

ZELLIS UK LIMITED

(FORMERLY NORTHGATEARINSO UK LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2019



ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
COMPANY INFORMATION

Directors	Nicholas Wain Alan Kinch John Petter	(Appointed 22 May 2013 and resigned 28 June 2019) (Appointed 29 June 2019) (Appointed 18 July 2018)
Secretary	Elizabeth Leppard	
Company number	01587537	
Registered office	Peoplebuilding 2 Peoplebuilding Estate Maylands Avenue Hemel Hempstead HP2 4NW	
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF	

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
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ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
STRATEGIC REPORT

FOR THE YEAR ENDED 30 APRIL 2019

The directors present the strategic report and financial statements for the year ended 30 April 2019.

Principal activity

Zellis UK Limited is a member of the Zellis Group ('group').

Throughout the year the principal activities of the company were the provision of outsourced payroll and HR services, the development and supply of IT solutions & software, and the provision of related consultancy and support services for Human Resources departments.

Business review

The Company was acquired by Zellis Holdings Limited (formerly Colour Bidco Limited), from the Group headed by Northgate Information Solutions Limited on 31st January 2018.

The majority of the UK business focuses on serving the UK midmarket sector and large local enterprise.

Turnover for the year ended 30 April 2019 has decreased by 6.4% to £100.6m (2018: £107.5m). Operating profit before exceptional items and the amortisation of intangibles and depreciation was £30.6m (2018: £24.3m), and the Profit before tax for the financial year was £3.5m (2018: loss £9.2m).

Net assets have reduced in the year following the adoption of IFRS15. The recognition of contract liabilities resulted in an increase to non-current liability of £40m. Non-current assets of £150.7m (2018 restated: £119.0m) include goodwill, Intellectual Property ('IP') value of developed software, IFRS15 contract assets and IFRS16 right-of-use assets recognised in the year. Current liabilities of £139.6m (2018: £131.9m) include a £87m balance payable to other companies in the group. The valuation of the defined benefit pension scheme is a net liability of £52.9m (2018: £44.5m).

The midmarket sector continues to show growth and the company continues to invest in its products and services.

Zellis has over 40+ years' experience of serving UK & Ireland organisations in the public and private sectors and currently has over 1,000 customers. These include 33 out of the FTSE 100 companies and equates to 5 million employees served and 60 million payslips per year.

Zellis is the market leader in the UK, helping organisations to align their people and talent strategy to their business strategy, as the trusted partner of HR decision makers when it comes to improving HR service delivery, through smarter processes and more efficient technology. Zellis has focussed on delivering additional value to existing customers through new services and modules. This strategic evolution allows Zellis to focus on its core strengths in the UK and Ireland, combining new solutions and enhancements with an impressive heritage and dominant market share.

Zellis's IP remains a key differentiator, as well as the foundation for our HR and Payroll service offerings. In 2019, Zellis picked up the Payroll and HR software product Award for the Resource link product at The Rewards 2019. Resource Link was awarded Payroll Product of the Year and Payroll Service Provider of the Year by the Chartered Institute of Payroll Professionals (CIPP) for the second year running. This was an endorsement of Zellis UK strategy, not just in software and service development but in the overall customer experience. As well as having the strongest payroll offering in the UK and Ireland, Resource Link covers the entire employee lifecycle integrating Payroll with Talent, HR, Reporting and Analytics and more with a superior user experience.

Future Developments

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

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

**ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
STRATEGIC REPORT (CONTINUED)**

FOR THE YEAR ENDED 30 APRIL 2019

Business Model and Strategy

Zellis operates a market segment-focused approach through which we go to market following two strategic segments: small & medium-sized business and mid-market. These segments play an increasingly important role in our growth strategy and in our overall go-to-market approach. Zellis UK Limited is primarily focused on the mid-market in the UK including large local enterprises.

Customer satisfaction has continued to be a focus area in FY19. For the year ahead we want to build on the foundation which was laid in the last three years with a single objective: growth. Customer satisfaction, delivery quality, and innovation will continue to drive our investment focus and our value proposition to the markets in which we operate.

Risks and uncertainties

The Board has overall responsibility for the company's approach to assessing risk and recognises that creating value is the reward for taking and accepting risk. Executive management implements the Board's policies on risk and control and provides assurance on compliance with these policies. This system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

The company's financial assets and liabilities mainly comprise cash, trade payables and receivables and other payables and receivables arising directly from operations.

The main operational risks are:

- Economic and market risk

The economic environment can affect the performance of the company's businesses in terms of both sales and costs. Through development of our products and services the company works to ensure that we deliver value to all our customers. The company works hard to mitigate the impact of external cost pressures on our customers and the company's overall profitability through the delivery of cost savings.

- Credit risk

The directors review and agree policies for managing credit risk, which is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company'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 company does not require collateral in respect of financial assets.

At the reporting date there were no significant concentrations of credit risk.

- Cyber security risk

Zellis has a highly skilled and dedicated team that closely manage the cyber security risk. A risk-based approach is adopted whereby all threats are analysed and monitored continuously such that mitigating controls are in place. Zellis has attained ISO 27001 (Information Security Management) accreditation status and follows NIST (National Institute for Standards and Technology) methodologies to ensure thorough and timely proactive response to threats and incidents.

- Liquidity risk

The company has returned to profit with an improved cash position compared to prior year. It is being funded by its ultimate parent company and participates in the group's syndicated Senior facility. Since the year end there has been cash injections from the ultimate parent company of £20m and additional loan of £10m. The company has also received written assurance from its parent company for financial and other support, with no repayment of intercompany liabilities within 12 months of the financial statements approval date.

**ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
STRATEGIC REPORT (CONTINUED)**

FOR THE YEAR ENDED 30 APRIL 2019

Impact of Brexit

The decision made by the UK to leave the European Union, or 'Brexit' as it has become known, does create some uncertainty for UK businesses. We have considered as part of our broader risk management, the potential impact of Brexit on our ability to service our clients if and when the UK transitions away from EU membership. The company's contracts, cashflows and finances are denominated entirely in sterling thus the exposure to foreign exchange rate shifts is limited. There is some indirect exposure to downshifts in the UK employment levels given we are a payroll and HR service providers and our software is used by organisations to pay UK based employees. The Group's main risk relating to Brexit is surrounding its customer base, more specifically the ability of customers to continue to trade and settle their liabilities as and when due. Due to the uncertainty of impact of Brexit across different industries it is not possible to fully understand the level of liquidity risk at this time. The management team is continuing to monitor the Brexit developments and will continue to look at ways to mitigate any risks as they arise.

On behalf of the board



Alan Kinch

Director

27 February 2020

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2019

The directors present their annual report and financial statements for the year ended 30 April 2019.

Results and dividends

The results for the year are set out on page 10.

No dividends were paid during the year (2018: £246k). The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Alan Kinch	(Appointed 29 June 2019)
John Petter	(Appointed 18 July 2018)
Nicholas Wain	(Appointed 22 May 2013 and resigned 28 June 2019)

Going concern

The Directors have a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements as detailed in note 2 on page 16 of the financial statements.

Pensions

The company participates in a defined contribution scheme, the assets of which are held separately from those of the company in independently administered funds.

The company also operates two defined benefit schemes, the Northgate HR Pension Scheme and the Rebus Group Pension Scheme, both of which are closed to new entrants. The trustee of the schemes is the corporate trustee, Northgate Pension Trustees Limited.

Actuarial valuations of the schemes are carried out triennially. The last valuation was as at 15 June 2019. The value of the deficit has been updated as at 30 April 2019, for the purposes of IAS 19, by an independent qualified actuary and amounts to £52.9m (2018: £44.5m). Extra contributions have been made and will continue to be made to the schemes by the company to reduce the deficit.

The company has established a joint working group with the Investment Sub-Committee of the Trustee to carry out a detailed review of investment strategy in light of current market conditions. The outcome of this review has led to the adoption of a liability driven investment strategy aimed at protecting returns over the long term whilst mitigating the effects of short-term volatility. The company is committed to working with the Trustee to keep the investment strategy under regular review and to explore ways of managing the pension assets and liabilities efficiently in the current economic climate.

Supplier payment policy

Business units are responsible for agreeing the terms and conditions under which they conduct transactions with their suppliers. The company does not have a code or standard concerning payment to suppliers.

Political donations

The company made no political donations and incurred no political expenditure during the year.

**ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
DIRECTORS' REPORT (CONTINUED)**

FOR THE YEAR ENDED 30 APRIL 2019

Disabled persons

It is the company's policy to treat people with disability on an equal basis for employment, development and promotion. Opportunities also exist for employees of the company who become disabled to continue their employment or to be trained for other positions in the company. An Equality Survey is conducted every two years.

Employee involvement

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

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and company newsletters. Employees are consulted regularly on a wide range of matters affecting their current and future interests. Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees

Statement of disclosure to auditor

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

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

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

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

On behalf of the board



Alan Kinch

Director

27 February 2020

**ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
DIRECTORS' RESPONSIBILITIES STATEMENT**

FOR THE YEAR ENDED 30 APRIL 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

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

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

By order of the Board of Directors and signed on behalf of the board:



Alan Kinch

Director

27 February 2020

**ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZELLIS UK LIMITED**

FOR THE YEAR ENDED 30 APRIL 2019

Opinion

We have audited the financial statements of Zellis UK Limited for the year ended 30 April 2019 which comprise the Income Statement, the Statement of comprehensive income, the Statement of Financial Position, the Statement of changes in equity and related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 April 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- and have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report set out on pages 1-5, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based

**ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZELLIS UK LIMITED (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2019**

on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

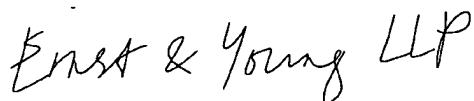
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee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

**ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZELLIS UK LIMITED (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2019**

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

Use of our report

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



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

Ernst & Young LLP
1 More London Place
London
SE1 2AF

27 February 2020

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2019

	Notes	2019 £000	2018 £000
Revenue	3	100,612	107,472
Operating costs	4	(96,860)	(96,932)
Operating profit		3,752	10,540
Operating profit before significant restructuring, one-off items, property provisions, amortisation of intangibles and depreciation of tangible fixed assets			
		30,618	24,257
Amortisation of intangible assets		(5,528)	(10,824)
Depreciation of tangible assets		(737)	(998)
Depreciation of leased assets		(4,474)	-
Significant restructuring, one-off items and property provisions	4	(16,127)	(1,895)
Operating profit		3,752	10,540
Interest receivable from group undertakings	8	3,349	38
Other investment income	8	2	11
Finance costs	9	(3,589)	(4,807)
Investments written off	14	-	(13,086)
Goodwill written off		-	(1,782)
Loss on sale of subsidiaries	14	-	(1,323)
Profit/(Loss) before taxation		3,514	(10,409)
Taxation	10	(3,006)	1,211
Profit/(Loss) for the financial year		508	(9,198)

The income statement has been prepared on the basis that all operations are continuing operations.

The notes on pages 15 to 52 form an integral part of these financial statements.

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2019

	2019	2018
	£000	£000
Profit/(Loss) for the year	508	(9,198)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Actuarial (loss)/gain on defined benefit pension schemes	(11,330)	9,991
Deferred tax arising on the actuarial loss recognised in the pension schemes	1,926	(1,860)
IFRIC 14 movement in pension deficit	-	(1,868)
Deferred tax arising on IFRIC 14 movement in pension deficit	-	318
Change in tax rates	-	162
Total items that will not be reclassified to profit or loss	<u>(9,404)</u>	<u>6,743</u>
Total comprehensive (loss) for the year	<u><u>(8,896)</u></u>	<u><u>(2,455)</u></u>

The notes on pages 15 to 52 form an integral part of these financial statements.

