northgate
PUBLIC SERVICES

Annual Review 2016/17

Argon Topco Limited

(holding company for Northgate Public Services Limited)

CONTENTS

STRATEGIC REVIEW

DIRECTORS' REPORT

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

STRATEGIC REVIEW

2016/17 AT A GLANCE

RESULTS[1]

Revenue	£163.5m
Recurring revenue[2]	61%
Gross profit	£137.8m
Underlying EBITDA[3]	£35.1m

NEW LEADERSHIP

Chief Executive Officer	Stephen Callaghan
Chief Financial Officer	Alan O'Reilly
Chief Operating Officer	Greg Huntley
Chief Technology Officer	Paul Broome
Executive Director, Government & Housing	Tina Whitley

SUCCESSES

Government & Housing	Contract wins worth £73m in the UK and Ireland.
Healthcare	New registry and screening contracts worth £26m.
Safety	New *CONNECT* contract wins worth over £2m.

[1] For the 12 months ended 30 April 2017.
[2] Proportion of revenue derived from Software as a Service and other recurring revenues.
[3] See table on page 11 for reconciliation of Underlying EBITDA.

STRATEGIC REVIEW

CHAIRMAN'S STATEMENT

There has been significant change at Northgate Public Services[4] ('NPS') this year. A strategic review early in the reporting period looked hard at the markets we work in and considered the backdrop of a challenging UK political environment and declining business performance. In consultation with our majority shareholder we made a series of changes, with cost reductions in the first half of the year shortly followed by the appointment of Stephen Callaghan as Chief Executive Officer in September 2016.

In the second half of the year, Stephen secured the Board's approval to implement further changes, including the recruitment and appointment of a new Chief Financial Officer, Chief Operating Officer and Chief Technology Officer. Stephen is a highly experienced and high-energy individual who has made a significant impact. I would also like to welcome our new Chief Financial Officer, Alan O'Reilly, to the Company and to the Board. Alan joined us in December 2016, having initially supported us on an interim basis.

As a result of the changes we made, NPS has had a very busy and productive year. Our strategy is to focus on IP-led software and services in our core public services markets, investing in strategic product areas in response to market opportunity and customer demand. We continue the shift towards Software as a Service ('SaaS') and recurring revenue models and have restructured our services portfolio to be almost wholly focused on supporting our software platforms, de-emphasising our exposure to commodity IT and BP outsourcing where profitability challenges existed.

Our laser-like focus on the Government & Housing, Healthcare and Safety markets has led to a number of successes, with strategic product investment resulting in improved customer retention and new customer acquisition. The business enjoys strong customer relationships and has a solid track record of delivery, and we continue to develop our work in India, Canada and Australia alongside our home markets of the UK and Ireland.

Throughout the year our colleagues will have seen renewed energy both in governance and engagement, with our core values of Customer, Commitment and Collaboration reflected in the day to day work of the executive team.

NPS is part of leading international private equity firm Cinven's portfolio of companies and two of its Partners sit on our Board of Directors. Cinven continues to provide support as we move to a more focused, software-led business and build on our reputation as one of the UK's leading technology companies.

In closing, I would like to thank our customers for their continued engagement and support, and our colleagues for their collaboration and commitment.

Royston Hoggarth
Chairman
22 August 2017

[4] Northgate Public Services is the trading name of Argon Topco Limited.

STRATEGIC REVIEW

CHIEF EXECUTIVE'S STATEMENT

Since my appointment in September 2016, my priority has been to establish a new strategic and operating plan that is backed up by a strong performance culture, the right executive team and high-impact leadership throughout the business.

Our strategy is centred on IP-led software and services delivered in our core markets of Government & Housing, Healthcare and Safety. To continue delivering in these markets on a value for money basis while pressure on public spending mounts, strong cost management and governance controls are increasingly important.

I initiated a series of fundamental business reviews to determine what should be done to create a profitable, cash-generative business for the medium to long term. My conclusion was that we needed to address four areas:

- **Organisation design:** To create a frictionless, market-focused reporting structure with a single executive accountable to customers; and to assemble a team of high-performance leaders capable of taking the business back to profitable and cash-generative growth.
- **Right revenue:** To focus more clearly on IP-led and profitable software and services revenues, and to extract ourselves from non-profitable and non-core activities.
- **Gross margin expansion:** To implement improved sales and delivery governance and improved cost of sales terms, where risks are identified and mitigated and projects delivered on time, to budget and to customer expectations.
- **Operating expense reduction:** To scrutinise our overhead cost structure, premises utilisation and central IT costs, and to reduce costs wherever possible.

In addition to these measures, we created investment roadmaps for our core strategic software products and disinvested in others so that the cash and effort spent on product innovation is aligned with customer demand and market opportunity.

We have already ceased a number of unprofitable non-core service contracts, concluded our exit from the social care market and stopped peripheral non-core software activities in order to accelerate strategic platform developments in Government & Housing, Healthcare and Safety.

Whilst working predominantly in the UK and Ireland, Northgate Public Services operates in organically established markets such as Australia and Canada, as well as emerging markets like India where we have a significant offshore delivery capability. I have spent a considerable amount of time with customers and colleagues across the business, visiting our operations to understand how they are run, to uncover opportunities and to see where we could improve performance.

Financial highlights

Overall revenue for the year ended 30 April 2017 was £163.5m (2015/16: £182.5m). The reduction from last year reflects our deliberate withdrawal from non-core activities as we make the shift to 'right revenue'. Importantly, the proportion of income derived from Software as a Service ('SaaS') and other recurring revenue models rose from 53% to 61%, mirroring our new focus on profitable, IP-led software.

STRATEGIC REVIEW

Underlying EBITDA of £35.1m is in line with the previous year at 22% of revenue, and our acquisition of HISL in March 2017 will support the continued expansion of our health screening business in the UK and internationally.

The cost reduction measures undertaken in 2016/17 equate to savings of around £9 million, with £13 million saved on a full year basis. A significant proportion will be redeployed in product investment and business innovation in 2017/18.

Business model

The core of our revenue is derived from IP-led software and services in our key markets and in geographies where we have a presence. Our business model reflects this, with operating business units matched to specific market sectors and responsible for delivering customer benefits from our platform investment as we move towards SaaS or recurring revenue models.

As we head towards Brexit, we see opportunities to grow market share in the UK and Ireland. We continue to see opportunity for our Housing platform in Australia and Canada, and are actively engaged in several new projects that will be delivered in 2017/2018. In India, we have also undertaken a limited number of targeted sales initiatives in the Safety and Healthcare sectors as we seek to create a market for our solutions, leveraging our offshore product and project management, development and support capabilities in Mumbai.

Team

Much of our recent progress has been achieved by leaders already in the business, including Ian Blackhurst who leads the Safety and Healthcare sectors. However, I have recruited three new direct reports to help create momentum and deliver immediate impact.

Alan O'Reilly as Chief Financial Officer (CFO) brings many years of software industry experience and benefits from a solid corporate background. Greg Huntley returns to the organisation in the role of Chief Operating Officer (COO) after an eight-year gap, bringing a huge amount of experience in commercial governance and operations. Finally, Paul Broome in the new role of Chief Technology Officer (CTO) is actively leading all product development work-streams as well as accelerating our adoption of new techniques that improve efficiency and customer engagement. I have had the pleasure of working with both Greg and Paul previously.

Ian Noble relinquished the title of COO upon Greg's appointment to take on the important role of Chief Process Officer with a strong focus on business improvement and governance. In addition to being Executive Sponsor for Athena, our largest UK customer, Ian has executive responsibility for our Indian subsidiary Rave Technologies.

Prior to my joining, Tina Whitley was appointed Executive Director of our Government & Housing business. She has worked diligently to create a new leadership structure, bringing in Julie Booth as Director of Local Government and Roger Birkinshaw as Director of Housing, and deployed her many years of public sector business expertise to great effect.

For us to succeed, we must strive to be a committed organisation that our customers can trust. We are creating a values-driven culture where we measure and reward performance against our core values of Customer, Commitment and Collaboration. Significant energy is directed to colleague communications, with a nomination scheme for outstanding contributions to our values recognised on a 'thank you' board on the intranet.

STRATEGIC REVIEW

Product and innovation

During 2016/17, we conducted research into customer needs in all business verticals. The findings supported our view that our product proposition, particularly our strategic platforms, remains highly relevant for customers as they seek to meet their own needs for smarter software, interfaces and technology channels. Our contract wins during the period, described in the Sector Performance section, are a strong endorsement of this key part of our strategy.

Public service organisations are continually looking for more flexible ways of working, with growing demand for responsive software platforms that can be used on multiple devices like phones and tablets. We are well placed to exploit these trends for the benefit of our customers, such as our ambitious roadmap for the *CONNECT* policing platform which delivers a range of user-defined improvements, the largest of which is a new and seamless interface between desktop and mobile.

Our new CTO is leading the *CONNECT* work and coaching other strategic platform developments for *NPS Housing* and our registry and screening software in Healthcare. Adopting an agile and service-oriented strategy for new features and services makes us a more efficient, responsive and cost-effective software provider.

Risks and uncertainties

The markets we compete in continue to experience significant change, with uncertainty around policy and budgets persisting as we move towards Brexit.

Through this reporting period we have laid the foundations for growth, to make NPS more profitable and cash generative so as to provide some protection from these uncertainties. Investment in a more agile approach to product development enables us to react more quickly to market demand and our new nimble approach to innovation is creating significant impact.

Strengthened governance and improved business processes enhance our risk management policy which ensures that key business risks are recorded, managed and resolved in partnership with customers and all stakeholders. The Executive Committee plays a central role in maintaining and overseeing effective systems, meeting in person monthly and by teleconference on a weekly basis.

We are embedding responsible practice throughout our activities by critically evaluating financial and operational performance. This includes effective measurement of environmental, social and governance activity, a process I have asked Ian Noble to lead.

Colleague support

2016/17 has been a year of enormous change and upheaval for colleagues and without their hard work, determination and commitment we would not have had the successes we have seen. I would like to thank them for their energy, enthusiasm, candour and dedication, both to our customers and to each other, and to wish them great success for the coming year.

Stephen Callaghan
Chief Executive Officer
22 August 2017

STRATEGIC REVIEW

Sector Performance Report

Central Government
We won a major programme to deliver a Home Energy IT solution for the Department of Business, Energy & Industrial Strategy. In March 2017, we went live with the PRS (Private Rental Sector) Private Beta which will support private landlords to register exemptions from the new Minimum Energy Efficiency Standards from April 2018. We will also deliver a replacement for the Green Deal register and help administer the Renewable Heat Incentive. In Ireland, we won a contract to process applications for Housing Assistance Payments. We have also seen continued success with the UK devolved governments, winning the lobbying register for Scotland and also the Welsh Discretionary Assistance Fund contract, which controls the distribution of £8 million per annum to safeguard the wellbeing of individuals and families.

Revenues & Benefits
Customers using our Revenues & Benefits software continue to deliver the best performance in speed of processing, as measured by the Department for Work & Pensions. This has a direct impact on their communities, with money quickly reaching those in need, and also reduces the risk of overpayment. Our customers processed claims in an average of nine days: better than the 10 day national average and well ahead of the 12 days achieved by authorities using some competitor products. Our Business Processing Services business is also thriving, and we have won new opportunities such as a Single Person Discount Review Service for Edinburgh City Council.

Housing
Roger Birkinshaw joined in January 2017 as Director of Housing and, with support from his team, has developed a new market strategy and product roadmap. We have accelerated investment in our *NPS Housing* platform, resulting in a fresh approach to customers. We are meeting tenants' needs for online self-service from any device, including mobiles and tablets, and we also meet housing officers' needs for delivering services in the same way. We have been delighted by the reaction of customers to the changes, as well as new business prospects.

