000
Depreciation of property, plant and equipment	360
Amortisation of acquired intangibles	5,950
Amortisation of other intangibles	194
Staff costs (see note 7)	16,401
Exceptional costs (see note 5)	12,902
Other costs	4,042
	39,849

5. Exceptional items

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

	£'000
Severance and restructuring	132
Business transformation and integration	6,177
Deal related fees	6,593
	12,902

Exceptional costs relate to one off costs incurred on the acquisition of UK MM and UK SMB.

6. Auditor's remuneration

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

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

7. Staff costs

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

	Number
Sales	136
Managed services	686
Technology support	279
Implementation services	186
Administration	53
	1,340

Their aggregate remuneration comprised:

	£'000
Wages and salaries	14,180
Social security costs	1,356
Other pension costs	865
	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

	£'000
Directors' emoluments	270
Company contributions to money purchase pensions plans	7
	277

The aggregate emoluments of the highest paid director were £187k including £3k paid into a money purchase pension plan. During the period, two directors accrued benefits under the money purchase scheme.

8. Finance costs

	£'000
Interest on bank overdrafts and loans	4,328
Amortisation of issue costs on bank loans	324
Unwind of provision	30
Interest on obligations under finance leases	37
Foreign exchange loss	100
	4,819

9. Tax

The tax charged to the income statement is as follows:

	£'000
Corporation tax:	
Current period	211
	211
Deferred tax (see note 15)	
Origination and reversal of temporary differences	(2,352)
Effect of changes in tax rates	157
	(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 (continued)
For the period from 21 September 2017 to 30 April 2018

9. Tax (continued)

The charge for the period can be reconciled to the loss in the income statement as follows:

	£'000
Loss before tax on continuing operations	(11,360)
Tax at the UK corporation tax rate of 19%	(2,158)
Effect of change in local corporation tax rate	158
Tax effect of expenses that are not deductible in determining taxable profit	661
Tax effect of income not taxable in determining taxable profit	(886)
Depreciation on assets not qualifying for tax allowances	121
Other tax adjustments	171
Effect of overseas tax rates	(51)
Tax expense for the period	(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:

	£'000
Deferred tax:	
Items that will not be reclassified subsequently to profit or loss:	
Remeasurement of net defined benefit liability	336

10. Intangible assets and goodwill

	Goodwill £'000	Purchased software £'000	Acquired intangibles £'000	Development 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 period	-	(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

Notes to the consolidated financial statements (continued)
For the period from 21 September 2017 to 30 April 2018

10. Intangible assets and goodwill (continued)

Impairment tests for cash-generating units containing goodwill

Due to the initial accounting of the acquisition being incomplete, the amounts recognised in the financial statements for the business combination have been determined only provisionally due to the proximity of the finalisation acquisition to period end. For this reason the Group has been unable to allocate goodwill to the cash-generating units and therefore no impairment assessment performed.

Unallocated provisional goodwill at the year end was £335,441k. Provisional value of Acquired Intangibles at the year end was:

	Customer contracts and relationships £'000	Technology based assets £'000	Trade names and other marketing related assets £'000	Total Acquired Intangibles £'000
NGA UK Mid-Market	101,756	53,728	6,569	162,053
NGA UK SMB	7,820	2,283	396	10,499
	109,576	56,011	6,965	172,552

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
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 period	(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

The Group's obligations under finance leases (see note 14) are secured by the lessors' title to the leased assets, which have a carrying amount of £703k.

Notes to the consolidated financial statements (continued)
For the period from 21 September 2017 to 30 April 2018

12.(i) Trade and other receivables

	£'000
Trade receivables	18,952
Less allowance for doubtful debts	(382)
Net trade receivables	18,570
Accrued income	13,803
Prepayment and other receivables	10,782
Other receivables	833
Total trade and other receivables	43,988

All amounts are due within one year. Trade receivables are non-interest bearing and on average have thirty to sixty day settlement terms. Assets held as security by liabilities are disclosed within note 24.