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
STATEMENT OF FINANCIAL POSITION

AS AT 30 APRIL 2019

	Notes	2019 £000	2018 £000 Restated
Non-current assets			
Intangible assets - goodwill	12	73,356	73,356
Other intangible assets	12	14,114	12,346
Property, plant and equipment	13	2,926	4,167
Right of use assets	15	12,059	-
Contract assets	3	13,636	-
Investments	14	15,501	15,501
Deferred tax asset	20	19,152	13,565
		<u>150,744</u>	<u>118,935</u>
Current assets			
Trade and other receivables	16	34,489	45,758
Cash and cash equivalents		<u>2,984</u>	<u>1,154</u>
		37,473	46,912
Current liabilities			
Trade and other payables	18	107,454	130,342
Lease liabilities	15	4,246	1,510
Contract liabilities	19	<u>27,937</u>	<u>-</u>
		<u>139,637</u>	<u>131,852</u>
Net current liabilities		<u>(102,164)</u>	<u>(84,940)</u>
Total assets less current liabilities		48,580	33,995
Non-current liabilities			
Trade and other payables	18	-	736
Lease liabilities	15	9,105	1,492
Contract liabilities	19	<u>40,129</u>	<u>-</u>
		<u>49,234</u>	<u>2,228</u>
Provisions for liabilities			
Retirement benefit obligations	22	52,890	44,504
Other provisions	21	1,472	1,396
		<u>54,362</u>	<u>45,900</u>
Net liabilities		<u>(55,016)</u>	<u>(14,133)</u>

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 APRIL 2019

	Notes	2019 £000	2018 £000
			Restated
Equity			
Called up share capital	23	20,010	20,010
Capital contribution		3,361	3,361
Retained earnings		<u>(78,387)</u>	<u>(37,504)</u>
Total equity		<u>(55,016)</u>	<u>(14,133)</u>

The notes on pages 15 to 52 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on and are signed on its behalf by:

A. R. 

Alan Kinch
Director
Company Registration No.
01587537

27 February 2020

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2019

	Notes	Share capital £000	Capital contribution £000	Retained earnings £000	Total £000
Balance at 1 May 2017		40,010	3,361	(18,861)	24,510
Restatement	12	-	-	(35,942)	(35,942)
Balance at 1 May 2017 (restated)		40,010	3,361	(54,803)	(11,432)
Year ended 30 April 2018:					
Loss for the year		-	-	(9,198)	(9,198)
Other comprehensive income		-	-	6,743	6,743
Dividends	11	-	-	(246)	(246)
Reduction in shares		(20,000)	-	20,000	-
Balance at 30 April 2018		20,010	3,361	(37,504)	(14,133)
Year ended 30 April 2019:					
Change in accounting policy	25	-	-	(31,987)	(31,987)
Profit for the year		-	-	508	508
Actuarial (loss) on defined benefit pension schemes		-	-	(11,330)	(11,330)
Deferred Tax arising on the pension actuarial loss		-	-	1,926	1,926
Dividends	11	-	-	-	-
Balance at 30 April 2019		20,010	3,361	(78,387)	(55,016)

The notes on pages 15 to 52 form an integral part of these financial statements.

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2019

1 General Information

Zellis UK Limited is a private company limited by shares incorporated and domiciled in England and Wales. The registered office is Peoplebuilding 2, Peoplebuilding Estate, Marylands Avenue, Hemel Hempstead, HP2 4NW. The company was formerly known as NorthgateArinso UK Limited and changed its name to Zellis UK Limited on 21 January 2019.

2 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

- the requirements of IAS 7 Statement of Cash Flows;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting policies, Changes in Accounting Estimates and Errors to disclose a new IFRS that has been issued but not yet effective; and
- the requirements of paragraph 17 and 18A to disclose key management personnel compensation.
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

As the consolidated accounts of Zellis Holdings Limited include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share Based Payments in respect of group settled share-based payments
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated; and
- disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures as a non-financial institution.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

As at 30 April 2019, Zellis UK Limited was a wholly owned subsidiary of Zellis Holdings Limited (formerly Colour Bidco Limited) and the results of Zellis UK Limited are included in the consolidated financial statements of Zellis Holdings Limited which are available from its registered office: Peoplebuilding 2, Maylands Avenue, Hemel Hempstead, HP2 4NW.

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

2 Accounting policies(continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic review on page 1-3. In addition, note 24 to the financial statements includes the wider Group's long-term debt position. Notwithstanding the net current liabilities of £102m (2018: £85m) and net liabilities of £55m (2018: £14m), the Company's financial statements are prepared on a going concern basis for the following reasons:

The Company has made a profit for the year of £508k and generated Operating profit (before significant restructuring, one-off items, property provisions, amortisation of intangibles and depreciation of tangible fixed assets) of £30.6m. One off exceptional cost includes restructuring costs and separation spend of which will not be ongoing in the longer term. Since the year end there has also been cash injections from the ultimate parent company of £20m and additional loan of £10m to the group.

The Directors have considered the cash flow of the Company for a period of twelve-month from the date of approval of these financial statements. Given that the cash generated by the Company will be used to service external loans of the group (held in other group companies), cash available to the company to meet its obligations is impacted by the liabilities of the wider group. Accordingly, the directors manage the cash flow of the company together with the cash flow of the wider group headed by Zellis Topco Limited and have prepared forecasts for the twelve-month period from the date of approval of these financial statements for the group headed by Zellis Topco Limited, which indicate the group should be able to operate within its current revolving facility. These forecasts have been prepared on the basis that the preference shareholders of Zellis Topco Limited will not call upon Zellis Topco Limited to redeem the preference shares or demand payment of the preference dividend. Zellis Topco Limited has received written assurance from the holders of preference shares that they will not call upon the Company to redeem preference shares or to pay the preference dividend for a period of at least 12 months from the date of signing of the company financial statements.