Environment and Planning
Julie Booth joined us in January 2017 as Director of Local Government. She has worked with her team to update our strategy and create roadmaps for the strategic products in her portfolio. This year saw significant investment in our *ASSURE* software platform which covers 10 key areas including planning, building control and environmental health. Customers are already seeing the efficiencies our innovation has enabled. For example, North Devon council is saving £35k per annum through the introduction of a single module from the platform that allows officers to deliver food hygiene inspections on a mobile basis. The addition of integrated document management has further reduced manual intervention, saving one customer £24k a year on printing and postage alone.

Document Solutions
Customers have been excited by our improved Document Solutions offer. For some, we now deliver the full range of services, including electronic mailrooms which automatically deliver post to the desktop and maximise savings through scale and aggregation. These services are supported by our new browser-based Electronic Document Management solution which can be used departmentally or enterprise-wide. Bridgend Council employs this solution across their organisation for over 1,800 users, and they consider it to be their most important IT system.

STRATEGIC REVIEW

Safety
Humberside Police went live with *CONNECT* in June 2017, completed post the period end, successfully integrating mobile capability. Their excellent initial feedback bodes well for South Yorkshire Police, which will go live later in 2017/2018 and share the platform. The Isle of Man Constabulary signed a five-year contract for *CONNECT*, their largest investment in IT for a decade. *CONNECT* is contemporary and proven and the 'family' now comprises 13 forces, nine of which are in the Athena collaboration consortium. Multiple forces, including South Yorkshire, Humberside, West Mercia and Warwickshire, have adopted the new *CONNECT BLADE* technology. This delivers instant access to legacy data from a whole range of systems and reduces the cost by 80%, creating enormous potential for deeper collaboration. Almost all *CONNECT* customers have agreed an extension to the contract for Business Services, enabling advanced third party integration in areas such as Contact Management and Mobile. This enables forces to reduce whole-life costs whilst ensuring delivery of accurate records to all areas. This year, we finalised the *CONNECT* roadmap which will deliver enhanced functionality, usability and responsive mobile capability.

In addition to *CONNECT*, our *CallTouch* software continues to be used at the heart of Network Rail and Transport for London control rooms, with two new long-term support contracts secured this year. We also secured a two-year extension to the national Automatic Number Plate Recognition ('ANPR') database contract. This system holds several billion records and processes up to 35 million new 'reads' each day.

Healthcare screening
Our new *S4H* – screening for health – platform went live in December 2016. It removes the requirement for third party software and gives us greater flexibility to extend into other programmes and geographies. Around 160 hospitals went live on the new cloud-based solution overnight in March 2017, one of the most successful customer transitions the NHS has made in recent years. In newborn screening, we successfully agreed a five year extension to our work in Ireland where our service and software platform screens 65,000 babies each year. We first introduced this service seven years ago and now have a highly successful programme delivering early detection of potential hearing impairment and smooth onward referrals. Our new Diabetic Eye Screening solution went live across the whole of Scotland. The service screens 300,000 people per year for diabetes-related eye disease and went live on time to replace NHS Scotland's previous outdated solution.

Medical registries
We won a five year contract to deliver the National Joint Registry ('NJR'), which holds over two million records of implant surgeries. It allows the Healthcare Quality Improvement Partnership to monitor the quality, performance and price of hip, knee, elbow, ankle and shoulder joints and helps improve patient safety and outcomes. NJR data also supports the safe introduction of new implant devices into the market under the Beyond Compliance programme.

During 2016/17 we added a new registry to our customer base with a Neuromodulation register for the Neuromodulation Society of UK & Ireland. We will deliver a secure, cloud-based register to monitor patient outcomes from implant surgery for chronic pain relief and management.

DIRECTORS' REPORT

Activity and ownership

Principal activity
The principal activity of the Company is that of a holding company. The principal activity of the Group in which the company is a part of, is providing software and outsourcing services to its public sector clients in the areas of local government, public safety, health, housing and central government.

Identity of owners
*Cinven** is a leading international private equity firm, founded in 1977, with offices in London, Frankfurt, Guernsey, Hong Kong, Luxembourg, Madrid, Milan, New York and Paris. Funds managed by Cinven acquire companies with a European focus that will benefit from Cinven's expertise of growing and building companies globally and require an equity investment of €200 million or more. Its European focus and expertise are complemented by an ability to capitalise on global growth opportunities through its offices in Asia and the Americas. The firm focuses on six sectors: Business Services, Consumer, Financial Services, Healthcare, Industrials, and Technology, Media and Telecommunications (TMT). Cinven funds acquire successful, high-quality companies and work with them to help them grow and develop, using its proven value creation strategies. It takes a responsible approach towards its portfolio companies, their employees, suppliers and local communities, the environment and society.

**"Cinven" means, as the context requires, Cinven Group Limited, Cinven Partners LLP, Cinven (Luxco1) S.A., Cinven Limited, Cinven Capital Management (V) General Partner Limited and their respective Associates (as defined in the Companies Act 2006) and/or funds managed or advised by any of the foregoing.*

Governance and controls

Board composition
Royston Hoggarth, Chairman: Royston was appointed in January 2016. He has extensive experience as CEO and Chairman of companies in the IT, telecoms and financial services industries. He was formerly UK Managing Director for Hays plc; CEO of British Telecom's Global Services business; CEO for the UK, US and European subsidiaries of Cable & Wireless; and CEO, International, at LogicaCMG.

Stephen Callaghan, Chief Executive Officer: Stephen joined in September 2016 and is responsible for the company's overall strategic development. He has a strong track record of growing and transforming businesses, with particular expertise in software and services domains. He began his career as a commissioned officer in the British Army and studied electrical and electronic engineering at Cranfield University.

Alan O'Reilly, Chief Financial Officer: Alan is responsible for providing financial and business leadership and for helping to determine and deliver the company strategy. He is a chartered accountant and joined in December 2016 from GC Aesthetics. He has extensive international experience in senior finance roles in technology companies in Asia, the US, UK and Europe over a 20 year period.

David Barker: David leads Cinven's Technology, Media and Telecoms (TMT) sector team. He has been involved in numerous transactions including Allegro, Aprovia, CPA Global, Eutelsat, HEG, MediMedia, Northgate Public Services, Springer, Ufinet, Visma and Ziggo.

Chris Good: Chris is a member of Cinven's TMT sector team. He has been involved in a number of investments, including Amadeus, CPA Global, Hotelbeds, Northgate Public Services, Springer and Visma.

DIRECTOR'S REPORT

Financial review

Financial KPIs

Revenue	£163.5m
Recurring revenue	61%
Gross profit	£137.8m
Underlying EBITDA[5]	£35.1m
Capitalised development[6]	£9.2m
Days sales outstanding	12.5
Disputed debt	£0.5m

Revenue £163.5m (2015/16: £182.5m)

The 12 months to 30 April 2017 represents the second full year since the formation of the Group under Cinven's ownership and allows for comparability of revenues year on year. The realignment of the business around 'right revenue' in our core markets has led us to exit some contracts and to exit or wind down in certain sectors.

The main revenue streams are shown in the table below:

	Note	2016/17 £m	2015/16 £m
Continuing Business			
Software		18.2	22.3
Recurring and SaaS		**99.3**	**97.6**
Professional Services		19.2	25.3
Other		14.1	17.3
Total Continuing Business		150.8	162.5
Discontinued Business			
Customer Managed Contracts		6.3	11.8
Social Care & Front Office	1	6.0	8.2
Acquisitions			
HISL	2	0.4	-
Total Revenue		**163.5**	**182.5**

1. *Social Care and Front Office are legacy technology solutions and were significantly restructured in 2016/17. They are both in 'wind down' mode as of Q4 2017.*
2. *HISL was acquired on 3 March 2017.*

[5] See table on page 11 for reconciliation of Underlying EBITDA.
[6] Excluding impact of R&D tax credits.

DIRECTOR'S REPORT

Most revenue streams have seen a reduction in the 12 months to 30 April 2017 due to our deliberately exiting a number of contracts, notably Customer Managed Contracts, and winding down work in Social Care and on the Front Office CRM. In Safety, the revenue decline is also partly due to the profile of revenue recognition in long-term contracts where implementation timescales vary. Some *CONNECT* customers have delayed go-live plans into 2017/18 to match their operational requirements.

Importantly, recurring and SaaS revenues grew year on year. These revenues are vital in terms of long-term profitability and cash generation and include revenues from support and maintenance arrangements which is common in the software technology industry. We also include in this category revenue from multi-year arrangements where the software license is renewed each year and is highly predictable in terms of its recurring nature.

Gross profit £137.8m (2015/16: £154.6m)
There are two factors which have impacted Gross Profit in the reporting period which, whilst on a percentage basis is similar year on year, has in absolute terms reduced. Firstly, some of our services contracts, many of which have now been exited, showed a decline in profitability as a result of underlying volume changes or alterations to scope. Secondly, our customers are increasingly looking to spread the cost of their investments over a number of years and, as our contracts can last for three to five years or more, the Company has recognised revenue on a basis more consistent with that.

Underlying EBITDA of £35.1m (2015/16: £41.5m)
Underlying EBITDA of £35.1 million when compared to revenue stands at 22%, in line with previous years. This represents a consistent return and performance while we sharpen our focus on our core markets. We have continued to increase the capacity and capability of our Mumbai development facility, which gives us the ability to innovate quickly and cost effectively. Investment in development remains strong at £9.2 million this year, representing future expansion and technological improvement within our strategic product base.

Investment
Capitalised Development costs, excluding the impact of tax credits, in 2016/17 amounted to £9.2 million (2015/16: £10.2 million):

	2016/17	2015/16
	£m	£m
Government & Housing	5.2	5.7
Safety & Health	4.0	4.5
Total Capitalised Development	**9.2**	**10.2**

As a result, adjusted EBITDA (which represents underlying EBITDA after development costs) has fallen to £25.9 million and represents a slightly lower return of 16% against revenue when compared to previous years.

Cash and funding
On acquisition, the Company obtained new bank debt of £237.5 million on a seven year term, with a further £123.4 million funded through the issue of long term interest bearing Loan Notes, due in 2044. We have access to further committed credit facilities which are available to fund expansion through acquisition and support working capital requirements.

DIRECTOR'S REPORT

A combination of favourable debt facilities and strong historic cash generation makes us a robust partner for our customers as they continue to operate in an environment of budget restrictions and political uncertainty. In turn, this gives us a strong base for future organic and acquisitive growth.

The Company made significant improvements in its Accounts Receivable metrics during the year, including Days Sales Outstanding and the level of disputed accounts, which is a reflection of our improved governance:

	2016/17	**2015/16**
Days sales outstanding	12.5	18.0
Disputed accounts receivable - £m	0.5	2.0
Disputed accounts receivable - % of total	3.0%	8.0%

Non-recurring items

Following separation from a larger group in 2014 and the restructuring of the business in 2016/17 we have incurred £8.0 million of one-off costs in the year in relation to internal system implementations, restructuring and acquisition activity. We expect to incur significantly lower levels of such costs in future years.

Non-GAAP measures

The Company uses Underlying EBITDA as a key internal performance measurement. The adjustments to obtain the statutory operating (loss)/profit are:

	2016/17 £m	**2015/16 £m**
Underlying EBITDA	**35.1**	**41.5**
Non-recurring items	(8.0)	(6.5)
Depreciation and amortisation	(31.3)	(28.1)
Operating (loss) / profit	**(4.2)**	**6.9**

Directors

Directors serving office during the year:

Royston Hoggarth	(Appointed 20 December 2016)
Stephen Callaghan	(Appointed 10 November 2016)
Alan O'Reilly	(Appointed 6 December 2016)
David Barker	
Chris Good	
David Meaden	(Resigned 10 November 2016)
Andrew Coll	(Resigned 6 December 2016)

DIRECTOR'S REPORT

Risk

Risk assessment

We endeavour to provide our stakeholders 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 in-house data.

