northgate
PUBLIC SERVICES
An NEC Company

Annual Review 2018/19

Argon Topco Limited

Holding company for **Northgate Public Services**

FULL REPORT v1.5 13.11.19

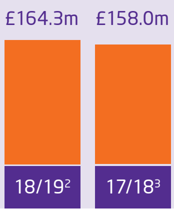
Contents

2018/19 at a glance

Results[1]

Revenue

£164.3m
2018/19



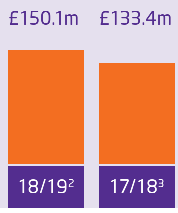
Recurring revenue[4]

70%
2018/19[2]

66%
2017/18[3]

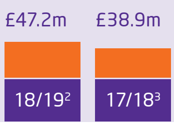
Gross profit

£150.1m
2018/19



Underlying EBITDA[5]

£47.2m
2018/19



Underlying EBITDA %

28.7%
2018/19[2]

24.5%
2017/18[3]

Highlights

New customers in all core markets:
Revenue Scotland, South Dublin County Council, Max Hospital Group in India and Northumbria Police.

Strategic acquisitions:
APD Communications and i2N, supporting ongoing expansion in Public Safety. Post year-end, we acquired EMIS Care and the service design agency, Snook.

Significant investment:
Product development continues apace, with targeted investment directly contributing to strong customer retention and **£174m** new business in the order book.

Leadership

Chief Executive Officer	Stephen Callaghan
Chief Financial Officer	Alan O'Reilly
Chief Operating Officer	Greg Huntley
Chief Technology Officer	Paul Broome
Executive Director, Public Safety	Ian Blackhurst
Executive Director, Government, Health & Housing	Tina Whitley
Global Business Operations	Tom Hira
Group Human Resources Director	Patrick Smith
Group General Counsel	Rose-Marie Benavides
Chief Digital Officer	Sarah Drummond

[1] For comparability, these financial statements have been prepared under IAS 11 & 18. The impact of applying IFRS 15 is shown on page 19.
[2] For the 12 months ended 31 March 2019.
[3] The Argon Topco Group has aligned its year end to NEC Corporation of Japan. This figure provides a like-for-like 12 month comparison.
[4] Proportion of revenue derived from Software as a Service and other recurring revenues.
[5] Underlying EBITDA represent profit before interest, taxation, depreciation of tangible fixed assets and amortisation of intangible fixed assets, and non-recurring items.

Chairman's Statement

Dr Masakazu Yamashina
Chairman, NPS
& Executive Vice President
NEC Corporation

I am pleased to report that in its first full year of ownership by NEC Corporation, NPS is performing extremely well, both organically and through the execution of strategic, high-impact acquisitions.

The NPS acquisition was driven by NEC's global growth agenda, coupled with the complementary expertise and ambition of both businesses. This year has exceeded our expectations, with NPS delivering impressive growth across all core markets. In addition, the anticipated revenue synergies have already impacted the bottom line, with NPS securing its first contract to deliver NEC's world-leading biometrics technologies for the UK Home Office.

Significant product investments have contributed to strong growth and customer retention in 2018/2019. Major new contracts were secured in the core markets of Government, Housing, Healthcare and Public Safety, including CONNECT at Northumbria Police. The Healthcare business also signed its first international health screening contract with the Max Hospital Group in India. This follows international success in the health registries arena, with contracts for a new joint registry in India and a spinal care registry for EUROSPINE.

The shared Housing deployment for the London Boroughs of Richmond and Wandsworth was delivered on time and to budget, going live successfully just after year end. In South Australia too, the team continues to delight the customer with a smooth implementation of NPS Housing. Following last year's strategic win for CONNECT at the Metropolitan Police, all key milestones have been met, including the production of a fully-functioning test environment.

These successes are testament to the deep expertise, strategic approach and intense customer focus of the NPS leadership team. This year, we will increase the pace of both product investment and project implementation to put clear water between NPS and its competitors.

In 2018/19, NEC supported NPS to acquire two businesses, APD Communications and i2N. APD's leading position in control room and communications technology, and i2N's innovative criminal justice and offender management software, will strengthen the Public Safety business and contribute significantly towards international expansion. After year end, NEC also supported the acquisition of service design agency Snook and EMIS Care, a market leader in diabetic eye screening, and an investment crucial to global growth in the Healthcare business.

In this coming year, we will continue to support the NPS team to deliver on their strategy for high-margin organic and acquisitive growth. We will also explore further deployment of NEC's AI and biometrics solutions, including the facial recognition platform, NeoFace® Watch. The NeoFace® AI engine has been independently verified by the National Institute of Standards & Technology (NIST) as best in class for the fifth year running.

As we move into the next financial year, I would like to thank the NPS leadership team and our colleagues for their commitment and contribution, and I look forward to building further on our success in the years ahead.

Chief Executive's Statement

Stephen Callaghan
Chief Executive
xx November 2019

The 12 months to 31 March 2019 mark our first full year as part of NEC Corporation, and NPS continues to go from strength to strength. Across our core markets we have won and retained significant business and launched innovative new products, growing like for like revenue by 4%.

This success is the direct result of the operating plan established in previous years: a shift to high margin IP-derived revenues, targeted customer-centric investment, landing 'must-win' opportunities, and enabling high-impact leadership.

Our acquisition by NEC Corporation in 2018 eliminated all debt and enabled us to use the cash we generate to support customer innovation, unlike other companies in our sector. This year, their involvement has been game-changing.

With NEC's full support, we have accelerated delivery of our Public Safety ambitions with the acquisition of i2N and APD Communications. We have also trebled the size of our Healthcare business with the acquisition of EMIS Care just after year end.

NEC's endorsement of our commercial approach and leadership team is further evidenced through the acquisition of service design agency, Snook, and an additional £1m investment to fund international expansion in Public Safety.

NEC Corporation shares our commitment to long-term investment over short-term cost reduction, creating huge benefits for both customers and colleagues. I firmly believe that this alignment will be transformative as we strive to deliver continued growth and an exceptional customer experience.

Financial highlights[6]

Overall revenue for the year ended 31 March 2019 was £164.3m (2017/18: £158.07). The proportion of income derived from Software as a Service ('SaaS') and other recurring revenue models rose from 66% to 70%, and product investment in our core solutions has led to £174m of new business in the order book. Underlying EBITDA of £47.2m is well ahead of the previous year at 28.7% of revenue (2017/18: 24.5%).

This year, we invested £13.6m in product development (2017/18: £11.5m) and this continues to positively impact customer delivery, retention and acquisition. Following our win with the Metropolitan Police last year, we have since welcomed Northumbria Police to the CONNECT customer base. In Housing, we signed a major contract with South Dublin County Council and in Government, we are working with Revenue Scotland to develop a user-centred system for devolved taxes.

The resources we committed to growing our Healthcare business internationally has also paid off, with new registries and screening contracts in India, in addition to two new registry customers in the UK.

With zero leveraged or revolving debt and strong operational cash flow, we were able to invest £16.5m in strategic acquisitions this year. Immediately post year end, we deployed a further £10.7m in two acquisitions and continue to actively explore opportunities both in our existing geographies and elsewhere. We also made two significant additional contributions to the Pension Fund, helping to secure the financial futures of long-serving colleagues.

[6] For comparability, these financial statements have been prepared under IAS 11 & 18. The impact of applying IFRS 15 is shown on page 19.
[7] The Argon Topco Group has aligned its year end to NEC Corporation of Japan. This figure provides a like- for-like 12 month comparison.