Going concern of the company is thus dependent on availability of short-term funding from the group, if needed, and also upon the group companies not seeking repayment of the amounts currently due to the group companies, which at 30 April 2019 amounted to £87m. The Company has received written assurance from Zellis Topco Limited that the group entities will not seek repayment of these amounts for a period of at least 12 months from the date of signing of the company financial statements and will provide such financial assistance to the company as it is necessary for it to continue as a going concern and to settle its liabilities as and when due for the period of at least twelve months from the date of approval of these financial statements.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for a period of at least twelve months from the date of signing of these financial statements. Therefore, these accounts have been prepared on a going concern basis.

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

2 Accounting policies (continued)

Revenue

The recognition of the company's revenue was in line with the group's policy on revenue recognition, which is as follows:

The Group generates revenue from three types of services:

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

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

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

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

The Group recognises revenue based on 5 basic principles described in IFRS 15:

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

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

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

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

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

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

2 Accounting policies (continued)

Provisions on contract losses

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

New and amended standards and interpretations

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

Impact of application of IFRS 15 Revenue from Contracts with Customers

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

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

IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios, such as incremental costs of obtaining a contract, costs directly related to fulfilling contracts, dealing with licenses, material rights of customers to future services and variable consideration. Impact of the new requirements on the company's financial statements are described in note 25.

IFRS 16 Leases

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

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

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

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

2 Accounting policies (continued)

IFRS 9 Financial Instruments

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

The company has applied IFRS 9 retrospectively, with the initial application date of 1 May 2018 and adjusting the comparative information for the period beginning 1 September 2017.

There has been no material effect of adopting IFRS 9 other than reclassifications in the statement of financial position.

Classification and measurement

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

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

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

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

Prior year restatements

The accounts have been restated to incorporate the impact of previously disposed of investments. As a result, goodwill and opening reserves have been adjusted (note 12).

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

2 Accounting policies (continued)

Critical judgements

Revenue recognition

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

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

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

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

Deferred tax impacts of these changes are nil.

Sales commissions are incremental costs to obtain a contract and hence, where significant, are deferred and released over the life of the contract. There was no impact of the new accounting standard IFRS 15 on the company's income statement or statement of financial position.

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

Leases – Estimating the incremental borrowing rate

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

Key sources of estimation uncertainty

Pensions

Details of the principal actuarial assumptions used in calculating the recognised liability for the defined benefit plans are given in note 22. Changes to the discount rate, mortality rates and actual return on plan assets may necessitate material adjustments to this liability in the future.

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

2 Accounting policies (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 21 to the accounts contains information about the assumptions made concerning the companies' provisions.

Recognition of internally generated intangible assets from development

Under IAS38, internally generated intangible assets from the development phase are recognised if certain conditions are met. These conditions include the technical feasibility, intention to complete, the ability to use or sell the asset under development and the demonstration how the asset will generate probable future economic benefits. The cost of a recognised internally generated intangible asset comprises all directly attributable cost necessary to make the asset capable of being used as intended by management. In contrast, all expenditures arising from the research phase are expensed as incurred.

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

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

Impairment of intangible assets, including goodwill

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 12).

Development Costs

The amortisation rate for development costs is 5 years, based on the useful life of the assets.

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Purchased goodwill arising on business combinations in respect of acquisitions before 1 January 1998, when Financial Reporting Standard 10 Goodwill and intangible assets was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

2 Accounting policies (continued)

Intangible assets other than goodwill

Other intangible assets excluding goodwill

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

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the company's software development is recognised only if all of the following conditions are met:

- a) an asset is created that can be identified;
- b) it is probable that the asset created will be technically and commercially feasible;
- c) the company has sufficient resources to complete development;
- d) the asset will generate future economic benefits; and
- e) the development cost of the asset can be measured reliably.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over a useful economic life of 3-5 years, commencing from the date the asset is first ready for use.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally-generated goodwill and brands, is recognised in the income statement when incurred.

Amortisation

Amortisation is charged to the profit and loss account 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 reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Purchased/developed software	5 years
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Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

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

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

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the income statement.

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

2 Accounting policies (continued)

Non-current investments

Investments in subsidiary undertakings are stated at cost unless, in the opinion of the directors, there has been impairment to their value in which case they are immediately written down to their estimated recoverable amount.

Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

2 Accounting policies (continued)

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

**ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 30 APRIL 2019

2 Accounting policies (continued)

Equity instruments

Following the adoption of IAS 32, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivation that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost is correspondingly recognised in the profit and loss account over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholder's funds are dealt with as appropriate in the reconciliation of movements in shareholder's funds.

Taxation

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

Current tax

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 reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

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 reporting 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.

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

2 Accounting policies (continued)

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement 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 profit and loss account 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 company's net obligation in respect of defined benefit pension plans is calculated 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 company 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 that have maturity dates approximating the terms of the company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements 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 company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

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 company, the recognised asset is limited to the present value of benefits recoverable in the form of any future refunds from the plan or reductions in future contributions.

ZELLIS UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

2 Accounting policies (continued)

Leases

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

Zellis UK as a lessee

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

Right-of-use assets

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

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

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

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 30 APRIL 2019

2 Accounting policies (continued)

Finance costs

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

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

Foreign exchange

Transactions in foreign currencies are translated to the company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Financial guarantee contracts

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements, and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Non-GAAP performance measures

The board have presented 'Operating profit before significant restructuring, one-off items, property provisions, amortisation of intangibles and depreciation of tangible fixed assets' as an adjusted profit measure. They believe that this measure provides additional useful information for the shareholders on the underlying performance of the business. These measures are consistent with how business performance is monitored internally. The adjusted operating profit is not a recognised profit measure under adopted IFRS and may not be directly comparable with 'adjusted' profit measures used by other companies.