The Executive Committee and the Board have established ongoing processes for the identification, evaluation and management of the significant risks faced by the Company that accord with the Internal Control Guidance for Directors in the Combined Code (which only applies to UK listed companies but is used for best practice). Further independent assurance is available by auditors operating as required. All employees are accountable for operating within these policies.

The main operational risks for our business are:

Economic and market risk

The continued policy of austerity in the UK over the past year has created further challenges for the business. With our strong focus on developing IP-led software and services that improve customer efficiency we seek to mitigate any potential effects. The recent decision of the UK to leave the EU creates further uncertainty. Whilst any trade that we participate in with the EU is minimal, there is the possibility that the effects in the UK may lead to further austerity measures and potentially have an effect on the timing of new deals.

Corporate financial stability risk

Key to success is our ability to economically fund ongoing business as well as the ability to pay staff and suppliers and service debt. Management has a rigorous and ongoing monitoring of cash flow where we assess potential risks and the effect these may have on our ability to meet liabilities as they fall due. Through conducting stress testing and sensitivity analysis we continually assess the impact of potential risks in order to test the resilience of the business along with possible mitigating actions. We are confident of the effectiveness of these controls and their regulation of immediate cash flow impacts as well as longer-term impacts on sales growth and attrition. In broad terms, the business is reviewed over a three year period. There is inevitably greater uncertainty associated with a longer time period so our current assessment of continuing financial solvency and liquidity has been assessed over three years.

Information security risk

The security of information and technology infrastructure is crucial for maintaining the sensitive information of our customers. There are comprehensive policies and procedures in place as well as staff training and monitoring programmes to ensure that we protect the data of the company and its customers from theft, loss, destruction or alteration.

DIRECTOR'S REPORT

Internal control
Whilst the Board maintains full control and direction over appropriate strategic, financial, organisational, risk management and compliance issues, it has delegated to executive management the implementation of the systems of internal control within an established framework. The Board has put in place an organisational structure that formally defines lines of responsibility and delegation of authority. There are also established procedures for planning, capital expenditure, information and reporting systems and for monitoring business and performance of the Argon Topco Limited group.

Assurance
On behalf of the Board, the Audit Committee examines the effectiveness of the Company's:

- assessment of risk, by reviewing evidence of risk assessment activity and a report from the Company's auditors on the risk assessment process; and
- systems of internal control, primarily through agreeing the scope of any internal audit programme and reviewing its findings, reviews of the annual financial statements and a review of the nature and scope of the external audit.

Any significant findings or identified risks are closely examined so that appropriate action can be taken. External auditors are engaged to express an opinion on the financial statements. They review and test the systems of internal financial control and the data contained in the financial statements to the extent necessary to express their audit opinion. They discuss with management the reporting of operational results and the Company's financial position to the Audit Committee.

Compliance with reporting guidelines
As a private equity owned company, Argon Topco Limited and its subsidiary, Northgate Public Services Limited is committed to providing full and transparent reporting of its performance as detailed in the guidelines established by the Walker Review in 2007 and updated by the Guidelines Monitoring Group in 2010 and 2014.

Audit Committee
The Committee assists the Board in fulfilling its overview responsibilities, primarily reviewing the reporting of financial and non-financial information, the systems of internal control and risk management, and the audit process. It comprises two representatives from Cinven, David Barker and Chris Good, with attendance from members of the Executive Committee. The Audit Committee intends to meet at least twice a year. The terms of reference of the Audit Committee, including its role and the authority delegated to it by the Board, are available from the Company Secretary.

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

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

DIRECTOR'S REPORT

Financial resources
The Group has access to sources of capital that are sufficient to develop the business. Its funds are provided by a syndicate of leading banks and under the current agreement Argon Topco Limited can call on up to £44 million of unused facilities as at 30 April 2017. These arrangements and the recurring nature of much of the business give confidence over the Group's financial strength and provide the basis on which future investment decisions can be taken. The Board continually reviews the performance of its business and regularly reviews its investment or divestment strategies.

Donations
During the period the Group made no significant charitable donations and no political donations.

Relationships with key stakeholders
Northgate Public Services manages its relationships with key stakeholders as follows:

Customers
Customers have a nominated individual within NPS through which all customer contact is managed. Larger customers have dedicated account managers or teams that focus directly on customer needs. A number of active user groups are in place where customers can provide feedback on product performance, future requirements and issues of strategic significance.

Suppliers and partners
The Group undertakes reviews of its key suppliers and partners on a regular basis to ensure that maximum performance and value are being obtained, and that risk and reward are equitably shared. Northgate Public Services negotiates clear agreements within which the Group and its suppliers operate.

Significant events since the year end
Since the year end the Group has had no significant post balance sheet events requiring adjustments.

Other events since the year end
The Company has reached an agreement with OLM Group enabling them to use and market NPS' Social Care software. This allows the Northgate Public Services management team to focus on core growth markets as outlined in the Strategic Review whilst securing support services for our customers.

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

DIRECTOR'S REPORT

Operational KPIs

During the period under review, we established solid metrics to measure non-financial performance across a whole range of areas including customer satisfaction, staff welfare and environmental impact:

Service Level Agreement Compliance:	
Includes all known incidents	Average 88% (hitting 91% in Q4)
Service Desk Customer Satisfaction:	
Customers select score of 0-10	Average score 8.4
Gender diversity:	
% of female employees across UK and Ireland	44%
% of senior management who are female	25% (37% of senior appointments in 2016/17)
CO_2 emissions:	
Reduction in tonnes per quarter	68% (compared with the same second-half period in 2015/16)
Equipment recycling:	
% of electrical equipment reused or recycled	96%
Lost Time Injury incidence rate:	
Incidents per 1,000 members of staff	0.15 per quarter

Society, Environment and Human Rights

Equal opportunities and diversity

The Company aims to be an employer of choice for people from different backgrounds and through our policy and annual diversity training we promote respect for the individual and equality of opportunity for development and promotion. We give full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled it is Company policy, where practicable, to provide continuing employment under normal terms and conditions and it is the Company's policy to provide training, career development and promotion to disabled employees wherever appropriate.

As at 30 April 2017, 44% of the overall UK and Republic of Ireland workforce is female which compares favourably to the UK tech sector. Our senior management, consisting of the Executive Committee plus two levels below, is currently 25% female, and in the last 12 months 37% of external senior appointments have been female. Our Board of Directors (five members) is currently 100% male.

DIRECTOR'S REPORT

Employee engagement
We aim to build the capacity and capability of our people to deliver our growth plans and meet the needs of our customers. We do this by attracting, engaging, optimising and retaining talent. Our performance management and incentive programmes align individual and corporate goals and encourage internal succession planning and career development. Over the past year we have significantly improved our internal communications so employees have a clear sight of their contribution to our performance and are recognised for their success in meeting our values of Customer, Commitment and Collaboration.

All UK employees have the opportunity to elect members to an Employee Consultation Group (ECG). The ECG meets formally with management on a quarterly basis to discuss issues of importance, ensuring effective communication takes place with all employees. Management also meets with the ECG as often as necessary to consult on matters important to staff and the Company.

Human Rights
The Company acknowledges its responsibility as a commercial organisation under the Modern Slavery Act 2015 and has established policies and processes in place to ensure anti-slavery and human trafficking controls are in place within the business and our supply chain. The Company's statement in this regard is available on our website.

Health and safety
The Company has an established health and safety policy that focuses on the ability to measure performance and to pursue continuous improvement. The policy is reviewed regularly by the Health and Safety Manager and underpinned by inclusive governance and a robust management system.

Enhanced Health and Safety Training has been a focal point during the year, with improvements made to the information provided for new starters and site leads. In addition, improvements take advantage of enhanced systems and communications mechanisms that ensure risk continues to be managed and kept to a minimum, including:

- Automated forms and reporting;
- Automated reminders and record keeping for site health and safety information and training;
- Online access to guidance and policy via the upgraded company intranet.

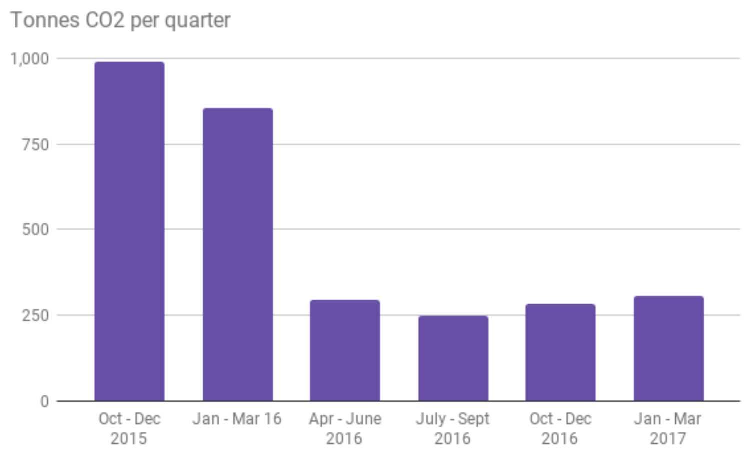
From October 2015, our improved reporting systems included tracking Lost Time Injury Incidence Rate (LTIIR). This is the number of lost time incidents per 1,000 employees per quarter. In the six months to April 2016 the rate was 0.59 incidents per quarter. This has been reduced to 0.15 incidents per quarter during the full year 2016/17.

Environment
Business travel and energy use in our properties make up most of our carbon footprint so we have established a number of initiatives to drive a reduction and track our progress.

We support our people and customers to look for low-carbon and environmentally sensitive ways to work. Our employees have access to mobile, remote and video conferencing technology as standard, which they are encouraged to use instead of travelling. We have significantly reduced business travel though these measures which have also been popular with staff, especially for internal meetings. We aim to further reduce business travel in the next year by continuing to promote a collaborative approach to working and by making video conferencing the norm.

DIRECTOR'S REPORT

Reduced environmental impact also forms a core part of our property strategy. During 2016/17 we have reduced our property portfolio, closing a number of older offices, making better use of others and moving to smaller, newer, more fuel-efficient properties. In addition, we have moved a significant amount of IT equipment from our offices to our data centre. There is some seasonal variation in energy use, however results show a 68% reduction against the baseline for a comparable six month period in the previous year:



As an IT company, we are particularly aware of the importance of sensitively disposing of electrical equipment. We operate a centralised IT recycling policy and wherever possible re-use equipment or we have it recycled. As a last resort, it is responsibly disposed of by a specialist recycling company. By the second half of the year, 97% of our redundant IT equipment was recycled or re-used, with the remainder disposed of according to Waste Electrical and Electronic Equipment recycling (WEEE) regulations.

Alan O'Reilly
Chief Financial Officer
22 August 2017

Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the EU.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group/Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group/Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Audit Opinion

Independent auditor's report to the members of Argon Topco Limited

We have audited the group and parent company financial statements of Argon Topco Limited for the year ended 30 April 2017 which comprise the Consolidated income statement, the Consolidated and Company Balance Sheet, the Consolidated statement of cash flows, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 18, the directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Annual review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report to the members of Argon Topco Limited, continued

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the EU of the state of the group's and parent company's affairs as at 30 April 2017 and of the group's loss for the year then ended; and

- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company; or

- proper returns adequate for our audit have not been received from branches not visited by us; or

- the company financial statements are not in agreement with the accounting records and returns; or

- we have not received all the information and explanations we require for our audit.