Chief Executive's Statement

Business model

Our strategy remains focused on IP-led software and complementary services delivered in our core markets of Government, Housing, Healthcare and Public Safety. The business model is based on securing high levels of recurring and repeat revenue supported, where we can add value, by layers of services, cloud delivery and customer support.

All four verticals - Government, Housing, Healthcare and Public Safety - enjoy good levels of profitability and are well supported by horizontal functions and support services. The majority of our revenues are UK-derived, although we have a significant Housing presence in Canada and Australia and now deliver two major nationwide Healthcare contracts in Ireland. Following investment from NEC Corporation we are targeting international growth more aggressively this year, pursuing a range of police opportunities in Australia with CONNECT.

We are also looking to build upon the recent success of our Healthcare business in India. The acquisition of EMIS Care post year end has trebled the size of this vertical and leaves us ideally placed to deliver software and services to a wider range of health screening programmes in the UK and internationally.

This year, we have leveraged our Mumbai-based software development subsidiary, Rave Technologies, to accelerate product development for our new acquisitions and to generate additional revenues from their direct customer base. In the 12 months to 31 March 2019, this highly-skilled team has grown headcount by 13% and attracted six new customers. In the coming year, the team expects to deliver over £10m revenue through growth of their offshore technology development service offering.

Customer innovation

Well-planned investment in our core products continues to excite our customer base. Extensive development of CONNECT led to three police customers contracting for extended functionality last year. This year, Northumbria Police has selected the core CONNECT platform along with its new 'Go' mobile functionality and highly intuitive 'Express' interface. They have also selected our gazetteer, Compass, a solution recently redeveloped by our team in Mumbai.

In Public Safety, we see huge opportunities to leverage NEC Corporation's technologies for the benefit of our customers, and we have secured our first contract win with the Home Office Biometrics Programme. This combines NEC's leading fingerprint matching software with our experience delivering national police programmes, and we will look to exploit further synergies this coming year, including the wider potential for facial recognition technologies in the commercial and safety sectors.

Following the transformative improvements to NPS Housing in 2017/18, we launched a full-service asset management solution in January 2019. This has already been chosen by four customers and our new offline mobile solution will be released later this year. The pace of product investment and implementation was a key factor in securing our new contract with South Dublin County Council in September 2018, and we delivered a combined 'on time and on target' go-live at the London Boroughs of Wandsworth and Richmond shortly after year end.

Investing strategically and working to deadlines has also contributed to improved customer satisfaction and retention. This year, we have retained and extended a number of contracts following full competitive tenders. At Liverpool City Council we retained their Revenues & Benefits business and extended our footprint to provide our Citizen Access self-service solutions and our Information@Work document management solution, replacing a well-established competitor. Our high performance in Revenues & Benefits is evident in the speed of processing statistics published by the Department for Work & Pensions. In 2018/19, our customers were able to further reduce average processing times to 5.6 days - three days faster than authorities working with our competitors.

Team

Over the past year, our executive team has continued to embrace our core values – Intelligent, Involved and Innovative – and to embed them into how they recognise and reward performance. The completion of our office refurbishment programme was well received, and this year's staff survey showed a 7% improvement in overall satisfaction as well as exceptional levels of engagement.

We continue to hire the best person for the role, regardless of gender, but where the gender balance requires attention we actively influence our recruitment processes. This year, we worked with external consultants to develop a new career framework, including gender-neutral role definitions. Women now make up a third of the leadership team (2017/18: 25%) and we continue to bring women into rewarding careers where we can, including through our apprenticeship and graduate schemes.

Although last year's gender pay gap analysis uncovered only minor variations, this year's analysis shows that we have further reduced the mean gap across all four pay quartiles.

Risks and uncertainties

The markets we compete in continue to experience significant change, with uncertainty around policy and budgets persisting as we move towards Brexit along with potential changes to devolved powers in Scotland, Northern Ireland and Wales. Our agile approach to product development is now well tested, providing protection from – and enabling us to respond to – shifting market dynamics. Our acquisition of Snook after the year end also brings extensive expertise in Pre-Discovery, Discovery and Alpha services design, the preferred procurement method of many government departments.

Key business risks are recorded, managed and resolved in partnership with customers and all stakeholders. The Executive Committee plays a central role in maintaining and overseeing effective systems, meeting in person monthly and by teleconference on a weekly basis.

This year, we commenced the process of moving our data centre to an infrastructure as a service (IaaS) model. Cloud and hosted services are increasingly important to our customers, and by working with our strategic international partner, NTT, we can access the flexibility and scale required to fulfil our long-term growth ambitions. In the coming year, we will also invest in a new professional services accounting system that will enable everyone, from project owners to the Executive Committee, to view, track and benchmark projects in real time.

Colleague support

Our recent customer survey praised the knowledge and expertise of our colleagues, as well as their determination to support their clients through the challenges of major change. I am hugely proud of their work and of the energy that they bring to NPS every day. I would like to thank them for their enormous contribution so far and wish them every success in the year ahead.

Sector Performance Report

In 2018/19, the leadership team focused heavily on the effective delivery of product investment and customer implementations. This had a measureable impact on customer acquisition and retention, with new wins and major contract extensions – many after full competitive tenders – in all four markets.

This year, we saw another 12 customers make the move to cloud (2017/18) with a further six since year end. This is evidence of the growing need for efficient and flexible service delivery, and we are fully prepared to support this trend through the planned investment in our new data centre. Our acquisition of service design agency Snook just after year end will also support our customers through major change, including helping to bring previously outsourced services back in-house.

In January 2019, we were successful in our bid for the Data and Applications Solutions framework managed by the Crown Commercial Service. This framework offers easy access to our solutions for any UK public sector organisation, and since it opened we have signed contracts totalling £5.4million in this way, demonstrating the value of this route to market.

We have also delivered significant international success this year, winning our first health screening and registry contracts in India and our fourth Housing customer in Ireland. This year, bolstered by targeted acquisitions and additional NEC investment, we will actively pursue further international growth, including in Public Safety with CONNECT.

Government

In Government, strong customer delivery continued to positively impact revenue. The success of our work delivering the London Tribunals service saw us extend coverage to include appeals against penalty charges issued under the new Ultra Low Emission Zone. We were also able to capitalise on our experience delivering the Blue Badge Improvement Service, responding quickly to a policy change that replaced the national scheme by developing a new case management system. Since its launch in February 2019, this solution has been selected by 80 local authorities.

At Liverpool City Council, we retained the contract to deliver our Revenues and Benefits software following a full competitive procurement. We also extended our work to include our Information@Work document management system, knocking out a competitor, and our Citizen Access self-service solutions. Birmingham City Council also went live with Citizen Access for Revenues in June 2018, offering significant benefits for Europe's largest local authority through reduced paperwork, 24/7 services and lower costs.

This year, 174 customers have contracted for one or more of our three Citizen Access solutions and a further 126 have signed up since year end. Self-service and automation are key drivers for our customers, and we expect significant additional revenue in this area over the next 12 months.

In September 2018, we won a new ten-year contract with Revenue Scotland, the independent tax authority, which will see us develop and deliver a system to administer all devolved taxes. We collect 60% of council tax and 50% of business rates in Scotland, working with all 32 local authorities, so this is a major endorsement of our existing work.

Well-managed product investment has led to significant growth this year, and we will continue this programme into 2019/20, including a £1m investment in our Environment and Planning platform, ASSURE.

Housing

By continuing to deliver major investment effectively we have delighted customers, retaining our contract with Tai Calon, introducing new products, ensuring on-time implementations and landing new contracts.

We released significant updates of NPS Housing – on time – in December 2018 and February 2019, following a series of incremental improvements. Targeted product investment delivered this year and in the previous 12 months has led directly to revenue growth, with 11 customers taking advantage of our new Data Warehouse and Dashboards, as well as the integrated self-service and CRM solutions.