ZELLIS UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

3. Revenue

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

	2019 £'000	2018 £'000
Continuing operations		
Licence, support and payroll services (UK)	100,612	107,472
	2019 £'000	2018 £'000
Deferred Income /costs to contract assets & liabilities		
Contract assets - current	5,929	277
Contract asses – non-current	13,636	20,490
Contract liabilities - current	(27,937)	(27,458)
Contract liabilities – non-current	(40,129)	(44,485)
Net contract assets (liabilities)	<u>(48,501)</u>	<u>(51,176)</u>

While 2018 figures are not restated for IFRS 15 in the primary statements, they are presented in this note as if IFRS 15 was applied to provide a more relevant comparison.

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

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

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

	2019 £'000	2018 £'000
Revenue recognised in relation to contract liabilities		
Revenue recognised that was included in the contract liability balance at the beginning of the periods	<u>27,458</u>	<u>27,743</u>

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

	2019 £'000	2018 £'000
Unsatisfied long-term contracts		
Aggregate amount of contracts partially or fully unsatisfied as at 30 April	<u>206,914</u>	<u>-</u>

ZELLIS UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

3. Revenue (continued)

Management expects that of the transaction price allocated to the unsatisfied contracts as of 30 April 2019 of £206m will be recognised as revenue in the next five reporting periods. £80.3m, £50.4m, £34.6m, £24.1m, £14.8m and £2.6m will be recognised as revenue in reporting periods ending 30 April 2020, 30 April 2021, 30 April 2022, 30 April 2023, 30 April 2024 and 30 April 2025 respectively.

	2019	2018
	£'000	£'000
Assets recognised from costs to fulfil a contract		
Asset recognised from costs incurred to fulfil contracts at 30 April	19,565	20,767
Amortisation recognised as cost of providing services during the period	5,588	4,841
	<u>19,565</u>	<u>20,767</u>
 Contract Assets Current	 5,929	 277
Contract Assets Non -Current	13,636	20,490
	<u>19,565</u>	<u>20,767</u>

Performance obligations

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

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

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

4 Operating costs

	2019	2018
	£000	£000
Operating (loss)/profit for the year is stated after charging/(crediting):		
- Wages and salaries	44,544	47,346
- Social security costs	4,565	5,020
- Pension costs	5,130	3,525
Amortisation of intangible assets	5,528	10,824
Depreciation of property, plant and equipment	737	998
Depreciation of Leased assets	4,474	-
Operating lease rentals		2,226
Research and development costs	1,679	2,849
Other operating charges	13,054	8,183
Management fee charges	1,024	13,974
Loss on disposal of property, plant and equipment	-	92
Non-recurring costs:		
- Impairment of investment in subsidiary	-	-
- Business transformation and integration	16,127	753
- Property provisions	-	1,142
	<u>96,860</u>	<u>96,932</u>

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

On 14 October 2019, a new transfer pricing arrangement was agreed between the company and ProIV LLC which was effective from 1 February 2018. As a result, there is an adjustment in the current year adjusting for the previously recognised balances under the old transfer pricing arrangement.

5 Auditor's remuneration

	2019	2018
	£000	£000
Fees payable to the company's auditor:		
For audit services		
Audit of the financial statements of the company	<u>197</u>	<u>43</u>

Amounts paid to the company's auditor in respect of services to the company other than audit of these financial statements have not been disclosed as the information is instead disclosed on a consolidated basis in the financial statements of Zellis Holdings Limited.

6 Directors' remuneration

The directors remuneration in respect of services to the company have not been disclosed as the information is instead disclosed in the consolidated financial statements of the parent entity , Zellis Holdings limited .

ZELLIS UK LIMITED
(FORMERLY NORTHGATEARINSO UK LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

7 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Sales	77	82
Managed services	463	439
Technology support	329	288
Implementation services	163	165
Administration	84	66
	<u>1,116</u>	<u>1,040</u>

8 Finance income

	2019 £000	2018 £000
Interest income		
Interest on bank deposits	2	11
Interest receivable from group companies	3,349	38
Total income	<u>3,351</u>	<u>49</u>

ZELLIS UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

9. Finance costs

	2019	2018
	£000	£000
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	354	1,058
Interest on finance leases and hire purchase contracts	979	109
Interest payable to group undertakings	921	2,172
	<u>2,254</u>	<u>3,339</u>
Interest on other financial liabilities:		
Interest on the net defined benefit liability	1,052	1,320
	<u>3,306</u>	<u>4,659</u>
Total interest expense		
	<u>3,306</u>	<u>4,659</u>
Other finance costs:		
Unwinding of discount on provisions	112	23
Foreign exchange loss	171	125
	<u>3,589</u>	<u>4,807</u>
Total finance costs		
	<u>3,589</u>	<u>4,807</u>

10. Tax

	2019	2018
	£000	£000
Current tax		
Adjustments in respect of prior periods	116	16
Payments in respect of Group relief	-	-
Total Current Tax	<u>116</u>	<u>16</u>
Deferred Tax		
Origination and reversal of temporary differences	1,882	(1,742)
Changes in tax rates	(198)	183
Adjustment in respect of prior periods	1,206	332
	<u>2,890</u>	<u>(1,227)</u>
Total Deferred Tax		
	<u>2,890</u>	<u>(1,227)</u>
Total Tax charge/(credit)		
	<u>3,006</u>	<u>(1,211)</u>

ZELLIS UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

10 Income tax expense (continued)

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

	2019	2018
	£000	£000
Profit /(Loss) before taxation	3,514	(10,409)
Expected tax charge/(credit) based on a corporation tax rate of 19.00% (2018: 19.00%)	667	(1,978)
Effect of expenses not deductible in determining taxable profit	179	236
Adjustment in respect of prior years	1,323	16
Effect of change in UK corporation tax rate	(198)	183
Group relief	1,035	-
Deferred tax adjustments in respect of prior years	-	332
Payments made for group relief	-	-
Taxation charge/(credit) for the year	3,006	(1,211)

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

	2019	2018
	£000	£000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	1,926	1,380