M Matthewman

Mark V Matthewman

for and on behalf of KPMG LLP
Chartered Accountants

23 August 2017

Consolidated income statement

Year ended 30 April 2017

	Notes	2017 £m	2016 £m
Revenue		163.5	182.5
Cost of sales		(25.7)	(27.9)
Gross profit		137.8	154.6
Operating expenses excluding non-recurring items	4	(102.7)	(113.1)
Underlying EBITDA *		**35.1**	**41.5**
Amortisation of acquired intangible fixed assets	10	(23.0)	(23.0)
Amortisation of other intangible fixed assets	10	(5.2)	(2.6)
Depreciation of tangible fixed assets	11	(3.1)	(2.5)
Operating profit before non-recurring items		**3.8**	**13.4**
Non-recurring items	**4**	(8.0)	(6.5)
Administrative expenses	4/6	(142.0)	(147.7)
Operating (loss)/profit		**(4.2)**	**6.9**
Financial income	7	-	0.2
Financial expenses	7	(40.1)	(35.6)
Net financing costs	7	**(40.1)**	**(35.4)**
Loss before taxation		**(44.3)**	**(28.5)**
Taxation	9	**3.1**	**4.5**
Loss for the year		**(41.2)**	**(24.0)**

**Underlying EBITDA represents profit before interest, taxation, depreciation of tangible fixed assets and amortisation of intangible fixed assets, and non-recurring items, details of which are contained within note 4.*

The notes on pages 26 to 70 form part of the financial statements.

Consolidated statement of comprehensive income

Year ended 30 April 2017

	Notes	2017 £m	2016 £m
Loss for the year		**(41.2)**	**(24.0)**
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit liability	16	(5.1)	(3.4)
Deferred tax on remeasurement of defined benefit liability	9	0.9	0.6
		(4.2)	(2.8)
Items that will be reclassified subsequently to profit or loss			
Foreign currency translation differences - foreign operations		0.6	-
Net change in fair value of interest SWAP		0.7	1.6
		1.3	1.6
Total comprehensive loss for the year		**(44.1)**	**(25.2)**

The notes on pages 26 to 70 form part of the financial statements.

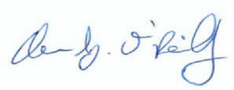
Consolidated and Company balance sheet

At 30 April 2017

		2017		2016	
		Group	Company	Group	Company
	Notes	£m	£m	£m	£m
Non-current assets					
Goodwill	10	234.1	-	233.6	-
Other intangible assets	10	149.9	-	168.9	-
Total intangible assets	**10**	**384.0**	**-**	**402.5**	**-**
Property, plant and equipment	11	6.3	-	8.4	-
Deferred tax assets	13	7.1	-	8.0	-
Investment	24	-	3.2	-	3.2
Total non-current assets		**397.4**	**3.2**	**418.9**	**3.2**
Current assets					
Inventories - goods for resale		-	-	1.0	-
Trade and other receivables	12	53.6	0.2	67.6	-
Cash and cash equivalents	14	10.9	-	17.6	-
Total current assets		**64.5**	**0.2**	**86.2**	**-**
Total assets		**461.9**	**3.4**	**505.1**	**3.2**
Shareholders' funds					
Shareholder equity	19	3.2	3.2	3.2	3.2
Hedging reserve		(0.9)	-	(1.6)	-
Retained earnings		(99.3)	-	(54.5)	-
Total Shareholders' funds		**(97.0)**	**3.2**	**(52.9)**	**3.2**
Non-current liabilities					
Interest-bearing loans and borrowings	15	254.0	-	238.7	-
Issued loan notes	15	135.3	-	123.4	-
Employee benefits	16	24.8	-	20.9	-
Provisions	17	3.2	-	3.7	-
Deferred tax liabilities	13	22.7	-	31.4	-
Total non-current liabilities		**440.0**	**-**	**418.1**	**-**
Current liabilities					
Interest-bearing loans and borrowings	15	1.0	-	1.3	-
Trade and other payables	18	117.9	0.2	138.6	-
Total current liabilities		**118.9**	**0.2**	**139.9**	**-**
Total liabilities		**461.9**	**3.4**	**505.1**	**3.2**

The notes on pages 26 to 70 form part of the financial statements.

The financial statements on pages 21 to 25 were approved by the board of directors on 22 August 2017 and were signed on its behalf by:



Alan O'Reilly
Chief Financial Officer
Argon Topco Limited, registered number: 117238

Consolidated statement of changes in equity

Year ended 30 April 2017

	Share capital £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 30 April 2015	**3.2**	**-**	**(27.7)**	**(24.5)**
Loss for the year	-	-	(24.0)	(24.0)
Other comprehensive income for the year:				
Remeasurement of defined benefit liability	-	-	(3.4)	(3.4)
Deferred tax on remeasurement of defined benefit liability	-	-	0.6	0.6
Net change in fair value of interest SWAP	-	(1.6)	-	(1.6)
Balance at 30 April 2016	**3.2**	**(1.6)**	**(54.5)**	**(52.9)**
Loss for the year	-	-	(41.2)	(41.2)
Other comprehensive income for the year:				
Remeasurement of defined benefit liability	-	-	(5.1)	(5.1)
Deferred tax on remeasurement of defined benefit liability	-	-	0.9	0.9
Foreign currency translation differences - foreign operations	-	-	0.6	0.6
Net change in fair value of interest SWAP	-	0.7	-	0.7
Balance at 30 April 2017	**3.2**	**(0.9)**	**(99.3)**	**(97.0)**

The notes on pages 26 to 70 form part of the financial statements.

Consolidated statement of cash flows

Year ended 30 April 2017

	Notes	2017 £m	2016 £m
Cash flows from operating activities			
Profit for the year before non-recurring items		3.8	13.4
Non-recurring items		(8.0)	(6.5)
Operating (loss)/profit		(4.2)	6.9
Adjustments for:			
Amortisation of acquired intangibles	10	23.0	23.0
Amortisation of post acquisition intangibles	10	5.2	2.6
Depreciation	11	3.1	2.5
Net cash from operating activities before changes in working capital and provisions		**27.1**	**35.0**
Foreign exchange movements		(0.9)	(0.7)
Decrease/(increase) in trade and other receivables		6.1	(1.4)
Decrease/(increase) in inventories		1.0	(0.5)
Decrease in trade and other payables		(20.2)	(2.9)
Increase in provisions and employee benefits		(2.6)	2.3
Net cash from operating activities before taxes paid		**10.5**	**31.8**
Cash flows from investing activities			
Acquisition of subsidiaries	2	(0.8)	-
Acquisition of intangible assets	10	(8.6)	(11.8)
Acquisition of property, plant and equipment	11	(1.0)	(2.7)
Net cash used in investing activities		**(10.4)**	**(14.5)**
Net cash from operations after investing activities		**0.1**	**17.3**
Tax paid		(0.6)	0.1
Net cash from operations after investing activities and before financing activities		**(0.5)**	**17.4**
Cash flows from financing activities			
Interest received		-	0.2
Interest paid		(18.0)	(20.8)
Proceeds from borrowings	15	16.0	-
Repayment of borrowings (RCF)		(3.0)	-
Payment of finance lease liabilities		(1.2)	(2.8)
Net cash from financing activities		**(6.2)**	**(23.4)**
Net decrease in cash and cash equivalents		**(6.7)**	**(6.1)**
Cash and cash equivalents at start of year		17.6	23.7
Cash and cash equivalents at end of year	14	**10.9**	**17.6**

The notes on pages 26 to 70 form part of the financial statements.

Notes to the consolidated financial statements

Year ended 30 April 2017

NOTE 1: ACCOUNTING POLICIES

Argon Topco Limited (the 'Company') is a private company incorporated, domiciled and registered in Jersey. The registered number is 117238 and the registered address is 11-15 Seaton Place, St Helier, Jersey, JE4 0QH.

Basis of preparation

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with IFRS; these are presented on pages 21 to 70.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and defined benefit pension schemes.

Going concern

The financial results relating to the Group have been prepared on the going concern basis. After making appropriate enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for at least one year from the date of these financial results. For these reasons they continue to adopt the going concern basis in preparing these financial statements.

Basis of consolidation

The Group's consolidated financial statements incorporate the financial statements of the Company and all of its subsidiary undertakings.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

1: Accounting policies, continued

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Retained earnings from foreign operations are translated to the functional currency at the balance sheet date with the resulting impact being recognised in the statement of comprehensive income.

Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade receivables (other than lease-book receivables) do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Lease-book receivables are stated net of unearned interest receivable, at their present value.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the Group's assets after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

1: Accounting policies, continued

Bank borrowings

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

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

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the statement of comprehensive income.

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.

Interest rate hedges

The Group has entered into an interest rate swap. The fair value of the interest rate swap is determined by an independent expert valuation provided by the issuing financial institution of the instrument.

Property, plant and equipment

Property, plant and equipment are stated at cost less any applicable discounts less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

1: Accounting policies, continued

Property, plant and equipment continued

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Leasehold improvements	Lesser of 50 years or life of the lease
Fixtures and fittings:	
• Non IT Office Equipment & Furniture	5 years
• Security, Fire & Environmental equipment	10 years
Equipment:	
• Servers & Associated Software	5 years
• Laptops, Desktops, Printers & Software	3 years
• Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Business combinations

For acquisitions, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

1: Accounting policies. continued

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software — 5-12 years
- Customer relationships — 10-12 years
- Order backlog assets — 2-10 years
- Capitalised development — 5 years
- Purchased software — 3 years

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition.

1: Accounting policies, continued

Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

1: Accounting policies, continued

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 the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Group determines the net interest 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 net defined benefit liability/(asset).

The discount rate is the yield, at the reporting date, on bonds that have a credit rating of at least AA and that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

1: Accounting policies, continued

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

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.

Onerous contract provisions

An onerous contract provision is recognised when the expected future benefits to be derived from a contract are exceeded by the expected cost of fulfilment of obligations under that contract.

Onerous lease provisions

An onerous lease provision is recognised when a property becomes vacant and covers the future rental obligations for that property.

Restructuring provisions

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

1: 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:

- persuasive evidence of an arrangement exists;
- the price to the customer is fixed or determinable;
- any services deliverable under the supply arrangement are clearly separable from the software supply;
- physical delivery has occurred or services have been rendered;
- contract milestones have been achieved; and
- 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 proportionally over the period that the services are provided with due regard for future anticipated costs. Payments received in advance of services are recorded on 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.

When equipment and software licences are sold on deferred payment terms that include a financing element, the present value of the amounts receivable, after calculating a deduction for maintenance, is recognised in revenue. Interest income arising, which represents the turnover from this financing operation, is included in revenue and recognised over the term of the lease.

1: Accounting policies, continued

When equipment is an equipment lease or interest in a software licence, revenue is taken on the sales value after deferral of income for future maintenance, where applicable.

Revenue for maintenance on equipment or software licences as described above is released to revenue over the period of the contract. The related interest is credited to profit over the same period and represents a constant proportion of the balance outstanding.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

1: Accounting policies, continued

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Share capital

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

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.

Adopted IFRS not yet applied

The following adopted IFRSs have been issued but have not been applied by the Group in these financial statements. The Group is currently assessing the effect of these standards on the financial statements.

- IFRS 15 Revenue from contracts with customers (European Union effective date 1 January 2018).
- IFRS 16 Leases (European Union effective date 1 January 2019).

The following adopted IFRSs have also been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements.

- Disclosure initiative – Amendments to IAS 7 (European Union effective date 1 January 2017).
- IFRS 9 Financial Instruments (European Union effective date 1 January 2018).

1: Accounting policies, continued

Company financial statements of the parent

In presenting the parent entity financial statements together with the group financial statements, the company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes as part of these approved financial statements. The Company's loss for the financial period was nil.

Non-GAAP performance measures

The board believe that these measures provide 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 interest, taxation, depreciation of fixed assets, amortisation of intangible assets, and non-recurring items which do not reflect the underlying trading performance of the Group.

Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Judgements made by management in the application of adopted IFRSs that have significant effect on the accounts and estimates with a significant risk of material adjustment in the next period are disclosed in note 26.