In January 2019, we also launched our full service asset management solution and this has already been chosen by four customers. Our new offline mobile solution for asset management will be launched later this year, anticipating a growing need for efficient and seamless end-to-end services.

The pace of product investment has been noticed both by our customer base and the wider market, leading to improved customer satisfaction and new wins, like the Jigsaw Homes Group in December 2018.

In September 2018, we also signed a major new contract with South Dublin County Council (SDCC) following a full competitive tender. The fourth Housing customer in Ireland, our software is now used to manage 50% of the country's social housing. Their confidence in delivery was a key part of their selection process and we have further demonstrated our capability since year end, with a smooth go-live of the shared NPS Housing deployment at the London Boroughs of Wandsworth and Richmond.

Healthcare

In the 12 months to 31 March 2019, we have attracted new screening and registry clients, delivered additional revenue from the existing customer base and successfully delivered on our international expansion plans.

In November 2018, we signed our first ever IP-led contract in India which will see us create a national joint registry for the Indian Society for Hip and Knee Surgeons (ISHKS). Then in December 2018, we signed a contract with EUROSPINE to deliver Spine Tango, an international spinal registry. Spine Tango records the effectiveness and safety of spine care, treatment techniques and technologies to generate an evidence base for better prevention, treatment and patient safety.

In January 2019, after the completion of a successful pilot, we signed our first screening contract in India. We will roll out our SMaRT Screening System to all maternity hospitals in the prestigious Max Hospital Group, supporting all newborn screening and infant immunisation through a single web based system and mobile data capture.

In the UK, we signed a contract in June 2018 with the Society of British Neurological Surgeons to support the Neurosurgical National Audit Programme. Our service includes website and application development and the publication of surgeon and hospital performance data, mirroring our long-standing contract with the National Joint Registry.

In Ireland, we continued to deliver an excellent newborn hearing screening service in all maternity hospitals and exceeded all KPIs for the year ending March 2019. Our acquisition of EMIS Care after year end has brought additional expertise in diabetic eye screening and trebled the size of the Healthcare business, cementing our position as a leading provider of screening software and services and supporting our expansion into additional geographies.

We extended our work with NHS Blood & Transplant shortly after year end, signing a contract to support the Organ Donor Register for a further three years. Working closely with NHS Digital, we also built a seamless link between the Register and the new NHS mobile app, making it easier for people to sign up and manage their preferences online.

Public Safety

Following a highly competitive tender process, Northumbria Police contracted for CONNECT in March 2019. This means sixteen forces have now chosen the platform, following the landmark wins with the Metropolitan Police and West Midlands Police last year.

Once again, the product investment concluded in previous years has delivered results. The contract with Northumbria includes the 'Go' mobile functionality and intuitive 'Express foundation' interface launched in 2017/18, along with our gazetteer, Compass, redeveloped recently by our subsidiary, Rave. To date, 'Go' has been selected by three CONNECT forces and 'Express foundation' by 16.

November 2018 saw Kent Police go live with CONNECT and also Lancashire Constabulary go live with the Intelligence and Investigations modules, following its earlier go-live with Case and Custody. Lancashire is now using CONNECT Public Engagement to seamlessly integrate publicly-reported incidents with ongoing investigations.

At the Metropolitan Police we have delivered a fully functioning test environment to deadline, and this on-track delivery was instrumental in securing an extension to the contract in November 2018. This will see us migrate data from the force's legacy Case and Custody systems into CONNECT, enabling officers to access historical contact information and so strengthen risk management.

In a clear demonstration of the synergy between NPS and NEC, we secured a contract to deliver NEC's fingerprint matching software for the Home Office Biometrics Programme in March 2019. We hope to realise further synergies in the coming year, including exploring the potential to deliver NEC's leading facial recognition solution, NeoFace® Watch.

This year, we made two strategic acquisitions in the Public Safety space: APD Communications, a leader in control room and communications technologies, and i2N, an innovative provider of justice and offender management software. These businesses provide a springboard into new functions and new geographies and we have already invested in both product and market development. The strength of the Public Safety strategy and leadership team has also attracted additional investment from NEC, with a £1m fund to accelerate international expansion activities in the coming year.

This report was approved by the board and signed on its behalf.

Stephen Callaghan
Chief Executive
xx November 2019

Directors' Report

Activity and ownership

Principal activity

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

NEC \Orchestrating a brighter world

Identity of owners

The immediate controlling party is Garden Private Holdings Limited, a company incorporated in the United Kingdom. The ultimate controlling party is NEC Corporation, a company incorporated in Japan. The largest group in which the results of the Group are consolidated is that headed by NEC Corporation. Copies of the NEC Corporation accounts can be obtained from the registered office at 7-1, Shiba 5-chome, Minato-ku, Tokyo 108-8001 Japan or the website **www.nec.com**.

Governance and Controls

Board Composition

Dr. Masakazu Yamashina
Chairman

Dr. Yamashina is Executive Vice President at NEC Corporation. As Deputy Business Unit Head of both the Public Business and Global Business Units, he is responsible for the management of the Social Infrastructure business which covers the field of Surveillance and Security. He has a PhD in Engineering from the Graduate School of the Tokyo Institute of Technology and is a fellow of the IEEE.

Nobuhiko Nakatsu
Vice Chairman

Mr. Nakatsu was appointed Chief Transformation Officer and an Executive Board member at KMD, based in Copenhagen in Denmark, in June 2019. Previously he was COO at NEC Europe Ltd, where he served from July 2014. Mr Nakatsu is deputy chairman of NPS and Chairman of the Audit Committee.

Stephen Callaghan
Chief Executive Officer

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

Alan O'Reilly
Chief Financial Officer

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

David Barker
Non-Executive Director

David has been a non-executive director on the board of Argon Topco Ltd since 2015. He is a partner at Cinven and has been an investor in technology deals for many years. He has been involved in numerous transactions including Allegro, Aprovia, CPA Global, Eutelsat, HEG, MediMedia, Northgate Public Services, Springer, Ufinet, Visma and Ziggo.

Royston Hoggarth
Advisor

Royston served as Chairman of NPS from January 2016 to January 2018 and now acts as an advisor to the remuneration committee. He has extensive experience as CEO and Chairman of companies in the IT, telecoms and financial services industries.

Tomoki Kubo

Mr. Kubo is responsible for NEC's global M&A strategies and execution. He was previously a founding member of Japan Industrial Solutions Co., Ltd, a Japanese private equity fund management company, and served as Chief Investment Officer and board member. Prior to this, he was Managing Director and co-head of the principal investment business of Morgan Stanley Japan. He holds an MBA from the Graduate School of Business at the University of Chicago.

Toshiya Matsuki

Mr. Matsuki has served as Executive Vice President and Vice President of the Global Business Unit at NEC since 2018. He is primarily responsible for strengthening NEC's focus on the global market and overseeing deployment of Solutions for Society, leveraging information and communications technology. Over the course of his career, he has developed extensive experience in various executive and sales leadership positions around the world.

Makoto Shota (appointed 26.3.19)
Chief Financial Controller

Mr. Shota is Chief Financial Controller for NEC Corporation, reporting directly to Dr. Yamashina. He is responsible for the global-wide Safer Cities business with more than 20 country affiliates in the NEC Group. He has broad experience in Corporate Strategy, Business Planning and Human Resources, including several corporate re-organisations during more than 30 years of service in NEC Corporation. He graduated from the Faculty of Law in Kyoto University.