Reductions in the UK corporation tax rate from 19% to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

11 Dividends

	2019	2018
	£000	£000
Amounts recognised as distributions to equity holders:		
Ordinary		
Interim dividend paid	-	246

No dividends have been proposed or paid for the year.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

12 Intangible fixed assets

	Restated Goodwill £000	Software £000	Total £000
Cost			
At 30 April 2017	111,080	45,052	156,132
Prior year adjustment	(35,942)	-	(35,942)
At 1 May 2017 restated	75,138	45,052	120,190
Additions - internally generated	-	11,737	11,737
Written off	-	(4,483)	(4,483)
At 30 April 2018 Restated	75,138	52,306	127,444
Additions	-	10,775	10,775
Transfers to right to use assets	-	(3,821)	(3,821)
At 30 April 2019	75,138	59,260	134,398
Amortisation and impairment			
At 30 April 2017	-	32,659	32,659
Charge for the year	1,782	10,824	12,606
Written back	-	(3,523)	(3,523)
At 30 April 2018 Restated	1,782	39,960	41,742
Charge for the year	-	5,528	5,528
Transfers to right to use assets	-	(341)	(341)
	1,782	45,146	46,928
Carrying amount			
At 30 April 2019	73,356	14,114	87,470
At 30 April 2018 restated	73,356	12,346	85,702

**ZELLIS UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 30 APRIL 2019

12. Intangible Fixed assets (continued)

Prior year adjustments

The accounts have been restated to incorporate the impact of previously disposed of investments. A review has been undertaken and the goodwill associated to the disposed Business units have been written off to opening reserves to amounts totalling £35.9m. This relates to the following that are no longer part of the Zellis business structure:

- Pension Advisory Business acquired in 2002;
- Customer Base acquired in 2007 relating to capital unipay;
- Personal Computer Systems limited acquired in 2008;
- Arinso UK acquired in 2009;
- Arinso People services acquired in 2009;

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

13 Property, plant and equipment

	Short leasehold improvements	Fixtures, fittings and office equipment	Total
	£000	£000	£000
Cost			
At 30 April 2018	1,009	7,594	8,603
Additions	-	444	444
Disposals	-	-	-
Written off	(10)	-	(10)
Transfers		(3,978)	(3,978)
At 30 April 2019	<u>999</u>	<u>4,060</u>	<u>5,059</u>
Accumulated depreciation and impairment			
At 30 April 2018	369	4,067	4,436
Charge for the year	109	628	737
Eliminated on disposal	-	-	-
Written off	(10)	-	(10)
Transfers	-	(3,030)	(3,030)
At 30 April 2019	<u>468</u>	<u>1,665</u>	<u>2,133</u>
Carrying amount			
At 30 April 2019	<u>531</u>	<u>2,395</u>	<u>2,926</u>
At 30 April 2018	<u>640</u>	<u>3,527</u>	<u>4,167</u>

Transfers relate to the change in accounting policy for IFRS 16, these have been reclassified as right to use assets and have now been disclosed in note 26.

14 Investments

		2019 £000	2018 £000
Investments in subsidiaries	17	<u>15,501</u>	<u>15,501</u>

The company has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit or loss

Fair value of financial assets carried at amortised cost

Except as detailed below the directors believe that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

14 Investments (Continued)

Movements in non-current investments

Shares in group undertakings

	£000
Cost or valuation	
At 1 May 2018	16,562
Additions	-
Liquidated	-
Disposals	-
	<u>16,562</u>
At 30 April 2019	<u>16,562</u>
Impairment	
At 1 May 2018	(1,061)
Liquidated	-
Disposals	-
	<u>(1,061)</u>
At 30 April 2019	<u>(1,061)</u>
Carrying amount	
At 30 April 2019	<u>15,501</u>
At 30 April 2018	<u>15,501</u>

ZELLIS UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

15. Leases

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

	2019 £'000	2018 £'000
Right-of-use asset		
Building	7,538	8,016
Equipment	4,259	-
Vehicles	262	379
	<u>12,059</u>	<u>8,395</u>
Lease liabilities		
Current	4,246	2,911
Non-current	9,105	8,486
	<u>13,351</u>	<u>11,397</u>

The income statement shows the following amounts relating to leases:

	2019 £'000
Depreciation charge of right-of-use asset	
Building	1,630
Equipment	2,728
Vehicles	116
Other	-
	<u>4,474</u>
Interest expense	979
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	-
Expense relating to variable lease payments not included in lease Liabilities (included in administrative expenses)	-
Total recognised in the profit and loss	<u>5,453</u>

The total cash outflow for leases was £6,760k in 2019.

The company had non-cash transfer of right of use assets from intangible fixed assets of £3,480k and property, plant and equipment of £948k. Leased asset addition was £3,710k in the year.

ZELLIS UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

16 Trade and other receivables

	2019 £'000	2018 £'000
Debt instruments at amortised costs		
Trade receivables	12,572	19,715
Less allowance for expected credit losses	(526)	(288)
Net trade receivables	<u>12,046</u>	<u>19,427</u>
Accrued income	2,798	8,029
Prepayment and other receivables	4,443	4,161
Contract asset	5,929	-
Amounts due from fellow group undertakings	9,273	14,141
Total trade and other receivables	<u><u>34,489</u></u>	<u><u>45,758</u></u>

Trade receivables can be analysed as follows:

	2019 £'000	2018 £'000
Amount receivable not past due	9,943	16,525
Amount receivable past due but not impaired	2,209	2,619
Amount receivable impaired (gross)	420	571
Less impairment	<u>(526)</u>	<u>(288)</u>
Total	<u><u>12,046</u></u>	<u><u>19,427</u></u>

Included within the amounts due from fellow group undertakings is a £500k IFRS 9 expected credit loss on the intercompany receivable balance.