Trade receivables can be analysed as follows:

	£'000
Amount receivable not past due	16,164
Amount receivable past due but not impaired*	2,015
Amount receivable impaired (gross)	773
Less impairment	(382)
Total	18,570

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

Movement in the allowance for doubtful debts

	£'000
At 21 September 2017	-
Acquired through business combination	470
Release of bad debt provision	(60)
Utilised in period	(28)
At 30 April 2018	382

12.(i) Trade and other receivables (continued)

Ageing of impaired trade receivables

	£'000
Current	88
0 - 89 days	415
90 - 179 days	14
180 - 269 days	111
270 – 359 days	38
360+ days	107
Total	773

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

12.(ii) Other non-current financial assets

	£'000
Accrued income	907

13. Cash and bank balances

	£'000
Cash at bank and in hand	4,985

The fair value of cash and cash equivalents which corresponds to its carrying value is £4,985k.

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

14. Obligations under finance leases

	Minimum lease payments £'000
Amounts payable under finance leases:	
Within one year	1,851
In the second to fifth years inclusive	1,754
	3,605
Less: future finance charges	(178)
Present value of lease obligations	3,427

	Present value of minimum lease payments £'000
Amounts payable under finance leases:	
Within one year	1,739
In the second to fifth years inclusive	1,688
Present value of lease obligations	3,427
Analysed as:	
Amounts due for settlement within 12 months (shown under current liabilities)	1,739
Amounts due for settlement after 12 months	1,688
	3,427

It is the group's policy to lease certain of its fixtures and equipment under finance leases. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling.

The directors consider that the carrying amount of the finance leases is approximately equal to their fair value.

The group's obligations under finance leases are secured by the lessors' rights over the leased assets.

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	Retirement benefit obligations £000	Other £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)	(156)
- equity	-	-	40	-	-	40
At 30 April 2028	4,823	(27,276)	621	7,567	1,766	(12,499)

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:

	£'000
Deferred tax liabilities	(27,276)
Deferred tax assets	14,777
	(12,499)

At the balance sheet date, the group has unused tax losses of £10,013k available for offset against future profits. A deferred tax asset has been recognised in respect of £10,013k of such losses.

16. Trade and other payables

	£'000
Trade payables	2,674
Other payables	551
Accruals	24,257
Other taxes and social security costs	7,492
	34,974

The directors consider that the carrying amount of trade payables approximates to their fair value.

17. Deferred income

	£'000
Balance to be recognised within one year	21,509
Balance to be recognised after one year	3,069
Deferred income	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 £5.5m 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.

Notes to the consolidated financial statements (continued)
For the period from 21 September 2017 to 30 April 2018

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 21 September 2017	-	-	-
Acquired through business combinations	280,029	(221,161)	58,868
Included in income statement			
Current service cost	258	-	258
Running cost	-	223	223
Interest cost	1,682	(1,331)	351
	1,940	(1,108)	832
Included in statement of comprehensive income:			
Remeasurement loss (gain):			
Actuarial loss (gain) arising from:			
Financial assumptions	(15,488)	-	(15,488)
Experience adjustment	(429)	-	(429)
Impact of asset ceiling	-	1,868	1,868
Return on plan assets excluding interest income	-	581	581
	(15,917)	2,449	(13,468)
Other			
Contribution paid by the employer	-	(1,729)	(1,729)
Benefits paid	(2,847)	2,847	-
	(2,847)	1,118	(1,729)
Net book value			
At 30 April 2018	263,205	(218,702)	44,503

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:

	£'000
Equities	38,206
LDI Funds	60,987
Multi-asset credit	22,542
Property	21,831
Emerging market multi asset	18,777
Diversified growth funds	46,564
Cash and current assets	11,662
	220,569

The expected rate of return on pension plan assets is determined as the Company'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	2.7%	2.7%
Future salary increases	1.0%	1.0%
Retail price inflation	3.1%	3.1%
Consumer price inflation	2.0%	2.0%
Future pension increases (2.5% LPI)	2.1%	1.7%
Future pension increases (5%LPI)	3.0%	2.1%

The weighted average durations of the expected benefit payments is about 17 years for the Northgate Scheme and 19 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	22.3	22.3
Females	24.3	24.3
Life expectancy at age 65 in 20 years		
Males	23.8	23.8
Females	25.8	25.8

Notes to the consolidated financial statements (continued)
For the period from 21 September 2017 to 30 April 2018

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)	(4,865)	4,999
Inflation and related future pension growth (0.1% movement)	2,183	(2,155)
Future salary growth (0.1% movement)	-	(395)
Life expectancy (1 year movement)	9,882	(9,645)

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 21 September 2017	-
Acquired through business combinations	1,698
Utilisation of provision	-
Unwinding of discount	30
At 30 April 2018	1,728
Analysed as:	
Current	339
Non-current	1,389
At 30 April 2018	1,728

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.