Asako Aoyama
VP & CFO Global Business Unit, NEC

Asako Aoyama is responsible for managing the finance teams across Europe, APAC, Latin America, Middle East, Africa, and China. Prior to joining NEC in January 2020, she held various senior roles in finance and corporate strategy in the Coca-Cola business. She is a Japanese CPA and holds MBA from the business school at the Ohio State University

Noritaka Taguma (resigned 26.3.19)
Senior Vice President

Mr. Taguma is a Senior Vice President at NEC Corporation. He is responsible for the management of the physical security business, including biometrics and video surveillance technologies, and the cyber security business in overseas markets. He has extensive experience in the government and defence sectors in Japan.

Directors' Report

Financial Review

The Argon Topco Ltd group has aligned its year end with that of the ultimate parent company, NEC Corporation of Japan, resulting in an eleven month reporting period. The unaudited results for the period are as follows:

	11 months to 31 March 2019	12 months to 30 April 2018
	£m	£m
Revenue	149.1	157.5
Cost of sales	(13.0)	(24.1)
Gross profit	**136.1**	**133.4**
Operating expenses excluding non-recurring items	(92.6)	(94.8)
Underlying EBITDA	**43.5**	**38.6**

In order to provide comparability, the table below shows a like for like twelve month period to 31 March for 2019 and 2018:

	Proforma 12 months to 31 March	
	2019	2018
	£m	£m
Revenue	164.3	158.0
Recurring revenue (%)	70%	66%
Underlying EBITDA	**47.2**	**38.9**

The Group is now reaping the benefits of the strategy to focus on our core software markets, which generate stronger margins and free cash flows. We have reinvested this cash into our own internal products, such as CONNECT and Housing as well as acquiring two businesses that have a very strong strategic fit with our portfolio.

Key to maintaining and improving this performance will be the successful delivery of our core products to our customers. To support this, we are investing in a professional services accounting system that will enable everyone, from project owners to Executive Committee members, to view, track and benchmark projects in real time and at multiple levels.

Directors' Report

Revenue

Growth in recurring and SaaS revenue is driven by our successes in the Public Safety business, supported by strong continuing performances in central and local government markets.

	Proforma 12 months to 31 March	
	2019	**2018**
	£m	**£m**
Revenue		
Continuing business		
Software	22.5	22.6
Recurring and SaaS	110.9	102.1
Professional services	14.6	17.7
Other	10.4	12.2
Total continuing business	158.4	154.6
Discontinued business		
Customer managed contracts	–	0.6
Social Care & Front Office	2.0	2.8
Acquisitions		
i2N	2.3	
APD Communications	1.6	
Total revenue	**164.3**	**158.0**

Directors' Report

Balance Sheet

During the year, we restructured the balance sheet with a capital contribution, creating a very strong net asset position for the Group. Internal loans and loan notes together with the associated interest have been cancelled, creating a distributable capital reserve.

	31 March 2019	30 April 2018
	£m	£m
Non-current assets	379.9	375.1
Current assets	79.5	85.7
Total assets	**459.4**	**460.8**
Non-current liabilities	(36.8)	(37.9)
Current liabilities	(90.4)	(542.4)
Liabilities	**(127.2)**	**(580.3)**
Net assets / (liabilities)	**332.2**	**(119.5)**
Share capital	3.2	3.2
Reserves	329.0	(122.7)
Total equity	**332.2**	**(119.5)**

Cash Generation

The Group ended the period with £11.6m of cash reserves, up £6.1m on the prior year and supported by an inflow of £8.1m from operating activities. This represents a very strong performance in terms of cash management over the 11 month period to March 2019, particularly as April is traditionally the strongest month for cash collection from our customers.

Directors' Report

Impact of IFRS 15

IFRS 15: Revenue from Contracts with Customers has not been adopted in these financial statements, as the directors believe this makes them easier to understand, particularly in conjunction with prior period numbers. Under IFRS 15, revenue and associated costs are recognised at the point of delivery to a customer, which in the case of the Group usually means either at the point of go-live for software or evenly over a contract period for delivery of a service. For contracts with multiple, separable elements, revenue is allocated to each element and recognised separately on delivery to the customer. Overall contract values do not change, but timing of software delivery in particular can impact any single period under review.

The impact of IFRS 15 on trading for the period has been calculated as:

	Proforma 12 months to March 2019		
	As reported	**Impact**	**IFRS 15**
	£m	**£m**	**£m**
Revenue	164.3	(10.5)	153.8
Cost of sales	(14.2)	5.9	(8.3)
Gross profit	**150.1**	**(4.6)**	**145.5**
Operating expenses excluding non-recurring items	(103.0)	(0.4)	(103.4)
Underlying EBITDA	**47.2**	**(5.0)**	**42.1**

Operating Costs

Tight cost control, coupled with identifying opportunities for investment that promotes efficiency and effectiveness, continues at pace. We are investing in new project management tools, enabling real-time reporting, as well as upgrading our data centre and communication capabilities to provide a more efficient service both to our customers and to our colleagues.

Directors' Report

Equal opportunities and equal pay

We aim to be an employer of choice, regardless of gender or background, and to promote respect for individuals and equal opportunities. We are committed to eliminating discrimination and encouraging diversity. Our aim is for our workforce to be truly representative of all sections of the wider community in which we operate and for each employee to feel respected and able to commit their best.

Through our Equality, Diversity and Dignity policy and mandatory annual training for all employees we promote respect for individuals and equality in recruitment and opportunity for career development and promotion. We commit to regularly reviewing our recruitment and selection process to identify and remove barriers to establish a diverse workforce.

In 2018/19, we worked with external consultants to develop a new career framework, including gender-neutral role definitions. Women now make up a third of the leadership team (2017/18: 25%) and we continue to bring women into rewarding careers where we can, including through our apprenticeship and graduate schemes.

Last year's gender pay gap analysis uncovered only minor variations, and this year's analysis shows that we have further reduced the mean gap across all four pay quartiles:

	2017/18	2016/17
Pay Quartile		
Quartile 1	1%	2%
Quartile 2	-1%	1%
Quartile 3	0%	4%
Quartile 4	-3%	0%

Risks and uncertainties

We endeavour to provide our stakeholders with a return that is consistent with a responsible assessment and mitigation of risk. This includes reviewing financial, operational and compliance controls and risk management procedures, which themselves include the security and controls around customer and in-house data.

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

Economic and market risk

Austerity remains a significant factor in the UK economy. With the continued support of NEC Corporation, we continue to identify opportunities to mitigate against the uncertain economic conditions. Our acquisitions over the past 18 months have complemented our focus on IP-led software and services and enable further diversification of our product and market portfolios.

The decision of the UK to leave the EU and lack of clarity on the exit strategy creates further doubt around the economy. Whilst any trade that we participate in with the EU is minimal, there is the possibility that the effects in the UK may lead to further austerity measures and potentially have an effect on the timing of new deals.

Corporate financial stability risk

Whilst the acquisition by the ultimate parent, NEC, has mitigated the liquidity risk significantly, management continues with a rigorous and ongoing monitoring of cash flow where we assess potential risks and the effect they may have on our ability to meet liabilities as they fall due. Through conducting stress testing and sensitivity analysis we continually assess the impact of potential risks in order to test the resilience of the business along with possible mitigating actions. We are confident of the effectiveness of these controls and their regulation of immediate cash flow impacts as well as longer-term impacts on sales growth and attrition.

Information security risk

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

This report was approved by the board on xx November 2019 and signed on its behalf.