Allowance for expected credit losses from trade receivables can be analysed as follows:

	2019 £'000	2018 £'000
At 30 April 2018	288	-
Acquired through business combination	-	-
Provision for expected credit losses	475	288
Utilised in period	<u>(237)</u>	<u>-</u>
At 30 April 2019	<u><u>526</u></u>	<u><u>288</u></u>

ZELLIS UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

16. Trade and other receivables (continued)

Ageing of impaired trade receivables

	2019	2018
	£'000	£'000
Current	-	-
0 - 89 days	328	205
90 - 179 days	71	-
180 - 269 days	33	18
270 - 359 days	32	5
360+ days	62	60
Total	<u>526</u>	<u>288</u>

17. Subsidiaries

The company's subsidiary undertakings at 30 April 2019, the nature of whose business is the development and supply of software and related services, and have only ordinary share capital, were

Name of undertaking	Registered office	Ownership interest (%)
Zellis Dormco Limited	England and Wales	100.00
Zellis Information Solutions Company Limited	Republic of Ireland	100.00
Zellis Ireland Limited*	Republic of Ireland	100.00
Cara Information Technology Limited **	England and Wales	100.00
Zellis Services Ireland Limited **	Republic of Ireland	100.00
Engage Technologies Support Limited **	Republic of Ireland	100.00
Engage Technologies Limited **	Republic of Ireland	100.00

* Subsidiary of Zellis Information Solutions Company Limited

** Subsidiary of Zellis Ireland Limited

All subsidiaries with a registered office in England and Wales have registered office at Peoplebuilding 2, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 4NW, United Kingdom.

All subsidiaries with a registered office in Republic of Ireland have registered office at Behan House, 10 Mount St Lower, Dublin 2, Republic of Ireland.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

18. Trade and other payables

	Current		Non-current	
	2019	2018	2019	2018
	£000	£000	£000	£000
Trade payables	2,213	1,663	-	-
Amounts due to fellow group undertakings	87,188	94,466	-	-
Accruals	11,933	27,752	-	736
Other taxation and social security	5,569	6,052	-	-
Other payables	551	409	-	-
	<u>107,454</u>	<u>130,342</u>	<u>-</u>	<u>736</u>

19. Contract Liabilities

While 2018 figures are not restated for IFRS 15 in the primary statements, they are presented in this note as if IFRS 15 was applied to provide a more relevant comparison.

	2019	2018
	£'000	£'000
Balance to be recognised within one year	27,937	27,458
Balance to be recognised after one year	40,129	44,485
Contract Liabilities	<u>68,066</u>	<u>71,943</u>

20. Deferred taxation

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

	ACAs	Tax losses	Retirement benefit obligations	Other	Total
	£000	£000	£000	£000	£000
Deferred tax asset at 1 May 2017	3,703	275	9,514	227	13,719
Deferred tax movements in prior year					
Credit to profit or loss	787	208	86	145	1,226
Credit to other comprehensive	-	-	(1,380)	-	(1,380)
Deferred tax asset at 1 May 2018	4,490	483	8,220	372	13,565
Deferred tax movements in current year					
Adoption of accounting policy	126	6,426	-	-	6,552
Charge/(credit) to profit or loss	(879)	(1,048)	(712)	954	(1,685)
Adjustments in respect of prior years	-	-	-	(1,206)	(1,206)
Credit to other comprehensive	-	-	1,926	-	1,926
Deferred tax asset at 30 April 2019	<u>3,737</u>	<u>5,861</u>	<u>9,434</u>	<u>120</u>	<u>19,152</u>

ZELLIS UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

20. Deferred taxation (continued)

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

	2019	2018
	£000	£000
Deferred tax assets	<u>19,152</u>	<u>13,565</u>

21. Provisions for liabilities

	Property provisions
	£000
At 1 May 2018	1,396
Additional provisions in the year	60
Utilisation of provision	(96)
Unwinding of discount	112
At 30 April 2019	<u>1,472</u>

The provision relates to properties that have either been sublet or are vacant. It consists of the discounted value of the future liabilities on the property less any expected future sublet receipts extrapolated to the earliest break point in the contract. In addition, there is a dilapidations provision to make the property good at the end of the lease. This is made for all leased properties expiring within the next 12 months.

22 Retirement benefit schemes

Defined contribution schemes

The company participates in a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £1,339k (2018: £1,867k).

ZELLIS UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

22. Retirement Benefit schemes (continued)

Defined Benefit Scheme

The company operates two defined benefit schemes, the Northgate HR Pension Scheme and the Rebus Group Pension Scheme, both of which are closed to new entrants. The information disclosed below is in respect of the whole of the plans for which the company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

Benefits are related to salary close to retirement or leaving service (if earlier) and also to years of pensionable service. Assets are held in separate, trustee administered funds. Employer contributions to the schemes are determined on the basis of regular valuations undertaken by independent, qualified actuaries. As the schemes are closed to new entrants for pension accrual, under the method used to calculate pension costs in accordance with IAS 19, 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 company to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Funding

Both plans are funded by the Group's subsidiaries. Over the next year, the Group will pay estimated contributions of £5.5m (2018: £5.5m) to the defined benefit schemes. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. This includes the additional contributions aimed at removing the deficit of the Schemes. Contributions to the defined contribution schemes are in addition to the contributions to the UK defined benefit schemes.