In particular, information about significant areas of estimation and uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 10 – Intangible fixed assets
- Note 13 – Deferred tax
- Note 16 – Employee benefits
- Note 17 – Provisions
- Note 21 – Financial instruments
- Note 26 – Accounting estimates and judgements

Revenue recognition and goodwill are discussed in the relevant sections of the accounting policies note.

1: Accounting policies, continued

Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the accounts.

NOTE 2: ACQUISITION OF COMPANY

On 3 March 2017, Northgate Public Services (UK) Limited (NPS UK) acquired the entire share capital of Health Information Systems (Holdings) UK Limited and its subsidiary Health Information Systems (UK) Limited (HISL) for an initial consideration of £0.8m. HISL is a specialist in the health screening markets and NPS UK had previously worked with the company to deliver a diabetic eye screening programme in Scotland. In the two months to 30 April 2017, the subsidiary contributed net profit of £0.2m to the consolidated loss for the year. If the acquisition had occurred on 1 May 2016, HISL would have contributed an estimated £1m to Group revenue and £0.3m to group net profit. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 May 2016.

The acquisition had the following effect on the Group's assets and liabilities.

	Recognised values on acquisition £m
Goodwill	0.5
Intangible asset - software	0.6
Goodwill and intangible addition	1.1
Trade and other receivables	0.6
Trade and other payables	(0.5)
Net identifiable assets and liabilities	0.1
Initial cash price paid	0.8
Contingent consideration at fair value	0.4
Total consideration	1.2
Surplus of consideration over net assets acquired	1.1

The intangible asset acquired as part of the acquisition relates to the software products developed by HISL, the fair value of which is dependent on estimates of attributable future revenues, profitability and cash flows, and are being amortised over ten years. The intangible asset has created a deferred tax liability of £0.1m.

Goodwill has arisen on the acquisition due to inherent value of the software and human resources owned and managed by HISL and the opportunity for synergies with the existing screening business and products of NPS UK.

2: Acquisition of company, continued

The Group has agreed to pay the vendors additional consideration of up to £1m in the event of business growth in specific areas and delivery on existing contracts. The estimated range of additional consideration payment is estimated to be between £0.3m and £0.8m. The group has included £0.4m as contingent consideration related to the additional consideration, which represents its fair value at the acquisition date.

NOTE 3: GROUP SEGMENTAL ANALYSIS

Geographic revenue split

	2017 £m	2016 £m
UK	148.9	170.7
Other	14.6	11.8
Total revenue	**163.5**	**182.5**

The group is predominantly UK based with other trading entities in Canada, Australia and India.

Income statement by cash generating unit

	2017				
	Government & Housing £m	Safety & Health £m	Central & RAVE £m	Holding Companies £m	Group £m
Revenue	121.1	37.9	4.5	-	**163.5**
Cost Of Sales	(18.4)	(3.4)	(3.9)	-	**(25.7)**
Gross Profit	**102.7**	**34.5**	**0.6**	**-**	**137.8**
Operating Costs	(60.3)	(30.0)	(12.4)	-	**(102.7)**
Underlying EBITDA *	**42.4**	**4.5**	**(11.8)**	**-**	**35.1**
Amortisation of acquired intangible fixed assets	-	-	-	(23.0)	**(23.0)**
Amortisation of post acquisition intangible fixed assets	(2.7)	(2.5)	-	-	**(5.2)**
Depreciation of tangible fixed assets	(0.9)	(0.8)	(1.4)	-	**(3.1)**
Significant restructuring, one-off items and property provisions	-	-	(8.0)	-	**(8.0)**
Operating (loss)/profit	**38.8**	**1.2**	**(21.2)**	**(23.0)**	**(4.2)**
Financial income	-	-	-	-	**-**
Financial expenses	-	-	(1.9)	(38.2)	**(40.1)**
Profit / (loss) before tax	**38.8**	**1.2**	**(23.1)**	**(61.2)**	**(44.3)**
Tax credit/(charge)	-	-	3.1	-	**3.1**
Profit / (loss) for the year	**38.8**	**1.2**	**(20.0)**	**(61.2)**	**(41.2)**

**Underlying EBITDA represents profit before interest, taxation, depreciation of tangible fixed assets and amortisation of intangible fixed assets, and non-recurring items, details of which are contained within note 4.*

3: Group segmental analysis, continued

	Government & Housing	Safety & Health	Central & RAVE	Holding Companies	Group
			2016		
	£m	**£m**	**£m**	**£m**	**£m**
Revenue	132.8	46.9	2.8	-	**182.5**
Cost Of Sales	(21.8)	(5.0)	(1.1)	-	**(27.9)**
Gross Profit	**111.0**	**41.9**	**1.7**	**-**	**154.6**
Operating Costs	(66.9)	(32.4)	(13.8)	-	**(113.1)**
Underlying EBITDA *	**44.1**	**9.5**	**(12.1)**	**-**	**41.5**
Amortisation of acquired intangible fixed assets	-	-	-	(23.0)	**(23.0)**
Amortisation of post acquisition intangible fixed assets	(1.7)	(0.9)	-	-	**(2.6)**
Depreciation of tangible fixed assets	(0.8)	(0.6)	(1.1)	-	**(2.5)**
Significant restructuring, one-off items and property provisions	-	-	(6.5)	-	**(6.5)**
Operating (loss)/profit	**41.6**	**8.0**	**(19.7)**	**(23.0)**	**6.9**
Financial income	-	-	0.2	-	**0.2**
Financial expenses	-	-	(1.9)	(33.7)	**(35.6)**
Profit / (loss) before tax	**41.6**	**8.0**	**(21.4)**	**(56.7)**	**(28.5)**
Tax credit/(charge)	-	-	4.5	-	**4.5**
Profit / (loss) for the year	**41.6**	**8.0**	**(16.9)**	**(56.7)**	**(24.0)**

**Underlying EBITDA represents profit before interest, taxation, depreciation of tangible fixed assets and amortisation of intangible fixed assets, and non-recurring items, details of which are contained within note 4.*

3: Group segmental analysis, continued

Non-current assets by cash generating unit

	2017				
	Government & Housing £m	Safety & Health £m	Central & RAVE £m	Holding Companies £m	**Group £m**
Non-current assets					
Goodwill	170.5	59.7	3.9	-	**234.1**
Acquired Intangible Assets	94.9	36.4	2.0	-	**133.3**
Purchased Software	1.0	-	-	-	**1.0**
Capitalised Development	8.7	6.9	-	-	**15.6**
Total intangible assets	**275.1**	**103.0**	**5.9**	**-**	**384.0**
Property, plant and equipment	1.3	2.0	3.0	-	**6.3**
Other receivables	-	-	7.1	-	**7.1**
Total non-current assets	**276.4**	**105.0**	**16.0**	**-**	**397.4**

	2016				
	Government & Housing £m	Safety & Health £m	Central & RAVE £m	Holding Companies £m	**Group £m**
Non-current assets					
Goodwill	170.4	59.4	3.8	-	**233.6**
Acquired Intangible Assets	114.2	40.8	2.2	-	**157.2**
Purchased Software	-	-	-	-	**-**
Capitalised Development	6.5	5.2	-	-	**11.7**
Total intangible assets	**291.1**	**105.4**	**6.0**	**-**	**402.5**
Property, plant and equipment	2.4	2.3	3.7	-	**8.4**
Other receivables	-	-	8.0	-	**8.0**
Total non-current assets	**293.5**	**107.7**	**17.7**	**-**	**418.9**

Operating segments

During the year, the Directors have reviewed and restructured the business to align products and services to end user markets. This resulted in a change to the way the segments are reported to and reviewed by the Board.

NOTE 4: GROUP OPERATING COSTS

	2017 £m	2016 £m
Purchase of goods for resale, raw materials and consumables	25.7	27.9
Other external operating charges	11.5	18.0
Staff costs		
- wages and salaries	80.4	83.7
- social security costs	6.2	7.5
- other pension costs defined contribution	4.0	3.2
- expenses related to defined benefit plans	0.6	0.7
Depreciation of owned assets	3.1	2.5
Amortisation of development costs and purchased software	5.2	2.6
Amortisation of acquired intangibles	23.0	23.0
	159.7	**169.1**
Severance and restructuring	6.4	3.8
One off acquisition advisory and separation costs	1.2	1.2
Other non-recurring items	0.4	1.5
Total non-recurring items	**8.0**	**6.5**
Total operating costs	**167.7**	**175.6**

One off costs in the current year relate to restructuring of the business, including redundancy and costs associated with property portfolio consolidation. One off costs in the prior year related to continued restructuring and separation activity following the acquisition of the business on 22 December 2014.

The Directors have reanalysed prior year other external operating charges and increased the prior year staff costs accordingly.

NOTE 5: GROUP DIRECTORS' EMOLUMENTS

	2017 £m	2016 £m
Compensation for loss of office	0.7	-
Directors' remuneration	1.0	1.1
Directors' emoluments	**1.7**	**1.1**

The directors of the group consist of five members. Management fees are paid to the controlling company for two non-executive directors. Notional emoluments of £0.2m (2016: £0.2m) are included for their services.

Two executive directors were appointed on 10 November 2016 and 6 December 2016 respectively. Their emoluments are paid by the group. The Chairman was appointed a non-executive Director on 20 December 2016.

5: Group directors' emoluments, continued

The aggregate emoluments, including compensation for loss of office, of the highest paid director in the year were £0.9m (2016: £0.6m). At 30 April 2017, no directors had benefits accruing under a defined benefit pension scheme (2016: one) and two directors had benefits accruing under a defined contribution pension scheme (2016: one).

NOTE 6: GROUP OPERATING LOSS / PROFIT

Included in loss are the following:

	2017 £m	2016 £m
Research and development - expenditure not capitalised	1.5	5.2
Amortisation of acquired intangible fixed assets	23.0	23.0
Amortisation of post acquisition capitalised development	5.2	2.6
Operating lease rentals - property rentals	1.5	1.5

Auditor's remuneration	2017 £m	2016 £m
Audit of these financial statements	0.1	0.1
Audit of subsidiaries pursuant to such legislation	-	0.1
Services relating to taxation	0.1	0.1
All other services	0.3	0.1
	0.5	**0.4**

NOTE 7: GROUP NET FINANCING COSTS

	2017 £m	2016 £m
Interest income - bank and other interest receivable	-	0.2
Finance income	-	0.2
Interest expense on bank loans and overdrafts	(18.5)	(18.3)
Interest expense on Payment in Kind notes issued	(19.5)	(14.8)
Net foreign exchange loss	(0.9)	(0.7)
Finance charges payable under finance leases	(0.2)	(0.3)
Interest on defined benefit pension plan liability (note 16)	(1.0)	(1.5)
Finance expenses	(40.1)	(35.6)
Net financing costs	(40.1)	(35.4)

NOTE 8: GROUP STAFF NUMBERS

The average number of persons employed by the Group (including Executive Directors) during the year, analysed by category, was as follows:

	2017 *Number*	2016 *Number*
Sales	66	81
Development	295	324
Rave Development	722	695
Operations	1,083	1,105
Support Functions	148	160
	2,314	2,365

Development relates to the creation and enhancement of software and is split between the UK based teams and the Rave Mumbai development centre. Operations refers to the delivery of services to clients, including the implementation and installation of software solutions.

Support functions include management, marketing, administration, legal, finance and human resources.