Alan O'Reilly
Director

Consolidated Financial Statements
For the period ended 31 March 2019

Consolidated statement of profit or loss for the period ended 31 March 2019

	Note	11 months ended 31 March 2019 £m	30 April 2018 £m
Revenue	6	**149.1**	157.5
Cost of sales		**(13.0)**	(24.1)
Gross profit		**136.1**	133.4
Administrative expenses		**(123.0)**	(127.7)
Non-recurring costs		**(6.3)**	(10.5)
Profit / (loss) from operations		**6.8**	(4.8)
Finance expense	10	**(4.7)**	(23.9)
Profit / (loss) before tax		**2.1**	(28.7)
Tax credit		**1.3**	1.0
Profit / (loss) for the period		**3.4**	(27.7)

The notes on pages 30 to 54 form part of these financial statements.

Consolidated Financial Statements

For the period ended 31 March 2019

EBITDA reconciliation

	11 months ended 31 March 2019	30 April 2018
	£m	£m
Gross profit	**136.1**	133.4
Operating expenses excluding non-recurring items	**(92.6)**	(94.8)
Underlying EBITDA	**43.5**	38.6
Amortisation of intangible fixed assets	**(28.6)**	(30.7)
Depreciation of tangible fixed assets	**(1.8)**	(2.2)
Operating profit before non-recurring items	**13.1**	5.7
Non-recurring items	**(6.3)**	(10.5)
Operating profit / (loss)	**6.8**	(4.8)

Consolidated Financial Statements

For the period ended 31 March 2019

Consolidated statement of other comprehensive income

	Note	11 months ended 31 March 2019 £m	30 April 2018 £m
Profit / (loss) for the period		**3.4**	(27.7)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit pension schemes	21	**(6.7)**	5.5
Tax relating to items that will not be reclassified		**1.1**	(1.0)
		(5.6)	4.5
Items that will or may be reclassified to profit or loss:			
Foreign currency translation differences – foreign operations		**(1.2)**	(0.2)
Net change in fair value of interest SWAP		**–**	0.9
		(1.2)	0.7
Other comprehensive income for the period, net of tax		**(6.8)**	5.2
Total comprehensive income		**(3.4)**	(22.5)

The notes on pages 30 to 54 form part of these financial statements.

Consolidated Financial Statements

For the period ended 31 March 2019

Consolidated statement of financial position

	Note	31 March 2019 £m	30 April 2018 £m
Assets			
Non-current assets			
Property, plant and equipment	11	**4.1**	4.5
Intangible assets	12	**369.3**	364.7
Deferred tax assets		**6.5**	5.9
		379.9	375.1
Current assets			
Inventories		**0.8**	–
Trade and other receivables	13	**67.1**	80.2
Cash and cash equivalents	23	**11.6**	5.5
		79.5	85.7
Total assets		**459.4**	460.8
Liabilities			
Non-current liabilities			
Loans and borrowings	**16**	**0.1**	0.8
Employee benefit liabilities		**18.7**	18.3
Deferred tax liability		**18.0**	18.8
		36.8	37.9
Current liabilities			
Trade and other liabilities	**15**	**88.9**	540.9
Loans and borrowings	**16**	**0.4**	0.3
Provisions	**17**	**1.1**	1.2
		90.4	542.4
Total liabilities		**127.2**	580.3
Net assets / (liabilities)		**332.2**	(119.5)

The notes on pages 30 to 54 form part of these financial statements.

Consolidated Financial Statements
For the period ended 31 March 2019

Consolidated statement of financial position

	31 March 2019	30 April 2018
	£m	£m
Issued capital and reserves attributable to owner of the parent		
Share capital	**3.2**	3.2
Retained earnings	**329.0**	(122.7)
TOTAL EQUITY	**332.2**	(119.5)

The financial statements were approved and authorised for issue by the board of directors on xx November 2019 and were signed on its behalf by:

....

Alan O'Reilly
Director

Consolidated Financial Statements
For the period ended 31 March 2019

Company statement of financial position as at 31 March 2019

	31 March 2019	30 April 2018
	£m	£m
Assets		
Non-current assets		
Other non-current investments	**458.4**	3.2
Net assets	**458.4**	3.2

Issued capital and reserves attributable to owners of the parent		
Share capital	**3.2**	3.2
Retained earnings	**455.1**	–
TOTAL EQUITY	**458.3**	3.2

The financial statements were approved and authorised for issue by the board of directors on xx November 2019 and were signed on its behalf by:

....

Alan O'Reilly
Director

Consolidated Financial Statements

For the period ended 31 March 2019

Consolidated statement of changes in equity for the period ended 31 March 2019

	Share capital	Other reserves	Retained earnings	Total attributable to equity holders of parent	Total equity
	£m	£m	£m	£m	£m
At 1 May 2017	3.2	(0.9)	(99.3)	(97.0)	(97.0)
Comprehensive income for the period					
Loss for the year	–	–	(27.7)	(27.7)	(27.7)
Other comprehensive income	–	0.9	4.3	5.2	5.2
Total comprehensive income for the period	–	0.9	(23.4)	(22.5)	(22.5)
Total contributions by and distributions to owners	–	–	–	–	–
At 30 April 2018	**3.2**	**–**	**(122.7)**	**(119.5)**	**(119.5)**
At 1 May 2018	3.2	–	(122.7)	(119.5)	(119.5)
Comprehensive income for the period					
Profit for the period	–	–	3.4	3.4	3.4
Other comprehensive income	–	–	(6.8)	(6.8)	(6.8)
Total comprehensive income for the period	–	–	(3.4)	(3.4)	(3.4)
Contributions by and distributions to owners					
Capital contribution	–	–	455.1	455.1	455.1
Total contributions by and distributions to owners	–	–	455.1	455.1	455.1
At 31 March 2019	**3.2**	**–**	**329.0**	**332.2**	**332.2**

Consolidated Financial Statements

For the period ended 31 March 2019

Consolidated statement of cash flows for the period ended 31 March 2019

	11 months to 31 March 2019	12 months to 30 April 2018
	£m	£m
Cash flows from operating activities		
Profit / (loss) for the period	**3.4**	(27.7)
	3.4	(27.7)
Adjustments for		
Depreciation of property, plant and equipment	**1.8**	2.2
Amortisation of intangible fixed assets	**28.6**	30.7
Finance expense	**4.7**	23.9
Net foreign exchange gain	**(1.2)**	(0.2)
Income tax expense	**(1.3)**	(1.0)
	36.0	27.9
Movements in working capital		
(Increase) / decrease in trade and other receivables	**(13.0)**	1.2
Decrease in trade and other payables	**(2.3)**	(7.2)
Decrease in provisions and employee benefits	**(5.5)**	(4.0)
Cash generated from operations	**15.2**	17.9
Income taxes paid	**(3.0)**	(2.0)
Net cash from operating activities	**12.2**	15.9
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	**(15.6)**	–
Purchases of property, plant and equipment	**(1.7)**	(0.6)
Sale of property, plant and equipment	**0.5**	0.2
Purchase of intangibles	**(13.6)**	(11.4)
Disposal of intangibles	**0.7**	–
Net cash used un investing activities	**(29.7)**	(11.8)

Consolidated Financial Statements
For the period ended 31 March 2019

Consolidated statement of cash flows for the period ended 31 March 2019

	11 months to 31 March 2019	12 months to 30 April 2018
	£m	£m
Cash flows from financing activities		
Repayment of bank borrowings	**–**	(388.8)
Payment of finance lease creditors	**(0.6)**	(0.4)
Interest paid on loans and borrowings	**(4.3)**	(14.8)
Decrease / Increase in amounts receivable from group undertaking	**26.1**	(28.0)
(Decrease) / Increase in amounts payable to group undertaking	**(452.7)**	422.5
Captial contribution	**455.1**	–
Net cash from / (used in) financing activities	**23.6**	(9.5)
Net cash increase / (decrease) in cash and cash equivalents	**6.1**	(5.4)
Cash and cash equivalents at the beginning of period	**5.5**	10.9
Cash and cash equivalents at the end of the period	**11.6**	5.5

The notes on pages 30 to 54 form part of these financial statements.