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22. Retirement Benefit schemes (continued)

	Defined benefit obligation £'000	Fair value of plan assets £'000	Impact of asset ceiling £'000	Net defined benefit liability £'000
At 30 April 2018	263,205	(220,569)	1,868	44,504
Acquired through business combinations				
Included in income statement				
Current service cost	875	-	-	875
Past service	2,500	416	-	2,916
Interest cost	7,014	(5,962)	-	1,052
	10,389	(5,546)	1,868	4,843
Included in statement of comprehensive income:				
Remeasurement loss (gain):				
Financial assumptions	21,303	-	-	21,303
Demographic	(1,429)	-	-	(1,429)
Experience adjustment	(188)	-	-	(188)
Impact of asset ceiling	-	-	(1,868)	(1,868)
Return on plan assets excluding interest income	-	6,487	-	(6,487)
	19,686	(8,355)	(1,868)	11,330
Other				
Contribution paid by the employer	-	(7,787)	-	(7,787)
Benefits paid	(6,427)	6,427	-	-
	(6,427)	(1,360)	-	(7,787)
Net book value				
At 30 April 2019	286,853	(233,963)	-	52,890

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22. Retirement Benefit schemes (continued)

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

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

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

Defined benefit obligation

Actuarial assumptions

The principal actuarial assumptions at the reporting date were:

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

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

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

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22. Retirement Benefit schemes (continued)

Sensitivity Analysis

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

Discount rate (0.1% movement)	(5,278)	5,421
Inflation and related future pension growth (0.1% movement)	2,308	(2,323)
Future salary growth (0.1% movement)	-	(376)
Life expectancy (1 year movement)	<u>11,097</u>	<u>(11,045)</u>

23. Share capital

	2019	2018
	£000	£000
Ordinary share capital		
<i>Issued and fully paid</i>		
20,010,000 Ordinary of £1 each (2018: 20,010,000)	20,010	20,010
	<u>20,010</u>	<u>20,010</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Reconciliation of movements during the year:

	Number
At 1 May 2018	20,010,000
	<u> </u>
At 30 April 2019	<u>20,010,000</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

24. Contingent liabilities

The company has in the normal course of business issued guarantees securing the performance by itself and other group undertakings of certain contracts and undertakings from which no liabilities are expected to arise other than those provided for in these accounts.

The company participates in the group's syndicated banking facility agreement.

The group has syndicated Senior facility agreements with the bank providing £280m of available funding. Of this facility, the group has the following available committed floated rate borrowing activities as at 30 April 2019 in respect of which all conditions precedent had been met at that date:

	2019	2018
	£000	£000
Expiring between 2 and 10 years	<u>279,727</u>	<u>250,429</u>

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25. Changes in accounting policies

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

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. With the exception of hedge accounting, which is applicable to the Parent company group consolidated accounts, was applied prospectively and the company has applied IFRS 9 retrospectively. The classification and measurement requirements of IFRS 9 did not have a significant impact on the company. The company continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the companies' financial assets:

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

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

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

IFRS 15 Revenue from contracts with customers

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

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

IFRS16 Leases

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

25. Changes in accounting policies continued

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

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

	2018
	£'000
Measurement of lease liabilities	
Operating Lease commitments disclosed as at 30 April 2018	11,039
Discounted using the lessees incremental borrowing rate	(2,644)
Add finance lease liabilities as at 30 April 2018	<u>3,002</u>
Lease liability recognised at 01 May 2018	<u><u>11,397</u></u>
Current lease liability	2,911
Non-current lease liability	<u>8,486</u>
Total	<u><u>11,397</u></u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2019

25. Changes in accounting policies continued

Effect on the consolidated statement of financial position of adopting accounting policies on 1 May 2018:

Statement of financial position	30 April 2018 Per signed stats	IFRS 16 Impact	IFRS 15 Impact	1 May 2018 After transition
Non-current assets				
Goodwill	109,298	-	-	109,298
Other Intangible Assets	12,346	-	-	9,085
Property, plant and equipment	4,167	-	-	4,167
Right of use assets	-	8,395	-	8,395
Contract assets			277	277
Investments	15,501	-	-	15,501
Deferred tax asset	13,565	-	6,552	20,117
Current assets				
Trade and other receivables	45,758	-	(8,993)	36,765
Cash and bank balances	1,154	-	-	1,154
Contract Assets		-	20,490	20,490
Total Assets	<u>201,789</u>	<u>8,395</u>	<u>18,326</u>	<u>237,510</u>
Current liabilities				
Borrowings	-	-	-	-
Finance lease liabilities	1,510	(1,510)	-	-
Lease liabilities	-	2,911	-	2,911
Trade and other payables	108,724	-	-	108,724
Deferred income	21,618	-	(21,618)	-
Contract Liabilities	-	-	27,458	27,458
Non-current liabilities				
Borrowings	-	-	-	-
Trade and other payables	736	-	-	736
Finance lease liabilities	1,492	(1,492)	-	-
Lease liabilities	-	8,486	-	8,486
Retirement benefit obligations	44,504	-	-	44,504
Provisions	1,396	-	-	1,396
Deferred tax liabilities	-	-	-	-
Deferred income	-	-	-	-
Contract Liabilities	-	-	44,473	44,473
Total liabilities	<u>179,980</u>	<u>8,395</u>	<u>50,313</u>	<u>238,688</u>
Net assets	<u>21,809</u>	<u>-</u>	<u>(31,987)</u>	<u>(10,178)</u>
Equity				
Called up share capital	20,010	-	-	20,010
Capital Contribution	3,361	-	-	3,361
Retained earnings	(1,562)	-	(31,987)	(33,549)
Total Equity	<u>21,809</u>	<u>-</u>	<u>(31,987)</u>	<u>(10,178)</u>

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26 Controlling party

The immediate parent company is Zellis Holdings Limited, a company registered in England and Wales. The ultimate parent company is Zellis Holdco S.à.r.l, a company registered in Luxembourg. The Company is ultimately controlled by Bain Capital Europe Fund IV LP.

The smallest group in which the results of the company for the period ending 30 April 2019 are consolidated is that headed by Zellis Holdings Limited, a company registered in England and Wales, with a registered office of Peoplebuilding 2, Peoplebuilding Estate, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 4NW.

The largest group in which the results of the company for the periods ending 30 April 2019 are consolidated is that headed by Zellis Topco Limited, a company registered in England and Wales, with a registered office of Peoplebuilding 2, Peoplebuilding Estate, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 4NW. Copies of both group accounts can be obtained from Peoplebuilding 2, Peoplebuilding Estate, Maylands Avenue, Hemel Hempstead, Hertfordshire, HP2 4NW.