NOTE 9: GROUP TAXATION

Recognised in the income statement

	2017 £m	2016 £m
Current tax expense		
Current tax expense	(1.3)	(0.2)
Adjustment in respect of prior periods	(2.5)	0.2
Total current tax expense	(3.8)	-
Deferred tax credit (see note 13)		
Origination and reversal of temporary differences	4.9	4.5
Adjustment in respect of prior periods	1.5	-
Reduction in tax rate	0.5	-
Deferred tax credit	6.9	4.5
Total tax credit	**3.1**	**4.5**

Reconciliation of effective tax rate

	2017 £m	2016 £m
Loss before tax	(44.3)	(28.5)
Tax using the UK corporation tax rate of 19.92% (2016: 20.00%)	8.8	5.7
Non-deductible expenses	(1.2)	(1.4)
Non-taxable credits	2.1	-
Reduction in tax rate on deferred tax balances	0.5	-
Current year losses for which no deferred tax asset was recognised	(5.6)	-
(Under) / over provided in prior years	(1.1)	0.2
Effect of tax rates in foreign jurisdictions	(0.4)	-
Total tax credit	**3.1**	**4.5**

Deferred tax recognised in other comprehensive income

	2017	2016
Remeasurement of defined benefit liability	0.9	0.6

NOTE 10: GROUP INTANGIBLE FIXED ASSETS

	Acquired intangibles						
	Goodwill	Software	Customer relationships	Order backlog	Purchased software	* Capitalised development	Total
	£m	£m	£m	£m	£m	£m	£m
Cost:							
At 30 April 2015	233.6	108.0	75.2	4.7	-	3.2	424.7
Additions	-	-	-	-	-	11.8	11.8
At 30 April 2016	233.6	108.0	75.2	4.7	-	15.0	436.5
Additions	0.5	0.6	-	-	0.2	8.4	9.7
Reclassification	-	(6.3)	-	-	6.3	-	-
At 30 April 2017	**234.1**	**102.3**	**75.2**	**4.7**	**6.5**	**23.4**	**446.2**
Amortisation and impairment losses:							
At 30 April 2015	-	5.5	2.0	0.3	-	0.6	8.4
Amortisation charge for year	-	16.4	5.9	0.7	-	2.6	25.6
At 30 April 2016	-	21.9	7.9	1.0	-	3.2	34.0
Amortisation charge for year	-	16.3	5.9	0.8	0.6	4.6	28.2
Reclassification	-	(4.9)	-	-	4.9	-	-
At 30 April 2017	**-**	**33.3**	**13.8**	**1.8**	**5.5**	**7.8**	**62.2**
Net book value:							
At 30 April 2017	**234.1**	**69.0**	**61.4**	**2.9**	**1.0**	**15.6**	**384.0**
At 30 April 2016	233.6	86.1	67.3	3.7	-	11.8	402.5

**Including impact of R&D tax credits.*

On 3 March 2017, Northgate Public Services (UK) Limited acquired the full share capital of Health Information Systems (Holdings) UK Limited. See Note 2: Acquisition of company for details.

10: Group intangible fixed assets, continued

Impairment tests for cash-generating units containing goodwill

Cash-generating units containing goodwill are subject to annual impairment reviews.

Goodwill, customer relationships, technology based assets and marketing related assets have been allocated to the appropriate cash generating units (CGUs) identified. These have changed in the year following the restructuring within the business. Amounts recognised at the balance sheet date are shown in the tables below:

	Functional currency	Goodwill £m	Software £m	Customer Relationships £m	Order Backlog £m	Purchased software £m	Capitalised Development £m	Total £m
Government & Housing	GBP	170.5	47.4	44.6	2.9	1.0	8.7	275.1
Safety & Health	GBP	59.7	21.6	14.8	-	-	6.9	103.0
Rave & Central	GBP	3.9	-	2.0	-	-	-	5.9
At 30 April 2017		**234.1**	**69.0**	**61.4**	**2.9**	**1.0**	**15.6**	**384.0**

	Functional currency	Goodwill £m	Software £m	Customer Relationships £m	Order Backlog £m	Purchased software £m	Capitalised Development £m	Total £m
Government & Housing	GBP	170.4	61.6	48.9	3.7	-	6.5	291.1
Safety & Health	GBP	59.4	24.6	16.2	-	-	5.2	105.4
Rave & Central	GBP	3.8	-	2.2	-	-	-	6.0
At 30 April 2016		**233.6**	**86.2**	**67.3**	**3.7**	**-**	**11.7**	**402.5**

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

- **Long term average growth rates** are used to extrapolate cash flows. Growth rates are determined with reference to internal approved budgets and forecasts.
- **Discount rates** are calculated separately for each CGU and reflect the individual nature and specific risks relating to the market in which it operates. The discount rates used are stated in the sections below.
- **Gross margins** are based on past performance and management's expectations of market development. No improvements to margins beyond periods covered by approved budgets and forecasts have been assumed.
- **Attrition rates** based on historical attrition of revenue and numbers of customers were used for each CGU.

10: Group intangible fixed assets, continued

Software - The value of applications and technologies as at 23 December 2014 was £108.0m. The amortisation period is between 5-12 years depending on the market that the software is for and where it is in its life cycle. The discount rate applied was 13%.

Customer Relationships - The value of the customer base relationship and contract strength as at 23 December 2014 was £62.4m. The amortisation period is between 10 and 15 years, depending on the market, an assessment of the length of customer relationship and overall attrition rates. The discount applied varies by CGU: Government & Housing and Safety & Health 13% - 14%; Rave 17%.

Order Backlog - The value of the existing contracted orders as at 23 December 2014 was £4.7m. The amortisation period is between 2-10 years depending on the market and an assessment of the length of contracts. The discount applied varies by CGU: Government & Housing and Safety & Health 13% - 14%; Rave 17%.

The review of impairments is most sensitive to changes in the discount rate and growth rates. Sensitivity analysis has been carried out by reference to both these assumptions. This demonstrated that neither a 1% reduction in the growth rate, nor a 1% increase in a discount rate would lead to an impairment charge.

NOTE 11: GROUP PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £m	Fixtures, fittings, equipment and motor vehicles £m	Total £m
Cost:			
At 30 April 2015	1.3	7.7	9.0
Additions	0.5	2.2	2.7
Disposals	-	-	-
At 30 April 2016	1.8	9.9	11.7
Additions	-	1.0	1.0
Disposals	-	(0.2)	(0.2)
At 30 April 2017	**1.8**	**10.7**	**12.5**
Depreciation and impairment losses:			
At 30 April 2015	-	0.8	0.8
Depreciation charge for the year	0.2	2.3	2.5
Disposals	-	-	-
At 30 April 2016	0.2	3.1	3.3
Depreciation charge for the year	0.1	3.0	3.1
Disposals	-	(0.2)	(0.2)
At 30 April 2017	**0.3**	**5.9**	**6.2**
Net book value:			
At 30 April 2017	**1.5**	**4.8**	**6.3**
At 30 April 2016	1.6	6.8	8.4

11: Group property, plant and equipment, continued

The net book value of fixtures, fittings, equipment and motor vehicles includes £2.0m (2016: £2.2m) in respect of assets held under finance leases. Depreciation on these assets during the period was £0.5m (2016: £0.2m). The cost of property, plant and equipment is not materially different from the fair value.

NOTE 12: GROUP AND COMPANY TRADE AND OTHER RECEIVABLES

	2017		2016	
	Group £m	Company £m	Group £m	Company £m
Current assets				
Prepayments	10.3	-	8.6	-
Trade receivables	17.4	-	25.7	-
Tax recoverable	1.7	-	0.7	-
Accrued Income	23.1	-	28.9	-
Other receivables and prepayments	1.1	0.2	3.7	-
	53.6	**0.2**	**67.6**	**-**

All trade and other receivables are considered to be current (2016: current).

NOTE 13: GROUP DEFERRED TAX ASSETS AND LIABILITIES

The Group's deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Intangible assets	-	-	(22.7)	(31.3)	(22.7)	(31.3)
Property, plant and equipment	2.6	3.9	-	(0.1)	2.6	3.8
Provisions	0.3	0.5	-	-	0.3	0.5
Employee benefits	4.2	3.6	-	-	4.2	3.6
Net tax assets/(liabilities)	7.1	8.0	(22.7)	(31.4)	(15.6)	(23.4)

The Group has unused tax losses of £55.1m (2016: £26.8m) and tax credits of £0.6m (2016: £0.5m) for which no deferred tax asset is recognised. Unused tax losses relate to non-trade loan relationship debits and the Directors do not expect to offset these against future credits.

13: Group deferred tax assets and liabilities, continued

Movement in deferred tax during the year

	2017				
	30 April 2016	**Recognised in income**	**Recognised in equity**	**Acquired in business combination**	**30 April 2017**
	£m	**£m**	**£m**	**£m**	**£m**
Intangible assets	(31.3)	8.7	-	(0.1)	(22.7)
Property, plant and equipment	3.8	(1.2)	-	-	2.6
Provisions	0.5	(0.2)	-	-	0.3
Employee benefits	3.6	(0.3)	0.9	-	4.2
Total	**(23.4)**	**7.0**	**0.9**	**(0.1)**	**(15.6)**

	2016				
	30 April 2015	**Recognised in income**	**Recognised in equity**	**Acquired in business combination**	**30 April 2016**
	£m	**£m**	**£m**	**£m**	**£m**
Intangible assets	(35.9)	4.6	-	-	(31.3)
Property, plant and equipment	3.5	0.3	-	-	3.8
Provisions	0.2	0.3	-	-	0.5
Employee benefits	3.7	(0.7)	0.6	-	3.6
Total	**(28.5)**	**4.5**	**0.6**	**-**	**(23.4)**

NOTE 14: GROUP CASH AND CASH EQUIVALENTS

	2017	**2016**
	£m	**£m**
Cash and cash equivalents per balance sheet	10.9	17.6
Cash and cash equivalents in the cash flow statement	10.9	17.6

NOTE 15: GROUP INTEREST-BEARING LOANS AND BORROWINGS

	2017 £m	2016 £m
Non-current liabilities		
Secured bank loans	253.5	237.5
Unsecured loan notes	135.3	123.4
Finance lease liabilities	0.5	1.2
	389.3	362.1
Current liabilities		
Finance lease liabilities	1.0	1.3
	1.0	1.3

The Group's secured bank loans are secured by a cross guarantee and a fixed and floating charge over the assets of the various members of the Group. The cash interest rate applicable to the Sterling denominated bank loans is the greater of LIBOR or 1.00%, plus a margin which varies between 5.00% and 5.75%, depending on the business ratio of net debt to Underlying EBITDA*. All bank loans at the period end are due in Sterling.

Group bank loans are subject to the following covenant restriction:

- Ratio of consolidated net borrowings to Underlying EBITDA*

Failure to meet the covenant restriction results in all amounts outstanding, becoming immediately due and payable. There have been no breaches in covenants since the inception of the loans.

**Underlying EBITDA represents profit before interest, taxation, depreciation of tangible fixed assets and amortisation of intangible fixed assets, and non-recurring items, details of which are contained within note 4.*

Finance lease liabilities

Finance lease liabilities are payable:

	2017			**2016**		
Group	**Minimum lease payments £m**	**Interest £m**	**Principal £m**	**Minimum lease payments £m**	**Interest £m**	**Principal £m**
Less than one year	1.1	0.1	1.0	1.3	-	1.3
Between one & five years	0.5	0.0	0.5	1.3	0.1	1.2
	1.6	**0.1**	**1.5**	**2.6**	**0.1**	**2.5**

Under the terms of the lease arrangement, no contingent rents are payable.

NOTE 16: GROUP EMPLOYEE BENEFITS

	2017 £m	2016 £m
Total employee benefit liabilities - net defined benefit liability	24.8	20.9

For details on the related employee benefit expenses see note 4.

The Group contributes to the following post-employment defined benefit plans: The Northgate Public Services Pension Scheme and the Northgate HR Pension Scheme ('the Northgate Schemes') 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 the number of 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

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.