Consolidated Financial Statements

For the period ended 31 March 2019

Notes to the consolidated financial statements for the period ending 31 March 2019

NOTE 1: Reporting entity

Argon Topco Limited (the 'Company') is a limited company incorporated in Jersey. The Company's registered office is at 11-15 Seaton Place, St Helier, Jersey, JE4 0QH. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group is primarily involved in providing software and outsourcing services to its public sector clients in the areas of government, housing, healthcare and public safety

NOTE 2: Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs); the exception to this is IFRS 15 Revenue from Contracts with Customers. The Directors have chosen not to adopt this standard to allow greater ease of understanding of the accounts and enable comparability to prior periods. The impact of adopting IFRS 15 in the current period is summarised in the table on page 16; this will become the comparison for future period reporting.

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

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

Details of the Group's accounting policies, including changes during the year, are included in note 3.

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgments and estimates have been made in preparing the consolidated financial statements and their effect are disclosed in note 5.

NOTE 3: Accounting policies

3.1 Basis of consolidation

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

Subsidiaries are entities controlled by the Group. Control is achieved when the Company:

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income and total comprehensive income are attributed to the owners of the Company.

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

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

Consolidated Financial Statements

For the period ended 31 March 2019

Notes to the consolidated financial statements for the period ending 31 March 2019

3.2 Business combinations

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

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

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

3.3 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 3.2) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.4 Revenue

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

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

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

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

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

Consolidated Financial Statements

For the period ended 31 March 2019

Notes to the consolidated financial statements for the period ending 31 March 2019

3.4 Revenue continued...

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

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

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

3.5 Leasing.

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

The Group as a lessee
Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.6 Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into sterling using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity. Retained earnings from foreign operations are translated to the functional currency at the balance sheet date with the resulting impact being recognised in the statement of comprehensive income.

Consolidated Financial Statements
For the period ended 31 March 2019

Notes to the consolidated financial statements for the period ending 31 March 2019

3.7 Employee benefits

Retirement benefit costs and termination benefits
Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item administrative expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

3.7 Taxation

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

(i) Current tax
The tax currently payable is based on taxable profit for the period. Taxable profit differs from 'profit before tax' as reported in the Consolidated Income Statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

Consolidated Financial Statements

For the period ended 31 March 2019

Notes to the consolidated financial statements for the period ending 31 March 2019

3.7 Taxation continued...

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

3.9 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following range:

- Leasehold improvements
- Fixture, fittings, equipment and motor vehicles
- Lesser of 50 years or life of the lease
- Between 3 and 10 years

At the date of revaluation, the accumulated depreciation on the revalued freehold property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The excess depreciation on revalued freehold buildings, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when freehold land and buildings are expensed through the consolidated statement of comprehensive income (e.g. through depreciation, impairment). On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

3.10 Intangible assets

(i) Intangible assets acquired separately
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

• Assets under construction	not depreciated
• Software	5 – 12 years
• Customer relationships	10 – 12 years
• Order backlog assets	2 – 10 years
• Capitalised development	5 – 10 years
• Purchased software	3 years

Consolidated Financial Statements

For the period ended 31 March 2019

Notes to the consolidated financial statements for the period ending 31 March 2019

(ii) Internally generated intangible assets
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

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

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

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

(iii) Intangible assets acquired in a business combination
Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(iii) Intangible assets acquired in a business combination
Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(iv) Derecognition of intangible assets
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first in, first out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Consolidated Financial Statements

For the period ended 31 March 2019

Notes to the consolidated financial statements for the period ending 31 March 2019

3.12 Provisions continued...

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.

Property provisions
A property provision is recognised when a reasonable estimate can be made of the dilapidation costs that will be payable at the termination date of the lease.

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

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

3.13 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

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

3.14 Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company.

Unpaid dividends that do not meet these criteria are disclosed in the notes to the accounts.

NOTE 4: Functional and presentation currency

These consolidated financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest million, unless otherwise indicated.

NOTE 5: Accounting estimates and judgements

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

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

Pensions
Details of the principal actuarial assumptions used in calculating the recognised liability for the defined benefit plans are given in note 21. Changes to the discount rate, mortality rates and actual return on plan assets may necessitate material adjustments to this liability in the future.

Provisions
Provisions are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events which can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances, which can be subject to change.

Fair value measurement on a business combination
The measurement of fair values on a business combination requires

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Notes to the consolidated financial statements for the period ending 31 March 2019

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

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

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

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

- The determination whether activities should be considered research activities or development activities;
- The determination whether the conditions for recognising an intangible asset are met requires assumptions about future market conditions, customer demand and other developments;
- The term 'technical feasibility' is not defined in IFRS, and therefore the determination whether completing an asset is technically feasible requires a company specific and necessary judgemental approach;
- The determination of the future ability to use or sell the intangible asset arising from the development and the determination of probability of future benefits from sale or use, and
- The determination whether a cost is directly or indirectly attributable to an intangible asset and whether a cost is necessary for completing a development. Amortisation of internally generated assets is charged to the income statement on a straight line basis over a useful economic life of five years, commencing from the date of capitalised development.

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

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NOTE 6: Revenue

The following is an analysis of the Group's revenue for the period from continuing operations:

	11 months ended 31 March 2019	30 April 2018
	£m	£m
Sales of goods	**149.1**	157.5

	11 months ended 31 March 2019	30 April 2018
	£m	£m
United Kingdom	**131.1**	140.7
Rest of the world	**18.0**	16.8
	149.1	157.5

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

NOTE 7: Non-recurring costs

	11 months ended 31 March 2019	30 April 2018
	£m	£m
Severance and restructuring	**0.3**	2.2
One off acquisition advisory and seperation costs	**0.9**	5.9
GMP equalisation on defined benefit pension scheme	**1.6**	–
Other non-recurring items	**3.5**	2.4
	6.3	10.5

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NOTE 8: Employee benefit expenses

	11 months ended 31 March 2019	30 April 2018
	£m	£m
Employee benefit expenses (including directors) comprise:		
Wages and salaries	**72.3**	68.9
National insurance	**5.5**	6.4
Defined contribution pension cost	**2.9**	2.2
Defined benefit scheme cost	**1.0**	0.6
	81.7	78.1

NOTE 9: Group staff numbers

	31 March 2019	30 April 2018
	Number	Number
Sales	**72**	52
Development	**451**	403
Operations	**1,387**	1,318
Support Functions	**207**	194
	2,117	1,967

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NOTE 10: Finance income and expense

	11 months ended 31 March 2019	30 April 2018
	£m	£m
Finance expense		
Bank interest payable	**0.5**	14.9
Finance leases (interest portion)	**0.1**	0.1
Loans from group undertakings	**3.8**	5.7
Interest expense on Payment in Kind notes issued	**–**	2.1
Net foreign exchange (gain) / loss	**(0.1)**	0.1
Interest on defined benefit pension liability	**0.3**	1.0
Total finance expense	**4.6**	23.9

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NOTE 11: Property, plant and equipment

	Leasehold improvements	Fixtures fittings, equipment and motor vehicles	Total
	£m	£m	£m
At 1 May 2017	1.8	10.7	12.5
Additions	–	0.6	0.6
Disposals	(0.6)	(0.9)	(1.5)
At 30 April 2018	1.2	10.4	11.6
Additions	–	1.7	1.7
Acquisitions of subsidiary	–	0.2	0.2
Disposals	(0.5)	–	(0.5)
At 31 March 2019	**0.7**	**12.3**	**13.0**

	Leasehold improvements	Fixtures fittings, equipment and motor vehicles	Total
Accumlated depreciation and impairment	£m	£m	£m
At 1 May 2017	0.3	5.9	6.2
Charge owned for the period	0.2	2.0	2.2
Disposals	(0.5)	(0.8)	(1.3)
At 30 April 2018	–	7.1	7.1
Charge owned for the period	0.2	1.6	1.8
At 31 March 2019	**0.2**	**8.7**	**8.9**
Net book value			
At 1 May 2017	1.5	4.8	6.3
At 30 April 2018	1.2	3.3	4.5
At 31 March 2019	0.5	3.6	4.1

The net book value of assets held on finance or under Hire Purchase is £0.2m (2018: £0.8m).