Notes to the consolidated financial statements (continued)
For the period from 21 September 2017 to 30 April 2018

20. Share capital

	£
Authorised, issued and fully paid:	
200 Ordinary shares of £0.01 each	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

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.

22. Commitments and contingencies

There are no Group capital commitments at 30 April 2018.

	£'000
Lease payments under operating leases recognised as an expense in the period	2,699

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	£'000
Within one year	2,297
In the second to fifth years inclusive	6,738
After five years	3,974
	13,009

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of five years with an option to extend for a further five years at the then prevailing market rate.

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 £382k were charged to the Group by Bain Capital with the whole balance outstanding at the period end.

The remuneration of key management (deemed to be the directors) for the period was £270k emoluments and £7k 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 49.

24. Borrowings

	£'000
Secured borrowing at amortised cost	
Bank loans	262,741
Finance lease liabilities (see note 14)	3,427
	266,168
Total borrowings	
Amount due for settlement within 12 months	15,739
Amount due for settlement after 12 months	250,429

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

i) The group has two 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 Colour Bidco 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 £14 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.

ii) The facilities contain certain financial covenants. The financial covenants are yet to come into force at the date of the authorisation of the financial statements.

iii) The bank loan of £248,741k includes the principle of £260,000k and accrued interest of £1,128k, and is presented net of capitalised fees of £12,387k. All borrowings are denominated in UK Pounds.

iv) Finance 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 five years.

The weighted average interest rates paid during the period for the bank loans were 5.2%.

Notes to the consolidated financial statements (continued)
For the period from 21 September 2017 to 30 April 2018

24. Borrowings (continued)

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

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

	Loans and borrowings £'000	Finance lease liabilities £'000
Balance at 21 September 2017	-	-
Changes from financing cash flows		
Proceeds from loans and borrowings	274,000	-
Acquisition of subsidiary	-	3,993
Payment of finance lease liabilities	-	(603)
Total changes from financing cash flows	274,000	3,390
Other changes		
Capitalised borrowing costs	(12,388)	-
Unwinding of capitalised borrowing costs	323	-
Interest expense	3,365	37
Interest paid	(2,559)	-
Total other changes	(11,259)	37
Balance at 30 April 2018	262,741	3,427

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.

If LIBOR had been 2% higher/lower on the Term Loan and RCF and all other variables were held constant, the Group's loss for the period ended 30 April 2018 would increase/decrease by £1.3m. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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 2018, £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 2018						
Finance lease liability	1,851	1,312	323	107	12	3,605
Revolving credit facility	14,056	-	-	-	-	14,056
Term loan	15,438	15,438	15,438	15,438	302,455	364,207
	31,345	16,750	15,761	15,545	302,467	381,868

*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.

Notes to the consolidated financial statements (continued)
For the period from 21 September 2017 to 30 April 2018

25. Financial instruments (continued)

(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	12i	43,988	43,988
Other receivables (long-term trade debtors)	12ii	907	907
Cash and cash equivalents	13	4,985	4,985
Secured bank loans	24	262,741	262,741
Finance lease liabilities	14	3,427	3,427
		316,048	316,048

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.

Notes to the consolidated financial statements (continued)
For the period from 21 September 2017 to 30 April 2018

26. Acquisition of subsidiary

On 31 January 2018 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) specialise in the provision of technology solutions and services for human resources management.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are deemed provisional due to the proximity of the finalisation of the acquisition to year end" 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 as below.

	£'000
Tangible fixed assets	4,612
Cash	2,142
Loans and borrowings	(64,470)
Finance leases	(2,162)
	(59,878)
Provisional values	
Intangible fixed assets	179,728
Trade and other debtors	33,725
Provisions and employee benefits	(60,558)
Trade and other creditors	(56,068)
	96,827
Total identifiable assets	36,949
Goodwill	335,411
Total consideration	372,360
Satisfied by:	
Cash	372,360
Total consideration transferred	372,360
Net cash outflow arising on acquisition:	
Initial Cash consideration	376,352
Completion Cash consideration*	(3,992)
Less: cash and cash equivalent balances acquired	(2,142)
	370,218

*The initial cash consideration is based on the draft completion statement with both parties agreeing the final completion statement subsequent to the year end resulting in a cash refund.