16: Group employee benefits, continued

Movements in the net defined benefit liability

	Defined benefit obligation 2017 £m	Fair value of plan assets 2017 £m	Net defined benefit liability 2017 £m	Defined benefit obligation 2016 £m	Fair value of plan assets 2016 £m	Net defined benefit liability 2016 £m
Balance at 1 May	**111.6**	**90.8**	**20.8**	**111.5**	**92.9**	**18.6**
Included in income statement						
Current service cost	0.6	-	0.6	0.7	-	0.7
Running costs	-	(0.4)	0.4	-	(0.2)	0.2
Interest cost	3.7	3.1	0.6	3.9	3.3	0.6
	4.3	**2.7**	**1.6**	**4.6**	**3.1**	**1.5**
Included in statement of comprehensive income						
Remeasurement loss (gain):						
Actuarial loss (gain) arising from:						
Financial assumptions	23.5	-	23.5	(0.6)	-	(0.6)
Changes in demographic assumptions	(3.3)	-	(3.3)	-	-	-
Experience adjustments	(3.2)	-	(3.2)	(1.1)	-	(1.1)
Return on plan assets excluding interest income	-	11.9	(11.9)	-	(5.1)	5.1
	17.0	**11.9**	**5.1**	**(1.7)**	**(5.1)**	**3.4**
Other						
Contributions paid by the employer	-	2.7	(2.7)	-	2.7	(2.7)
Benefits paid	(4.3)	(4.3)	-	(2.9)	(2.9)	-
	(4.3)	**(1.6)**	**(2.7)**	**(2.9)**	**(0.2)**	**(2.7)**
Balance at 30 April	**128.6**	**103.8**	**24.8**	**111.5**	**90.7**	**20.8**

16: Group employee benefits, continued

Plan assets

The plan assets are held 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:

	2017 £m	2016 £m
Equities	20.2	16.9
LDI Funds	15.6	8.0
Multi-asset credit	7.3	7.0
Property	10.2	9.7
Emerging marketing multi asset	9.5	8.1
Diversified growth funds	31.3	30.5
Cash invested	9.4	9.7
Cash in bank account	0.3	0.8
At 30 April	**103.8**	**90.7**

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, between the asset classes, at the measurement date, less expenses.

Defined benefit obligation

Actuarial assumptions

The principal actuarial assumptions at the balance sheet date were:

	2017 %	2016 %
Discount rate	2.5%	3.4%
Future salary increases	1.0%	1.0%
Retail price inflation	3.3%	2.8%
Consumer price inflation (CPI)	2.2%	1.8%
Future pension increases (2.5% LPI)	2.1%	2.0%
Future pension increases (5.0% LPI)	3.1%	2.8%

16: Group employee benefits, continued

The weighted average duration of the expected benefit payments is 18 years (2016: between 19-22 years) across the schemes. The current longevities underlying the values in the defined benefit obligation at the reporting date were as follows:

	2017 Years	2016 Years
Longevity at age 65 for current pensioners		
Males	22.3	22.7
Females	24.2	24.8
Longevity at age 65 for current members aged 45		
Males	23.7	24.5
Females	25.7	26.7

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the year would have been decreased/(increased) as a result of a change in the respective assumptions by 0.1% while holding all other assumptions constant.

	2017 £m Increase	2017 £m Decrease
Discount rate	(2.3)	2.3
Future pension growth	1.0	(1.0)
Inflation and related future pension growth	1.2	(1.2)
Future salary growth	-	(0.2)
CPI (deferred revaluation increases)	0.4	(0.4)
Life expectancy (1 year movement)	4.8	(4.7)

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.

The Group expects to pay £3.0m in contributions to its defined benefit plans in the year ending 30 April 2018.

Defined contribution arrangements

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £4.0m (2016: £3.9m). Amounts payable in respect of defined contribution arrangements at 30 April 2017 were £0.5m (2016: £0.5m).

NOTE 17: GROUP PROVISIONS

	2017			
	Property provision £m	Onerous lease provision £m	Onerous contract provision £m	Total £m
Balance at 30 April 2016	1.0	-	2.7	3.7
Recognised in the income statement	0.8	0.4	(0.5)	0.7
Utilised in the period	(0.3)	-	(0.9)	(1.2)
At 30 April 2017	**1.5**	**0.4**	**1.3**	**3.2**
Current	1.5	0.4	1.3	3.2
Non-current	-	-	-	-
At 30 April 2017	**1.5**	**0.4**	**1.3**	**3.2**

	2016				
	Property provision £m	Onerous lease provision £m	Restructuring provision £m	Onerous contract provision £m	Total £m
Balance at 30 April 2015	1.0	-	-	-	1.0
Recognised in the income statement	-	-	2.1	2.7	4.8
Utilised in the period	-	-	(2.1)	-	(2.1)
At 30 April 2016	**1.0**	**-**	**-**	**2.7**	**3.7**
Current	-	-	-	-	-
Non-current	1.0	-	-	2.7	3.7
At 30 April 2016	**1.0**	**-**	**-**	**2.7**	**3.7**

Property provisions

This relates to the expected settlement costs for dilapidations to properties held under operating leases.

Onerous lease provisions

During the year, the Group exited a number of properties and has made a provision for rental costs to the end of the current lease commitments.

Restructuring provision

The Group had previously provided for restructuring, and following the purchase by Cinven, these provisions were utilised in the previous period from the transaction to year end.

Onerous contract provision

The Directors have made provision for the net loss on customer contracts when it is expected that total contract costs will exceed revenues over the life of the contract.

NOTE 18: GROUP TRADE AND OTHER PAYABLES

	2017		2016	
	Group	Company	Group	Company
	£m	£m	£m	£m
Current liabilities				
Trade payables	11.7	-	21.7	-
Accruals	42.4	-	47.1	-
Deferred income	54.9	-	60.4	-
Social security and other taxation	8.0	-	7.8	-
Financial instruments	0.9	-	1.6	-
	117.9	**-**	**138.6**	**-**

All trade and other payables are considered to be current (2016: current).

NOTE 19: SHARE CAPITAL AND SHARE PREMIUM

	2017	2016
	£m	£m
Called up and fully paid:		
2,379,755 Class A1 Ordinary shares @ £0.01 each	-	-
5,113 Class B Ordinary shares @ £0.01 each	-	-
786,206 Class C Ordinary shares @ £0.01 each	-	-
8,750 Class D Ordinary shares @ £1.00 each	-	-
20,000 Class E Ordinary shares @ £0.01 each	-	-
Share Premium account	3.2	3.2
Total	**3.2**	**3.2**

The A1 Ordinary shares, B Ordinary shares, C Ordinary shares and D Ordinary shares rank equally in any distributions and all distributions by the Company shall, subject to the distribution rights of the E Ordinary shares, be apportioned between the holders of the A1 Ordinary shares, the B Ordinary shares, the C Ordinary shares and the D Ordinary shares in proportion to the number of A1 Ordinary shares, B Ordinary shares, C Ordinary shares and D Ordinary shares held by the relevant Shareholders at the relevant time.

If the Company receives any distribution(s) from Northgate Public Services Limited as a result of the Company's holding of preferred ordinary shares of £0.0001 each in the capital of that company, an equivalent amount is to be distributed (to the extent lawfully permissible) to the holders of the E Ordinary shares on a pro rata basis. Otherwise, the E Ordinary shares have no right to any distributions made by the Company.

19: Share capital and share premium, continued

Each holder of A1 Ordinary shares and D Ordinary shares has the right to receive notice of and attend a general meeting of the Company, and to vote at such meeting. Holders of B Ordinary shares, C Ordinary shares and E Ordinary shares do not have the right to receive notice of or attend a general meeting of the Company. The special rights attaching to any class of shares may only be varied or abrogated in certain circumstances, including with the sanction of an ordinary resolution passed at a separate general meeting of the holders of the relevant class of shares, in which case the holders of the relevant class of shares shall have the right to receive notice of, attend and vote at such general meeting.

On a return of capital (including on a winding up), the assets of the Company available for distribution shall, subject to the rights of the E Ordinary shares described below, be distributed amongst the holders of the A1 Ordinary shares, B Ordinary shares, C Ordinary shares and D Ordinary shares equally as if they constituted one class of share in proportion to the number of the A Ordinary shares, B Ordinary shares, C Ordinary shares and D Ordinary shares held at the relevant time. The E Ordinary shares shall have no entitlement on any return of capital of the Company other than on a winding up, in which case the distribution rights of the E Ordinary shares described above shall be satisfied before any return of capital is made.

None of the shares in the capital of the Company have a right to be redeemed.

On 27 April 2017, the Company issued 20,000 E Ordinary shares with a premium of £19,800.

NOTE 20: GROUP NET DEBT

Net debt includes cash and cash equivalents, secured bank loans and loan notes and finance lease liabilities.

	Notes	2017 £m	2016 £m
Cash and cash equivalents	14	10.9	17.6
Secured bank loans - non-current	15	(253.5)	(237.5)
Unsecured loan notes - non-current	15	(135.3)	(123.4)
Finance lease liabilities - non-current	15	(0.5)	(1.2)
Finance lease liabilities - current	15	(1.0)	(1.3)
		(379.4)	**(345.8)**

20: Group net debt, continued

Set out below is a reconciliation of cash and cash equivalents to the increase in net borrowings at 30 April 2017:

	2017 £m	2016 £m
Net decrease in cash and cash equivalents	6.7	6.1
Creation of unsecured loan notes	11.9	-
Drawdown of acquisition and capital facility	16.0	-
Movement in net borrowings resulting from cash flows	34.6	6.1
Capitalised finance costs	(1.0)	(1.6)
Movement in net debt in the year	33.6	4.5

NOTE 21: GROUP 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, foreign exchange risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) 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.

At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet, principally trade and other receivables. The Group provides credit to customers in the normal course of business. Past history suggests that no provision for impairment is required for trade and other receivables not past due.

21: Group financial instruments, continued

The ageing of trade receivables at the balance sheet date was:

Group	2017 £m Gross	2016 £m Gross
Not past due	9.1	12.9
Past due 0-30 days	6.2	9.1
Past due 31-60 days	1.2	3.0
Past due 61-90 days	0.6	0.4
Past due 90 days and above	0.3	0.3
	17.4	**25.7**

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2017 £m	2016 £m
At start	0.3	0.3
Additional bad debt provision	-	-
Utilised in the period	(0.1)	-
	0.2	**0.3**

(b) 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 policy is to undertake interest rate hedging to protect itself against adverse movements in interest rates (see note 21(g)). Any surplus cash is invested in short-term bank deposits at the prevailing rates of interest in order to achieve the market rate of return.

At 30 April 2017, the Group had a hedging contract in place to cover 56% of exposure to changes in interest rates over the next 2 financial years. The need for further interest rate hedges is reviewed by the Board of Directors annually. This is set out in detail in note 21(g). The fair value of the SWAP deal has been calculated at current market rates and is held on the balance sheet (see note 18).

At the period end the interest rate profile of the Group's interest-bearing financial instruments was:

Variable rate instruments	2017 £m	2016 £m
Secured bank loans	253.5	237.5

21: Group financial instruments, continued

As noted above, interest rate hedges are planned to be implemented to manage the risk from changing interest rates affecting the cost of these bank loans.

Fixed rate instruments	**2017 £m**	**2016 £m**
Finance lease liabilities	1.5	2.5

(c) Foreign exchange risk

The Group operates internationally and is exposed to foreign currency risk on transactions denominated in a currency other than the functional currency and on the translation of the balance sheet and income statement of foreign operations into sterling. The currencies giving rise to this risk are primarily Australian Dollar, Canadian Dollar and Euro. The Group has both cash inflows and outflows in these currencies that create a natural hedge.

Over the longer term permanent changes in foreign exchange could have an impact on consolidation of foreign subsidiaries earnings however we have determined that at present this would not have a material effect on the Balance Sheet position of the Group.