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NOTE 12: Intangible assets

Cost	Goodwill	Software	Customer relationships	Order backlog	Purchased software	*Capitalised development £m	Assets under development £m	Total £m
At 1 May 2017	234.1	102.3	75.2	4.7	6.5	23.4	–	446.2
Additions – external	–	–	–	–	0.7	–	–	0.7
Additions – internal	–	–	–	–	–	10.7	–	10.7
Disposals	–	–	–	–	(0.1)	–	–	0.1
At 30 April 2018	234.1	102.3	75.2	4.7	7.1	34.1	–	475.5
Additions – external	–	–	–	–	0.1	–	0.2	0.3
Additions – internal	–	–	–	–	–	10.9	–	10.9
Disposals	–	–	–	(0.7)	–	–	–	(0.7)
On acquisition of subsidiaries	6.2	5.0	8.7	0.4	–	–	–	20.3
At 31 March 2019	**240.3**	**107.3**	**83.9**	**4.4**	**7.2**	**45.0**	**0.2**	**488.3**

Accumulated amortisation and impairment	Goodwill	Software	Customer relationships	Order backlog	Purchased software	*Capitalised development £m	Assets under development £m	Total £m
At 1 May 2017	–	33.3	13.8	1.8	5.5	7.8	–	62.2
Charge for the year	–	16.3	5.9	0.8	0.8	6.9	–	30.7
Disposals	–	–	–	–	(0.1)	–	–	(0.1)
At 30 April 2018	–	49.6	19.7	2.6	6.2	14.7	–	92.8
Charge for the period	–	14.6	5.7	0.4	0.6	7.8	–	29.1
Disposals	–	–	–	(0.5)	–	–	–	(0.5)
At 31 March 2019	**–**	**64.2**	**25.4**	**2.5**	**6.8**	**22.5**	**–**	**121.4**
Net book value								
At 1 May 2017	234.1	69.0	61.4	2.9	1.0	15.6	–	384.0
At 30 April 2018	234.1	52.7	55.5	2.1	0.9	19.4	–	364.7
At 31 March 2019	240.3	43.1	58.5	1.9	0.4	22.5	0.2	366.9

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NOTE 13: Trade and other receivables

	2019 £m	2018 £m
Trade receivables	**29.4**	20.9
Amounts receivable from group undertaking	**1.9**	28.0
Prepayments and accrued income	**33.3**	28.9
Tax recoverable	**1.5**	1.5
Other receivables	**1.0**	0.9
Total trade and other receivables	**67.1**	80.2

The carrying value of trade and other receivables classified as loans and receivables approximates fair value.

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NOTE 14: Subsidiaries

The principal subsidiaries of Argon Topco Limited, all of which have been included in these consolidated financial statements and all of which are wholly owned in the current and prior year, are as follows:

Name	Country of incorporation and operation
Northgate Public Services Limited	England and Wales
Argon NPS (Holdings) Limited	England and Wales
Argon NPS Limited	England and Wales
NPS (Holdings) Limited	England and Wales
Rave Technologies (India) Private Limited	India
Rave Technologies (UK) Limited	England and Wales
Rave Technologies USA Inc	California, USA
Northgate Public Services (UK) Limited	England and Wales
Techsas Limited	England and Wales
Health Information Systems (Holdings) UK Limited	England and Wales
Health Information Systems (UK) Limited	England and Wales
CIM Systems Limited	England and Wales
NPS (UK1) Limited	England and Wales
McDonnell Limited	England and Wales
PBSD Limited	England and Wales
Prolog Business Solutions Limited	England and Wales
Daman Limited	England and Wales
Blue 8 Technologies Limited	England and Wales
Blue 8 Technologies (UK) Limited	England and Wales
Blue 8 Systems Limited	England and Wales
Kendric Ash Limited	England and Wales
Kendric Ash Trustees Limited	England and Wales
Northgate Public Services Pty Limited	Australia
SX3 Limited	Australia
First Software Pty Limited	Australia
Northgate Public Services (Canada) Limited	Canada
SX3 Limited	Hong Kong
NPS (UK2) Limited	England and Wales
NPS (UK5) Limited	England and Wales

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NPS (UK7) Limited	England and Wales
NPS (UK8) Limited	England and Wales
NPS (UK9) Limited	England and Wales
NPS (UK10) Limited	England and Wales
CME Software Systems Limited	England and Wales
CME Systems Limited	England and Wales
Ideal Technology Services Limited	England and Wales
Imasys Local Government Limited	England and Wales
Sheridan Systems Limited	England and Wales
Transform Systems & Solutions Limited	England and Wales
Micro Surveys Property Systems Limited	England and Wales
NPS (UK6) Limited	England and Wales
Business Computer Technology Limited	Scotland
Braid Hill Holdings	Scotland
Braid Hill Software Limited	Scotland
MVM Holdings Limited	England and Wales
MVM Central Land Charges Compnay Limited	England and Wales
MVM Cleveland Limited	England and Wales
NPS (UK4) Limited	England and Wales
MVM Pickwick Limited	England and Wales
MVM Infrastructure Management Solutions Limited	England and Wales
NPS (UK3) Limited	Republic of Ireland
Microcentre Limited	Scotland
XBS Limited	England and Wales
SX3 Limited	Northern Ireland
First Software UK Limited	England and Wales
First Software Limited	England and Wales
SX3 Limited	Republic of Ireland
Health Information Systems (Holdings) UK Limited	England and Wales
Health Information Systems (UK) Limited	England and Wales
i2N Limited	England and Wales
NPS (UK11) Limited	England and Wales
NPS (UK12) Limited	England and Wales
APD Mobile Data Limited	England and Wales
APD Communications Limited	England and Wales

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NOTE 15: Trade and other payables

	2019 £m	2018 £m
Trade payables	**8.1**	8.1
Payables to group undertaking	**01.3**	450.7
Accruals	**18.1**	16.5
Deferred income	**55.1**	54.2
Other payables – tax and social security	**6.1**	10.9
Corporation tax	**0.2**	0.5
Total trade and other payables	**88.9**	540.9

Payables to group undertaking relate to amounts owed to the parent company, Garden Private Holdings Limited.

On 31 January 2018, Garden Private Holdings Limited purchased 100% of the loan notes and accrued interest thereon, from external parties. On the same date, Garden Private Holdings Limited repaid the bank loans on behalf of Argon Topco Group Companies and made a new loan to the Group for the same value.

In the current year, this balance has been waived as a capital contribution.

NOTE 16: Loans and borrowings

	31 March 2019 £m	30 April 2018 £m
Non-current		
Finance leases	**0.1**	0.8
Current		
Finance leases	**0.4**	0.3
Total loans and borrowings	**0.5**	**1.1**

The carrying value of loans and borrowings classified as financial liabilities measured at amortised cost approximates fair value.