26. Acquisition of subsidiary (continued)

The fair value of the financial assets includes trade receivables, accrued income and prepaid expenses with a fair value of £48,689k and a gross contractual value of £50,559k. The best estimate at acquisition date of the contractual cash flows not to be collected are £1,870k.

The goodwill of £335,411k 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 (included in operating costs) amount to £6.6 million.

UK Mid-Market and UK SMB (Moorepay) contributed £33.3 million revenue and £10.9 million profit to the Group's loss for the period 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 period. Due to the nature of the carve out process performed no like for like information is available.

27. Post balance sheet events

On 14 September 2018 the Group acquired 100% of the share capital and voting rights of Benefex Holdings Limited for a purchase consideration of £20.1m. Benefex Holdings Limited is a provider of employee benefit solutions for businesses and public sector organisations in the UK. As at the date of the authorisation of these consolidated accounts the acquisition accounting in relation to this transaction has yet to be completed.

Colour Bidco Limited

Company balance sheet
As at 30 April 2018

	Note	£'000
Non-current assets		
Investments in subsidiaries	2	367,014
Current assets		
Trade and other receivables	3	113,905
Cash and bank balances		1,373
Deferred tax asset		1,084
		116,362
Total assets		483,376
Current liabilities		
Trade and other payables	4	52,512
Borrowings	5	14,000
		66,512
Net current assets		49,850
Non-current liabilities		
Borrowings	5	248,741
Total liabilities		315,253
Net assets		168,123
Equity		
Share capital	6	-
Share premium	6	176,719
Retained earnings		(8,596)
Equity attributable to owners of the Company		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 period was £9.3m.

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

Director

26th October 2018

Colour Bidco Limited

Company statement of changes in equity
As at 30 April 2018

	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

*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.

Notes to the company financial statements
For the period from 21 September 2017 to 30 April 2018

1. Accounting policies

Basis of preparation

Colour Bidco 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 14.

The nature of Colour Bidco 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 14 - 45.

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.

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 period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the company financial statements (continued)
For the period from 21 September 2017 to 30 April 2018

2. Investments in subsidiaries

	Subsidiary undertakings £'000
Cost:	
At 21 September 2017	-
Acquired through business combinations	367,014
At 30 April 2018	367,014
Impairment:	
At 21 September 2017	-
Charge for the period	-
At 30 April 2018	-
Net book value	
At 30 April 2018	367,014

The subsidiary undertakings at 30 April 2018, 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:		
Colour India Holdco Limited	United Kingdom	100%
Northgatearinso UK Limited	United Kingdom	100%
Moorepay Group Limited	United Kingdom	100%
Colour Bidco (US) Inc***	US	100%
Colour Advisors 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%
Northgate Information Solutions Company*	Ireland	100%
NorthgateArinso Ireland Limited*	Ireland	100%
Cara Information Technology Limited	United Kingdom	100%
Engage Technologies Limited*	Ireland	100%
Engage Technologies Support Limited*	Ireland	100%
NorthgateArinso Services Ireland Limited*	Ireland	100%
Northgatearinso Peoplechecking Limited	United Kingdom	100%
PRO-IV Technology LLC****	US	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

Notes to the company financial statements (continued)
For the period from 21 September 2017 to 30 April 2018

2. Investments in subsidiaries (continued)

Companies incorporated in the United Kingdom have the same registered address as Colour Bidco Limited, shown on page 14. 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

	£'000
Amounts owed by subsidiary undertakings	108,894
Prepayment and other receivables	5,011
Total trade and other receivables	113,905

4. Trade and other payables

	£'000
Trade payables	100
Amounts owed to subsidiary undertakings	7,149
Accruals	15,831
Other payables	29,432
Total trade and other payables	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:		
Ordinary shares of £0.01 each	200	2

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

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.

7. Ultimate controlling party

Colour Bidco Limited is the parent company of the consolidated group.

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

The ultimate controlling party of the group as at 30 April 2018 was Bain Capital Europe Fund IV LP.