(d) 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 2017, £44.0m of undrawn facilities were available (see note 21(e)). At 30 April 2016, £47.0m of undrawn facilities were available.

21: Group financial instruments, continued

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.

		2017					
	Notes	Book Value £m	Less than 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4 years + £m
Secured bank loans	15	253.5	-	-	8.0	8.0	237.5
Unsecured Loan Notes	15	135.3	-	-	-	-	135.3
Finance lease liabilities *	15	1.5	1.0	0.4	0.1	-	-
Trade and other payables	18	11.7	11.7	-	-	-	-
Interest swaps used for hedging	21(f)	0.9	0.7	0.2	-	-	-
		402.9	**13.4**	**0.6**	**8.1**	**8.0**	**372.8**

		2016					
	Notes	Book Value £m	Less than 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4 years + £m
Secured bank loans	15	237.5	-	-	-	-	237.5
Unsecured Loan Notes	15	123.4	-	-	-	-	123.4
Finance lease liabilities *	15	2.5	1.3	0.8	0.3	0.1	-
Trade and other payables	18	21.7	21.7	-	-	-	-
Interest swaps used for hedging	21(f)	1.6	0.7	0.7	0.2	-	-
		386.7	**23.7**	**1.5**	**0.5**	**0.1**	**360.9**

**These liabilities bear interest at a fixed rate*

(e) Borrowing facilities

The Group has syndicated senior facility agreements with a number of banks and investment companies providing £297.5 million of available funding. These facilities were executed in January 2015. Of these facilities, the Group has the following available committed floating rate borrowing facilities at 30 April 2017 in respect of which all conditions precedent had been met at that date:

Variable rate instruments	2017 £m	2016 £m
Expiring between 2 and 10 years	44.0	47.0

21: Group financial instruments, continued

(f) Fair values of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset, or paid to transfer a liability 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 and Company take 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 measurement date. Fair value measurements and disclosures in these financial statements are determined on such basis except for leasing transactions that are within the scope of IAS 17.

In addition, fair value measurements are categorised into Level 1, 2, 3 based on the degree to which inputs to their fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in 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)

The fair values, together with the carrying amounts shown in the balance sheet, are as follows:

		2017		2016	
		Carrying amount	Fair value	Carrying amount	Fair value
	Notes	£m	£m	£m	£m
Trade receivables (level 3)	12	17.4	17.4	25.7	25.7
Cash and cash equivalents	14	10.9	10.9	17.6	17.6
Secured bank loans (level 2)	15	(253.5)	(253.5)	(237.5)	(237.5)
Unsecured loan notes (level 2)	15	(135.3)	(135.3)	(123.4)	(123.4)
Finance lease liabilities (level 3)	15	(1.5)	(1.5)	(2.5)	(2.5)
Interest SWAPS used for hedging (level 2)	21(d)	(0.9)	(0.9)	(1.6)	(1.6)
Trade payables (level 3)	18	(11.7)	(11.7)	(21.7)	(21.7)
		(374.6)	**(374.6)**	**(343.4)**	**(343.4)**

Estimation of fair values

The fair values of financial instruments reflect the market value at the balance sheet date. All other financial instruments are stated at their carrying values which are not materially different to the market value.

21: Group financial instruments, continued

(g) Hedging

The Group undertakes interest rate hedging to protect itself against adverse movements in interest rates. Hedging is put in place when significant amounts of borrowing are incurred. Hedging contracts are have been implemented to cover 56% of exposure to changes in interest rates over the next 2 financial years. The need for further interest rate hedges is reviewed by the Board of Directors annually.

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments:

	Expected cash flows 2017			
Interest rate swaps	**Carrying amount £m**	**Total £m**	**12 months or less £m**	**More than one year £m**
Assets	-	-	-	-
Liabilities	(0.9)	(0.9)	(0.7)	(0.2)
	(0.9)	(0.9)	(0.7)	(0.2)

	Expected cash flows 2016			
Interest rate swaps	**Carrying amount £m**	**Total £m**	**12 months or less £m**	**More than one year £m**
Assets	-	-	-	-
Liabilities	(1.6)	(1.6)	(0.7)	(0.9)
	(1.6)	(1.6)	(0.7)	(0.9)

(h) 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 (see note 15).

21: Group financial instruments, continued

At 30 April 2017, the Group's non-cancellable operating lease rentals are payable as follows:

	2017 Land and buildings £m	2016 Land and buildings £m
Within one year	1.9	0.2
Two to five years	3.8	4.3
Over five years	0.4	3.0
Total amount payable	6.1	7.5

One of the Group's leased properties has been sublet (2016: one). Based upon the existing sublease contracts, committed sublease payments of £0.3m (2016: £0.4m) are expected to be received by the Group over the terms of the underlying sublease.

NOTE 23: GROUP CONTINGENT LIABILITY

There are no significant contingent liabilities in the Group other than bank guarantees entered into in the normal course of business.

NOTE 24: COMPANY NON-CURRENT ASSETS

Company non-current assets for the years ended are:

	Investment £m
Cost:	
At 30 April 2015	3.2
Additions	-
At 30 April 2016	3.2
Additions	
Reclassification	
At 30 April 2017	**3.2**
Net book value:	
At 30 April 2017	**3.2**
At 30 April 2016	3.2

NOTE 25: GROUP RELATED PARTY TRANSACTIONS

The Group is ultimately owned by funds advised by Cinven Capital Management (V) General Partner Limited (Cinven). All transactions with other entities controlled by Cinven are carried out on an arm's length basis. During the current year, Cinven invoiced the Group for monitoring fees of £0.2m (2016: £0.2m). The remuneration of key management (main board directors) was £1.7m, inclusive of £0.2m payable to Cinven. The principal subsidiary undertakings at 30 April 2017, the nature of whose business is the sale of computer solutions and services (except as noted) and which are all wholly-owned were:

Name	Country of incorporation and operation
Northgate Public Services Limited	England and Wales
Argon NPS (Holdings) Limited	England and Wales
Argon NPS Limited	England and Wales
NPS (Holdings) Limited	England and Wales
Rave Technologies (India) Private Limited	India
Rave Technologies (UK) Limited	England and Wales
Rave Technologies USA Inc	USA, California
Northgate Public Services (UK) Limited	England and Wales
Techsas Limited	England and Wales
Health Information Systems (Holdings) UK Limited	England and Wales
Health Information Systems (UK) Limited	England and Wales
CIM Systems Limited	England and Wales
NPS (UK1) Limited	England and Wales
McDonnell Limited	England and Wales
PBSD Limited	England and Wales
Prolog Business Solutions Limited	England and Wales
Daman Limited	England and Wales
Blue 8 Technologies Limited	England and Wales
Blue 8 Technologies (UK) Limited	England and Wales
Blue 8 Systems Limited	England and Wales
Kendric Ash limited	England and Wales
Kendric Ash Trustees Limited	England and Wales
Northgate Public Services Pty Limited	Australia
SX3 Pty Limited	Australia
First Software Pty Limited	Australia
Northgate Public Services (Canada) Limited	Canada
SX3 Limited	Hong Kong
NPS (UK2) Limited	England and Wales

25: Group related party transactions continued

Name	Country of incorporation and operation
NPS (UK5) Limited	England and Wales
NPS (UK7) Limited	England and Wales
NPS (UK8) Limited	England and Wales
NPS (UK9) Limited	England and Wales
NPS (UK10) Limited	England and Wales
CME Software Systems Limited	England and Wales
CME Systems Limited	England and Wales
Ideal Technology Services Limited	England and Wales
Imasys Local Government Limited	England and Wales
Sheridan Systems Limited	England and Wales
Transform Systems & Solutions Limited	England and Wales
Micro Surveys Property Systems Limited	England and Wales
NPS (UK6) Limited	England and Wales
Business Computer Technology Limited	Scotland
Braid Hill Holdings Limited	Scotland
Braid Hill Software Limited	Scotland
MVM Holdings Limited	England and Wales
MVM Central Land Charges Company Limited	England and Wales
MVM Cleveland Limited	England and Wales
NPS (UK4) Limited	England and Wales
MVM Pickwick Limited	England and Wales
MVM Infrastructure Management Solutions Limited	England and Wales
NPS (UK3) Limited	Republic of Ireland
Microcentre Limited	Scotland
XBS Limited	England and Wales
SX3 Limited	Northern Ireland
First Software UK Limited	England and Wales
First Software Limited	England and Wales
SX3 Limited	Republic of Ireland

All registered offices for subsidiaries based in England and Wales are:

PeopleBuilding
People Building Estate
Maylands Avenue
Hemel Hempstead
HP2 4NW

25: Group related party transactions, continued

Registered offices for entities outside of England and Wales are:

Rave Technologies (India) Private Limited	3rd Floor, A Wing, Madhu Ind. Estate, Pandurang Budhkar Marg, Worli, Mumbai, 400013, India
Rave Technologies USA Inc	303 5th Avenue, New York, New York, 10016-6682, USA
Northgate Public Services Pty Limited	Level 4, 37 Pitt Street, Sydney, NSW 2000, Australia
SX3 Pty Limited	Level 4, 37 Pitt Street, Sydney, NSW 2000, Australia
First Software Pty Limited	Level 4, 37 Pitt Street, Sydney, NSW 2000, Australia
Northgate Public Services (Canada) Limited	340 Albert Street Suite, 1400 OTTAWA ON K1R 0A5 Canada
SX3 Limited (Hong Kong)	22nd Floor, Tai Yau Building, 181 Johnson Road, Wan Chai, Honk Kong
Business Computer Technology Limited	c/o Northgate, Mill Road Ind Estate, Linlithgow, West Lothian, EH49 7SF
Braid Hill Holdings Limited	c/o Northgate, Mill Road Ind Estate, Linlithgow, West Lothian, EH49 7SF
Braid Hill Software Limited	c/o Northgate, Mill Road Ind Estate, Linlithgow, West Lothian, EH49 7SF
NPS (UK3) Limited	Suites D3/D4, The Cubes Offices, Beacon South Quarter, Sandyford, Dublin 18
SX3 Limited (Northern Ireland)	Hillview House, 61 Church Road, Newtownabbey, Co Antrim BT36 7LQ
SX3 Limited (Republic of Ireland)	Suites D3/D4, The Cubes Offices, Beacon South Quarter, Sandyford, Dublin 18

NOTE 26: ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

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.

Pensions

Details of the principal actuarial assumptions used in calculating the recognised liability for the defined benefit plans are given in note 16. Changes to the discount rate, mortality rates and actual return on plan assets may necessitate material adjustments to this liability in the future.

26: Accounting estimates and judgements, continued

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 17 to the accounts contains 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.

Impairment of intangible assets, including goodwill

Following the acquisition of NPS (Holdings) Limited in December 2014, the Group has carrying values of goodwill and intangible assets, such as customer relationships, technology based assets and order backlog. Goodwill and other intangible assets are tested annually for impairment. The impairment tests involve estimation of future cash flows and the selection of a suitable discount rate. These require an estimation of the value-in-use of the cash generating units to which the intangible assets are allocated (note 10).

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.

26: Accounting estimates and judgements, continued

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. Amortisation of internally generated assets is charged to the income statement on a straight line basis over a useful economic life of five years, commencing from the date of capitalised development.

Taxation

The Group is subject to corporate taxes in numerous jurisdictions. Management is required to exercise significant judgement in determining the worldwide provision for corporate taxes. Certain transactions require the use of estimates and judgements to determine the financial effect where the ultimate tax determination is uncertain. When the final outcome of such matters is different, from previous estimates, such differences will impact on the corporate tax in the period in which the determination is made.

Argon Topco Limited
Registered number: 117238

Registered office
Argon Topco Limited
11-15 Seaton Place
St Helier
Jersey
JE4 0QH