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NOTE 17: Provisions

	Property provision £m	Onerous lease provision £m	Total £m
At 1 May 2018	1.1	0.1	1.2
Utliised during the period	–	(0.1)	(0.1)
At 31 March 2019	**1.1**	**–**	**1.1**

NOTE 18: Share capital

Authorised, issued and fully paid

	2019 Number	**2019 £m**	2018 Number	2018 £m
Class A1 Ordinary shares of £0.01 each	**2,379,755**	**–**	2,379,755	–
Class B Ordinary shares of £0.01 each	**5,113**	**–**	5,113	–
Class C Ordinary shares of £0.01 each	**786,206**	**–**	786,206	–
Class D Ordinary shares of £1.00 each	**8,750**	**–**	8,750	–
Class E Ordinary shares of £0.0001 each	**20,000**	**–**	20,000	–
Share premium account shares	**3,181,211**	**3.2**	3,181,211	3.2
Total	**6,381,035**	**3.2**	6,381,035	3.2

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NOTE 18: Share capital, continued...

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

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

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

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

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

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NOTE 19: Analysis of amounts recognised in other comprehensive income

Period to 31 March 2019	Retained earnings £m
Actuarial gain/loss on definied benefit pension schemes	(6.7)
Deferred tax on remeasurement of defined benefit liability	1.1
Foreign currency translation differences – foreign operations	(1.2)
	(6.8)

Period to 30 April 2018	Other reserves £m	Retained earnings £m
Actuarial gain/loss on definied benefit pension schemes	–	5.5
Deferred tax on remeasurement of defined benefit liability	–	(1.0)
Foreign currency tranlsation differences – foreign operations	–	(0.2)
Net change in fair value of interest rate swap	0.9	–
	0.9	**4.3**

NOTE 20: Leases

Operating leases – lessee
The total future value of minimum lease payments is due as follows:

	31 March 2019 £m	30 April 2018 £m
Not later than one year	1.8	1.6
Between one year and five years	1.4	2.6
Later than five years	0.1	0.3
	3.3	**4.5**

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NOTE 21: Group emplyee benefits

Defined contribution schemes

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £2.9m (2018: £2.2m). Amounts payable in respect of defined contribution arrangements at 31 March 2019 were £0.7m (2018: £0.5m).

(i) Defined benefit scheme characteristics and funding

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

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

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

Funding

The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. This includes the additional contributions aimed at removing the deficit of the schemes. Contributions to the defined contribution schemes are in addition to the contributions to the UK defined benefit schemes.

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NOTE 21: Group emplyee benefits, continued...

Reconciliation of defined benefit obligation and fair value of scheme assets

	Defined benefit obligation		Fair value of scheme assets		Net defined scheme liability	
	£2018 £m	£2017 £m	**£2018 £m**	£2017 £m	**2018 £m**	2017 £m
Balance at 1 May	**122.9**	128.7	**(104.6)**	(103.9)	**18.3**	24.8
Service cost – current	**0.5**	0.6	**–**	–	**0.5**	0.6
Service cost – past	**–**	–	**0.4**	0.4	**0.4**	0.4
Interest cost	**1.6**	–	**–**	–	**1.6**	–
Included in profit or loss						
	128.0	132.5	**(107.3)**	(106.5)	**2.4**	1.2
Remeasurement loss/(gain) Actuarial loss/(gain) from:						
– Demographic assumption	**(0.3)**	–	**–**	–	**(0.3)**	–
– Financial assumptions	**11.1**	(6.6)	**–**	–	**11.1**	(6.6)
– Adjustments (expenses)	**(0.1)**	0.4	**–**	–	**(0.1)**	0.4
Return on plan assets (excluding interest)	**–**	–	**(3.8)**	0.7	**(3.8)**	0.7
Included in other comprehensive income	**10.7**	(6.2)	**(3.8)**	0.7	**6.9**	(5.5)
Employer contributions	**–**	–	**(8.9)**	(2.2)	**(8.9)**	(2.2)
Benefits paid	**(3.7)**	(3.4)	**3.7**	3.4	**–**	–
Other movements	**(3.7)**	(3.4)	**(5.2)**	1.2	**(8.9)**	(2.2)
Balance at 31 March	**135.0**	122.9	**(116.3)**	(104.6)	**18.7**	18.3

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NOTE 21: Group emplyee benefits, continued...

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

	31 March 2019	30 April 2018
	£m	£m
Equities	**11.3**	22.1
LDI Funds	**24.8**	21.2
Multi-asset credit	**7.5**	7.5
Property	**11.8**	11.1
Emerging market multi asset	**9.7**	9.7
Diversified growth funds	**10.9**	21.0
Corporate bonds	**27.3**	–
Cash and net current assets	**13.0**	11.9
Total plan assets	**116.3**	**104.5**

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

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NOTE 21: Group emplyee benefits, continued...

Actuarial assumption

	31 March 2019	30 April 2018
Discount rate	**2.42%**	2.70%
Future salary increases	**1.00%**	1.00%
Retail price inflation (RPI)	**3.27%**	3.10%
Consumer price inflation (CPI)	**2.47%**	2.00%
Future pension increases (2.5% LPI)	**2.11%**	2.10%
Future pension increases (5% LPI)	**3.12%**	3.00%
Longevity at retirement age (current pensioners)		
– Males	**22.2 years**	22.3 years
– Females	**24.2 years**	24.3 years
Longevity at retirement age (future pensioners)		
– Males	**23.6 years**	23.8 years
– Females	**25.7 years**	25.8 years

The weighted-average duration of the defined benefit obligation at 31 March was 17.0 years (2018: 17.0 years)

Sensitivity analysis
The impact to the value of the defined benefit obligation of a reasonably possible change to one actuarial assumption, holding all other assumption content, is presented in the table below:

		Definied benefit obligation	
Actual assumption	**Reasonably possible change**	**Increase**	**Decrease**
Discount rate	(+/- NIL%)	(2.3)	2.4
Inflation and related future pension growth	(+/- NIL%)	1.3	(1.3)
Life expectancy	(+/- NIL%)	5.0	(4.9)

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NOTE 22: Business combinations during the period

22.1 Assets acquired and liabilities recognised at the date of acquisition

Non-current assets	**Total £m**
Property, plant and equipment	0.2
Intangible assets	14.1
Current assets	
Cash and cash equivalents	1.7
Trade and other receivables	2.9
Inventories	1.1
Non-current liabilities	
Current liabilities	
Trade and other liabilities	(6.4)
Deferred tax	(2.6)
	11.0

22.2 Subsidiaries acquired	**Total £m**
Consideration transferred	17.3
Fair value of identifiable net assets acquired	(11.0)
Goodwill arising on acquisition	
	6.3

22.4 Net cash outflow on acquisition	**31 March 2019** **Total £m**
Consideration paid in cash	**17.3**
Less: cash and cash equivalent balances acquired	**(1.7)**
	15.6

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NOTE 23: Notes supporting statement of cash flows

	31 March 2019 £m	30 April 2018 £m
Cash at bank available on demand	**3.1**	5.5
Short term deposits	**8.5**	–
Cash and cash equivalents in the statement of financial position	**11.6**	5.5
Cash and cash equivalents in the statement of cash flows	**11.6**	5.5

NOTE 24: Ultimate controlling party

The immediate controlling party is Garden Private Holdings Limited, a company incorporated in the United Kingdom.
The ultimate controlling party is NEC Corporation, a company incorporated in Japan.
The largest group in which the results of the Group are consolidated is that headed by NEC Corporation.

Copies of the NEC Corporation accounts can be obtained from the registered office at
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NEC \Orchestrating a brighter world

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